**Stock Code: 5324**

士林開發
Shihlin Development

SHIHLIN DEVELOPMENT COMPANY LIMITED.

# 2023
# Annual Report

**Printed on April 1, 2024**

**The content of the Annual Report and information related to the Company can be found on**

**MOPS – http://mops.twse.com.tw**

1. **Name, title, contact number and email of the spokesperson and acting spokesperson:**
   Spokesperson
   Name: Ying-Yen Kuo
   Title: Assistant Manager of Finance and Accounting Department
   Contact number: (02)2834-8392
   Email: jack@sdc.com.tw

   Acting spokesperson
   Name: Tzu-Fan Lin
   Title: Manager of Finance Department
   Contact number: (02)2834-8392
   Email: sammi@sdc.com.tw

2. **Address and contact number of head office, branch and factory:**
   Head office address: 8F., No. 90, Sec. 6, Zhongshan N. Rd., Shihlin Dist., Taipei City
   Head office contact number: (02) 2834-8392

3. **Name, address, website and telephone number of the stock transfer agency:**
   Name: Stock Agency Department, Yuanta Securities
   Address: B1F., No.210, Sec.3, Chengde Rd., Datong Dist., Taipei City
   Website: http:// www.yuanta.com.tw
   Contact number: (02) 2586-5859

4. **Name, firm name, address, website and contact number of the CPAs certifying the most recent annual financial report:**
   CPAs: Tsung-Che Chen, Hsin-Ting Huang
   Firm name: KPMG Taiwan
   Address: 68F., No.7, Sec.5, Xinyi Rd., Xinyi Dist., Taipei City
   Website: http://www.kpmg.com.tw
   Contact number: (02)8101-6666

5. **The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities:** None.

6. **Company website:** http://www.sldc.com.tw

# SHIHLIN DEVELOPMENT COMPANY LIMITED
## 2023 Annual Report
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# One. A Report to the Shareholders

Shihlin Development Company Limited
2023 Business Report

Dear Shareholders,

First of all, I would like to express my gratitude to you all, ladies and gentlemen as our shareholders, for your continuous support during the past year. Our 2023 operating results and 2024 business outlook are as follows:

I. 2023 Operating Results:

(I) Business plan implementation results:

The operating revenue recognized for 2023 totaled NTD 609,213 thousand.

(II) Budget implementation:

Unit: NTD thousand

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

(III) Analyses into financial revenues and expenditures and profitability

Unit: NTD thousand

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

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

(IV) Research and development work:

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

II. Summary of 2023 business plan:

(I) Business policy:

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

(II) Projected sales volume and basis:

Project launched for sales

| Project name | Location/base area | Description |
| --- | --- | --- |
| Lin-Yi-Ruo-Zhuo | Zhongzheng District, approximately 131 *ping* (433 square meters) | The aggregate total sale amount was approximately NTD 670 million, of which 50% of the units had been sold and closed. Subsequent sales of existing houses will depend on the market conditions. |
| Jing-An-Shu-Yu | Tianmu, approximately 505 *ping* (1669.4 square meters) | This project has been sold out, with a total sales amount of NTD 1.1 billion and is expected to be completed in Q3 2024. |
| Yang-Ming-Zhi-Yuan | Shipai, approximately 488 *ping* (1613.2 square meters) | This project has been sold out, with a total sales amount of NTD 1 billion and is expected to be completed in Q4 2024. |
| Mei-Hao-Ri-An | Tianmu, approximately 173 *ping* (571.9 square meters) | Total sales amounted to NTD 300 million. Note* |
| Cheng-Xin-Yao-Yao | Datong District, approximately 1,009 *ping* (3335.5 square meters) | The aggregate total sales might be approximately NTD 6 billion. In 2021 through open sales to public, we already accomplished 50% of the total target. Subsequently we shall flexibly adjust the sales strategies as the market status may justify. The entire Project is scheduled to be completed and delivered to buyers by 2026. |
| Bihu Project | Neihu District, approximately 928 *ping* (3067.8 square meters) | The total sales was approximately NTD 5.3 billion. This urban renewal project has been approved by the Taipei City Government at the end of 2022. It is expected that the demolition will be completed and construction will officially start in Q2 2024. The timing and strategy of the sales will be determined based on the market sentiment. |
| Xinyi Anhe project | Daan District, approximately 680 *ping* (2248 square meters) | The total sales amount was about NTD 5.2 billion. The urban renewal project was submitted for approval in September 2023 and is currently under review. |

Note: As the foundation for the co-development with land owners' property are connected with the adjacent houses, reinforcement for the adjacent houses is needed before construction. However, the home owners of the nearby houses do not agree to the reinforcement, so the land owners will clear the obstacles through litigation before the delivery to the Company for future construction. The verdict is expected to be announced in the first instance in the Q2 2024.

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

Taipei City. Among them, the projects in Rui-An Street, Da'an District, and Section 6 of North Zhongshan Road, Shilin District have been consolidated, and are scheduled to be submitted for approval in Q2 2024.

(III) Production and sales policies:

1. Production strategy-:

(1) Seek locations and products with good development prospects, convenient transportation links and strong value-added potential to gradually expand land development outside Taipei City and New Taipei City.

(2) There are currently only a small number of commercial/factory office projects. However, we will be able to increase their proportion to meet market demand and increase profitability when suitable opportunities arise.

(3) Meticulously plan and design acquired land based on regional characteristics and consumer needs.

(4) Carefully select building materials and prioritize quality to improve living functions, increasing the added value of our products.

(5) Continue to manage "Urban renewal, dangerous and old buildings" projects in prime locations in the city on par with the government's incentives for urban renewal and the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, to maintain stable projects in prime locations.

2. Sales strategy-:

(1) In response to the impact of the significant increase in construction costs, the future projects will be built and sold at the same time depending on the market condition. At the same time, the sources of property buyers and customers who purchase home for their own use are monitored to ensure the stability of the company's revenue and profit.

(2) We will continue to focus on the high-end pricing in the local areas. However in actual selling, we wll still sell at an appropriate price based on the market condition at the time to take both the profit margin and working capital into consideration, further achieving better profitability.

(3) If there is still inventory for sales to the public after the commencement of construction, the subsequent sales strategy will be flexibly adjusted depending on the market condition to ensure better profitability when the market price rebounds in the future.

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

Looking back on the performance of the housing market in 2022 when it turned cold from hot, there were factors such as the Russo-Ukrainian War which affected price hikes in energy and commodities, the constant rate hikes in the US which also resulted in the rise in domestic interest rate. The effects in 2023 were not as apparent, but the instability involving the presidential election was not conducive to the domestic house sales, further holding back the demand for a wait-and-see. In terms of the supply, the domestic policy has adopted financial control and pressure on construction firms in order to curb speculation. Although the interest rates have only been raised by 0.125% in 2023, the recent trends of short-term interest rate hikes remain unchanged, which increase the capital cost for builders. The price hikes of raw materials are expected to slow down, but the shortage of foreign workers and domestic construction workers and the rising wages, coupled with the expected future increase in water and electricity and the extra costs in response to the ESG trends and carbon taxes, will cause the construction costs to remain high, so the overall environment is rather unfriendly to construction firms.

Looking forward to the new year, the various factors unfavorable to construction firms make it difficult to keep an optimistic view. However, food, clothing, shelter, and transportation are the rigid needs of human life. There are many factors affecting the construction industry. Changes in demographics and social changes (such as a declining birthrate, an aging population, etc.) will tend to make the housing market focus on returning to basics. Therefore, there are more development prospects in the premium areas with transportation construction and rich functions to promote small houses in the city center and urban renewal products in old communities.

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

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

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

Yours Sincerely, Chairman Hsu Yu-Shan

# Two. Company Description

I. Date of establishment: January 23, 1984.

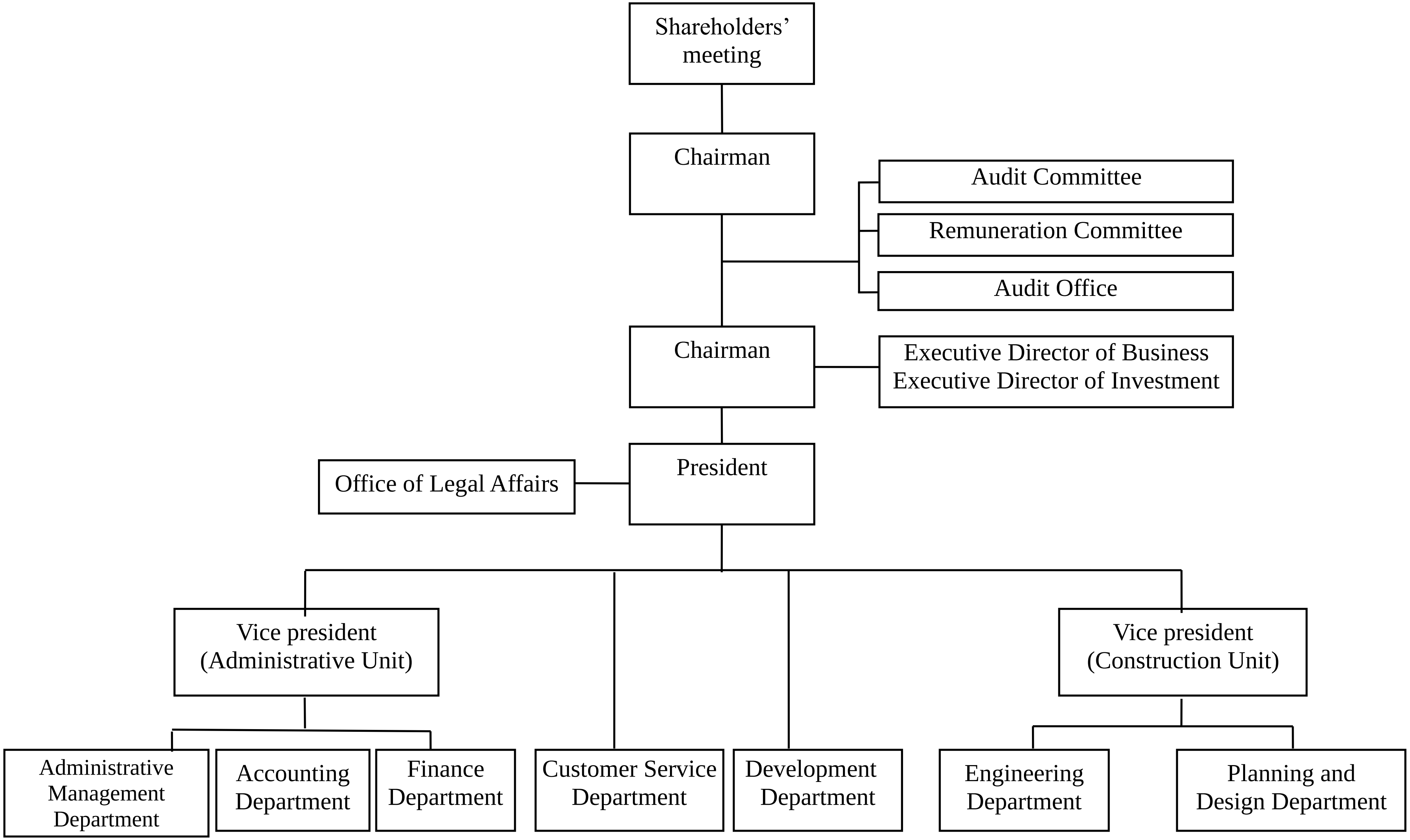
II. Company History:

| Year | Important Notes |
|---|---|
| 1984/01 | Official establishment of the Company. In October of the same year, Hsinchu Factory I was completed and put into use. |
| 1992/10 | The Securities Commission of Ministry of Finance approved the public trading of the Company's shares |
| 1996/11 | Listing of shares was approved. |
| 2000/03 | Capital was increased by NTD 153,000 thousand in cash, reaching NTD 1,000,000 thousand. |
| 2007/08 | First private placement of unsecured convertible bonds for NTD 12,000 thousand. |
| 2007/11 | First private placement of 80 million common shares, with the capital reaching NTD 1,978,535 thousand.<br>The Company changed and registered its name and relocated to 8F., No.90, Sec.6, Zhongshan N. Rd., Taipei City |
| 2007/12 | The capital was reduced by NTD 700,000 thousand, while issuing second private placement of 65 million common shares, with the capital reaching NTD 1,928,535 thousand. |
| 2008/02 | The land and buildings of Hsinchu Hukou factory were disposed of and factory registration cancelled.<br>Land for new business ventures was purchased. |
| 2008/04 | Invested in 74% of Shihlin Development Company Limited. |
| 2008/04 | Officially listed and changed the company name to "De-Feng Innovation International Co., Ltd." on April 3. |
| 2008/08 | The capital was reduced by NTD 1,620,000 thousand, while issuing private placement of 16,666,500 common shares, with the capital reaching NTD 475,200 thousand. |
| 2008/11 | Invested in 26% of Shihlin Development Company Limited. |
| 2010/03 | Issuance of private placement of 17,000,000 preferred shares A by capital increase from conversion of preferred shares with Shihlin Development, with the capital reaching NTD 645,200 thousand. |
| 2010/09 | Officially listed and changed the company name to "Shihlin Development Company Limited" on September 17. |
| 2010/12 | In 2005, NTD 10 million of corporate bonds privately placed was converted into private placement of 1,440,921 shares, with the capital reaching NTD 659,609 thousand. |
| 2012/9 | In 2012, earnings were transferred to increase capital by issuing 14,688,287 shares of common stock, with the capital reaching NTD 806,492 thousand. |
| 2013/10 | In 2013, earnings were transferred to increase capital by issuing 12,729,848 shares of common stock, with the capital reaching NTD 933,790 thousand. |
| 2014/07 | In 2014, the Company issued NTD 600 million of secured corporate bonds to pay for construction work. |
| 2015/12 | In 2015, capital was increased by NTD 300,000 thousand in cash, with the capital reaching NTD 1,233,790 thousand. |
| 2016/01 | In 2016, capital was decreased by NTD 170,000 thousand in preferred shares, with the capital reaching NTD 1,063,790 thousand. |
| 2019/07 | In 2019, the Company issued NTD 600 million of secured corporate bonds to repay the 2014-ordinary bonds. |
| 2020/02 | In 2019, capital was increased by NTD 300,000 thousand in cash, reaching NTD 1,363,790 thousand. |
| 2020/11 | In 2020, the Company issued NT1 billion of 2020-ordinary bonds to repay bank loans. |
| 2021/07 | In 2021, capital was increased by NTD 900,000 thousand in cash, reaching NTD 2,263,790 thousand. |
| 2022/01 | In 2022, the Company issued NTD 1.2 billion of 2021-ordinary bonds to repay bank loans. |

# Three. Corporate Governance Report

## I. Organizational system:

### (I) Organizational structure:



## (II) Tasks of principal departments:

| Department | Business |
|---|---|
| Chairman's Office | Assists upper management in managing company operations. |
| President Office | Develop, promote, follow up and analyze the Company's business vision, annual business plan, annual targets and business policies; research the company's medium and long-term business operation and direction of development; formulate the establishment, review, and adjustment of the internal operation model (including operation flows and organizational structure).<br>Manage and direct business execution of each department of the company; formulate and promote the company's important policies and strategic project plans; conduct the feasibility analysis on new business investments. |
| Audit Office | Plan and make additions and amendments to internal control and internal audit systems, self-assessments, and audit implementation operations. |
| Administrative Management Department | Plan and conduct human resources-related operations and systems of regulations; plan and conduct meeting operations (of the remuneration committee meeting and labor-management meeting) and annual income consolidated declaration; conduct education and training, administration and general affairs, office asset management, documentation, and computer system security maintenance and management. |
| Finance Department | Conduct financial analysis, bank funds (including subsidiaries') management, cashier activities, (short- and long-term) investments prior analysis and suggestion and tracking management, supervision of subsidiaries (matters other than those of which the Audit Office and the Accounting Department in charge), stock affairs -related business execution (including corporate bonds, cash capital increase, preparation of annual reports), operations of the related business of the board of directors, audit committee and shareholders' meeting, material information reporting and publishing, juristic-person investors relationship management, and change in company business registration. |
| Accounting Department | Prepare annual budget and construction budget as well as accounting treatment; collect and prepare individual and consolidated financial reports; perform tax affairs, establish accounting systems, conduct investment analysis on construction projects, evaluate investment profit and loss, conduct supervision of subsidiaries (such as regularly obtaining the monthly management report of the subsidiaries for analysis and review according to the law, arrangement and delivery of financial and business information, or hiring a CPA to carry out an audit or review of financial reports, etc. in accordance with the matters and time limit required for publishing and reporting by the laws and regulations), plan and conduct cost analysis, business declaration, and other relevant business, and assist subsidiary related business. |
| Customer Service Department | Plan and conduct operations associated with construction project sales, signing and delivery, after-sales services, and handling of customer complaints. |
| Development Department | Market research, analysis and evaluation of land planning, property rights investigation and contract signing, payment, transfer and taxation of real estate,<br>real estate investment, plans and executes operations associated with development and investment, and urban renewal and assistance in sales operations and urban renewal and assistance in sales operations. |
| Engineering Department | Plan and execute engineering matters and construction supervision, control, of project budget and progress, construction quality supervision and inspection, construction maintenance, construction safety and tracking and management of use permit.<br>Plan and execute electrical and mechanical planning and construction management operations.<br>Plan and execute construction procurement and contracting signing, bargaining on changed projects, design drawing review, and vendor assessment. |
| Planning and Design Department | Plan and execute architectural design and construction permit application, review of building laws and regulations and drawing review, construction material recommendation, project budget compilation. |
| Office of Legal Affairs | Review external letters and contracts, execute matters related to lawsuits, and provide legal advice. |

## II. Information on the company’s directors, president, vice president, assistant managers, and managers of all departments and branch units:

### (I) Information on Directors:

April 1, 2024

| Title (Note 1) | Nationality or place of registration | Name | Gender Age (Note 2) | Date on which current position was assumed | Term of contract | Commencement date of the first term (Note 3) | Shares held at the time of election | | Current number of shares held | | Current shares held by spouse, minor children | | Shares held in the name of others | | Principal work experience and academic qualifications (Note 4) | Position(s) held concurrently in the company and/or in any other company | Other managers, directors or supervisors who are spouses or second-degree relatives | | | Remarks (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | | | Title | Name | Relationship | |
| Chairman | Taiwan | Shunlin Investment Co., Ltd. | Male 61-70 | 2022/6/10 | 3 years | 2007/10/29 | 1,946,184 | 0.86% | 1,946,184 | 0.86% | 0 | 0 | 0 | 0 | Graduated from Department of Cooperative Economics, National Chung Hsing University Chairman, Shihlin Development | Chairman of Yao ze Limited, Huide Development Company Limited; director of Shunlin Investment Co., Ltd., Prospect Hospitality Co., Ltd., Qun Xin Properties Co., Ltd., Deyu Co., Ltd., T-Design Co., Ltd. | None | None | None | None |
| | | Representative: Hsu, Yu-Shan | | | | | 0 | 0 | 0 | 0 | 4,927,182 | 2.18% | 0 | 0 | | | | | | |
| Director | Taiwan | Li, Chang-Lin | Male 51-60 | 2022/6/10 | 3 years | 2008/06/18 | 260,250 | 0.11% | 260,250 | 0.11% | 0 | 0 | 0 | 0 | Graduated from Department of Economics, Boston University Director, Shihlin Development | Chairman of Qun Xin Properties Co., Ltd., Prospect Hospitality Co., Ltd., Chuan Sheng Investment Co., Ltd., Chih-Chieh Co., Ltd., Deyu Co., Ltd.; director of the Ambassador Hotel Co., Ltd., SURV Planning And Development Co., Ltd., HCT Logistics Co., Ltd. | None | None | None | None |
| Director | Taiwan | Xiemei Industrial Co., Ltd. | Male 61-70 | 2022/6/10 | 3 years | 2013/06/13 | 9,977,374 | 4.14% | 9,977,374 | 4.41% | 0 | 0 | 0 | 0 | Graduated from Department of Economics, San Francisco State University, USA Director, Shihlin Development | Chairman and president of Zhonghe Construction Co., Ltd, Chung Ho Spinning Co., Ltd; chairman of Changxie Investment Co., Ltd., Changxin Investment Co., Ltd., Xiemei Industrial Co., Ltd., Taiwan Malt Ind. Co., Ltd.; chairman of Hongqian Construction Co., Ltd.; director of Prospect Hospitality Co., Ltd., Deyu Co., Ltd., Ve Wong Corporation, Taian Insurance Co., Ltd. | None | None | None | None |
| | | Representative: Yeh, Chi-Chao | | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Director | Taiwan | Ambassador Investment Corp. Ltd. | Male 51-60 | 2022/6/10 | 3 years | 2019/06/18 | 5,781,850 | 2.55% | 5,781,850 | 2.55% | 0 | 0 | 0 | 0 | Graduated from Graduate Institute of Finance, Fu Jen Catholic University | Deputy Chief of Staff of Shihlin Electric Co., Ltd. Senior Assistant Manager, HCT Logistics Co., Ltd. Director of Ambassador Hotel Co., Ltd., Hct Logistics Co., Ltd., Charter Leisure Co., Ltd., Qun Xin Properties Co., Ltd. | None | None | None | None |
| | | Representative: Li, Ying-Chu | | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | |

| Title (Note 1) | Nationality or place of registration | Name | Gender Age (Note 2) | Date on which current position was assumed | Term of contract | Commencement date of the first term (Note 3) | Shares held at the time of election | | Current number of shares held | | Current shares held by spouse, minor children | | Shares held in the name of others | | Principal work experience and academic qualifications (Note 4) | Position(s) held concurrently in the company and/or in any other company | Other managers, directors or supervisors who are spouses or second-degree relatives | | | Remarks (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | | | Title | Name | Relationship | |
| Director | Taiwan | Lin, Hsin-Cheng | Male 61-70 | 2022/6/10 | 3 years | 2022/06/10 | 3,055,880 | 1.35% | 2,533,880 | 1.12% | 0 | 0 | 0 | 0 | Graduated from Urban Planning Group, Graduate Institute of Industrial Planning, Chinese Culture University | President, Shihlin Development<br>Director, Huide Development Company Limited<br>Independent Director, Da-Cin Construction Co., Ltd. | None | None | None | None |
| Independent Director | Taiwan | Wang, Chia-Kun | Male 61-70 | 2022/6/10 | 3 years | 2016/06/15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Business Administration, National University, San Diego, USA | Chairman of Chin Shen Health management consultant Co., Audit Committee member of Shihlin Development | None | None | None | None |
| Independent Director | Taiwan | Kuo, Chia-Wen | Female 61-70 | 2022/6/10 | 3 years | 2016/06/15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Graduate Institute of Law, National Taiwan University | Legal Affairs Manager, Six Similes Attorney-at-Law<br>Member of the Audit Committee, Shihlin Development | None | None | None | None |
| Independent Director | Taiwan | Chen, Chia-Hsiu | Male 61-70 | 2022/6/10 | 3 years | 2022/06/10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Graduated from Department of Accounting, Soochow University | Senior Consultant, Partner Certified Public Accountant, KPMG Certified Public Accountants<br>Director of E-Formula Technologies, Inc.<br>Independent director of Chungshan Huali Group<br>Member of the Audit Committee, Shihlin Development | None | None | None | None |

Note 1: An institutional shareholder should list their name and the representative’s name (for an institutional shareholder’s representative, the name of the institutional shareholder should be stated) and fill in Table 1 below:

Note 2: Please provide the actual age, or it may be repressed as a range of age, such as aged 41~50, or aged 51~60.

Note 3: Please fill in the time of assuming the role of Company director or supervisor. If there is any interruption of service, please indicate.

Note 4: Experience related to the current position. If the person has worked for the Company’s CPA firm or affiliates in the aforementioned period, please specify the tile of the position and the duties performed.

Note 5: Relevant information on the matter where the chairperson of the board of directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, shall be provided. This should include an explanation of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto. These measures may include additional seats of Independent Directors, and ensuring that no more than half of the seats of directors are serving concurrently as an employee or a manager, or other ways.

Note 6: The number of shares held by all directors registered on the final date of transfer for the 2024 annual general meeting.

## (II) Major shareholders of institutional shareholders:

March 31, 2024

| Name of institutional shareholder (Note 1) | Major shareholders of institutional shareholders (Note 2) |
|---|---|
| Shunlin Investment Co., Ltd. | Hsu, Yu-Shan (39.16%), Hsu, Mei-Kuei (0.35%), Hsu, Shen-Wei (0.14%), Hsu, Chien-Chen (30.18%), Hsu, Chiang (15.05%), Hsu, Wen-Wei (15.05%), Lin, Jin-Wei (0.07%) |
| Xiemei Industrial Co., Ltd. | Yeh, Ying-Mei (16.28%), Yeh, Chi-Chao (15.47%), Yeh, Ying-Hsia (12.42%), Chen, Tsang-Ku (10.88%), Yeh, Yuan-Chu (9.1%), Tseng, Shu-Yun (6.35%), Changxin Investment (6.25%), Yeh, Ying-Chiu (5.8%), Lai, Jung-Nien (3.25%), Yeh, Chien-Fang (2.55%) |
| Ambassador Investment Corp. Ltd. | Ambassador Hotel Co., Ltd. (99.99%), Hsu Chin-Te Memorial Foundation (0.01%) |

Note 1: For directors and supervisors acting as the representatives of institutional shareholders, the names of the institutional shareholders shall be filled in.

Note 2: Please fill in the names of the major shareholders of institutional shareholders (top 10 in shareholding percentage) and the holding percentage of each. If any of the major shareholders is a legal entity, the following Table 2 shall be filled in.

Note 3: If an institutional shareholder is not a corporate organization, the name of the shareholder and shareholding percentage disclosed in the preceding paragraph shall be the name of the contributor or donor (referring to the announcements by the Judicial Yuan) and their contribution or donation ratio; if the donor passed away, a note indicating "deceased" shall be added.

## (III) Major shareholders of the institutional shareholders whose major shareholders are legal entities:

March 31, 2024

| Name of legal entity (Note 1) | Major shareholders of legal entity (Note 2) |
|---|---|
| Ambassador Hotel Co., Ltd. (2023.07.20) | Shihlin Electric Co., Ltd. (18.24%), Dehong Investment Co., Ltd. (8.07%), HCT Logistics Co., Ltd. (7.67%), Xinhe Investment Co., Ltd. (7.08%), Yuyoung Investment Co., Ltd. (5.78%), JingdeSheng Co., Ltd. (5.59%), Agent Investment Account for Citibank as custodian of Firstrade Securities (Hong Kong) (4.21%), Changhong Investment Co., Ltd. (3.55%), Yang De Investment Co., Ltd. (2.17%), Shin Kong Life Insurance Co., Ltd. (1.79%) |
| Changxin Investment Co., Ltd. | Yeh, Hsun-Wan (30.4%), Yeh, Hsun-Yang (16%), Tseng, Shu-Yun (10%), Yeh, Yuan-Chu (10.56%), Yeh, Chi-Chao (8.64%), Xiemei Industrial Co., Ltd. (8%), Yeh, Ying-Hsia (6%), Wang Yeh, Ying-Chin (5.6%), Yeh, Hung-Luan (2.80%), Yeh Chien-Fang (2%) |

Note 1: If the principal shareholders in Table 1 above is a legal entity, the name of the legal entity shall be filled in.

Note 2: Please fill in the names of the principal shareholders of the legal entity (top 10 in shareholding) and the shareholding ratio.

Note 3: If an institutional shareholder is not a corporate organization, the name of the shareholder and shareholding percentage disclosed in the preceding paragraph shall be the name of the contributor or donor (referring to the announcements by the Judicial Yuan) and their contribution or donation ratio; if the donor passed away, a note indicating "deceased" shall be added.

**(IV) 1. Disclosure of information on the professional qualifications of directors and the independence of independent directors:**

| Requirement / Name | Professional qualifications and experience (Note 1) | Status of independence (Note 2) | Number of other public companies' independent directors concurrently serve as an independent director |
|---|---|---|---|
| Chairman<br>Shunlin Investment Co., Ltd.<br>Representative: Hsu, Yu-Shan | Director Hsu graduated from the Department of Cooperative Economics of National Chung Hsing University, with more than five years of work experience required for business, finance, and corporate business. He has devoted himself to construction industry related fields for many years, and has professional leadership, operations management, and strategic planning capabilities. In recent years, Director Hsu has led the company to acquire multiple urban renewal projects, setting a new milestone for sustainable development. | Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. | None |
| Director<br>Li, Chang-Lin | Director Li graduated from the Department of Economics of Boston University, USA., with more than five years of work experience required for business, finance, and corporate business, and has an international perspective, global and professional market competition judgement and innovation leadership capabilities. | Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. | None |
| Director<br>Xiemei Industrial Co., Ltd.<br>Representative: Yeh, Chi-Chao | Director Yeh graduated from the Department of Economics, San Francisco State University, USA, with more than five years of work experience required for business, finance, and corporate business. He has devoted himself to construction industry related fields for many years and has extensive experience and expertise. | Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. | None |
| Director<br>Ambassador Investment Corp. Ltd.<br>Representative: Li, Ying-Chu | Director Li graduated from Institute of Finance of Fu Jen Catholic University, with more than five years of work experience required for business, finance, and corporate business. He works as a senior director of Shihlin Electric and a senior assistant managers of HCT Logistics, and specializes in corporate finance and accounting affairs, with extensive experience and expertise. | Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. | None |
| Director<br>Lin, Hsin-Cheng | Director Lin graduated from the Graduate School of Industrial Planning, Chinese Culture University, with more than five years of work experience required for business, finance, and corporate business. He has devoted himself to construction industry related fields for many years and has extensive experience and expertise. | Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. | 1 |

| Requirement / Name | Professional qualifications and experience (Note 1) | Status of independence (Note 2) | Number of other public companies' independent directors concurrently serve as an independent director |
|---|---|---|---|
| Independent Director Wang, Chia-Kun | Director Wang graduated with a MBA degree from San Diego State University, USA and is a convener of the Company's Audit Committee and a member of the Remuneration Committee, with more than five years of work experience required for business, finance, and corporate business. He has served as chairman of the construction industry, managerial officer at bank, and chief financial officer of a semiconductor company and specializes in business operations, financial planning, providing professional and comprehensive advice to the company. | All independent directors meet the following conditions:<br>1. Meeting the relevant requirements set forth under Article 14-2 of the Securities and Exchange Act and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2).<br>2. That the person (or the person under others' names), the person's spouse and minor children do not hold any shares of the company.<br>3. No amount of compensation has been received for providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years. | None |
| Independent Director Kuo, Chia-Wen | Director Kuo graduated with a master's degree from Graduate Institute of Law of National Taiwan University, and is a member of the Company's Audit Committee and Remuneration Committee, with more than five years of work experience required for business, finance, and corporate business. He specializes in financial and legal fields, providing the company with legal professional consultation, and has extensive experience and expertise. | | None |
| Independent Director Chen, Chia-Hsiu | Director Chen graduated from the Department of Accounting at Soochow University and is a member of the Company's Audit Committee. He has more than five years of work experience required for commerce, finance, and corporate business operations. He previously served as a senior partner certified public accountant at Ernst & Young Taiwan, specializing in corporate operations and financial statement analysis. He provides the Company with professional and extensive advice. | | None |

2. Diversity and independence of the board of directors:

(1) Diversity of the board of directors:

According to the Company's "Corporate Governance Best-Practice Principles", the composition of the board members shall take into account diversity. The Company shall formulate an appropriate diversity policy based on its operation, operational type, and development needs. All members of the board shall have the knowledge, skills, and qualities necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

(1) Operational judgment (2) Accounting and financial analysis ability (3) Business management ability (4) Crisis management ability (5) Industry knowledge

(6) International market outlook (7) Leadership ability (8) Decision-making ability

The Company's current Board of Directors consists of 8 directors, including 3 independent directors and 5 non-independent directors. All directors are distinguished individuals from various industries. The Company emphasizes gender equality in the composition of the Board of Directors and aims to increase the proportion of female directors to one-third (i.e. 33%) or above. Currently, 87.5% (7 members) of the Board members are male, and 12.5% (1 member) are female. In the future, efforts will be made to increase the number of female directors to achieve this goal.

The specific goals and achievements of the board of directors of the Company are as follows:

| Management objective | Status of achievement |
|---|---|
| The number of independent directors is not less than three and not less than 1/5 of the total number of directors as the objective. | Currently, there are three independent directors out of the eight directors, and the management objective has been achieved. |
| Gender equality in appointments of board members | Currently, out of the eight director seats, there is one female director, achieving the current management goal. |
| Professional knowledge and skills | The board of directors of the Company is composed of 8 directors, including 3 independent directors, with professional knowledge in legal, financial, accounting, business and other fields, which has achieved the management objective. |

The status of implementation of the diversity of board members is as follows

| Title | Name | Gender | Age | | | Years of service of independent directors | | | Diversified core abilities | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Aged 51-60 | Aged 61-70 | Aged 71-80 | Under 3 years | 3-9 years | Over 9 years | Operations management | Leadership and decision-making | Industry knowledge | Commerce | Finance & accounting | Legal expertise | Risk management |
| Chairman | Shunlin Investment Co., Ltd. Representative: Hsu Yu-Shan | Male | | V | | | | | V | V | V | V | V | | V |
| Director | Li, Chang-Lin | Male | V | | | | | | V | V | V | V | V | | V |
| Director | Xiemei Industrial Co., Ltd. Representative: Yeh, Chi-Chao | Male | | V | | | | | V | V | V | V | V | | V |
| Director | Ambassador Investment Corp. Ltd. Representative: Li, Ying-Chu | Male | V | | | | | | V | V | V | V | V | | V |
| Director | Lin, Hsin-Cheng | Male | | V | | | | | V | V | V | V | V | | V |
| Independent Director | Wang, Chia-Kun | Male | | V | | | V | | V | V | V | V | V | | V |
| Independent Director | Kuo, Chia-Wen | Female | | V | | | V | | V | V | V | V | V | V | V |
| Independent Director | Chen, Chia-Hsiu | Male | | V | | V | | | V | V | V | V | V | | V |

(2) Independence of the board of directors

There are currently 8 members of the Board of Directors of the Company, including 3 independent directors (accounting for 37.5%) and 5 non-independent directors (accounting for 62.5%). During the terms of office, the Company's current independent directors have been assessed by the corporate governance officer and have reported qualification checklist to the Board of Directors on November 14, 2023. They all have complied with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission with respect to independent directors, and none of the circumstances referred to in Article 26-3, Paragraph 3 and 4 of the Securities and Exchange Act have occurred among directors and independent directors. The Company's Board of Directors functions independently (please refer to page 12-13 of the Annual Report – Disclosure of information on the professional qualifications of directors and the independence of independent directors). For information on educational background, gender, and work experience of each director, please refer to pages 9–10 of the Annual Report – Information on directors.

The Company's board of directors provides guidance for company strategies, supervises the management, and shall be responsible to the company and shareholders. For the various procedures and arrangements of its corporate governance system, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings in exercising its authority. The Company's board of directors places emphasis on the functions of independent operation and transparency. Directors and independent directors are independent individuals who exercise their duties independently. The three independent directors also comply with the relevant laws and regulations, coupled with the audit committee’s duties, review the management and control of the company’s existing or potential risks, and based on which, they ensure the supervision on the effective implementation of the internal control system of the Company, the hiring (and dismissal) and independence of certificated public accountants, and fair preparation of the financial reports. In addition, according to the Company’s “Regulations Governing Elections of Directors”, the cumulative voting method and the candidate nomination system shall be used for election of the directors at this Corporation. Shareholders are encouraged to participate, and shareholders holding more than a specific number of shares may submit a candidate list. The qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act shall be reviewed. The relevant acceptance procedures are carried out and announced in accordance with the law to protect shareholders’ rights and interests and to avoid monopoly or excessive nomination rights being monopolized or abused, thereby remaining independence.

The company has established the system for board of directors performance assessments. It conducts a board internal self-assessment and performance assessments of board members through self-assessments once a year. A performance assessment of the board of directors shall include the following five aspects: (1) the degree of participation in the company’s operations; (2) the quality of decision making by the board of directors; (3) the composition and structure of the board of directors; (4) the election of the directors and their continuing professional education; and (5) internal controls. The performance assessments of board members through self-assessments shall include the following six aspects: (1) their grasp of the company’s goals and missions; (2) their recognition of director’s duties; (3) their degree of participation in the company’s operations; (4) their management of internal relationships and communication; (5) their professionalism and continuing professional education; and (6) internal controls. The results of the above-mentioned relevant self-assessments are all disclosed in the Company’s annual report after submitting them to the board of directors.

## (V) Information on the company’s president, vice president, assistant managers, and the supervisors of all the company’s departments and branch units

April 1, 2024

| Title | Nationality | Name | Gender | Date on which current position was assumed | Shares held | | Shares held by spouse, minor children | | Shares held in the name of others | | Principal work experience and academic qualifications | Position(s) held concurrently in any other company | Spouse or second-degree relatives serving as managerial officers | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | | | Title | Name | Relationship | |
| President | Taiwan | Lin, Hsin-Cheng | Male | 2019/03/27 | 2,533,880 | 1.12% | 0 | 0 | 0 | 0 | Graduated from Urban Planning Group, Graduate Institute of Industrial Planning, Chinese Culture University | Please refer to Information on Directors | None | None | None | None |
| Executive Director of Investment (Note 1) | Taiwan | Hsu, Yu-Shan | Male | 2017/05/12 | 0 | 0 | 4,927,182 | 2.18% | 0 | 0 | Graduated from Department of Cooperative Economics, National Chung Hsing University | Please refer to Information on Directors | None | None | None | None |
| Vice president | Taiwan | Yuan, Cho-Tao | Male | 2020/04/16 | 188,000 | 0.08% | 0 | 0 | 0 | 0 | Graduated from Department of Civil Engineering, National Taiwan University | None | None | None | None | None |
| Assistant Manager of Finance and Accounting Department | Taiwan | Kuo, Ying-Yen | Male | 2021/09/01 | 0 | 0 | 0 | 0 | 0 | 0 | Graduated from International Trade of EMGA Program, National Chengchi University | Supervisor, Huide Development Company Limited<br>Supervisor, Qun Xin Properties Co., Ltd.<br>Director, Charter Leisure Co., Ltd. | None | None | None | None |

Note 1: Chairman Hsu Yu-Shan resigned from the position of Chief Investment Officer on December 31, 2023.
Note 2: The number of shares held by all managerial officers registered on the final date of transfer, April 1, 2024, for the 2024 annual general meeting.

# III. Remuneration paid to general directors, independent directors, supervisors, presidents and vice presidents in the most recent year

## (I) Remuneration for general directors and independent directors:

December 31, 2023 Unit: NTD thousand

| Title | Name | Remuneration to directors | | | | | | | | The sum of A, B, C and D as a percentage of net income (Note 10) | | Remuneration received as an employee | | | | | | | | The sum of A, B, C, D, E, F, and G as a percentage of net income (Note 10) | | Remuneration received from investees other than subsidiaries or the parent company (Note 11) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) (Note 2) | | Pension (B) | | Remuneration to directors (C) (Note 3) | | Fees for services rendered (D)(Note 4) | | | | Salaries, bonuses, special allowances, etc. (E) (Note 5) | | Pension (F) | | Remuneration to employees (G)(Note 6) | | | | | | |
| | | The Company | All companies included in the financial report (Note 7) | The Company | All companies included in the financial report (Note 7) | The Company | All companies included in the financial report (Note 7) | The Company | All companies included in the financial report (Note 7) | The Company | All companies included in the financial report (Note 7) | The Company | All companies included in the financial report (Note 7) | The Company | All companies included in the financial report (Note 7) | The Company | | All companies included in the financial report (Note 7) | | The Company | All companies included in the financial report (Note 7) | |
| | | | | | | | | | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| Chairman | Shunlin Investment Co., Ltd.<br>Representative: Hsu, Yu-Shan | 1,200 | 1,200 | 0 | 0 | 0 | 0 | 15 | 15 | 1,215 (1.02) | 1,215 (1.02) | 2,851 | 2,851 | 0 | 0 | 0 | 0 | 0 | 0 | 4,066 (3.41) | 4,066 (3.41) | None |
| Director | Li, Chang-Lin | 0 | 1,800 | 0 | 0 | 0 | 0 | 12 | 12 | 12 (0.01) | 1,812 (1.52) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 (0.01) | 1,812 (1.52) | None |
| Director | Xiemei Industrial Co., Ltd.<br>Representative: Yeh, Chi-Chao | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 15 | 15 (0.01) | 15 (0.01) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 (0.01) | 15 (0.01) | None |
| Director | Ambassador Investment Corp. Ltd.<br>Representative: Li, Ying-Chu | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 12 | 12 (0.01) | 12 (0.01) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 (0.01) | 12 (0.01) | None |
| Director | Lin, Hsin-Cheng | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 15 | 15 (0.01) | 15 (0.01) | 5,491 | 5,491 | 108 | 108 | 0 | 0 | 0 | 0 | 5,614 (4.71) | 5,614 (4.71) | None |
| Independent Director | Wang, Chia-Kun | 720 | 720 | 0 | 0 | 0 | 0 | 378 | 378 | 1,098 (0.92) | 1,098 (0.92) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,098 (0.92) | 1,098 (0.92) | None |
| Independent Director | Kuo, Chia-Wen | 360 | 360 | 0 | 0 | 0 | 0 | 378 | 378 | 738 (0.62) | 738 (0.62) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 738 (0.62) | 738 (0.62) | None |
| Independent Director | Chen, Chia-Hsiu | 600 | 600 | 0 | 0 | 0 | 0 | 15 | 15 | 615 (0.52) | 615 (0.52) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 615 (0.52) | 615 (0.52) | None |

1. Please provide in detail the policy, system, standards and structure of remuneration to independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors:
   As the Company still had accumulated losses in 2023, remuneration was not distributed to directors or supervisors in accordance with the Articles of Incorporation. In addition, remuneration to the Company's directors (including independent directors) is determined by the Remuneration Committee authorized by the Board of Directors in accordance with the Articles of Incorporation based on the degree of the director's involvement in the Company's operations as well their contribution and value, with reference to standard remuneration paid by peers. The Company's remuneration and travel expenses are paid in accordance with the "Payment Standards of Remuneration to Directors and Functional Committee Members" established by the Remuneration Committee.
2. Remuneration received by directors for providing service to any company included in the financial statements (e.g. serving as a consultant for non-employees) in the past year, except those disclosed in the above table: None.

Range of Remuneration

| Range of remuneration paid to the Company's each director | Name of director | | | |
|---|---|---|---|---|
| | Total remuneration (A+B+C+D) | | Total remuneration (A+B+C+D+E+F+G) | |
| | The Company (Note 8) | All companies included in the financial report (Note 9) H | The Company (Note 8) | All companies included in the financial report (Note 9) I |
| Below NTD 1,000,000 | Yeh Chi-Chao – Representative of Xiemei Industrial Co., Ltd.; Li, Ying-Chu, Li, Chang-Lin, Lin, Hsin-Cheng, Kuo, Chia-Wen, Chen, Chia-Hsiu – Representatives of Ambassador Investment Corp. Ltd. | Yeh Chi-Chao – Representative of Xiemei Industrial Co., Ltd.; Li, Ying-Chu, Lin, Hsin-Chen, Chen, Chia-Hsiu, Kuo, Chia-Wen – Representatives of Ambassador Investment Corp. Ltd. | Yeh Chi-Chao – Representative of Xiemei Industrial Co., Ltd.; Li, Ying-Chu, Li, Chang-Lin, Kuo, Chia-Wen, Chen, Chia-Hsiu – Representatives of Ambassador Investment Corp. Ltd. | Yeh Chi-Chao – Representative of Xiemei Industrial Co., Ltd.; Li, Ying-Chu, Chen, Chia-Hsiu, Kuo, Chia-Wen – Representatives of Ambassador Investment Corp. Ltd. |
| NTD 1,000,000 (inclusive) – NTD 2,000,000 (exclusive) | Hsu, Yu-Shan, – Representatives of Shunlin Investment Co., Ltd.<br>Wang, Chia-Kun. | Hsu, Yu-Shan, – Representatives of Shunlin Investment Co., Ltd.<br>Li, Chang-Lin, Wang, Chia-Kun. | Wang, Chia-Kun. | Li, Chang-Lin, Wang, Chia-Kun. |
| NTD 2,000,000 (inclusive) – NTD 3,500,000 (exclusive) | - | | - | - |
| NTD 3,500,000 (inclusive) – NTD 5,000,000 (exclusive) | - | - | Hsu, Yu-Shan, – Representatives of Shunlin Investment Co., Ltd. | Hsu, Yu-Shan, – Representatives of Shunlin Investment Co., Ltd. |
| NTD 5,000,000 (inclusive) – NTD 10,000,000 (exclusive) | - | - | Lin, Hsin-Cheng. | Lin, Hsin-Cheng. |
| NTD 10,000,000 (inclusive) – NTD 15,000,000 (exclusive) | - | - | - | - |
| NTD 15,000,000 (inclusive) – NTD 30,000,000 (exclusive) | - | - | - | - |
| NTD 30,000,000 (inclusive) – NTD 50,000,000 (exclusive) | - | - | - | - |
| NTD 50,000,000 (inclusive) – NTD 100,000,000 (exclusive) | - | - | - | - |
| Above NTD 100,000,000 | - | - | - | - |
| Total | 8 | 8 | 8 | 8 |

Note 1: The names of the presidents and vice presidents are required to be presented separately (names of institutional shareholders and their representatives should be presented separately), and the amount of payments made may be presented in aggregate sums. If a director is also a president or vice president, this table or the following table (3-1) or the following tables (3-2-1) and (3-2-2).

Note 2: Refers to remuneration to directors in the past year (including salaries, allowances, severance pay, various bonuses and incentives).

Note 3: The amount of remuneration to directors approved by the most recent Board of Directors' meeting.

Note 4: Refers to remuneration to directors for services rendered (including travel, special allowances, all types of allowances, accommodation, company vehicle and other in-kind benefits). Where housing, cars, other transportation or personal expenses were provided, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where a personal driver was allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel, special allowances, all types of allowances, accommodation, company vehicles and in-kind benefits that the director received in the past year for assuming the role of a company employee (such as a president, vice president, other managerial officer or employee). Where housing, cars, other transportation or personal expenses were provided, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where a personal driver was allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration. Salary expense recognized in accordance with IFRS 2 – "Share-based Payment," including the acquisition of employee stock options, restricted employee shares and participation in cash capital increase to subscribe for shares are treated as remuneration.

Note 6: Refers to any remuneration that the director has received (in cash or in shares) in the past year for assuming the role of an employee (such as president, vice president, managerial officer or other employees). The amount of employee remuneration proposed by the Board of Directors in the past year has been disclosed. If it is impossible to make an estimate, the proposed distribution for the year will be calculated in proportion to the actual distribution amount past year, and Table 1-3 shall be filled in.

Note 7: The disclosure includes all companies in the consolidated financial statements (including the Company), and represents total amount of remuneration to the Company's directors.

Note 8: The total amount of remuneration to each director paid by the Company and the name of the director are disclosed in the range of remuneration.

Note 9: The details represent the range of remuneration paid by all companies in the consolidated report (including the Company) to each director. The name of the director must also be disclosed.

Note 10: Net income after tax refers to the net income after tax of the most recent year for standalone or separate financial reports.

Note 11:
a. This field represents all forms of remuneration that the Company's directors received from the Company's invested businesses other than subsidiaries or the parent company (if none, please fill in "none").
b. For directors who received remuneration from invested businesses other than subsidiaries or the parent company, amounts received from these invested businesses or the parent company have been added to column I of the Range of Remuneration table. In which case, column I will be renamed "all invested businesses."
c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and fees for services rendered serving as directors, supervisors or managerial officers in invested businesses or the parent company other than subsidiaries.

## (II) Remuneration to president and vice president:

December 31, 2023 Unit: NTD thousand

| Title | Name | Salary (A) (Note 2) | | Pension (B) | | Bonuses, special allowances, etc. (C) (Note 3) | | Remuneration to employees (D) (Note 4) | | | | The sum of A, B, C and D as a percentage of net income (Note 8) | | Remuneration received from investees other than subsidiaries or the parent company (Note 9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies included in the financial report (Note 5) | The Company | All companies included in the financial report (Note 5) | The Company | All companies included in the financial report (Note 5) | The Company | | All companies included in the financial report (Note 5) | | The Company | All companies included in the financial report (Note 6) | |
| | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| President | Lin, Hsin-Cheng | 5,108 | 5,108 | 108 | 108 | 383 | 383 | 0 | 0 | 0 | 0 | 5,599 (4.69) | 5,599 (4.69) | None |
| Executive Director of Investment (Note 1) | Hsu, Yu-Shan | 1,800 | 1,800 | 0 | 0 | 1,051 | 1,051 | 0 | 0 | 0 | 0 | 2,851 (2.39) | 2,851 (2.39) | None |
| Vice president | Yuan, Cho-Tao | 3,185 | 3,185 | 108 | 108 | 0 | 0 | 0 | 0 | 0 | 0 | 3,293 (2.76) | 3,293 (2.76) | None |

Note 1: Chairman Hsu Yu-Shan resigned from the position of Chief Investment Officer on December 31, 2023.

Range of Remuneration

| Range of remuneration to the president and vice president | Name of president and vice president | |
|---|---|---|
| | The Company (Note 2) | All companies included in the financial report (E) (Note 7) |
| Below NTD 1,000,000 | - | - |
| NTD 1,000,000 (inclusive) – NTD 2,000,000 (exclusive) | - | - |
| NTD 2,000,000 (inclusive) – NTD 3,500,000 (exclusive) | Hsu, Yu-Shan, Yuan, Cho-Tao | Hsu, Yu-Shan, Yuan, Cho-Tao |
| NTD 3,500,000 (inclusive) – NTD 5,000,000 (exclusive) | - | - |
| NTD 5,000,000 (inclusive) – NTD 10,000,000 (exclusive) | Lin, Hsin-Cheng | Lin, Hsin-Cheng |
| NTD 10,000,000 (inclusive) – NTD 15,000,000 (exclusive) | - | - |
| NTD 15,000,000 (inclusive) – NTD 30,000,000 (exclusive) | - | - |
| NTD 30,000,000 (inclusive) – NTD 50,000,000 (exclusive) | - | - |
| NTD 50,000,000 (inclusive) – NTD 100,000,000 (exclusive) | - | - |
| Above NTD 100,000,000 | - | - |
| Total | 3 | 3 |

Note 1: The names of the president and vice president are required to be presented separately; the amount of payments made may be presented in aggregate sums. If a director is also a president or vice president, this table or the following table (1-1) or the following tables (1-2-1) and (1-2-2).

Note 2: Refers to salaries, allowances, and severance pay made to the president and vice president in the past year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the president and vice president. Where housing, cars, other transportation or personal expenses were provided, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where a personal driver was allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration. Salary expense recognized in accordance with IFRS 2 – "Share-based Payment," including the acquisition of employee stock options, restricted employee shares and participation in cash capital increase to subscribe for shares are treated as remuneration.

Note 4: Refers to the amount of employee remuneration provided for the president and vice president (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio), and Table 1-3 shall be filled in.

Note 5: The disclosure includes all companies in the consolidated financial statements (including the Company), and represents total amount of remuneration to the Company's president and vice president.

Note 6: The total amount of remuneration to each president and vice president paid by the Company and the name of the director are disclosed in the Range of Remuneration.

Note 7: The details represent remuneration paid by all companies in the consolidated report (including the Company) to each president and vice president. The name of the president and vice president must also be disclosed.

Note 8: Net income after tax refers to the net income after tax of the most recent year for standalone or separate financial reports.

Note 9:
a. This field represents all forms of remuneration that the Company's president and vice president received from the Company's invested businesses other than subsidiaries or the parent company (if none, please fill in "none").
b. For presidents and vice presidents who received remuneration from invested businesses other than subsidiaries or the parent company, amounts received from these invested businesses or the parent company have been added to column E of the Range of Remuneration table. In which case, column E will be renamed "all invested businesses."
c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the president and vice president received for serving as directors, supervisors or managerial officers in invested businesses or the parent company other than subsidiaries.

* The basis of remuneration disclosed in this Table is different from the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

## (III) Remuneration paid to the top five highest paid executives of TWSE/TPEx listed companies:

December 31, 2023 Unit: NTD thousand

| Title | Name | Salary (A) (Note 2) | | Pension (B) | | Bonuses and special allowances (C) (Note 3) | | Remuneration to employees (D) (Note 4) | | | | The sum of A, B, C and D as a percentage of net income (%) (Note 6) | | Remuneration received from investees other than subsidiaries or the parent company (Note 7) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies included in the financial report (Note 5) | The Company | All companies included in the financial report (Note 5) | The Company | All companies included in the financial report (Note 5) | The Company | | All companies included in the financial report (Note 5) | | The Company | All companies included in the financial report | |
| | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| President | Lin, Hsin-Cheng | 5,108 | 5,108 | 108 | 108 | 383 | 383 | 0 | 0 | 0 | 0 | 5,599 (4.69) | 5,599 (4.69) | None |
| Executive Director of Investment (Note 8) | Hsu, Yu-Shan | 1,800 | 1,800 | 0 | 0 | 1,051 | 1,051 | 0 | 0 | 0 | 0 | 2,851 (2.39) | 2,851 (2.39) | None |
| Vice president | Yuan, Cho-Tao | 3,185 | 3,185 | 108 | 108 | 0 | 0 | 0 | 0 | 0 | 0 | 3,293 (2.76) | 3,293 (2.76) | None |
| Assistant Manager of Finance and Accounting Department | Kuo, Ying-Yen | 1,980 | 1,980 | 91 | 91 | 0 | 0 | 0 | 0 | 0 | 0 | 2,071 (1.74) | 2,071 (1.74) | None |

Note 1: The term of "Top Five Management Personnel" refers to managerial officers of the Company. The criteria for the determination of managerial officers are based on the scope of "managerial officers" in the Letter Tai-Cai-Zheng-San-Zi (3) No. 0920001301 dated March 27, 2003 issued by the former Securities and Futures Commission of the Ministry of Finance. The determination for the calculation of the "Top Five Executives with the Highest Remuneration" is based on the total amount of salaries, pensions, bonuses and special allowances received by the managerial officers from all companies included in the consolidated financial statements, as well as the amount of remuneration to employees (the total of A+B+C+D), and then ranked by the highest paid executives. If a director is also a supervisor listed above, this table and the table (1-1) above shall be filled in.

Note 2: Refers to salaries, allowances, and severance pay made to the top five executives with the highest remuneration in the last year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits paid to the top five executives. Where housing, cars, other transportation or personal expenses were provided, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where a personal driver was allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration. Salary expense recognized in accordance with IFRS 2 – "Share-based Payment," including the acquisition of employee stock options, restricted employee shares and participation in cash capital increase to subscribe for shares are treated as remuneration.

Note 4: Refers to the amount of employee remuneration provided for the top five executives (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio), and Table 1-3 shall be filled in.

Note 5: The disclosure includes all companies in the consolidated financial statements (including the Company), and represents total amount of remuneration to the Company's top five executives.

Note 6: Net income after tax refers to the net income after tax of the most recent year for standalone or separate financial reports.

Note 7:
a. This field represents all forms of remuneration that the Company's top five executives received from the Company's invested businesses other than subsidiaries or the parent company (if none, please fill in "none").
b. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the top five executives received for serving as directors, supervisors or managerial officers in invested businesses or the parent company other than subsidiaries.

Note 8: Chairman Hsu Yu-Shan resigned from the position of Chief Investment Officer on December 31, 2023.

* The basis of remuneration disclosed in this Table is different from the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

### (IV) Names of the managerial officers receiving employee remuneration and the distribution thereof:

December 31, 2023 Unit: NTD thousand

| Title (Note 1) | | Name (Note 1) | Stock Amount | Cash Amount | Total | Ratio of total amount to profit after tax (%) |
|---|---|---|---|---|---|---|
| Managerial officer | President | Lin, Hsin-Cheng | 0 | 0 | 0 | 0 |
| | Executive Director of Investment | Hsu, Yu-Shan | | | | |
| | Vice president | Yuan, Cho-Tao | | | | |
| | Assistant Manager of Finance and Accounting Department | Kuo, Ying-Yen | | | | |

Note 1: Names and titles have been disclosed separately, whereas the amount of profit distribution has been disclosed in aggregate amount.

Note 2: Refers to the amount of employee remuneration provided for the managerial officers (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). The net income after tax refers to the net income after tax of the most recent fiscal year; if IFRSs have been adopted, the net income after tax refers to the net income after tax of the most recent year for standalone or separate financial reports.

Note 3: Pursuant to FSC Letter No. Tai-Cai-Zheng-San-Zi-No. 0920001301 dated March 27, 2003; the role of managerial officer covers the following positions:

(1) President or their equivalents
(2) Vice president or their equivalents
(3) Assistant managers or their equivalents
(4) Chief financial officer
(5) Chief accounting officers
(6) Other persons authorized to manage affairs and sign documents on behalf of the Company

Note 4: If a director, president or vice president has received employee remuneration (including stock and cash), other than filling in Table 1-2, this Table must also be filled in.

**(V) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or consolidated statements, as paid by this company and by each other company included in the consolidated financial statements in the most recent two fiscal years to directors, supervisors, the president, and vice president, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance:**

1. Analysis of the total remuneration, as a percentage of net income, as paid by the Company during the past two fiscal years to directors, supervisors, the president, and vice president

Unit: NTD thousand

| Title | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total remuneration | | As a percentage of net income(%) | | Total remuneration | | As a percentage of net income(%) | |
| | The Company | All companies included in the consolidated report | The Company | All companies included in the consolidated report | The Company | All companies included in the consolidated report | The Company | All companies included in the consolidated report |
| Director (Note 1) | 9,177 | 10,977 | (4.41) | (5.28) | 12,170 | 13,970 | (10.20) | (11.71) |
| Supervisor (Note 2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| President and vice president (Note 3) | 11,549 | 11,549 | (5.55) | (5.55) | 11,743 | 11,743 | (9.84) | (9.84) |

Note 1: Total remuneration includes returns, remuneration to directors, fees for services rendered, part-time employees' salaries, pensions, bonuses, special expenses and remuneration to employees.

Note 2: Total remuneration includes returns, remuneration to supervisors, fees for services rendered.

Note 3: Total remuneration includes salaries, bonuses and special allowances, and employee remuneration.

2. The Company's remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(1) Director

The Company's remuneration to directors (including independent directors) is determined by the Remuneration Committee authorized by the Board of Directors in accordance with the Articles of Incorporation based on the degree of the director's involvement in the Company's operations as well their contribution and value, with reference to standard remuneration paid by peers. The Company's remuneration and travel expenses are paid in accordance with the "Payment Standards of Remuneration to Directors and Functional Committee Members" established by the Remuneration Committee.

Where the Company makes profit, the amount of remuneration is resolved by the board meeting in accordance with the Articles of Incorporation.

(2) Managerial officers and employees

The Company's remuneration to managerial officers and employees consists of a fixed monthly wage (including basic salary and meal allowance) and bonuses for the three major festivals. Other allowances or appraisal bonuses are given in accordance with the Company's operating conditions and evaluation rules.

Wages for managerial officers and employees are determined based on their academic background, technical expertise and professional experience, regardless of their gender, race, religion and political positions.

Where the Company makes profit, remuneration to employees is resolved by the board meeting in accordance with the Articles of Incorporation.

# IV. The state of the company's implementation of corporate governance:

## (I) The state of operations of the board of directors:

In 2023, a total of 4(A) Board of Directors' meetings were held; below is the attendance of directors:

| The 18th Board | | | | | |
|---|---|---|---|---|---|
| Title | Name (Note 1) | Actual Attendance (B) | Attendance by Proxy | Percentage of actual attendance (%) [B/A] (Note 2) | Remarks |
| Chairman | Shunlin Investment Co., Ltd. Representative: Hsu, Yu-Shan | 4 | 0 | 100% | None |
| Director | Li, Chang-Lin | 2 | 2 | 50% | None |
| Director | Yeh, Chi-Chao – Representative of Xiemei Industrial Co., Ltd. | 3 | 1 | 75% | None |
| Director | Representative of Ambassador Investment Corp. Ltd.: Li, Ying-Chu | 1 | 3 | 25% | None |
| Director | Lin, Hsin-Cheng | 3 | 1 | 75% | None |
| Independent Director | Wang, Chia-Kun | 4 | 0 | 100% | None |
| Independent Director | Kuo, Chia-Wen | 4 | 0 | 100% | None |
| Independent Director | Chen, Chia-Hsiu | 4 | 0 | 100% | None |

Any other matters that require reporting:

I. For board meetings that meet any of the following descriptions, state the date, session of the meeting, the discussed agenda, independent directors' comments and how the company has responded to such comments.
   (I) Matters referred to in Article 14-3 of the Securities and Exchange Act: There were 4 sessions in total being held in 2023. Please refer to page 57 of the annual report for the details of the resolutions. The matters referred to in Article 14-3 of the Securities and Exchange Act as proposed were unanimously approved by all independent directors.
   (II) Except for the preceding matters, any matter resolved by the Board of Directors with an independent director expressing an objection or reservation that has been included in records or stated in writing: None.

II. For the implementation and state of directors' recusal for conflicts of interests, the directors' name, topic discussed, reasons for the required recusal, and the participation in voting should be stated: None.

III. Information on the evaluation cycle and period, evaluation scope, method and evaluation content of the Board's self- (or peer) evaluation:

Implementation of board evaluation

(I) Implementation cycle of the evaluation of the Board of Directors: Once a year.

(II) Coverage period of the evaluation of the Board of Directors: Performance of the Board was evaluated from January 1 to December 31, 2023.

(III) Evaluation scope: Performance evaluation of the Board of Directors, individual board members and functional committees.

(IV) Evaluation method: Performance evaluation includes internal self-evaluation of the Board of Directors, self-evaluation of Board members, peer evaluation, appointment of external professional organizations, experts or other suitable methods.

(V) Evaluation content:

1. Performance evaluation of the Board of Directors: Including the degree of participation in the Company's operations, improvement of the Board's decision-making quality, composition and structure of the Board of Directors, election and continuing education of directors, internal control, etc.
2. Performance evaluation of each Board member: Including mastery of the Company's goals and tasks, awareness of directors' duties, the degree of participation in the Company's operations, internal relationship management and communication, professional and continuing education of directors, internal control, etc.
3. Performance evaluation of functional committees: Including the degree of participation in the Company's operations, awareness of functional committees' duties, improvement of the functional committees' decision-making quality, functional committee composition and member election, internal control, etc.

IV. **Evaluation of targets for strengthening of the functions of the board (e.g. establishing an audit committee, enhancing information transparency, etc.) during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:**

(I) In 2023, the Company had four board meetings, in compliance with the requirement that the Board of Directors should have at least one meeting once a quarter as required by the Rules of Procedure for Board of Directors Meetings. All-important motions are disclosed on the Market Observation Post System (MOPS) in accordance with the law for public announcement to enhance information transparency.

(II) On May 11, 2018, the Company completed the formulation of the Evaluation Rules of the Performance of the Board of Directors to implement corporate governance and improve the functions of the Board of Directors, establish performance objectives, and strengthen the efficiency of the Board of Directors. On November 12, 2019, the above Rules were amended in line with the new corporate governance roadmap initiated by the competent authority. According to the regulations, evaluation of the performance of the Board of Directors must be carried out every 6 months at the beginning of each year. After the evaluation, the overall average score for 2023 reached over 90, indicating that the Company's overall operations are intact, in compliance with corporate governance.

(III) On June 18, 2019, an election was held at the annual general meeting to establish an Audit Committee to replace duties of supervisors and enhance the functions of the Board of Directors.

Note 1: If a director or supervisor is a legal entity, the name of the institutional shareholder and their representative should be disclosed.

Note 2: (1) If a director/supervisor resigns prior to the end of the year, the date of their resignation should be noted in the Remarks column. The actual attendance rate (%) should be calculated based on the number of board meetings and the actual number of attendances during their employment.

(2) Prior to the end of the year, if there is an election for directors/supervisors, the new and former directors/supervisors must be listed. The date of election of the directors/supervisors, whether they are new, former or re-elected must also be stated in the Remarks column. The actual attendance rate (%) should be calculated based on the number of board meetings and the actual number of attendances during their employment.

### (II) The state of operations of the Audit Committee:

In 2023, a total of 4(A) Audit Committee meetings were held; below is the attendance of Audit Committee members:

| 2nd Audit Committee | | | | | |
|---|---|---|---|---|---|
| Title | Name (Note 1) | Actual Attendance (B) | Attendance by Proxy | Percentage of actual attendance (%) [B/A] (Note 2) | Remarks |
| Audit Committee member | Wang, Chia-Kun | 4 | 0 | 100% | None |
| Audit Committee member | Kuo, Chia-Wen | 4 | 0 | 100% | None |
| Audit Committee member | Chen, Chia-Hsiu | 4 | 0 | 100% | None |

Any other matters that require reporting:

I. Annual priority tasks and duties of the audit committee

(I) The main function of the Audit Committee is to supervise the following matters:

1. Fair presentation of the financial reports of the Company.
2. The hiring (and dismissal), independence, and performance of certificated public accountants of the Company.
3. The effective implementation of the internal control system of the Company.
4. Compliance with relevant laws and regulations by the Company.
5. Management of the existing or potential risks of the Company.

(II) The powers of the Committee are as follows:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial reports signed or sealed by the chairman, managerial officers, and accounting supervisor and the second quarter financial reports audited and attested by a CPA.
11. Other material matters as may be required by this Corporation or by the competent authority.

II. For Audit Committee meetings that meet any of the following descriptions, state the date of the meeting, session, the discussed agenda, Audit Committee members' comments and how the company has responded to such comments.

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

| Date of Meeting | Term | Content of Agenda | Opinions of All Members of the Audit Committee | The Company's Reaction to the Audit Committee's Opinions |
|---|---|---|---|---|
| 2023.03.09 | The 3rd Meeting of the 2nd Term Audit Committee | 1. Passed the motion for the 2022 financial statements.<br>2. Passed the motion for the 2022 business report and the summary of the 2023 operational plans.<br>3. Passed the motion for 2022 appropriation to cover losses.<br>4. Passed the motion for the 2023 salary structure of the Company's director and managerial officers.<br>5. Passed the motion for the Company's "2022 Declaration of Internal Control System"<br>6. Approved the establishment of the Company's policy for pre-approval non-assurance services in general and the non-assurance services expected to be provided by KPMG in 2023.<br>7. Approved that the total value of properties accumulated from the same development project by the Company exceeds NTD 300 million. | Unanimously approved by all Audit Committee members | Approved with the consent of all the directors attending the meeting |
| 2023.05.11 | The 4th Meeting of the 2nd Term Audit Committee | 1. Passed the motion for the Company's consolidated quarterly financial report for the first quarter of 2023. | Unanimously approved by all Audit Committee members | Approved with the consent of all the directors attending the meeting |
| 2023.08.10 | The 5th Meeting of the 2nd Term Audit Committee | 1. Passed the motion for the Company's consolidated quarterly financial report for the second quarter of 2023.<br>2. Passed the motion for the amendments to some contents of Company's "internal control system."<br>3. Approved the establishment of the "Procedures for Compilation and Verification of Sustainability Report" of the Company. | Unanimously approved by all Audit Committee members | Approved with the consent of all the directors attending the meeting |
| 2023.11.14 | The 6th Meeting of the 2nd Term Audit Committee | 1. Passed the motion for the Company's consolidated quarterly financial report for the third quarter of 2023.<br>2. Passed the motion for the Company's "annual audit plan for 2024 internal audit."<br>3. Passed the motion for the "operation of management of the procedures for preparation of financial statements."<br>4. Approved the addition of the "Regulations Governing Finance and Business-Related Operations between Related Parties."<br>5. Approved the appointment of the Company's CPAs for 2023 and the evaluation of their independence, suitability and professional fees. | Unanimously approved by all Audit Committee members | Approved with the consent of all the directors attending the meeting |

| | | | | |
|---|---|---|---|---|
| | | 6. The Company passed a case of purchasing land from the non-related party Long Bon International Co., Ltd., which is located in the "Urban Renewal Project and Rights Exchange Plan for Changing (Second Time) the Land Plots No. 1, etc., of Shuanglian Section, Datong District, Taipei City" (City Core Yo Yo Project) where the company serves as the implementer. | | |

(II) Any matter that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee: None.

III. For the implementation and state of independent directors' recusal for conflicts of interests, the independent directors' name, topic discussed, reasons for the required recusal, and the participation in voting should be stated: None.

IV. State of communication between independent directors, chief internal auditor and CPA (such as significant items, methods and results of communications on the Company's finances and business status):

(I) The internal audit officer of the Company convenes the audit committee meeting quarterly to explain the audit business, audit results, and follow-up status to the independent directors.

(II) The CPAs attended the Audit Committee meetings, reviewed the quarterly and annual financial reports, explained the process, scope, and updates related to the auditing of the Company's financial statements, and had full discussions with the independent directors.

(III) The audit officer, the CPA and independent directors may communicate with each other directly at any time as needed, and the communication channels are smooth.

A total of 4 meetings were held this year. The outcomes of the meetings are summarized as follows:

| Meeting date | Attendees | Communication focus | Process execution result |
|---|---|---|---|
| 2023.03.09 | Independent Director, Wang, Chia-Kun<br>Independent Director, Kuo, Chia-Wen<br>Independent Director, Chen, Chia-Hsiu<br>Chief Auditor, Chen, Li-Chiung | 1. Report on the execution of internal audit operations.<br>2. Review of the 2022 audit of the internal control system efficiency and the "Internal Control Statement." | 1. The independent directors had no objection to the contents of the report.<br>2. Unanimously approved by the independent directors, and submitted to the Board of Directors for approval. |
| 2023.05.11 | Independent Director, Wang, Chia-Kun<br>Independent Director, Kuo, Chia-Wen<br>Independent Director, Chen, Chia-Hsiu<br>Chief Auditor, Chen, Li-Chiung | 1. Report on the execution of internal audit operations. | The independent directors had no objection to the contents of the report. |
| 2023.08.10 | Independent Director, Wang, Chia-Kun | 1. Report on the execution of internal audit operations. | The independent directors had no objection to the |

| | | | |
|---|---|---|---|
| | Independent Director, Kuo, Chia-Wen<br>Independent Director, Chen, Chia-Hsiu<br>Chief Auditor, Chen, Li-Chiung | | contents of the report. |
| 2023.11.14 | Independent Director, Wang, Chia-Kun<br>Independent Director, Kuo, Chia-Wen<br>Independent Director, Chen, Chia-Hsiu<br>Chief Auditor, Chen, Li-Chiung | 1. Report on the execution of internal audit operations.<br>2. Review of the annual audit plan for 2024 internal audit. | 1. The independent directors had no objection to the contents of the report.<br>2. Unanimously approved by the independent directors, and submitted to the Board of Directors for approval. |

(IV) Depending on the contents of the motion, the Company's CPAs may attend the Audit Committee meeting to communicate with the Audit Committee members.

Two communications were engaged in 2023 and the following is a summary of past communications:

| Meeting date | Attendees | Communication focus |
|---|---|---|
| 2023.03.09 | Independent Director, Wang, Chia-Kun<br>Independent Director, Kuo, Chia-Wen<br>Independent Director, Chen, Chia-Hsiu<br>Chief Auditor, Chen, Li-Chiung<br>CPA, Huang, Hsin-Ting | 1. Report on the audit results of the 2022 financial statements.<br>2. A report was carried out in accordance with the "communication of critical audit matters in an audit report" of the Auditing Standards No. 58. |
| 2023.11.14 | Independent Director, Wang, Chia-Kun<br>Independent Director, Kuo, Chia-Wen<br>Independent Director, Chen, Chia-Hsiu<br>Chief Auditor, Chen, Li-Chiung<br>CPA, Huang, Hsin-Ting | 1. Report on the review results of the financial statements for the first 3 quarters of 2023.<br>2. A report was carried out in accordance with the "communication of critical audit matters in an audit report" of the Auditing Standards No. 58. |

**(III) The state of the company's implementation of corporate governance, any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance:**

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| I. Has the Company formulated Corporate Governance Best-Practice Principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"? | V | | The Company has formulated the "Corporate Governance Best-Practice Principles" and disclosed the Principles on the designated section for "Corporate Governance" of MOPS. | No significant variance from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies. |
| II. Company's equity structure and shareholders' equity<br>(I) Has the company established internal operating procedures for suggestions, questions, disputes and litigation from shareholders, and handle them in accordance with these procedures??<br>(II) Does the company have the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders who have actual control over the company? | V<br><br><br><br>V | | (I) The Company has established internal operating procedures as well as appointing a spokesperson in accordance with the regulations on handling related matters. There are also dedicated personnel in place for shareholders' comments or issues such as disputes.<br>(II) The Company's stock agent is responsible for the list of major shareholders and the list of ultimate controllers of major shareholders, providing the register of shareholders and grasping the latest developments of the major shareholders who have actual control over the Company. | No significant variance from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies. |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| (III) Has the company established and implemented a risk control and firewall mechanisms with affiliates?<br>(IV) Has the company set up internal norms to prohibit insiders from utilizing undisclosed information to trade securities? | V<br><br><br>V | | (III) Not only are the affiliates of the Company independently run, business relationships between the Company and the affiliates are maintained based on a fair and reasonable principle.<br>(IV) The Company has formulated "Procedures for Handling Material Inside Information" to build sound material inside information handling and disclosure mechanisms. In doing this, we will avoid improper information leakage while ensuring information consistency and accuracy when publishing information externally. | |
| III. Composition and duties of the Board of Directors<br>(I) Has the board of directors formulated any policy on diversity and specific management objectives, and ensured implementation?<br>(II) Apart from establishing the Remuneration Committee and Audit Committee in accordance with the law, has the company established other functional committees voluntarily?<br>(III) Does the company formulate the Evaluation Rules of the Performance of the Board of Directors and evaluation methods thereof, periodically conduct the performance evaluation every year, | <br><br>V<br><br><br><br>V<br><br><br><br><br>V | | <br><br>(I) The diversity policy for the composition of the Company's board members is stipulated in the Company's Corporate Governance Best-Practice Principles. Our Board members have expertise in various fields, highly valuable for the development and operations of the Company. The Company's current Board of Directors consists of 8 directors, including 3 independent directors and 5 non-independent directors. All directors are distinguished individuals from various industries. The Company emphasizes gender equality in the composition of the Board of Directors and aims to increase the proportion of female directors to one-third (i.e. 33%) or above. Currently, 87.5% (7 members) of the Board members are male, and 12.5%<br>(1 member) are female. In the future, efforts will be made to increase the number of female directors to achieve this goal. | No significant variance from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies. |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">The state of operations (Note 1)</th><th rowspan="2">Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>and report the evaluation results to the board of directors, and use them as a reference for compensation of individual director and nomination for re-election?<br>(IV) Does the company regularly assess the independence of the CPAs?</td><td><br><br><br><br><br>V</td><td></td><td>To achieve the ideal objectives of corporate governance, the Board of Directors as a whole should have the following competencies:<br>1. Judgement ability in operations.<br>2. Accounting and financial analysis abilities.<br>3. Operations management ability.<br>4. Crisis handling ability.<br>5. Industry knowledge<br>6. International market view.<br>7. Leadership.<br>8. Decision-making ability.<br><br>The Company’s Board members have the following competencies:
<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th colspan="7">Core Items of Diversification</th></tr>
<tr><th>Operations management</th><th>Leadership and decision-making</th><th>Industry knowledge</th><th>Commerce</th><th>Finance & accounting</th><th>Legal expertise</th><th>Risk management</th></tr>
<tr><td>Chairman</td><td>Hsu, Yu-Shan</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Director</td><td>Li, Chang-Lin</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
</table>
</td><td></td></tr>
</table>

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Director | Yeh, Chi-Chao | Male | V | V | V | V | V | | V |
| Director | Li, Ying-Chu | Male | V | V | V | V | V | | V |
| Director | Lin, Hsin-Cheng | Male | V | V | V | V | V | | V |
| Independent Director | Wang, Chia-Kun | Male | V | V | V | V | V | | V |
| Independent Director | Kuo, Chia-Wen | Female | V | V | V | V | V | V | V |
| Independent Director | Chen, Chia-Hsiu | Male | V | V | V | V | V | | V |

(II) The Company has established a Remuneration Committee and Audit Committee in accordance with the law and has not yet established other functional committees.

(III) The report on the results of the Company’s 2023 Board of Directors’ performance evaluation is described as follows:

In order to comply with the new Corporate Governance Blueprint requirements from the competent authority, the Company revised the Evaluation Rules of the Performance of the Board of Directors on 2021.03.29 and conducted a performance evaluation. The results of the 2023 Board of Directors performance evaluation (including the evaluation results of the functional committees) were reported to the

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|---|---|---|---|---|
| | Yes | No | Description | |
| | | | Board of Directors on 2024.03.07. The evaluation is explained as follows.<br>(1) Evaluation aspects: including company goal grasping, degree of involvement in the Company's operations, directors' duties and continuing education, internal communication, internal control, etc.<br>1. The Company's Board of Directors' performance evaluation covers the following five major aspects:<br>① Participation in the operation of the Company.<br>② Improve the quality of the Board's decision-making.<br>③ Composition and structure of the Board of Directors.<br>④ Election and continuing education of directors.<br>⑤ Internal control.<br>2. Board members' performance evaluation covers the following six major aspects:<br>① Alignment of the Company's goals and missions.<br>② Awareness of the duties of a director<br>③ Participation in the operation of the Company.<br>④ Internal relationship management and communication.<br>⑤ Directors' professionalism and continuing education.<br>⑥ Internal control.<br>3. Functional committees' performance evaluation covers the following five major aspects: | |

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|---|---|---|---|---|
| | Yes | No | Description | |
| | | | ① Participation in the operation of the Company.<br>② Awareness of the duties of the functional committee.<br>③ Improve the quality of decision making by functional committees.<br>④ Composition of the functional committee and election of its members.<br>⑤ Internal control.<br><br>(2) Evaluation period: From January to December 2023.<br>(3) Evaluation results:<br>① The overall average score of the Board of Directors' self-evaluation was 94 (out of 100).<br>② The overall average score of the Board members (self or peer)' self-evaluation was 98.5 (out of 100).<br>③ The overall average score of the functional committees' self-evaluation was 100 (out of 100).<br>The results show that the state of the Company's Board of Directors is good, in compliance with corporate governance.<br><br>(IV) The Audit Committee of the Company regularly evaluates the independence of CPAs based on the AQI information provided by the CPA firm and submits the evaluation results to the Board of Directors. The latest evaluation was approved by the Audit Committee on | |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">The state of operations (Note 1)</th><th rowspan="2">Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>November 14, 2023, and then passed by the Board of Directors on November 14, 2023.<br>(1) Contents of the assessment: Established in accordance with Article 47 of the Certified Public Accountant Act and No. 10 Norm of Professional Ethics for Certified Public Accountant.<br>(2) Work performance and plans:<br>A. Completion of the Company’s financial statements for each period as scheduled.<br>B. To provide the Company with financial and taxation consulting services from time to time.<br>(3) Evaluation results:<br>After the assessment, the appointed CPAs did not have the following independence assessment items, and met the assessment standards of suitability, which can confirm the reliability of the financial reports issued by CPAs.<br>The evaluation on the independence of CPAs is as follows:
<table>
<tr><th>Evaluation item</th><th>Yes</th><th>No</th></tr>
<tr><td>1. Not employed by the Company or any of its affiliates.</td><td>V</td><td></td></tr>
<tr><td>2. Directors who are not from the company or its affiliated enterprises (however, this does not apply if the person is an independent director of the company or its parent company, or a subsidiary in which the Company directly or indirectly holds more than 50% of the voting shares).</td><td>V</td><td></td></tr>
<tr><td>3. Not a natural-person shareholder who holds shares, together with those held by the person and his/her spouse, minor children, or held by the person under others’ names, in an</td><td>V</td><td></td></tr>
</table></td><td></td></tr>
</table>

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
| --- | --- | --- | --- | --- |
| | Yes | No | Description | |

| | | | |
| --- | --- | --- | --- |
| | aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings. | | |
| 4. | Spouses, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship of the persons specified in the preceding three subparagraphs. | V | |
| 5. | Directors, supervisors, or employees of a corporate shareholder that directly holds more than 5% of the total issued shares of the Company, or directors, supervisors, or employees of a top-five corporate shareholder. | V | |
| 6. | Directors (managing directors), supervisors (superintendents), managers, or shareholders holding 5% or more of the shares of a specific company or institution that does not have financial or business dealings with the Company. | V | |
| 7. | Not a spouse or relative within the second degree of kinship of another director. | V | |
| 8. | Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. | V | |
| 9. | Has not been elected within a government unit, institution, or their representative as prescribed in Article 27 of the Company Act. | V | |
| 10. | Within the last two years, they must not have served as directors, managers, or positions with significant influence over the auditing cases of the Company. | V | |
| 11. | No decision-making management function related to the Company. | V | |
| 12 | The certified public accountants shall issue the “Statement of Hyper-independence.” | V | |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">The state of operations (Note 1)</th><th rowspan="2">Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>IV. Has the company designated an appropriate number of personnel and a chief corporate governance officer that specializes in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders' meetings, preparation of board meeting and shareholders' meeting minutes)?</td><td>V</td><td></td><td>The Company has designated a chief corporate governance officer to be in charge of corporate governance affairs. including: handle matters in relation to board meetings and shareholders' meetings, company registration and change of registration, preparing minutes of board meetings and shareholders' meeting, and provide information required for directors to carry out duties.</td><td>No significant variance from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies.</td></tr>
<tr><td>V. Has the company established channels for communication with the stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and set up a section for stakeholders on the official website of the Company with a proper response to the concerns of the stakeholders on issues related to corporate social responsibility?</td><td>V</td><td></td><td>The Company prioritizes 8 categories of stakeholders as follows:<br>At least once a year, the Company shall report to the Board of Directors on the communication situation with stakeholders, including shareholders and other investors, customers (or owners)/consumers, suppliers (or contractors/outsourcers), employees, financial institutions, business partners (sales agents), competent authorities/government departments, and local communities, along with the sustainability report.<br><table><tr><th>Stakeholders</th><th>Priority issues</th><th>Communication channels, response methods and communication frequency</th><th>Communication Effectiveness</th></tr><tr><td>Shareholders</td><td>1. Corporate</td><td>1. Material Information: Important</td><td>- Announce</td></tr></table></td><td>No significant variance from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">The state of operations (Note 1)</th><th rowspan="2">Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td>and investors</td><td>governance<br>2. Shareholder Engagement<br>3. Business performance</td><td>information such as corporate governance, monthly revenue, significant business developments, operational performance, and other relevant information of concern to shareholders and investors is immediately announced through the Market Observation Post System.<br>2. Annual General Meeting of Shareholders<br>3. Annual investor conference<br>4. Establish a contact window for stock affairs and investor relations for two-way communication<br><br>Contact window: Assistant Vice President Kuo, Finance Department, Email: jack@sdc.com.tw</td><td>consolidated operating revenue on a monthly basis as required.<br>- Hold the institutional investor conference every year to enable investors to understand the Company’s operation overview. A total of 2 conferences were held in 2023.<br>- Annual general meetings are held each year, and shareholders may attend the meetings to speak.<br>- Announcement of the Shareholders’ Meeting Handbook, the Annual Report of the Shareholders’ Meeting, and the minutes of meeting in Chinese and English for the reference of investors as required.<br>- In 2023, a total of 62</td></tr></table></td><td></td></tr>
</table>

| Evaluation item | The state of operations (Note 1) | | | | | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Description | | | | | |
| | | | | | | pieces of material information were released in both Chinese and English. | | |
| | | | Customer (or landlord)/ consumer | 1. Customer protection and communication<br>2. Information transparency<br>3. Service quality | 1. To ensure the security of customer information, we strictly adhere to the policies of the "Personal Data Protection Act." We treat customers' relevant information as confidential documents, and in the pre-sale contract, we include a consent form for the collection, processing, and utilization of personal data, as well as a confidentiality clause.<br>If other departments of the Company need customers' telephone numbers, we first obtain the customers' consent before providing them. If anyone other than the customers themselves (such as designers) requests information about purchased properties, we first obtain the customers' consent before providing it. In 2022, Shihlin Development did not have any information leakage, theft, or infringement/loss of customer information.<br>Shihlin Development did not | - The Company has a dedicated department to provide customer service.<br>- From time to time, the Customer Care and Community Management Committee submits suggestions to customers to the Company for discussion and improvement.<br>. Shihlin development integrates consumers' expectations to provide proposals for a better life. When customers love the products and services planned by the Company, and their expectations are | | |

| Evaluation item | The state of operations (Note 1) | | | | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|---|---|---|
| | Yes | No | Description | | | | |
| | | | | | violate any laws or regulations related to product and service information labeling, nor were there any violation incidents. The company’s products (or services) also did not violate any laws or regulations related to marketing and promotion (including advertising, publicity, and sponsorships), and there were no violation incidents. During the reporting period, Shihlin Development was not fined for any incidents of violating laws or regulations related to product and service safety information labeling or marketing.<br>2. Throughout the home-buying process, professional customer service staff accompany customers during contract signing and explain the contract terms to ensure customers clearly understand the contract terms, thereby protecting customers’ rights and interests.<br>• Upon signing the housing contract, customers are asked to join Shihlin Development’s LINE account, where dedicated customer service staff provide online answers and regularly release information, | met, it allows the company to plan and execute with a clear goal, which is also the key to the Company’s business development. Communication and coordination between the Company and customers are smooth. | |

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|---|---|---|---|---|
| | Yes | No | Description | |
| | | | bridging the distance with customers, resolving customers' unease about purchasing pre-sale housing, and increasing trust.<br>3. For pre-sale construction projects, a performance account inquiry system is provided, allowing customers to check the payment amount at any time, giving them peace of mind.<br>• During the construction period of pre-sale projects, customers are provided with photographs showing the current status of each construction stage. Customers can also check the construction progress on the official website, strictly monitoring the quality of construction.<br>• For pre-sale construction projects, Shihlin Development provides customers with indoor construction alteration services and offers consultations from professional customer service and construction teams. They actively care about the progress and recommend quality design companies based on customers' needs, ensuring the products better meet customers' usage requirements.<br>• Upon completion of pre-sale | |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | construction projects, Shihlin Development's professional team conducts a rigorous pre-delivery inspection for customers to ensure the quality of construction before inviting customers for the final inspection, reducing the need for repairs.<br>• The delivery and handover process is standardized, with professional customer service and construction teams accompanying customers throughout, proactively reminding customers of important inspection details to ensure no aspect is overlooked.<br>4. During delivery, residents are provided with a "Building User Manual" and testing reports such as "Reinforcing Bar Radiation Contamination Certificate" and "Concrete Chloride Content Inspection Certificate." This helps establish the correct concept of home maintenance, sustaining housing quality and giving customers peace of mind.<br>• After delivery, sustainable after-sales service is provided, with proactive care for residents and the community, emphasis on timely repairs to enhance resident | |

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| | Yes | No | Description | |
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|---|---|---|---|
| | | satisfaction.<br>Contact window: Ms. Huang, Customer Service Department (Email: lisa@sdc.com.tw) | |
| Supplier (or contractors/ outsourcers)<br>Construction site of Yaoyao in the heart of the city (Daxin Construction)<br>Jing'an Shuyu Construction Site ( Sidley Construction )<br>Yang Ming Zhiyuan Construction Site (Anju Construction) | 1. Construction capacity<br>2. Professional knowledge and experience<br>3. Resources and equipment<br>4. Progress and cost control<br>5. Compliance and Security | 1. The construction company has professional construction capacity and technology and can take charge of the actual construction work. Construction companies are typically responsible for aspects such as project planning, design, and management, while construction contractors are responsible for the actual construction work, including civil engineering, structural engineering, interior decoration, and more. The ability of a construction company is critical to the success of a construction company's project.<br>2. Construction companies have abundant professional knowledge and experience, especially the technical difficulties and challenges encountered during the construction process. They understand building codes, safety requirements and best practices, and can provide solutions to ensure the quality and compliance of projects. | The significance of a construction plant to a construction company lies in providing construction capacity, professional knowledge and experience, resources and equipment, as well as support in terms of progress control, cost, compliance and safety. They are the key partners for the successful implementation of construction projects. Over 85% of all communications between the Company and its suppliers are achieved. |

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|---|---|---|---|---|
| | Yes | No | Description | |
| | | | 3. Construction plants usually have the necessary resources and equipment, including construction machinery, tools, and material supply chains, which are necessary for the smooth progress of projects. Construction companies can rely on the resources and equipment of the construction plant to reduce the time and cost of finding suppliers and leasing equipment.<br>4. The constructor was able to effectively control the progress and cost during the construction process. They have a team of skilled workers who can carry out construction work efficiently and complete projects within budget. This helps the construction company to ensure that the project is completed on time and control the cost of the project.<br>5. The construction plant understands the laws and regulations and safety requirements of construction projects, and abides by the relevant standards and specifications. They attach great importance to site safety during the construction process and take necessary measures to protect the safety of | |

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| | Yes | No | Description | |
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| | | workers and the public. This is very important for construction companies to avoid legal risks and potential damage compensation.<br>Contact window: Mr. Hong of Materials Department (Email:leo@sdc.com.tw) | |
| Employees | 1. Employee benefits<br>2. Employee evaluation mechanism<br>3. Business performance<br>4. Labor /management relations<br>5. Corporate image | Announcement on internal website or internal e-mail:<br>Information about various employee benefits (health examinations, group insurance, etc.), employee welfare committee information, important operational news of the Company, educational training course information, annual performance management operations, and other information is announced irregularly.<br>Contact window: HR, Ms. Tsai (Email:vicky@sdc.com.tw) | 1. Labor-management communication meetings are held quarterly to enhance employees' participation in and identification with company policies, fostering positive communication.<br>2. Each year, the Company makes personal development plans based on employees' individual work requirements, performance evaluation and career development.<br>3. Awarded the 2019 "1111 Happy Enterprise" Great reward. |
| Financial | 1. Corporate | Obtain financial services (deposit, | Communicate with the |

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|---|---|---|---|---|---|---|---|
| | Yes | No | Description | | | | |
| | | | institution | governance<br>2. Legal compliance<br>3. Operational sustainability | financing, investment, etc.) and work with the government to promote industry development.<br>Contact window: Ms. Du, Finance Department<br>(Email:eva@sdc.com.tw) | bank on a regular basis to help the bank understand the Company's operating overview, and the bank provides appropriate financial services to help the Company obtain greater opportunities for operational growth, and has smooth communication with the bank's undertaking staff. | |
| | | | Business partners (Consigned sales) | 1. Corporate governance<br>2. Corporate image<br>2. Operational sustainability | Shihlin Development hopes to grow together with good partners to provide higher quality products and optimize services to satisfy customers.<br>Contact window: Ms. Huang, Customer Service Department<br>(Email:lisa@sdc.com.tw) | In order to continuously enhance the brand value, the Company's construction projects are all ordered by customers, and the sales of construction projects are outstanding. | |
| | | | Competent authority (Government department) (National Taxation Bureau/TPEx) | 1. Corporate governance<br>2. Legal compliance<br>3. Operational sustainability | Comply with the law and work with the government to promote industry development.<br>Contact window: Ms. Lin, Finance Department<br>(Email:sammi@sdc.com.tw) | 1. Comply with the relevant laws and regulations of the competent authorities and government departments to avoid | |

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|---|---|---|---|---|---|---|---|
| | Yes | No | Description | | | | |
| | | | | | | the risk of violation.<br>2. Filing and paying various taxes within the time limit in accordance with the laws and regulations.<br>3. Obtain the latest laws and regulations amendment information, and remind or urge the Company to comply with laws and regulations when conducting business.<br>4. Communication with all districts is smooth. | |
| | | | Local community | 1. Construction safety impacts and concerns<br>2. Safety and risk management<br>3. Social image and public relations<br>4. Legal and regulatory compliance<br>5. Potential cooperation and conflicts of | 1. The neighboring houses around the construction site are the residents directly affected by the construction activities. They are very concerned about the progress of the construction site, noise, dust and traffic. The Company needs to understand and meet the reasonable needs of neighbors and maintain good communication and relations with them.<br>2. The construction on site may bring some potential risks and safety | At least 90% effective communication and coordination. | |

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|---|---|---|---|---|
| | Yes | No | Description | |
| | | | | interest | issues, such as noise, dust, vibration, and traffic blockade. The safety and quality of life of the neighbors may be affected. The construction company needs to take appropriate measures to ensure the safety management of the site and reduce the potential risk to the neighboring buildings.<br>3. The image and reputation of the construction company are greatly affected by the surrounding neighbors and the public. Evaluation and perception impact. If the construction company can ensure the respect and care for the neighbors during the construction process and establish a good relationship with them, then it will help to create a good social image and positive public relations.<br>4. In some regions, construction companies may need to comply with specific laws and regulations to ensure that The impact of the construction site on the neighboring buildings meets the relevant requirements. This includes obtaining necessary permits before commencement of work, taking control measures to reduce noise and dust disturbance, | | | |

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|---|---|---|---|---|
| | Yes | No | Description | |
| | | | and handling any complaints or disputes that may arise.<br>5. In some cases, the neighboring property may have interests related to the construction project, such as land development, and purchase of building materials. The construction company can discuss cooperation opportunities with neighboring houses, such as reaching a consensus on land use and material supply, in order to achieve a win-win cooperation.<br><br>Contact window: Mr. Chen of Engineering Department<br>(Email: chihkang.chen@sdc.com.tw) | |
| VI. Has the company appointed a professional stock transfer agency to handle stock affairs related to shareholders' meetings? | V | | The Company entrusts a professional stock agency – Stock Agency Department of Yuanta Securities to handle stock-related matters. The "Regulations Governing Stocks" has also been formulated to regulate related matters. | No significant variance from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies. |
| VII. Information Disclosure<br>(I) Does the company have a website set up | V | | (I) The Company discloses various business, financial information and | No significant variance from |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| and the financial business and corporate governance information disclosed?<br>(II) Has the company adopted other information disclosure methods (such as establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesperson system, and upload the procedure of institutional investor conference on its website)?<br>(III) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline? | <br><br>V<br><br><br><br><br><br><br><br><br> | <br><br><br><br><br><br><br><br><br><br>V | material information on the MOPS on a regular basis as required. There is also a website in place to disclose the Company's profile.<br>(II) The Company has designated dedicated personnel to be responsible for the collection and disclosure of company information. We also implement the spokesperson system to fully understand the Company's finances and business conditions. Moreover, we disclose information to the public in accordance with company polices and needs.<br>(III) The Company currently reports financial reports and monthly operations on the dates required by the "List of Required Tasks for Bond Issuers." The Company did not report annual financial reports within two months after the end of the fiscal year or make public announcement before the prescribed deadline. | the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies. |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| VIII. Is there any important information (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of the directors and supervisors, risk management policy and risk assessment implementation, the pursuit of customer policy, and the purchase of liability insurance for the company's directors and supervisors) that is helpful in understanding the corporate governance operation of the company? | V | | (I) Employee benefits: The Company's welfare policy has been formulated as required by law, and the content specifies the rights and obligations of employees as well as welfare items to better protect their rights.<br>(II) Employee care: Various social insurance policies are taken out in accordance with government requirements to ensure employee welfare. Moreover, birthday celebrations are organized from time to time.<br>(III) Investor relations: The Company announces various financial data on a periodic basis, while the spokesperson establishes smooth communication channels with investors.<br>(IV) Supply relations: We carry out a supplier satisfaction survey from time to time to fully understand the collaboration effectiveness between suppliers and the Company. At present, we maintain a good supply-demand relationship.<br>(V) Stakeholder rights: Stakeholders may provide their views to communicate with us as we take their opinions very seriously. Stakeholders' feedback will be used as a reference for future work.<br>(VI) Continuing education for directors: | No significant variance from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies. |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |

| Name | Duration and duration of continuing education | Organizer | Name of course |
|---|---|---|---|
| Wang, Chia-Kun | 2023.08.07 (3 hours) | TSEC and TPEx | TPEx-listed and Emerging Market Companies Insider Equity Advocacy Conference |
| Kuo, Chia-Wen | 2023.04.27 (3 hours) | TSEC and TPEx | Action Plan for the Sustainable Development of TWSE Listed and TPEx Listed Companies Council |
| | 2023.08.09 (3 hours) | TSEC and TPEx | TPEx-listed and Emerging Market Companies Insider Equity Advocacy Conference |
| Chen, Chia-Hsiu | 2023.04.13 (3 hours) | Taiwan Institute of Directors | 2023 KPMG Leadership Academy Forum - Business Opportunities and Challenges of Net Zero Boom |
| | 2023.08.07 (3 hours) | Taipei Exchange | TPEx-listed and Emerging Market Companies Insider Equity Advocacy Conference |
| | 2023.10.19 (3 hours) | Taiwan Institute of Directors | Environmental protection tax, anti-tax avoidance and corporate tax governance from the perspective of the global ESG wave |
| | 2023.11.09 (3 hours) | Taiwan Institute of Directors | Discussion on the Synergies of Corporate Mergers and Acquisitions and Practical Analysis of Transaction Execution |
| | 2023.11.24 (3 hours) | Taiwan Institute of Directors | Matters needing attention in IPO planning: spin-off of general companies and groups |
| Lin, Hsin-Cheng | 2023.08.08 (3 hours) | Securities and Futures Institute | Technical development and application opportunities of the chatting robot ChatGPT |
| | 2023.12.20 (3 hours) | Securities and Futures Institute | 2024 Global Economic Outlook |
| Li, Ying-Chu | 2023.12.28-12.29 (6 hours) | Accounting Research and Development Foundation | Continuing Education for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges |

(VII) Implementation of risk management policy and risk measurement standards: The Company has set up a comprehensive internal control system, which has been effectively implemented and is regularly reviewed in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies.” In

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | response to the Company's internal and external change, the design and implementation of the system ensures continuous effectiveness.<br>(VIII) Customer policy implementation: The Company has set up a customer service department that handles customer-related issues. At the same time, customer satisfaction survey is conducted from time to time, and items that customers are less happy with are reviewed and improved alongside the related department so as to improve product quality and customer satisfaction.<br>(IX) The Company's directors are covered by liability insurance, and this was reported at the board meeting held on August 10, 2023. | |

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TSEC Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified.

| Item | Number | Indicator | Descriptions |
|---|---|---|---|
| 1 | 1.6 | Has the Company convened an annual general meeting before the end of May? | The 2024 annual shareholders' meeting of the Company was held on May 31 and the goal was achieved. |
| 2 | 2.17 | Does the Company's Board of Directors regularly (at least once a year) evaluate the independence and suitability of CPAs with reference to the Audit Quality Indicator (AQI), and disclose the evaluation procedures in detail in the annual report? | The evaluation procedures have been disclosed in detail in the annual report. |
| 3 | 4.4 | Has the Company compiled and uploaded its sustainability report to the Market Observation Post System (MOPS) and the Company's website by the end of September in accordance with the GRI Guidelines issued by the Global Reporting Initiative (GRI)? | The Company has uploaded the ESG report before the end of September 2023. |
| 4 | 4.5 | Has the Sustainability Report prepared by the Company been verified by a third party? | The Company has planned to request third-party verification for the preparation of the 2023 Sustainability Report. |

**(IX) If the company has established a remuneration committee, its composition, duties and state of operations shall be disclosed:**

The Company's Remuneration Committee consists of two independent directors, namely Wang Jia-Kun, Kuo Chia-Wen, and Shen Ching-Mao.

The Remuneration Committee is responsible for formulating and reviewing the policy, system, standards and structure for the performance evaluation and remuneration of directors and managerial officers. Furthermore, it is also in charge of evaluation and determining the remuneration of directors and managerial officers. In 2023, the Company held three Remuneration Committee meetings and resolutions were reported at the board meeting.

1. Information on members of the Remuneration Committee:

| Identity / Requirement / Name | | Professional qualifications and experience | Status of independence | Number of other public companies of which he/she concurrently serves as a remuneration committee member |
|---|---|---|---|---|
| Independent Director | Wang, Chia-Kun | Please refer to Information on Directors | | 0 |
| Independent Director | Kuo, Chia-Wen | | | 0 |
| Member | Shen, Ching-Mao | Director Shen graduated with a PhD in Business Studies at Takushoku University, Japan, and is a member of the Company's Remuneration Committee, with more than five years of work experience required for business, finance, and corporate business. He had served as a full-time professor in the College of Business and Management at Tamkang University, and specializes in business operations and market strategy analysis, with extensive experience and expertise. | | 0 |

2. Information on the operation of the Remuneration Committee:
   (1) The Company's Remuneration Committee is made up of three members.
   (2) II. Term of this Committee members: From June 10, 2022 to June 9, 2025. In 2023, a total of three Remuneration Committee meetings were held (A); attendance of members are as follows:

| The 5th Remuneration Committee | | | | | |
|---|---|---|---|---|---|
| Title | Name | Actual Attendance (B) | Attendance by Proxy | Percentage of actual attendance (%) [B/A] (Note) | Remarks |
| Convener | Wang, Chia-Kun | 3 | 0 | 100% | None |
| Member | Kuo, Chia-Wen | 3 | 0 | 100% | None |
| Member | Shen, Ching-Mao | 3 | 0 | 100% | None |

Any other matters that require reporting:

1. If the board of directors declines to adopt or modify a recommendation of the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the remuneration package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.

2. As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

3. Reasons for discussion and results of resolution at the Remuneration Committee meeting:

| Meeting Date | Term | Content of Agenda | Results of Resolution | The Company's Reaction to the Remuneration Committee's Opinions |
|---|---|---|---|---|
| 2023.01.09 | The 3rd Meeting of the 5th Term Remuneration Committee | Discussion Proposal of distributing performance appraisal bonuses to the Company's managers for 2022. | Approved with the consent of all the members attending the meeting. | Not applicable |
| 2023.03.09 | The 4th Meeting of the 5th Term Remuneration Committee | Discussion on 2022 distribution of remuneration to employees and directors | As of 2022, the company still has accumulated losses, so no remuneration to employees and directors is distributed. The proposal was approved with the consent of all the members attending the meeting. | Not applicable |
| 2023.11.14 | The 5th Meeting of the 5th Term Remuneration Committee | 1. Review on the Company's 2024 annual salary structure proposal for the salary structure of directors and managerial officers.<br>2. Formulation of the 2024 work plan of the Company's Remuneration Committee. | Approved with the consent of all the members attending the meeting. | Not applicable |

**(V) The status of the company’s implementation of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance:**

| Promotion Event | Status of Implementation (Note 1) | | | Any variance from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| I. Does the company establish corporate governance frameworks and an exclusively (or concurrently) dedicated unit to promote sustainable development, and how does the senior management handle as authorized by the board of directors and how does the board of directors supervise? | V | | Although the Company has not yet established the Sustainable Development Committee, in accordance with the corporate governance blueprint, the Company has formed an ESG organization consisting of the President, Lin Hsin-Cheng, and other senior management. This organization is responsible for coordinating the Company’s corporate social responsibility and sustainable development directions, formulating relevant strategies and goals, and preparing a sustainability report for submission to the Board of Directors for review and release. The organization regularly reviews performance and goal achievement, and leads all departments in solving corporate ethics-related issues while implementing process reform. At the same time, the organization regularly reports its sustainability promotion plans to the board of directors, and the board of directors supervises the implementation of various plans. As the supreme governance unit, the Board of Directors is chaired by the Chairman. The Board of Directors’ responsibilities mainly include appointing and supervising the Company’s management team to ensure the rights and interests of stakeholders and maximize the interests of shareholders. The year 2023 was the first time that the Company produced an ESG report. As the head of the ESG promotion organization, the President is responsible for setting the Company’s ESG development goals, and regularly reports the achievement of ESG goals to the Board of Directors. To promote ESG development, the ESG advocacy organization convenes meetings at least once every six months and ad hoc meetings to discuss major issues. | There is no significant variance from the Sustainable Development Best Practice Principles. |

<table>
<tr>
<td>II. Has the company performed risk assessments on environmental, social, and corporate issues in relation to the company’s operations according to material principles and formulated relevant risk management policies or strategies? (Note 2)</td>
<td>V</td>
<td></td>
<td>In recent years, due to climate change leading to abnormal weather patterns, the increase in extreme climate events has made Shihlin Development realize that the Earth’s resources are limited. Facing the impacts of environmental changes, we will fulfill our responsibilities as global citizens by continuously improving the utilization of various resources and incorporating concepts such as environmental protection, energy conservation, carbon reduction, and smart green buildings into our operational planning. This ensures the sustainable development of both the Earth and the Company, fulfilling our corporate social responsibility and achieving the vision of symbiosis and mutual prosperity between the company and the environment.<br>The environmental, social and corporate governance risk assessment and management policies are as follows:
<table>
<tr><td>Material Issues</td><td>Risk Assessment Items</td><td>Risk management policy or strategy</td></tr>
<tr><td>Environment</td><td>Environmental Protection</td><td>1. Water resource management<br>Shihlin Development takes water from the Feicui Reservoir (tap water source). There is no significant impact on the local area. The water resource risk of the Company’s business locations is measured at medium to low risk using the “Water Risk Assessment Tool” of the World Resources Institute. In terms of water resource management, Shihlin Development has been entrusted as the tenant with the management of the building. The Company will always care about future water resource consumption after a building is completed. Note that all</td></tr>
</table>
</td>
<td>There is no significant variance from the Sustainable Development Best Practice Principles.</td>
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| | | | | | | | |
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| | | | | | construction projects are also required to pass the Green Building Label.<br>2. Energy Emission Management<br>Shihlin Development always cares about the energy consumption of the buildings after they are completed, so the energy consumption of the shell of the building, air-conditioning, lighting, and fixed energy-consuming equipment have been paid attention to. All construction projects have the requirement of green building label.<br>3. Waste management<br>Shilin Development is in the early stage: House demolition projects, earthwork excavation projects, and interior decoration projects generate the most wastes. The Company commissioned a third-party qualified cleaning and transportation company registered with the government to dispose of waste, and also set up a GPS positioning system.<br>In terms of circular economy or waste reduction, the Company has implemented specific actions, such as sorting recyclable and non-recyclable demolition waste; recycling reusable | | |

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| | | | | | metals; backfilling and reusing gravel. | | |
| | | | Society | Product safety | 1. Construction quality<br>(1)Importance of structural safety:<br>The Company emphasizes the importance of structural safety. It clearly requires that the construction process and buildings meet safety standards and has established an effective safety management system to ensure that buildings do not cause harm or damage to personnel and property during construction and use. This includes providing necessary safety protection facilities and training, establishing safety monitoring and inspection mechanisms, and strengthening the management of hazardous materials.<br>(2)Communicate the method of construction in advance and standardize the quality standards:<br>The Company communicates the construction methods with contractors in advance and clearly requires that the construction quality meets | | |

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| | | | | | the standards, establishing an effective quality management system to ensure the safety and durability of buildings and meet the requirements of the owners.<br>(3)The construction blueprint plans the future environmental and energy policies in advance:<br>The Company incorporates environmental protection into its construction quality management system to ensure that buildings do not cause pollution or damage to the environment during construction and use. It also clearly sets standards for energy consumption during the construction process and adopts energy-saving measures to reduce energy consumption and carbon emissions. This includes reducing noise, vibration, dust, and pollutant emissions during construction, using green building materials and energy-efficient equipment as much as possible to reduce energy consumption and carbon emissions, as well as using energy-efficient equipment | | |

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| | | | | | and technologies, choosing efficient energy supply methods, and reducing the lighting and air conditioning usage of buildings.<br>2. Others<br>(1)The Company does not use environmental criteria (GRI 300 series or ISO 14001 Environmental Management System) to select or evaluate new suppliers. However, the company has established relevant management regulations, evaluation processes, and evaluation results. When selecting or evaluating new suppliers, several well-known contractors in the industry with Grade A qualifications and good financial credit and stability are invited to bid. The final contractor is selected through the most advantageous bidding process.<br>(2)The Company's suppliers must be legal companies registered with the Ministry of Economic Affairs, such as Chengxin Yaoyao site – Daxin Construction, Jing'an Shuyu site – Sidley Construction, Yangming | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Zhiyuan site – Anzhu Construction; it uses social criteria to screen new suppliers shall be 100%.<br>So far, the Company has audited 3 suppliers, namely Chengxin Yaoyao site – Daxin Construction, Jing'an Shuyu site – Sidley Construction, and Yangming Zhiyuan site – Anzhu Construction; If qualified, the Company will not use the vendor.<br>In 2022, the Company did not have any unqualified suppliers.<br>(3) After the completion of the project, the Company will conduct a conference review based on the construction quality, progress, labor safety and health, cost control, and energy saving and carbon reduction of the project. The comprehensive opinions of each department and unit are gathered for evaluation, as a future supplier is used as the basis. | | |
| | | | Corporate governance | Legal Compliance | Through the establishment of a governance organization and the implementation of the internal control mechanism, it is ensured | | |

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| | | | that all the Company's personnel and operations truly comply with the relevant laws and regulations. | |
| III. Environmental issues<br>(I) Does the company have an appropriate environmental management system established according to its industrial characteristics?<br>(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?<br>(III) Does the company assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures?<br>(IV) Did the company calculate greenhouse gas emissions, water usage and total waste volume in the last two years and implement policies to reduce greenhouse gas, water or other waste management? | V<br>V<br>V<br>V | | (I) The Company proposes building plans while taking into consideration climate and environmental change in order to improve the quality of life of occupants.<br>(II) The EEWH certification issued by the Ministry of the Interior is regarded as our basic standard and our objective is to launch new building projects that have an EEWH certification. To protect the working and natural environment, we abide by the safety building regulations, fire safety regulations, labor health and safety regulations, Waste Disposal Act, and energy conservation and carbon reduction management regulations.<br>(III) The Company proposes building plans while taking into consideration climate and environmental change in order to improve the quality of life of occupants.<br>(IV) We introduce paperless office and achieve energy conservation in the office through air conditioning temperature and water and electricity consumption control. | There is no significant variance from the Sustainable Development Best Practice Principles. |
| IV. Social issues<br>(I) Has the company formulated management policies and procedures in accordance with the applicable laws and regulations and international human rights conventions?<br>(II) Has the company established and implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits) and appropriately reflect the business performance or achievements in the employee remuneration?<br>(III) Does the company provide employees | V<br>V<br>V | | (I) The Company has formulated the "Human Rights Policy" and "Reporting System for Illegal and Immoral Behavior" in October 2023. We comply with relevant laws and regulations and follow international human rights conventions, such as gender equality and the right to work and we prohibit discrimination. To fulfill these responsibilities and protect human rights, we follow the relevant labor laws and regulations. Moreover, the appointment, dismissal and remuneration of employees are handled in accordance with the Company's internal control system rules.<br>(II) The Company has formulated a reasonable remuneration policy, and requires its employees to follow the Company's Code of Conduct and practice the corporate value of "treating people with integrity." The Company handles labor insurance, national health insurance and | There is no significant variance from the Sustainable Development Best Practice Principles. |

| | | | | |
|---|---|---|---|---|
| with a safe and healthy working environment and regularly provide safety and health education to employees? | | | pension of employees, in accordance with the law. Our employees are also covered with group insurance and receive regular health examination.<br>(III) Protection measures for the workplace and employee safety:<br>1. Access control: We have a strict access control monitoring system in place as well as security personnel day and night to protect the safety of employees.<br>2. Health examination: We provide an annual health examination to all employees.<br>3. Insurance and medical assistance: Employees are covered with labor insurance and health insurance as required by law. Furthermore, we provide accident insurance and accidental injury insurance to employees.<br>4. Equipment maintenance and inspection: The buildings leased by the Company are regularly maintained. Lifts, air conditioning, drinking fountains, firefighting equipment, electrical and mechanism equipment are inspected in accordance with the requirements stipulated the Public Safety Inspection Regulations and the Fire Services Act. | |
| (IV) Has the company established an effective career capability development training program for employees? | V | | (IV) The Management Department plans a range of professional courses for personnel in each department. In doing so, we establish effective development training projects to help further our employees' career capabilities. Meanwhile, the Company's operating performance and achievements are appropriately reflected in the remuneration policy of employees to ensure consistent recruitment, retention and encouragement, achieving the goal of sustainable management. | |
| (V) Does the company follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services, and establish policies on customer protection or consumer rights and interests and procedure for accepting consumer complaints? | V | | (V) We have established a Customer Service Department to build a concept of customer-orientation operations. Moreover, we fully understand the needs of customers through telephone, E-Mail and face-to-face meetings while at the same time formulating plans to quickly respond to the customer. | |
| (VI) Has the company formulated a supplier management policy that requires suppliers to follow relevant regulations with respect to environmental protection, occupational safety and health or labor rights/human rights issues, and their implementation status? | V | | (VI) We understand and communicate with suppliers on environmental, safety and health issues. We also encourage suppliers to improve their environmental, safety and health performances so as to promote the implementation of corporate social responsibility. | |

<table>
<tr><td>V. Does the company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports and other reports to disclose non-financial information of the Company? Are the abovementioned reports supported by the assurance or opinion of a third-party verification unit?</td><td>V</td><td></td><td>The Company has prepared the Sustainability Report for the first time in 2023<br>The 2024 Sustainability Report will be verified by a third-party verification unit upon completion.</td><td>There is no significant variance from the Sustainable Development Best Practice Principles.</td></tr>
<tr><td colspan="5">VI. If the company has established its own corporate social responsibility principles in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies,” please specify the state of the company’s implementation, and any variance from its own Principles:<br>The Company has formulated the “Corporate Social Responsibility Principles” which has been approved by the board of directors to strengthen the implementation of corporate social responsibility. The company regularly reviews the state of its implementation in accordance with the Principles and improves the implementation accordingly. So far there has been no variance from the Principles.</td></tr>
<tr><td colspan="5">VII. Other significant information that will provide a better understanding of the state of the company’s promotion of sustainable development:<br>(I) Environmental protection: The Company is committed to environmental building projects that incorporate green spaces, base water conservation, and daily energy savings. In addition, we have also formulated office management rules to promote the adjustment of air conditioning units to the optimum temperature and used paper recycling and reuse to reduce the impact of the Company’s operations on the natural environment.<br>(II) Social welfare:<br>1. We sponsor the Taiwan Residential Architecture Award organized by Green Magazine. Through the selection of outstanding green buildings, we hope to recognize the architects and builders, further stimulating the public to acknowledge the importance of green building planning.<br>2. We sponsor the Cross-Straits Tree Protection Seminar organized by the China University of Science and Technology. Through the detailed and proper techniques of tree protection, we hope to preserve a green environment.<br>3. This is the 13th year that we have participated in KPMG’s “Song of Love and Happiness in Rural Areas.” This activity extends the warmth to every corner of Taiwan in need through the continuous donation of second-hand computers, giving disadvantaged groups in remote areas and the Digital Opportunity Center the use of computer equipment and reducing the gap between urban and rural areas.<br>4. The Company has designated December as the “Charity Month” and participated in many other public welfare activities. For example, sponsoring the Winged Angels enables youths with developmental delays and physical and mental disabilities to learn music and enhance their self-confidence and livelihood skills. Through performances, they enter society and crowds, and change their lives.<br>(III) Consumer rights: The Company has an after-sales unit in place and dedicated personnel to handle after-sales services. Consumers can also make complaints via phone or mail.<br>(IV) Human rights and safety and health: The Company handles labor insurance, national health insurance and pension of employees, in accordance with the law. Our employees are also covered with group insurance and receive regular health examination.<br>(V) The Company participates in the “Green/Sustainable Time Deposit” program promoted by Kaohsiung Bank in response to the government’s “Green Finance Action Plan” and “Corporate Governance.” The bank refers to the core goals of the United Nations’ “2030 Sustainable Development Goals (SDGs)” and the “Sustainable Development Bond Operation Guidelines” of the Taiwan Stock Exchange, promoting the</td></tr>
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| "Green/Sustainable Time Deposit" to assist companies with substantive environmental and social benefits in obtaining funds for green investments. The aim is to convey the core concept of sustainable development through concrete actions and exert a substantial influence to improve the environment and society, achieving a positive cycle and long-term benefits. |

Note 1: Regardless of checking "yes" or "no," it should be explained in Description.
Note 2: For companies that have prepared a corporate social responsibility report, the Description may be completed by providing page references to the corporate social responsibility report.

**(VI) The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance:**

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| I. Establishment of ethical corporate management policies and action plans<br>(I) Has the company established an ethical corporate management policy that its board of directors has passed, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and senior management on the rigorous and thorough implementation of such policies and methods?<br>(II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope regularly that are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"?<br>(III) Has the company specified operating procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis? | V<br>V<br>V | | (I) The Company has established "Ethical Corporate Management Best-Practice Principles" and the "Code of Ethical Conduct" in order to regulate the Company's directors and managerial officers against conflict of interest and bribery. In regard to employee conduct, we have formulated the "Employee Work Rules" illustrating how to avoid conflicts of interest such as bribes, gifts and business entertainment.<br>(II) Aside from formulating the Employee Work Rules, mentioned above as well as the Code of Ethical Conduct for Directors/Supervisors and Managerial Officers, we also provide education and training on the above rules to new employees and personnel working in a high-risk environment. By doing this, we raise the awareness of compliance and business ethics of all employees.<br>(III) If a director/supervisor, managerial officer, or employee is engaged in misconduct, they will be disciplined in accordance with the Company's internal rules; if any employee is found guilty of abusing their position and accepting bribes or commissions, stealing, embezzling public funds or property resulting | No significant variance from the Ethical Corporate Management Best-Practice Principles for TSEC/TPEx Listed Companies. |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | in significant financial loss or damage to the Company's reputation, they will be dismissed. Where a supplier violates the integrity and honesty commitment, the Company will cancel the supplier's privileges and any outstanding orders. | |
| II. Implementation of ethical corporate management<br>(I) Does the company evaluate the ethics records of all counterparties it has business relationships with? Are there any ethics clauses in the agreement the company signs with the counterparty?<br>(II) Has the company set up a dedicated unit to promote corporate ethical management under the board of directors, and has such unit reported its execution in terms of ethical corporate management policy and preventive programs against unethical conduct and the supervision status to the board of directors on a regular basis (at least once a year)?<br>(III) Has the company established a policy that prevents conflicts of interest and provided an appropriate channel for reporting and have them both implemented?<br>(IV) Has the company established an effective accounting system and internal control system in order to implement ethical corporate management, and propose relevant audit plans according to the assessment results of the risks of unethical conduct, and review the compliance status of the prevention of unethical conduct, or entrust an accountant to | V<br>V<br>V<br>V | | (I) Prior to engaging in a business relationship, the Company takes into account the legitimacy of contractors, suppliers, customers or other counterparties, and whether they are involved in misconduct. The Company also carries credit investigation in a timely manner.<br>(II) The Company regularly sends high-level executives to attend seminars on corporate integrity management organized by the competent authorities, to strengthen the integrity management and ethical concepts of the Company's operational managers, and to implement them in internal management and external business activities. In 2023, company employees and managers participated in relevant internal and external education and training (including courses on compliance with integrity management regulations, accounting systems, and internal controls). There were 21 instances of external training, totaling 363 hours, and 203 instances of internal training, with a total training time of 221 hours (number | No significant variance from the Ethical Corporate Management Best-Practice Principles for TSEC/TPEx Listed Companies. |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| carry out the review?<br>(V) Does the company organize internal or external training on a regular basis to maintain ethical corporate management? | <br>V | | of participants x duration of each internal training session). The audit unit directly under the Board of Directors, regularly inspects the implementation of ethical corporate management of the Company, reports its implementation to the Board of Directors, and discloses the implementation results on the website and annual report.<br>(III) The Company's directors and managerial officers should recuse themselves from matters in which they have an interest. The recusal situation is set forth in the Company's annual report.<br>(IV) The Company's Audit Office performs risk-based on-site audit or review based on the annual audit plan passed by the Board of Directors. This helps the Board of Directors and managerial officers reasonably ensure that the internal control system is continuously and effectively implemented, including the achievement of the objectives of the results and efficiency of the Company's operations, reliability of financial reporting and compliance with regulatory compliance.<br>(V) 1. The Company follows the Company Act, relevant regulations for listed companies, and other laws related to commercial conduct as the basic premise for implementing integrity management. In order to establish a corporate culture of | |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | integrity management and sound development, the Company passed the Integrity Management Code of Conduct at the Board of Directors meeting in November 2019, actively implementing the commitment to operational policies.<br>2. The Company regularly sends high-level executives to attend seminars on corporate integrity management organized by the competent authorities, to strengthen the integrity management and ethical concepts of the Company's operational managers, and to implement them in internal management and external business activities. In 2023, company employees and managers participated in relevant internal and external education and training (including courses on compliance with integrity management regulations, accounting systems, and internal controls). There were 21 instances of external training, totaling 363 hours, and 203 instances of internal training, with a total training time of 221 hours (number of participants x duration of each internal training session). | |
| III. The operation of the Company's whistleblowing system<br>(I) Does the company have a specific whistleblowing | V | | (I) In order to implement the Company's Ethical Corporate Management Best-Practice | No significant variance from the Ethical Corporate Management Best-Practice |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| and reward system established, a convenient reporting channel established, and a responsible staff designated to handle the individual being reported?<br>(II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconducts?<br>(III) Has the company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident? | <br><br><br><br>V<br><br><br><br>V | | Principles, the Company encourages internal and external personnel to report unethical or improper conducts. whistleblowing system.<br>The Company has set up the following emails for whistleblowing: sdc@sdc.com.tw<br>Acceptance unit: Administration Department<br>Investigating unit: The President will designate an investigation team according to the content of the report to investigate<br>(II) The Company's reporting system for illegal and unethical conducts is as follows:<br>1. The Company encourages internal and external personnel to report dishonest or improper conduct. If the reported matter is verified to be true, the receiving unit will report to the President, who will give appropriate rewards to the whistleblower based on the severity of the situation. However, if an internal employee makes a false report or malicious accusation, the Company will impose disciplinary action, and in serious cases, dismissal.<br>2. The Company publishes the whistleblowing mailbox on the Company's official website and intranet for the use of internal and external personnel.<br>The whistleblower shall provide the following information:<br>(1) The whistleblower's name and I.D. number, and an address, telephone | Principles for TSEC/TPEx Listed Companies. |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | number, and e-mail address where the whistleblower can be reached.<br>(2) The name of the informant or other information sufficient to identify the subject of his/her identity.<br>(3) Substantive evidence to support the investigation.<br>3. The investigation unit of the Company shall handle matters in accordance with the following procedures:<br>(1) Whistleblowing involving employees or senior executives is reported to the department head or President; cases involving directors or material violations of law are reported to the Audit Committee.<br>(2) The Company's investigation unit and the person receiving the report under the preceding paragraph shall verify the facts immediately.<br>(3) If the accused person is found to have violated relevant laws or the Company's integrity management policies and code of conduct upon investigation, they will be immediately required to cease the relevant conduct, and appropriate measures will be taken. If the Company's interests have been damaged, it will seek compensation through legal proceedings when | |

| Evaluation item | The state of operations (Note 1) | | | Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | necessary to protect the Company's reputation and interests.<br>(4) Written records of the acceptance of a report, the investigation process, and the results of the investigation shall be kept for 5 years, and the records can be recorded electronically. Before the expiry of the retention period, in case of a lawsuit related to the content of the report, the relevant information shall be kept until the end of the lawsuit.<br>4. If the alleged incident is substantiated, the Company is responsible for the Company's internal audit and review of the relevant internal control system and operating procedures, and proposes corrective measures to prevent the recurrence of the same behavior.<br>5. The Company's investigation unit will report the facts to be verified, the handling method and the subsequent review and improvement measures to the President to the President. If the circumstances of the case have a significant impact on the Company, it should be reported to the Audit Committee and reported to the Board of Directors.<br>(III) The relevant personnel of the Company's accepting and investigating units shall keep the identity of the informant and the content of the | |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">The state of operations (Note 1)</th><th rowspan="2">Any variance of such implementation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>report confidential, and the Company undertakes to protect the whistleblower from improper disposal as a result of the circumstances of the report.</td><td></td></tr>
<tr><td>IV. Enhancement of information disclosure<br>Has the company disclosed the content and the effectiveness of its-established Ethical Corporate Management Best-Practice Principles on its website and MOPS?</td><td>V</td><td></td><td>The Ethical Corporate Management Best-Practice Principles are disclosed on MOPS.</td><td>No significant variance from the Ethical Corporate Management Best-Practice Principles for TSEC/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">V. If the company has established its own Ethical Corporate Management Best-Practice Principles in accordance with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies,” elaborate the state of implementation and any variation thereof:<br>The Company has established its “Ethical Corporate Management Best-Practice Principles.” However, related provisions stipulated in the “Code of Ethical Conduct for Directors/Supervisors and Managerial Officers” and “Code of Conduct for Employees” are revised in conjunction with the spirit of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” to incorporate the essence of ethical management into its practical operations.</td></tr>
<tr><td colspan="5">VI. Other important information that helps understand the practice of ethical management: (e.g. the review and revision of its established Ethical Corporate Management Best-Practice Principles)<br>Ethics and integrity are the most important cornerstones of the Company. We strengthen the positive image of the Company in the construction industry to gain the trust and respect of our customers, shareholders, employees, suppliers and society. The Company respects and follows the law and standards agreed upon by the industry. At the same time, we adopt higher standards in pursuit of better management.</td></tr>
</table>

Note 1: Regardless of checking “yes” or “no,” it should be explained in Description.

(VII) Climate-related information

1. Implementation of climate-related information

| Item | Status of implementation |
|---|---|
| 1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management. | The Board of Directors supervises the execution of various plans. The President and other senior management form the ESG Promotion Team, which is responsible for coordinating the Company's corporate social responsibility and sustainability direction, formulating relevant strategies and goals, and preparing the sustainability report. The team will also assess risks related to climate change, propose improvement and response measures, incorporate them into the ESG management objectives, and submit them to the Board of Directors for review and publication. |
| 2. Describe how the identified climate risks and opportunities affect the Company's business, strategy and finance (short-, medium-, and long-term). | <u>Climate risks and opportunities (6 potential opportunities)</u><br>① Pursue the minimalist design of symbiosis with the environment, make the architecture and the environment harmoniously integrate, and move towards green buildings.<br>② Use intelligent technology to create comfortable and long-lasting buildings to create maximum value for occupants.<br>③ Increase the insulation effect of doors and windows, and increase the construction cost.<br>④ Additional air-conditioning system will increase the construction cost.<br>⑤ Additional rainwater and reclaimed water recycling system, resulting in higher construction cost.<br>⑥ Green energy, energy storage, and energy-saving systems are added, resulting in higher construction costs.<br><u>Related strategies are as follows</u><br>① Cost control: The construction company is usually responsible for the actual construction, and the construction company is responsible for planning, designing and managing the projects. Therefore, the construction company hopes that the construction contractor can control the cost as much as possible to ensure that the project can be completed within the budget.<br>② Quality control: The construction company has higher requirements on the quality of construction, because buildings or facilities of poor quality may pose a threat to the public or damage the company's reputation. Therefore, |

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|---|---|
| | the construction company hopes that the construction contractor can ensure the quality of the construction process and products.<br>③ Safety and risk management: Construction companies are responsible for safety and risk management during the construction process. Construction companies hope that they can strictly abide by safety regulations and standards to reduce risks during the operation of the project.<br>④ Time management: The construction company usually sets the timetable to ensure that the project can be completed on time. Construction companies need to ensure that the construction progress can meet the timetable to avoid negative impact on the progress of the entire project.<br>⑤ Communication and coordination: frequent communication and coordination are required between the construction company and the construction plant to ensure the smooth progress of the project. This includes determining work distribution, determining progress, solving problems, and so on. |
| 3. Describe the financial impact of extreme climate events and transformation actions. | The five risk items of extreme climate to the Company (increase in raw material cost, labor shortage, increase in the procurement cost of green building materials, high temperature risk, and sea level rise).<br>Financial impact (1. increase in operating costs 2. decrease in asset value 3. decrease in revenue 4. increase in capital expenditures.) |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. | Regarding the relevant risk issues faced in operational activities, the Company has formulated various internal regulations in accordance with laws, authorizing relevant responsible units to conduct risk management and assessment, and propose countermeasures. This allows each department to achieve management effectiveness in operational control and reduce the occurrence of risks. The Company conducts risk and opportunity analysis from time to time, and formulates and implements goals and management plans based on the analysis results to reduce the impact on the Company.<br>① Contingency plans: Develop contingency plans for extreme climate events, including natural disasters such as storms and floods.<br>② Low-carbon development: Develop low-carbon buildings and energy efficiency, and adopt green building materials to reduce the negative impact on climate change.<br>③ Assess market demand: Assess the market demand for low-carbon and green buildings to further expand market share.<br>④ Continuous innovation: Through continuous innovation, we develop new |

| | |
|---|---|
| | technologies, new craftsmanship and new materials to contribute to the construction industry in the era of climate change. |
| 5. If a scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors, and main financial impacts used shall be described. | None. |
| 6. If there is a transformation plan in place to manage climate-related risks, specify the content of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks. | In response to the transformation opportunity derived from the climate change challenge under the “climate emergency,” Shihlin Development expects to lead the client to transform into a low-carbon green economy to mitigate the climate impact.<br>① Energy conservation and carbon reduction goals and plans: The Company must establish carbon emission reduction goals and plans, including reducing energy use, adopting clean energy, and improving energy efficiency.<br>② Carbon emissions assessment: The Company must conduct carbon emissions assessments on its businesses to determine which businesses generate large amounts of carbon emissions so that targeted emission reductions can be made.<br>③ In response to flooding caused by climate change-induced heavy rains: During architectural planning, waterproof gates will be installed at least 90 cm above the ground level of the site, and windows and openings in the basement will protrude above the ground level of the site. Waterproof gates will be installed for the portions below 90 cm from the ground level of the site. |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated. | Shi Kai does not use internal carbon pricing as a planning tool. |
| 8. If climate-related targets are set, information such as the activities covered, scope of greenhouse gas emissions, planning period, and annual progress should be provided. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve the relevant targets, the source and quantity of the offset carbon reductions or the number of RECs should be stated. | In recent years, due to climate change leading to abnormal weather patterns, the increase in extreme climate events has made Shihlin Development realize that the Earth’s resources are limited. Facing the impacts of environmental changes, we will fulfill our responsibilities as global citizens by continuously improving the utilization of various resources and incorporating concepts such as environmental protection, energy conservation, carbon reduction, and smart green buildings into our operational planning. This ensures the sustainable development of both the Earth and the Company, fulfilling our corporate social responsibility and achieving the vision of symbiosis and mutual prosperity between the company and the environment. |
| 9. Greenhouse gas inventory and assurance, and reduction goals, | ① In accordance with the “Sustainable Development Path for TWSE/TPEx |

| | |
|---|---|
| strategies, and concrete action plans. | Listed Companies" issued by the Financial Supervisory Commission in March 2022, the Company has completed the first stage by establishing a dedicated (part-time) greenhouse gas inventory task force and personnel, and formulating their scope of duties. Subsequent plans, including talent training, strategic goals, control mechanisms, internal verification and external verification planning, completion of greenhouse gas inventory, and completion of external verification, will be reported to the Board of Directors for control on a quarterly basis.<br>② According to the schedule, the parent company is expected to complete the inventory in 2026 and the verification in 2028; the consolidated subsidiary is expected to complete the inventory in 2027 and the verification in 2029. |

2. **The Company's greenhouse gas inventory and confirmation in the last two years:** According to the schedule, the parent company is expected to complete the inventory in 2026 and 2028; the consolidated subsidiary is expected to complete the inventory in 2027 and 2029.
3. **Greenhouse gas reduction goals, strategies and specific action plans:** According to the schedule, the parent company is expected to complete the inventory in 2026 and the verification in 2028; the consolidated subsidiary is expected to complete the inventory in 2027 and 2029.

**(VIII) If the Company has established Corporate Governance Best-Practice Principles and related regulations, it should disclose its access methods:**

Market Observation Post System -> Corporate Governance -> Establishment of Corporate Governance-related Rules and Regulations.

**(IX) Other important information that is sufficient to enhance the understanding of the operation of corporate governance:**

The Company has established the Corporate Governance Best-Practice Principles which specify regulations with respect to the protection of shareholder interests, strengthening of the functions of the Board of Directors and enhancement of the transparency of information. The Company also reviews the evaluation indicator for corporate governance appraisal in the hope that it will help the Company gradually construct a sound corporate governance system to better improve the effectiveness of corporate governance. The state of the Company's corporate governance is available on MOPS.

**(X) The section on the state of implementation of the company's internal control system shall furnish the following:**

1. Declaration of Internal Control.

## Shihlin Development Company Limited
## Declaration of Internal Control System

Date: March 7, 2024

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2023:

1. We understand it is the responsibility of the Company's management to have internal control system established, enforced, and maintained. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental, and situational changes may affect the effectiveness of internal control policies. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.
3. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the "Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to the "Governing Rules" for the details of the said items.
4. The Company has adopted the above judgment items of internal control system to assess the design and operating effectiveness of the internal control system.
5. Based on the findings of the evaluation, the Company believes that, as of December 31, 2023, its internal control system (including supervision and management of subsidiaries) as well as monitoring the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of the reporting and compliance with applicable laws and regulations, etc., were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
6. The Declaration of Internal Control is the content of our annual report and prospectus for the information of the public. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. The declaration has been passed by boar meeting held on March 7, 2024, with all eight attending directors (including one by proxy) affirming the content of the declaration.

Shihlin Development Company Limited

Chairman: Hsu, Yu-Shan

President: Lin, Hsin-Cheng

2. If a CPA was entrusted to perform a special audit on the internal control system, the audit report shall be disclosed: None.

**(XI) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement:**

None.

**(XII) Material resolutions of a shareholders' meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:**

1. Shareholders' meeting:

| Meeting year | Meeting time | Material resolutions: | Status of implementation |
| --- | --- | --- | --- |
| 2023 | 2023.06.01 Shareholders' meeting | 1. Acknowledgement of the motion for the 2022 business report and financial statements. | Resolution passed and announced as required. |
| | | 2. Acknowledgement of the motion for 2022 profit and loss appropriation. | Resolution passed and announced as required. |

2. Board meeting:

| Meeting year | Meeting time | Material resolutions: |
| --- | --- | --- |
| 2023 | 2023.03.09 | 1. Passed the motion for the 2022 financial statements.<br>2. Passed the motion for the 2022 business report and the summary of the 2023 operational plans.<br>3. Passed the motion for 2022 appropriation to cover losses.<br>4. Passed the motion for the 2023 salary structure of the Company's director and managerial officers.<br>5. Passed the motion for the Company's "2022 Declaration of Internal Control System"<br>6. Approved the Company's policy for pre-approval non-assurance services in general and the non-assurance services expected to be provided by KPMG in 2023.<br>7. Approved that the total value of properties accumulated from the same development project by the Company exceeds NTD 300 million.<br>8. Passed the motion for the date, location and motions of the Company's 2023 annual general meeting.<br>9. Passed the motion for shareholders' right to make proposals at the 2023 annual general meeting. |
| | 2023.05.11 | 1. Passed the motion for the Company's consolidated quarterly financial report for the first quarter of 2023. |
| | 2023.08.10 | 1. Passed the motion for the Company's consolidated quarterly financial report for the second quarter of 2023.<br>2. Passed the motion for the amendments to some contents of Company's "internal control system." |

| Meeting year | Meeting time | Material resolutions: |
|---|---|---|
| | | 3. Approved the establishment of the “Procedures for Compilation and Verification of Sustainability Report” of the Company. |
| | 2023.11.14 | 1. Passed the motion for the Company’s consolidated quarterly financial report for the third quarter of 2023.<br>2. Passed the motion for the Company’s “annual audit plan for 2024 internal audit.”<br>3. Passed the motion for the “operation of management of the procedures for preparation of financial statements.”<br>4. Approved the addition of the “Regulations Governing Finance and Business-Related Operations between Related Parties.”<br>5. Approved the appointment of the Company’s CPAs for 2023 and the evaluation of their independence, suitability and professional fees.<br>6. The Company passed a case of purchasing land from the non-related party Long Bon International Co., Ltd., which is located in the “Urban Renewal Project and Rights Exchange Plan for Changing (Second Time) the Land Plots No. 1, etc., of Shuanglian Section, Datong District, Taipei City” (City Core Yo Yo Project) where the company serves as the implementer. |
| 2024 | 2024.03.07 | 1. Passed the motion for the 2023 financial statements.<br>2. Passed the motion for the 2023 business report and the summary of the 2024 operational plans.<br>3. Passed the motion for 2023 appropriation to cover losses.<br>4. Passed the motion for the 2024 salary structure of the Company’s director and managerial officers.<br>5. Passed the motion for the Company’s “2023 Declaration of Internal Control System”<br>6. Approved the motion to amend the Company’s “Management of Related Party Transactions” internal control.<br>7. Approved the motion to amend the Company’s operating procedures.<br>8. Passed the motion for the date, location and motions of the Company’s 2024 annual general meeting.<br>9. Passed the motion for shareholders’ right to make proposals at the 2024 annual general meeting. |

**(XIII) Any other documented objections or qualified opinions raised by directors or supervisors against board resolutions in relation to matters, and their content in the most recent fiscal year and up to the date of publication of the annual report:**

None.

**(XIV) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of personnel related to the Company (including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer):**

| Title | Name | Date of post | Date of dismissal | Reason for resignation or dismissal |
|---|---|---|---|---|
| Executive Director of Investment | Hsu, Yu-Shan | 2015.11.20 | 2023.12.31 | Resigned due to personal career planning |

## V. Information on CPAs' Fees:

### Information on the Professional Fees of the Attesting CPAs

Unit: NTD thousand

| Name of accounting firm | Name of CPAs | CPAs' Audit Period | Audit fee | Non audit fee | Total | Remark |
|---|---|---|---|---|---|---|
| KPMG Taiwan | Chen Tsung-Che | 2023/01~2023/12 | 2,430 | 132 | 2,562 | Information checklist for direct deduction of business tax, verification of trust value and non-managerial employees' salaries |
| | Huang, Hsin-Ting | | | | | |

**(I) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed:**
Not applicable.

**(II) Over 15% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed:**
Not applicable.

## VI. Information on replacement of certified public accountant:

None.

## VII. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:

None.

## VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

### (I) Change in equity interests by a director, supervisor, managerial officer and major shareholder:

Unit: shares

| Title (Note 1) | Name | 2023 | | As of March 31, 2024 | |
|---|---|---|---|---|---|
| | | Increase (decrease) in the number of shares held | Increase (decrease) in the number of pledged shares | Increase (decrease) in the number of shares held | Increase (decrease) in the number of pledged shares |
| Chairman | Shunlin Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Hsu, Yu-Shan | 0 | 0 | 0 | 0 |
| Director | Li, Chang-Lin | 0 | 0 | 0 | 0 |
| Director | Xiemei Industrial Co., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Yeh, Chi-Chao | 0 | 0 | 0 | 0 |
| Director | Ambassador Investment Corp. Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Li, Ying-Chu | 0 | 0 | 0 | 0 |
| Director and President | Lin, Hsin-Cheng | (472,000) | 0 | (59,000) | 0 |
| Independent Director | Wang, Chia-Kun | 0 | 0 | 0 | 0 |
| Independent Director | Kuo, Chia-Wen | 0 | 0 | 0 | 0 |
| Independent Director | Chen, Chia-Hsiu | 0 | 0 | 0 | 0 |
| Vice president | Yuan, Cho-Tao | 0 | 0 | 0 | 0 |
| Supervisor of Finance and Accounting Department | Kuo, Ying-Yen | 0 | 0 | 0 | 0 |

### (II) Information on directors, supervisors, managers, and shareholders whose shareholding ratio exceeds 10%; and the counterparty to whom the equity transfer is an affiliate:

None.

### (III) Information on directors, supervisors, managers, and shareholders whose shareholding ratio exceeds 10%; and the counterparty to whom the equity pledge is to an affiliate:

None.

# IX. Information on the relationship between top 10 shareholders:

Unit: shares

| Name (Note 1) | Shares held | | Shares held by spouse, minor children | | Total shares held in the name of others | | Number of shares held in the name of others, names and relationship of top ten shareholders who are related parties, spouses or within second-degree of kinship to each other (Note 3) | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio (%) (Note 4) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Title (or name) | Relationship | |
| Chuang Sheng Investment Co., Ltd. | 20,374,118 | 9.00% | 0 | 0 | 0 | 0 | None | None | None |
| Representative: Li Chang-Lin | 260,250 | 0.11% | 0 | 0 | 0 | 0 | None | None | None |
| Yao ze Limited | 20,374,118 | 9.00% | 0 | 0 | 0 | 0 | None | None | None |
| Representative: Hsu Yu-Shan | 0 | 0 | 4,927,182 | 2.18% | 0 | 0 | Hsu, Chien-Chen | Chien-Cheng Hsu is the spouse of the person in charge of Yao Ze | None |
| Choice Development, Inc. | 17,006,014 | 7.51% | 0 | 0 | 0 | 0 | Chen, Hui-Yu | Chen, Hui-Yu is the person in charge of Choice Development | None |
| Representative: Chen, Hui-Yu | 6,381,120 | 2.82% | 0 | 0 | 0 | 0 | | | |
| Chen Chieh Investment Limited | 14,914,201 | 6.59% | 0 | 0 | 0 | 0 | None | None | None |
| Representative: Kao, Mei-Feng | 0 | 0 | 0 | 0 | 0 | 0 | None | None | None |
| Xiemei Industrial Co., Ltd. | 9,977,374 | 4.41% | 0 | 0 | 0 | 0 | None | None | None |
| Representative: Yeh, Chi-Chao | 0 | 0 | 0 | 0 | 0 | 0 | None | None | None |
| Hesheng Investment Co., Ltd. | 9,821,556 | 4.34% | 0 | 0 | 0 | 0 | None | None | None |
| Representative: Yang Hsiu-Chu | 0 | 0 | 0 | 0 | 0 | 0 | None | None | None |
| Chen, Hui-Yu | 6,381,120 | 2.82% | 0 | 0 | 0 | 0 | Choice Development, Inc. | Chen, Hui-Yu is the person in charge of Choice Development | None |
| Ambassador Investment Corp. Ltd. | 5,781,850 | 2.55% | 0 | 0 | 0 | 0 | None | None | None |
| Representative: Chao Chieh-Yun | 0 | 0 | 0 | 0 | 0 | 0 | None | None | None |
| Benz Investment Corp. Ltd. | 5,207,066 | 2.30% | 0 | 0 | 0 | 0 | None | None | None |
| Representative: Chao Chieh-Yun | 0 | 0 | 0 | 0 | 0 | 0 | None | None | None |
| Hsu, Chien-Chen | 4,927,182 | 2.18% | 0 | 0 | 0 | 0 | Yao ze Limited | Chien-Cheng Hsu is the spouse of the person in charge of Yao Ze | None |

Note 1: List the top 10 shareholders. If they are institutional shareholders, list both the titles of the institutional shareholders and their representatives separately.

Note 2: The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of themselves, spouse, minor children or others separately.

Note 3: The shareholders listed in the preceding paragraph include both legal entities and natural persons, and the relationship between them should be disclosed.

## X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company:

March 31, 2024 Unit: shares; %

| Investment business (Note) | The Company's investment | | Investment by directors, supervisors, managerial officers in directly or indirectly controlled business | | Consolidated investment | |
|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio |
| Charter Leisure Co., Ltd. (Charter Leisure) | 2,166,167 | 43.30% | 0 | 0 | 2,166,167 | 43.30% |
| SURV Planning And Development Co., Ltd. | 1,750,000 | 35% | 0 | 0 | 1,750,000 | 35% |
| Huide Development Company Limited (Huide) | 11,500,000 | 100% | 0 | 0 | 11,500,000 | 100% |
| Good One Company Limited (Good One) (Note 2) | 0 | 0 | 0 | 0 | 0 | 0 |
| Qun Xin Properties Co., Ltd. (Qun Xin) | 23,000,000 | 79.31% | 0 | 0 | 23,000,000 | 79.31% |
| T-Design Co., Ltd. | 1,980,000 | 33% | 0 | 0 | 1,980,000 | 33% |

Note 1: Investments by the Company are accounted for using the equity method.

Note 2: Based on the Group's considerations for business, Good One Company Limited was dissolved by resolution of the shareholders' meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

# Four. Fundraising

## I. Capital and shares:

### (I) Source of share capital:

1. Formation of share capital:

Unit: share; NTD

| Year and month | Issue price | Authorized share capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of share capital | Paid in properties other than cash | Others |
| 1984.01 | 10 | 2,500,000 | 25,000,000 | 625,000 | 6,250,000 | Established by cash | None | — |
| 1984.07 | 10 | 2,500,000 | 25,000,000 | 2,500,000 | 25,000,000 | Cash capital increase | None | — |
| 1984.11 | 10 | 4,000,000 | 40,000,000 | 4,000,000 | 40,000,000 | Cash capital increase | None | — |
| 1985.11 | 10 | 6,000,000 | 60,000,000 | 6,000,000 | 60,000,000 | Cash capital increase | None | — |
| 1986.10 | 10 | 12,000,000 | 120,000,000 | 10,000,000 | 100,000,000 | Cash capital increase | None | — |
| 1989.04 | — | 12,000,000 | 120,000,000 | 4,000,000 | 40,000,000 | Capital reduction | — | — |
| 1990.03 | 10 | 12,000,000 | 120,000,000 | 10,000,000 | 100,000,000 | Cash capital increase | None | — |
| 1990.07 | 10 | 22,000,000 | 220,000,000 | 18,000,000 | 180,000,000 | Cash capital increase | None | — |
| 1992.11 | 10 | 50,000,000 | 500,000,000 | 30,000,000 | 300,000,000 | Cash capital increase | None | Note 1 |
| 1995.03 | 10 | 50,000,000 | 500,000,000 | 36,000,000 | 360,000,000 | Cash capital increase | None | Note 2 |
| 1995.07 | — | 50,000,000 | 500,000,000 | 39,600,000 | 396,000,000 | Capitalization of retained earnings | — | Note 3 |
| 1996.07 | — | 50,000,000 | 500,000,000 | 49,990,000 | 499,900,000 | Capitalization of retained earnings and capital surplus | — | Note 4 |
| 1997.06 | 27 | 100,000,000 | 1,000,000,000 | 70,000,000 | 700,000,000 | Cash capital increase | None | Note 5 |
| 1997.12 | — | 100,000,000 | 1,000,000,000 | 77,000,000 | 770,000,000 | Capitalization of retained earnings and capital surplus | — | Note 6 |
| 1998.08 | — | 100,000,000 | 1,000,000,000 | 84,700,000 | 847,000,000 | Capitalization of capital surplus | — | Note 7 |
| 2000.01 | 10 | 100,000,000 | 1,000,000,000 | 100,000,000 | 1,000,000,000 | Cash capital increase | None | Note 8 |
| 2006.11 | — | 150,000,000 | 1,500,000,000 | 106,944,444 | 1,069,444,440 | Conversion of convertible corporate bonds | — | Note 9 |
| 2007.12 | — | 250,000,000 | 2,500,000,000 | 117,853,534 | 1,178,535,340 | Conversion of convertible corporate bonds | — | Note 10 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2007.12 | 10 | 250,000,000 | 2,500,000,000 | 197,853,534 | 1,978,535,340 | Private placement of cash capital increase of 80,000,000 shares | None | Note 11 |
| 2008.01 | 10 | 250,000,000 | 2,500,000,000 | 192,853,534 | 1,928,535,340 | Capital reduction of 70,000,000 shares and private placement of cash capital increase of 65,000,000 shares | None | Note 12 |
| 2008.09 | 10 | 250,000,000 | 2,500,000,000 | 30,853,534 | 308,535,340 | Capital reduction of 162,000,000 shares | None | Note 13 |
| 2008.10 | 10 | 250,000,000 | 2,500,000,000 | 47,520,034 | 475,200,340 | Private placement of 16,666,500 shares for capital increase | None | Note 14 |
| 2010.03 | 10 | 250,000,000 | 2,500,000,000 | 64,520,034 | 645,200,340 | Private placement of 17,000,000 preferred shares | — | Note 15 |
| 2010.12 | 10 | 250,000,000 | 2,500,000,000 | 65,960,955 | 659,609,550 | Conversion of convertible corporate bonds privately placed | — | Note 16 |
| 2012.09 | 10 | 250,000,000 | 2,500,000,000 | 80,649,242 | 806,492,420 | Capitalization of retained earnings of 14,688,287 shares | None | Note 17 |
| 2013.10 | 10 | 250,000,000 | 2,500,000,000 | 93,379,090 | 933,790,900 | Capitalization of retained earnings of 12,279,848 shares | None | Note 18 |
| 2015.12 | 10 | 250,000,000 | 2,500,000,000 | 123,379,090 | 1,233,790,900 | Cash capital increase of 30,000,000 shares | None | Note 19 |
| 2016.01 | 10 | 250,000,000 | 2,500,000,000 | 106,379,090 | 1,063,790,900 | 17,000,000 shares recovered from capital reduction of special stock | None | Note 20 |
| 2020.02 | 10 | 250,000,000 | 2,500,000,000 | 136,379,090 | 1,363,790,900 | Cash capital increase of 30,000,000 shares | None | Note 21 |
| 2021.07 | 10 | 300,000,000 | 3,000,000,000 | 226,379,090 | 2,263,790,900 | Cash capital increase of 90,000,000 shares | None | Note 22 |

Note 1: Approved by the Order Letter Tai-Cai-Zheng (1) No. 02740 dated October 23, 1992 (81).
Note 2: Approved by the Order Letter Tai-Cai-Zheng (1) No. 55110 dated February 6, 1995 (84).
Note 3: Approved by the Order Letter Tai-Cai-Zheng (1) No. 38440 dated June 30, 1995 (84).
Note 4: Approved by the Order Letter Tai-Cai-Zheng (1) No. 38922 dated June 19, 1996 (85).
Note 5: Approved by the Order Letter Tai-Cai-Zheng (1) No. 26845 dated April 17, 1997 (86).
Note 6: Approved by the Order Letter Tai-Cai-Zheng (1) No. 70269 dated September 11, 1997 (86).
Note 7: Approved by the Order Letter Tai-Cai-Zheng (1) No. 55852 dated June 25, 1998 (87).
Note 8: Approved by the Order Letter Tai-Cai-Zheng (1) No. 55929 dated August 11, 1999 (88).
Note 9: Convertible corporate bonds privately placed were converted with a face value of NTD 5,000,000 at NTD 0.72 per share.
Note 10: Convertible corporate bonds privately placed were converted with a face value of NTD 12,000,000 at NTD 1.1 per share.
Note 11: Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 09601300650 dated December 11, 2007.
Note 12: Capital reduction was approved by the Order Letter Jin-Guan-Zheng-Yi-Zi No. 0960068903 dated December 17, 2007. Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 09701011380 dated January 21, 2008.
Note 13: Capital reduction was approved by the Order Letter Jin-Guan-Zheng-Yi-Zi No. 0970037782 dated August 6, 2008. Change of registration was approved by the Order Letter Fu-Chan-Ye-Shang-Zi No. 09789067310 dated September 16, 2008.
Note 14: Change of registration was approved by the Order Letter Fu-Chan-Ye-Shang-Zi No. 09789898600 dated October 16, 2008.
Note 15: Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 09901084310 dated April 27, 2010.
Note 16: Convertible corporate bonds privately placed were converted with a face value of NTD 10,000,000 at NTD 6.94 per share. The change of registration was approved by Letter Jing-Shou-Shang-Zi No. 10001011360 dated January 25, 2011.
Note 17: Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 10101186140 dated September 10, 2012.
Note 18: Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 10201209190 dated October 11, 2013.
Note 19: Approved by the Order Letter Jin-Guan-Zheng-Fa-Zi No. 1040040590 dated November 17, 2015. Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 10501002000 dated January 11, 2016.
Note 20: Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No.10501016030 dated February 1, 2016.
Note 21: Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 10901029820 dated March 9, 2020.
Note 22: Change of registration was approved by the Order Letter Jing-Shou-Shang-Zi No. 11001185950 dated October 12, 2021.

2. Type of shares

April 1, 2024

| Type of shares | Authorized share capital | | | | | Remarks |
|---|---|---|---|---|---|---|
| | Outstanding shares | | | Unissued shares | Total | |
| | Listed | Non-listed | Total | | | |
| Ordinary shares | 226,379,090 | 0 | 226,379,090 | 73,620,910 shares | 300,000,000 shares | Listed shares |

3. General information about the reporting system: None.

### (II) Shareholder structure

Ordinary shareholder structure

April 1, 2024

| Shareholder structure / Quantity | Government agency | Financial institution | Other legal entities | Individual | Foreign institutions and foreigners | Total |
|---|---|---|---|---|---|---|
| No. of people | 1 | 0 | 248 | 25,078 | 27 | 25,354 |
| Number of shares held | 2 | 0 | 122,006,210 | 91,396,573 | 12,976,305 | 226,379,090 |
| Shareholding ratio | 0% | 0% | 53.89% | 40.38% | 5.73% | 100.00% |

Note: Shareholding ratio of Mainland investors is 0.

### (III) Dispersion of equity ownership:

Dispersion of ordinary share ownership

April 1, 2024

| Shareholding classification | Number of shareholders | Number of shares held | Shareholding ratio |
|---|---|---|---|
| 1 to 999 | 20,198 | 1,002,344 | 0.44% |
| 1,000 to 5,000 | 3,436 | 8,163,462 | 3.61% |
| 5,001 to 10,000 | 696 | 5,793,666 | 2.56% |
| 10,001 to 15,000 | 254 | 3,308,100 | 1.46% |
| 15,001 to 20,000 | 196 | 3,696,853 | 1.63% |
| 20,001 to 30,000 | 158 | 4,097,558 | 1.81% |
| 30,001 to 40,000 | 82 | 2,936,768 | 1.30% |
| 40,001 to 50,000 | 71 | 3,354,483 | 1.48% |
| 50,001 to 100,000 | 124 | 8,914,130 | 3.94% |
| 100,001 to 200,000 | 63 | 8,779,562 | 3.88% |
| 200,001 to 400,000 | 32 | 8,687,392 | 3.84% |
| 400,001 to 600,000 | 9 | 4,284,460 | 1.89% |
| 600,001 to 800,000 | 5 | 3,433,064 | 1.52% |
| 800,001 to 1,000,000 | 4 | 3,619,600 | 1.60% |
| Above 1,000,001 | 26 | 156,307,648 | 69.04% |
| Total | 25,354 | 226,379,090 | 100% |

### (IV) List of major shareholders:

List all shareholders with a stake of 5 percent or greater who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list

Unit: shares

| Shares / Name of principal shareholder | Number of shares held | Shareholding ratio |
|---|---|---|
| Chuang Sheng Investment Co., Ltd. | 20,374,118 | 9.00% |
| Yao ze Limited | 20,374,118 | 9.00% |
| Choice Development, Inc. | 17,006,014 | 7.51% |
| Chen Chieh Investment Limited | 14,914,201 | 6.59% |
| Xiemei Industrial Co., Ltd. | 9,977,374 | 4.41% |
| Hesheng Investment Co., Ltd. | 9,821,556 | 4.34% |
| Chen, Hui-Yu | 6,381,120 | 2.82% |
| Ambassador Investment Corp. Ltd. | 5,781,850 | 2.55% |
| Benz Investment Corp. Ltd. | 5,207,066 | 2.30% |
| Hsu, Chien-Chen | 4,927,182 | 2.18% |

Note: The number of shares held above is based on the number of shares registered on the final date of transfer on April 1, 2024.

### (V) Provide share prices for the past two fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information:

Unit: NTD; share

| Item | | Year | 2022 | 2023 | Current year as of March 31, 2024 (Note 8) |
|---|---|---|---|---|---|
| Market price per share (Note 1) | Highest | | 9.66 | 13.50 | 12.25 |
| | Lowest | | 8.17 | 8.26 | 10.55 |
| | Average | | 9.10 | 11.15 | 11.27 |
| Net worth per share (Note 2) | Before distribution | | 6.47 | 6.04 | None |
| | After distribution | | 6.47 | 6.04 | None |
| Earnings per share | Weighted average number of shares | | 226,379,090 | 226,379,090 | 226,379,090 |
| | Earnings per share (Note 3) | | (0.92) | (0.53) | None |
| Dividend per share | Cash dividends | | None | None | None |
| | Bonus shares | None | None | None | None |
| | | None | None | None | None |
| | Accumulated unpaid dividends (Note 4) | | None | None | None |
| Return on investment analysis | P/E ratio (price-to-earnings ratio) (Note 5) | | (9.89) | (21.04) | None |
| | P/D ratio (Price/Dividend ratio) (Note 6) | | 0 | 0 | None |
| | Cash dividend yield (Note 7) | | 0 | 0 | None |

* If shares are distributed in connection with a capital increase from earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution

Note 1: The highest and lowest market prices of ordinary shares for each year are listed, and are calculated on the basis of the annual transaction value and volume.

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolution of the board of directors meeting or the next year's shareholders' meeting.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: P/E ratio = Average closing price per share in current year/earnings per share

Note 6: P/D ratio = Average closing price per share in current year/cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share/average closing price per share in current year

Note 8: Information on net worth per share and earnings per share shall be based on the most recent quarter numbers audited by CPAs as of the printed date of the annual report; the remaining columns shall be filled in with the current year's data as of the publication date of the annual report.

**(VI) Company dividend policy and implementation thereof:**

1. Company dividend policy (in accordance with the amended Charter):

   Article 22: If there is a profit for the current year, the Company shall set aside:
   I. 5% as the maximum remuneration to directors/supervisors.
   II. 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 NTD 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.

2. Dividend distribution proposed by this shareholders' meeting:

   The motion for the Company's 2023 appropriate of loss was approved by the board meeting. As there were accumulated losses, no dividends were distributed.

**(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:** Not applicable.

**(VIII) Remuneration to employees, directors and supervisors:**

1. The percentages or ranges of remuneration to employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation: Please refer to (VI) Company dividend policy and implementation thereof.
2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.t and the estimated amount are recorded as profit or loss in the following year.
3. Information on any approval by the board of directors of distribution of remuneration to employees, directors and supervisors and the calculation of earnings per share:
   (1) Remuneration distribution passed by the Board of Directors: NTD 0 in cash for employees, NTD 0 in stock for employees; NTD 0 in cash for remuneration to

directors and supervisors.

(2) The ratio of employee stock allocated to net income after tax and the total amount of employees: Not applicable.

(3) Distribution of remuneration to employees, directors and supervisors and the calculation of earnings per share: Not applicable

4. The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year: As there were accumulated losses in 2022, the Company did not need to estimate the amount of remuneration to employees and remuneration to directors and supervisors. Therefore, there was no different from the amount of employee bonus and remuneration to directors and supervisors recognized in the financial statements for 2022.

**(IX) Status of the company repurchasing its own shares:** None.

## II. The Company's handling of corporate bonds:

### (I) Outstanding corporate bonds:

<table>
<tr><td colspan="2">Types of corporate bonds</td><td>The first domestic secured corporate bonds in 2019</td></tr>
<tr><td colspan="2">Date of issuance</td><td>July 29, 2019</td></tr>
<tr><td colspan="2">Face value</td><td>NTD 1,000,000</td></tr>
<tr><td colspan="2">Issuance and trading location</td><td>Taiwan</td></tr>
<tr><td colspan="2">Issue price</td><td>Issued at face value</td></tr>
<tr><td colspan="2">Total value</td><td>NTD 600,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>0.8%</td></tr>
<tr><td colspan="2">Period</td><td>5 years<br>Maturity date: July 29, 2024</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>First Commercial Bank</td></tr>
<tr><td colspan="2">Trustee</td><td>E.SUN Commercial Bank</td></tr>
<tr><td colspan="2">Underwriter</td><td>Masterlink Securities Corporation</td></tr>
<tr><td colspan="2">Certified attorney</td><td>Chan, Kang-Jung of Yongheng Attorneys-at-law</td></tr>
<tr><td colspan="2">CPA</td><td>CPAs of KPMG Taiwan: Chih, Shih-Chin and Chien, Ti-Nuan</td></tr>
<tr><td colspan="2">Repayment method</td><td>Repayment of principal at maturity</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NTD 600,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or early settlement</td><td>None</td></tr>
<tr><td colspan="2">Restricted terms</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating institution, the date of the rating, and the credit rating results</td><td>Not applicable</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>Number of common shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) as of the publication date of the annual report</td><td>None</td></tr>
<tr><td>Rules for issuance and conversion (exchange or stock subscription)</td><td>1. Bond name: The first secured corporate bonds in 2019 by Shihlin Development Company Limited.<br>2. Total issue amount: NTD 600 million.<br>3. Face value: NTD 1 million, issued at full face value<br>4. Issuance period: 5 years.<br>5. Coupon rate: 0.8% per annum fixed rate.<br>6. Interest payment method: The interest is paid annually at the coupon rate of simple interest on the outstanding balance of the issue.<br>7. Repayment method: Repayment of principal at maturity<br>8. Guarantee: Bank guarantee.</td></tr>
<tr><td colspan="2">The issuance and conversion, exchange, or subscription rules, possibility of dilution of equity under the terms and conditions of issuance, and effect on shareholder equity</td><td>None</td></tr>
<tr><td colspan="2">Name of the custodian for the exchange of the subject</td><td>None</td></tr>
</table>

| | | |
|---|---|---|
| Types of corporate bonds | | The first domestic secured corporate bonds in 2020 |
| Date of issuance | | January 14, 2021 |
| Face value | | NTD 1,000,000 |
| Issuance and trading location | | Taiwan |
| Issue price | | Issued at face value |
| Total value | | NTD 1,000,000,000 |
| Interest rate | | 0.62% |
| Period | | 5 years<br>Maturity date: January 14, 2026 |
| Guarantee agency | | First Commercial Bank |
| Trustee | | Taishin International Bank |
| Underwriter | | First Securities Inc. |
| Certified attorney | | Chan, Kang-Jung of Chan Kang-Jung Attorneys-at-law |
| CPA | | CPAs of KPMG Taiwan: Chen, Tsung-Che and Chien, Ti-Nuan |
| Repayment method | | Repayment of principal at maturity |
| Outstanding principal | | NTD 1,000,000,000 |
| Terms of redemption or early settlement | | None |
| Restricted terms | | None |
| Name of credit rating institution, the date of the rating, and the credit rating results | | Not applicable |
| Other rights attached | Number of common shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) as of the publication date of the annual report | None |
| | Rules for issuance and conversion (exchange or stock subscription) | 1. Bond name: The first secured corporate bonds in 2020 by Shihlin Development Company Limited<br>2. Total issue amount: NTD 1 billion.<br>3. Face value: NTD 1 million, issued at full face value<br>4. Issuance period: 5 years.<br>5. Coupon rate: 0.62% per annum fixed rate.<br>6. Interest payment method: The interest is paid annually at the coupon rate of simple interest on the outstanding balance of the issue.<br>7. Repayment method: Repayment of principal at maturity<br>8. Guarantee: Bank guarantee. |
| The issuance and conversion, exchange, or subscription rules, possibility of dilution of equity under the terms and conditions of issuance, and effect on shareholder equity | | None |
| Name of the custodian for the exchange of the subject | | None |

<table>
<tr><td colspan="2">Types of corporate bonds</td><td>The first domestic secured corporate bonds in 2021</td></tr>
<tr><td colspan="2">Date of issuance</td><td>January 12, 2022</td></tr>
<tr><td colspan="2">Face value</td><td>NTD 1,000,000</td></tr>
<tr><td colspan="2">Issuance and trading location</td><td>Taiwan</td></tr>
<tr><td colspan="2">Issue price</td><td>Issued at face value</td></tr>
<tr><td colspan="2">Total value</td><td>NTD 1,200,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>0.60%</td></tr>
<tr><td colspan="2">Period</td><td>5 years<br>Maturity date: January 12, 2027</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>Hua Nan Commercial Bank Ltd.</td></tr>
<tr><td colspan="2">Trustee</td><td>Taishin International Bank</td></tr>
<tr><td colspan="2">Underwriter</td><td>Hua Nan Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certified attorney</td><td>Chan, Kang-Jung of Chan Kang-Jung Attorneys-at-law</td></tr>
<tr><td colspan="2">CPA</td><td>CPAs of KPMG Taiwan: Chen, Tsung-Che and Huang, Hsin-Ting</td></tr>
<tr><td colspan="2">Repayment method</td><td>Repayment of principal at maturity</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NTD 1,200,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or early settlement</td><td>None</td></tr>
<tr><td colspan="2">Restricted terms</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating institution, the date of the rating, and the credit rating results</td><td>Not applicable</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>Number of common shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) as of the publication date of the annual report</td><td>None</td></tr>
<tr><td>Rules for issuance and conversion (exchange or stock subscription)</td><td>1. Bond name: The first secured corporate bonds in 2021 by Shihlin Development Company Limited<br>2. Total issue amount: NTD 1.2 billion.<br>3. Face value: NTD 1 million, issued at full face value<br>4. Issuance period: 5 years.<br>5. Coupon rate: 0.6% per annum fixed rate.<br>6. Interest payment method: The interest is paid annually at the coupon rate of simple interest on the outstanding balance of the issue.<br>7. Repayment method: Repayment of principal at maturity<br>8. Guarantee: Bank guarantee.</td></tr>
<tr><td colspan="2">The issuance and conversion, exchange, or subscription rules, possibility of dilution of equity under the terms and conditions of issuance, and effect on shareholder equity</td><td>None</td></tr>
<tr><td colspan="2">Name of the custodian for the exchange of the subject</td><td>None</td></tr>
</table>

**III. Status of preferred shares:** None.

**IV. Overseas depository receipts:** None.

**V. Status of employee stock warrants:** None.

**VI. Status of restricted employee shares:** None.

**VII. Status of mergers and acquisitions and issuing of new shares in connection with any acquisition of shares of another company:** None.

**VIII. Implementation of the capital allocation plans:** None.

# Five. Operation Overview

## I. Line of business:

### (I) Scope of business:

1. The Company's major lines of business are: Real estate development, clubs, accommodation, food and drink.
2. Products and business weighting:

Unit: NTD thousand;

| Product \ Year | 2022 | | 2023 | |
|---|---|---|---|---|
| | Net operating income | Ratio (%) | Net operating income | Ratio (%) |
| Construction income | 22,496 | 5 | 0 | 0 |
| Accommodation | 193,888 | 43 | 366,524 | 60 |
| Food and drink service | 155,798 | 34 | 158,247 | 26 |
| Membership service | 66,436 | 15 | 65,631 | 11 |
| Others | 13,575 | 3 | 18,811 | 3 |
| Total | 452,193 | 100 | 609,213 | 100 |

3. The company's current products (services):
   (1) Real estate development: Primarily commercial buildings and congregate housing
   (2) General hotel: Accommodation and food and drink
   (3) Clubs and restaurants: Chinese food and drink, Western food and drink, and membership services
4. New products (services) planned to be developed:
   (1) Land development

   The Greater Taipei is our primary market where we acquire land or work with landowners to construct and develop products related to residential, hotel, and commercial buildings.

   (2) Construction management

   Aside from construction management of self-developed or commissioned construction plants for joint construction projects, we also provide owners with construction management services for construction projects of residential or commercial buildings in the market. The scope of our construction management includes civil construction and interior decoration.

   (3) Interior design & works

   We develop interior design business focusing on residential and commercial use spaces (e.g. hotels, department stores, malls, offices), and extend to interior renovation business.

   (4) Promoting green building certification

   We believe that environmentally friendly "green buildings" are the most effective way to tackle the deterioration of urban built environments. We must build a waste recycling and reuse mechanism as soon as possible to digest building waste year by year as waste reduction slows down environmental impact and load. The implementation policy is to gradually increase the ratio of recycled building material usage for new buildings.

(5) Housing experience combined with diversification and design

We integrate current environmental trends, technology preferences and relaxation into hotel software and hardware to create a new generation of design hotel concepts. With added functionality and fun, we build a simple and comfortable space, repositioning ourselves in the market with innovation and creativity. Moreover, using environmentally friendly materials and all-natural products we confirm our commitment to facilitating a healthy and sustainable environment.

(6) New eating and drinking habits

We create new comfortable dining spaces with an open kitchen decorated with local fresh fruits and vegetables, shared tables, an array of collections on shelves, souvenirs, books, plants and ornaments.

**(II) An overview of the industry:**

1. The current status and development of the industry:

(1) Real estate development industry

Looking back on the performance of the housing market in 2022 when it turned cold from hot, there were factors such as the Russo-Ukrainian War which affected price hikes in energy and commodities, the constant rate hikes in the US which also resulted in the rise in domestic interest rate. The effects in 2023 were not as apparent, but the instability involving the presidential election was not conducive to the domestic house sales, further holding back the demand for a wait-and-see. In terms of the supply, the domestic policy has adopted financial control and pressure on construction firms in order to curb speculation. Although the interest rates have only been raised by 0.125% in 2023, the recent trends of short-term interest rate hikes remain unchanged, which increase the capital cost for builders. The price hikes of raw materials are expected to slow down, but the shortage of foreign workers and domestic construction workers and the rising wages, coupled with the expected future increase in water and electricity and the extra costs in response to the ESG trends and carbon taxes, will cause the construction costs to remain high, so the overall environment is rather unfriendly to construction firms.

Looking forward to the new year, the various factors unfavorable to construction firms make it difficult to keep an optimistic view. However, food, clothing, 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.

(2) Tourism industry

According to statistics from the Tourism Bureau, the number of visitors to Taiwan increased from 896,000 in 2022 to 6.4 million in 2023, a 7.1-fold increase in growth, which also accumulated energy for domestic tourism and travel. Taiwan’s travel industry, accommodation industry, and tourism and recreation industry have gradually recovered a healthy and orderly tourism environment after the impact of the pandemic.

2. Links between the upstream, midstream, and downstream segments of the industry supply chain:

(1) Real estate development industry

The construction industry's upstream segments consist of land and building materials. Land is supplied primarily through land sales by the National Property Administration, or self-development, brokerage and joint construction. We also re-develop old communities through urban renewal. As natural resources for building material are limited, we not only use natural building materials made with traditional methods, but as technology progresses, we also acquire newly developed building materials that meet the needs of the market. Our downstream segments consist of brokers and agents who have also constructed complete channels alongside the market needs and development, enabling more diversified choices in sales coordination for the construction business.

(2) Tourism industry

For the tourism hotel industry, the main sources of operating revenue are food and beverage, as well as room income. For the food and beverage part, they obtain fresh food, beverages, and general supplies from upstream suppliers, and then provide delicious cuisine to downstream end consumers such as individual travelers or tour groups. For the room part, in order to provide guests with comfortable living spaces, they purchase room-related supplies from upstream manufacturers. Reservations are primarily made through the official website and other third-party websites.

3. Development trends of products:

(1) Real estate development industry

A. Building product positioning will be transformed and specific market scales will expand

As the increase in home ownership is a result of matured urban development, the home ownership rate will gradually rise. Coupled with market demand for urban renewal, needs for secondhand houses and home exchange will gradually increase. Currently, market share ratio for first-time buyers, home exchange and investment are approximately 4:4:2. Based on these factors, product positioning of construction companies will be gradually transformed, and large-size and luxury residential specifications and investment projects will be launched following this trend. Furthermore, small- and medium-sized construction companies must consider the future market product positioning and seize the opportunities.

B. The green building certification EEWH and related energy-saving building certifications will become important factors that affect housing prices.

At present, Taiwan's Architecture and Building Research Institute has completed the EEWH certification targeting nine indicators: daily energy conservation, biodiversity, greenery, base water conservation, water resources, carbon dioxide reduction, indoor environment, waste reduction, sewage treatment improvement. Moreover, newly built public buildings must obtain an EEWH certification as required by the Public Construction Commission. For general new private buildings, many benchmark builders continue to develop homes with green building design concepts. Additionally, global energy-saving building certification has become an important variable in valuation. As technology has been improved and concepts strengthened, EEWH certification in the future will become a crucial feature affecting house pricing, posing a positive impact.

C. Homes in urban areas will develop towards small homes and large size luxury homes.

In recent years, due to economic pressures and changes in sentiment, social behaviors such as having fewer children, more people staying single, and more single parents began to surface. Coupled with the effect of large gap between the rich and the poor, construction projects launched by builders recently are prone to be small homes or luxury homes. According to the survey data, as the number of single-family households continues to decrease and housing prices continue to rise, first-time home buyers only consider two-bedroom or suite products. Moreover, most home buyers are inclined to prefer areas with convenient transportation and living functions. Taking Greater Taipei as an example, areas around MRT are the most popular among home buyers, where recent builders are more likely to develop. Aside from small homes mentioned above, construction companies continue to launch construction projects over 100 *pings* (330.5 square meters) to meet the need for luxury homes and the investment of high-end customers. These projects are in prime locations which suggests that the value will be preserved. Also, when planning a construction project, one of priorities is lighting and interior ventilation. When planning a construction project, not only are high-grade building materials used, security protection such as access, strict access control, privacy maintenance and earthquake prevention are is required. With the aforementioned specifications specially planned and designed for high end customers, there has been a surge in sales of large luxury homes.

(2) Tourism industry

A. Housing experience combined with diversification and design

We integrate current environmental trends, technology preferences and relaxation into hotel software and hardware to create a new generation of design hotel concepts. With added functionality and fun, we build a simple and comfortable space, repositioning ourselves in the market with innovation and creativity. Moreover, using environmentally friendly materials and all-natural products we confirm our commitment to facilitating a healthy and sustainable environment.

B. New eating and drinking habits

Unlike the glamorous dining style of traditional hotels, the restaurant is designed with an open kitchen adorned with local fresh fruit and vegetables, shared tables, an array of collections on shelves, souvenirs, books, plants and ornaments, creating a comfortable dining space for our guests. Also, with brunch becoming a trend, dining times will no longer be restricted.

4. Competition status:

(1) Real estate development industry

As the real estate market is large with a wide geographical distribution, products tend to differ by location and region. Based on this, the market is not as competitive between companies like other industries. Saying that, competitiveness is more significant between projects within different regions. Coupled with the fact that there are many companies, changes in market share are less important to future operations compared to the sales performance of projects launched by construction companies. Given that most of our projects are launched in the Greater Taipei area, we have a certain market position there.

(2) Tourism industry

In recent years, many enterprises and groups have entered the tourism industry to make investments in building hotels or renting old real estate and renovating them into affordable hotels to seize the business opportunity of hotel accommodation for tourists visiting Taiwan. In this competitive environment, we make every effort to strive for accommodation sources through a variety of innovative marketing outlets in order to strengthen the competitiveness of our hotels. Moreover, we introduce new food and drinks on a regular basis in response to customer demand and marketing positioning so as to increase customer rate.

According to statistics from the Taiwan Tourism Bureau of the Ministry of Transportation, although global visitor numbers in 2022 were still lower than pre-pandemic levels, the tourism industry has been gradually recovering as the impact of the pandemic continues to subside. In addition to actively visiting existing customers and continuously developing new targets, the Company also irregularly launches various discounted accommodation and dining packages to meet customer needs.

**(III) An overview of the company's technologies and its research and development work:**

Not applicable, as we are in real estate development and our primary business is investment and construction of residential buildings. As required, we cannot engage in construction business and can only contract construction projects planned and developed by builders to qualified construction companies. Given that we are not engaged in the construction of projects but only land development and product planning and design, we are different from the general manufacturing industry and do not have departments set up for R&D.

Not applicable, as the threshold for technology in the catering industry is not high and people's eating pattern is fixed, there is not much change in R&D in terms of product technology in the catering industry. General hospitality entities mostly develop towards the direction of refining the design of products and providing quality service. As marketing strategies are different, there are no departments set up for R&D.

**(IV) Long- and short-term business development plans:**

1. Short-term business development plans:
   (1) Taipei city is regarded as our development focus and we develop in areas near to MRT stations, with green space and excellent schools with robust living facilities. At the same time, we also develop urban renewal projects.
   (2) We invest in the construction of residential buildings with pragmatic development strategies and strive for the added value of products to create quality residential spaces.
   (3) Through our budgeting system, audits and strict control of costs, revenue and expenditures, we gradually increase the ratio of our own funds to ensure the robust financial structure of our operating base.
   (4) Meanwhile, we reinforce employee education and training, improve employee quality and their professional standards, promote employee benefits and provide a sound workplace so that employees are able to release their potential and expertise, improving the Company's operating performance.
2. Long-term business development plans:
   (1) To expand our business and spread business risks while thoroughly grasping construction quality, and effectively controlling construction progress, we plan to vertically integrate upstream, midstream and downstream segments covering plumbing and electricals, building materials, decoration industries as well as real estate agents. By adopting diverse management strategies, we hope to reduce operating costs, ensure profitability and provide more comprehensive services to consumers.
   (2) Additionally, we work toward the development of prime locations in metropolitan

areas with development potential, and are gradually developing into diverse professional fields, such as construction and management of commercial buildings, business hotels and high-end residential buildings.

(3) We adopt flexible product planning strategies. Depending on market needs and areas, we plan and design refined and human-centered high-quality products. We also provide customers with comprehensive after-sales services, aiming to build a positive brand image and company reputation, further increasing trust in the Company to enhance future sales.

## II. An analysis of the market as well as the production and marketing situation:

### (I) Market analysis:

1. Geographical areas where the main products (services) of the company are provided (supplied): The Company's products are commercial buildings and congregate housing, accommodation and hospitality and membership services. Our products are 100% sold domestically.
2. Market share:

(1) Real estate development industry

As the real estate market is large with a wide geographical distribution, products tend to differ by location and region. Based on this, the market is not as competitive between companies like other industries. Saying that, competitiveness is more significant between projects within different regions. Coupled with the fact that there are many companies, changes in market share are less important to future operations compared to the sales performance of projects launched by construction companies. Given that most of our projects are launched in the Greater Taipei area, we have a certain market position there.

(2) General hotel industry

In recent years, many enterprises and industry groups have entered the tourism market in order to make investments in the construction of hotels or renting old real estate for renovation. Turning them into affordable properties and seizing business opportunity in hotel accommodation for tourists visiting Taiwan. Under this competitive environment, we make an utmost effort to strive for accommodation sources through a variety of innovative marketing outlets in order to strengthen the competitiveness of our hotels. The Company's market share for revenue from general hotels is analyzed as follows:

Unit: NTD thousand

| Item/year | 2022 | 2023 |
|---|---|---|
| Shihlin Development's guest room revenue | 193,888 | 366,524 |
| General hotel industry's accommodation revenue | 19,701,649 | 27,276,507 |
| Market share | 0.98% | 1.34% |

Source: The Tourism Bureau, M.O.T.C. and the Company's annual audited financial reports.

According to statistics from the Tourism Bureau, the number of visitors to Taiwan increased from 896,000 in 2022 to 6.4 million in 2023, a 7.1-fold increase in growth, which also accumulated energy for domestic tourism and travel. Taiwan's travel industry, accommodation industry, and tourism and recreation industry have gradually recovered a healthy and orderly tourism environment after the impact of the pandemic.

(3) Hospitality industry

According to information from the Department of Statistics, MOEA, the total turnover of Taiwan's restaurant industry has shown a steady increase in recent years. However, as there are many restaurants in Taiwan, user consumption preferences and novelty are prone to change quickly. As a result, the Company must still make effort to increase the brand awareness and quality to attract consumers to reach a certain market share.

| Year | 2022 | 2023 |
|---|---|---|
| Shihlin Development's food and drink revenue (NTD thousand) | 155,798 | 158,247 |
| Restaurant turnover in Taiwan (NTD billion) | 8,653 | 10,279 |
| Market share | 0.018% | 0.015% |

Source: The Department of Statistics, MOEA and the Company's annual audited financial reports.

3. Demand and supply conditions for the market in the future, and the market's growth potential:

(1) Supply:

A. Real estate development industry

At present, land acquisition is becoming increasingly difficult and costs for construction materials are rising. Builders with a good company constitution adopt a prudent approach so that financial operations are managed in a careful manner to reduce management costs and risks. Therefore, the supply for the future housing market is expected to increase slightly along with economic growth.

B. General hotel and hospitality industries

As the number of tourists continue to increase, most industries are optimistic about the future of the hospitality and hotel industries. Not only are non-industry manufacturers proactively seizing business opportunities, manufacturers in these industries also continue to develop towards the trend of multiple brands and form as groups. This shows that competition in this industry continues to intensify.

(2) Demand:

A. Real estate development industry

The demand for self-occupied housing and commercial real estate continues to increase, driving the demand of high-quality residential buildings and office buildings and boosting the willingness for builders to launch more construction projects. In the medium and long term, the demand in the Greater Taipei area for real estate is expected to outstrip supply.

B. General hotel and hospitality industries

As times change, the power of social media and media exposure cannot be underestimated. Food and drink that are innovative can attract the attention of the younger generation. With more tourists visiting Taiwan, the outlook for development within our industry is looking promising in terms of creating a robust tourism economy, hotel accommodations, and food and drink.

(3) The market's growth potential:

A. Real estate development industry

Looking forward to the new year, the various factors unfavorable to construction firms make it difficult to keep an optimistic view. However, food, clothing, shelter, and transportation are the rigid needs of human life. There are many factors affecting the construction industry. Changes in demographics and social changes (such as a declining birthrate, an aging population, etc.) will tend to make the housing market focus on returning to basics. Therefore, there are more development prospects in the premium areas with transportation construction and rich functions to promote small houses in the city center and urban renewal products in old communities.

B. General hotel and hospitality industries

Although these industries have been affected by the global economic crisis, we are confident that Taiwan's economy will drive Taiwanese to want to travel and spend. Industry turnover growth rate is projected to increase 0–2%.

4. Competitive niche:

(1) Development of quality land – Lay the Company's foundation for stable growth with pragmatic land development strategy.

(2) Planning of product attributes – We plan appropriate, reasonable, convenient and comfortable spaces with a human-centered approach.

(3) Strict construction management – Strictly monitor and control construction quality, continue to research new methods and technologies, and effectively grasp construction deadline.

(4) Comprehensive after-sales service – Take the initiative and maintain positive interaction with customers and provide satisfactory after-sales service at all times.

(5) Professional management team – At Shihlin Development, we have an outstanding professional management team with extensive experience and excellent technological capabilities. Moreover, the leaders of each business group possess invaluable industrial experience as well as professional technological competence. As a result, regardless of market consolidation or business expansion, we have a certain competitive advantage.

5. Positive and negative factors for future development, and the company's response to such factors

(1) Positive factors:

A. Real estate development industry

a. Impact of external competition

As the real estate industry has strong regional characteristics, the competition in the industry is not as significant as other general industries; competition is mainly played out between projects in the same area. In recent years, as the acquisition of quality land in the Greater Taipei area has become increasing difficult, builders must improve product planning and their development capabilities while emphasizing market segmentation. This helps maintain profitability and increase competitiveness.

b. Impact of regulatory requirements

According to the guidelines of the government's construction policy regarding the "Comprehensive Territorial Development Planning" for its territorial and regional plan, the policy development direction for future housing includes a steady supply of suitably located and reasonably priced residential land on which to build affordable housing. By providing reasonably priced housing, housing problems of low- and middle-income families can be solved. At the same time, high-standard living space will be created in conjunction with increased living needs driven by raised incomes. Furthermore, incentives will be provided for private participation in urban renewal and the development and construction of new communities, providing high-standard residential communities and living environment. This will improve the housing market mechanism while promoting reasonable housing price, posing positive impact on the market development.

c. Impact of the overall business environment

Due the impact on the overall economic rebound, increasing open policies between Taiwan and China and international inflationary pressure, value-preserved assets are highly favored. The supply of land is bound to increase as a result of the conservative state-owned land sales policy. Therefore, the real estate boom in the Greater Taipei area should show stable growth.

B. General hotel industry

a. Consumers are placing importance on travel as their available leisure time has increased

The tourism industry in Taiwan has developed rapidly in the past two decades thanks to a significant increase in wages and reduction of working hours. With high importance now attached to leisure time and tourism quality, the people in Taiwan have guaranteed the demand and future development of the tourism industry. In addition, with many new management concepts launched within the international tourism industry, together with new models of refined management, innovative ideas are constantly introduced, posing an important impact on the life and leisure needs of the people. Since the government implemented the two-day weekend system, how to properly plan weekends has become a focus of many people, indirectly simulating the domestic tourism market.

b. Stable income growth by National

The prosperity of a social economy promotes the boom of business and industry, accelerating the pace of people’s life. Due to busy business and international meetings required to share new knowledge, all companies organize a variety of training to motivate their employees. The increase in income allows people to purse leisure and recreation while meeting daily needs, making leisure travel a part of modern life, relieving stress from work and daily life.

c. The government’s recent proactive approach on developing Taiwan’s tourism resources

The government’s policy in recent years has positioned “tourism” as a leading service industry for Taiwan’s economic development. At the same time, “tourism” was also listed as one of the six major emerging industries to be promoted, hoping that the industry will continue to drive the growth of Taiwan’s overall economy and create more job opportunities. Meanwhile, with the competitiveness between companies in the industry becoming more intense as well as the increase in operating costs, operators are inclined to meet customer preferences by combining the tourism industry and food industry to increase the income generated by food and drink in hotels.

C. Hospitality industry

a. Change in eating habits resulting in more people eating out, increasing market size

In recent years, Taiwan’s economic structure and lifestyle of its people have changed and the proportion of single people and couples with dual income and no children continues to increase, resulting in the likelihood of them eating out in restaurants. With work hours and pace of life increasing, the frequency of people making meals at home has reduced.

Consequently, the proportion of people eating out has increased, further boosting the consumption demand of the catering industry, injecting its growth momentum.

b. Changes in dining habits

Taiwan's food culture has evolved from "eating to survive" in the early days to "pursuing delicious food." With the improvements in the overall economy, incomes have increased and dining habits have evolved to "high value refinements."

(2) Negative factors and the company's response:

A. Real estate development industry

a. Difficulties in acquiring land

As there is limited land in Taiwan and with the population naturally growing, land available for building houses is decreasing. Based on the fact that land supply does not meet the demand, costs for the acquisition of land will gradually increase.

<u>The company's response to such factors:</u>

Greater Taipei has always been the Company's first choice when launching construction projects, thanks to its dense population, well-developed public construction and transportation as well as being Taiwan's administrative and economic center with excellent industrial and commercial development. At Shihlin, we adhere to honest management by acquiring, analyzing and studying real estate market information. After careful evaluation, we plan and develop the most suitable projects to precisely execute the construction planning and cost control in order to build quality development projects.

b. Continuous increase of building and labor costs

With increasing raw materials and transportation costs, building costs continue to rise, leading to a high rise in housing prices. The large number of building projects initiated in emerging markets has also contributed to the rise in consumption of raw materials, putting a greater impact on the global market. At present, the shortage of labor and professional workers still exists and is impossible to be addressed in the near future. It has posed a number of negative factors to the real estate as a whole.

<u>The company's response to such factors:</u>

To cope with the constant increase of costs in the future, we will reinforce land development and product planning in order to increase the added value of our products. Meanwhile, we will also improve operating procedures, strengthen internal management and shorten construction period to help reduce the impact from rising costs.

B General hotel industry

a. The tourism industry has peak and off-peak seasons, which is not conducive to investment and operations within the industry

Most tourist destinations have peak and off-peak seasons or even peak and off-peak days. To negate this, we take into full account factors such as hotel occupancy rates, number of rooms, off-peak and peak seasons, traffic, and weather and plan a flexible price adjustment system to accommodate the differences in off-peak and peak seasons. By balancing demand and supply, and without affecting the customer service quality, we are able to balance overall revenue.

<u>The company's response to such factors:</u>

(I) Adopt promotional strategies and develop demand for off-peak periods to increase customer base.

(II) Add ancillary services to shorten customer waiting time.

(III) Build a friendly reservation system to put production capacity into full use.

(IV) Cross-industry alliance promotion.

b. International hotel chain expansion in Taiwan, increasing the supply of hotel rooms

Benefiting from various tourism policies initiated by the government, the number of tourists visiting Taiwan has continued to hit record highs in recent years, further driving the growth in tourism hotels. According to the Tourism Bureau, M.O.T.C, the number of general hotels has been growing year by year. Consequently, the hotel occupancy rate for general hotels in Taiwan is only approximately 50% and the annual growth rate of foreign visitors and domestic visitors is estimated at 15%, showing an excess supply. Unless the future occupancy rate can keep up with hotel room supply, room demand will not grow as fast as supply under the current plan.

The company’s response to such factors:

Maintaining our existing stable customer base is our priority. We provide quality service to enhance satisfaction in our existing customer base. At the same time, we expand new operating locations to meet the needs of different customer by providing even more comprehensive facilities and services to further strengthen customer’s recognition and trust for the Company. Meanwhile, we will continue to shape our brand image and reputation through various marketing strategies and increase customer return rate. By doing this, we will stabilize customer base and reduce market risk, while adhering to the objective of sustainable management and maximizing customer satisfaction.

C. Catering industry

a. Rising consumer food safety awareness

With major food safety incidents such as the recent tainted starch and gutter oil, food safety issues have become a focus of concerned for consumers. At the same time, in light of the cancer statistics published each year and the fact that there are more young cancer patients, people have begun to emphasize the importance of food hygiene and health, leading to increased food safety awareness. As a result, the main consideration for food is no longer low price, but food safety.

The company’s response to such factors:

With increased food safety awareness, quality and hygiene have become the primary factor for customers’ consumption. Consequently, we demand our primary food suppliers to provide an inspection report made by external inspection agencies or FDA food import permits or other qualified inspection certificates at least once a year to strictly control food safety and quality. We are a highly regarded company for our strict, safe and quality services, and our orientation towards food safety awareness and health reflect positively on the Company.

b. High hospitality personnel turnover leads to difficult cultivation

Catering industry is both a labor-intensive and a people-oriented service industry. Although a number of operators are able to replace manpower with automation equipment, to be able provide food customer service, smooth operating procedures and service quality, a large number of personnel is essential. However, business hours in the catering industry are usually long and irregular, with peaks at night, on weekends or holidays. As a consequence, service personnel must make shift and vacation arrangements, with unorthodox working hours and holidays, service personnel are less willing to stay long periods in the same job. In addition, personnel recruitment is difficult as working under busy and hot conditions also make job seekers less willing to take on these jobs. Therefore, high labor demand and high turnover rates have become a burden for restaurant operators.

<u>The company's response to such factors:</u>

The Company has established inclusive training courses, arranging internal and external education and training to develop the professional capabilities and core competencies of employees. Through the setting up of a functional qualification system, we have created a systematic and transparent promotional channel. Consequently, by following this system, employees can be fast-tracked for promotion or see their roles upgraded, building a sense of accomplishment in their careers. Through the above measures, we continue to improve the promotion channel and motivate the work performance of employees, aiming to retain talent and reduce personnel turnover.

**(II) Usage and manufacturing processes for the company's main products:**

1. Real estate development industry

(1) Usage for the Company's main products: Construction of residential housing, commercial buildings, and their rental or sale operations.

(2) Manufacturing processes

"Market Research"→ "Land Development"→ "Planning & Design"→ "Marketing Planning"→
"Construction Work"→ " Completion of Work & Delivery"→ "After-sales Service"

2. General hotel industry

Our main products are guest room rentals, catering and providing meeting venues. Our objective is to maximize customer satisfaction.

3. Hospitality industry

(1) Usage for the Company's main products: The Company provides customers with a comfortable dining environment and high quality service where consumers can enjoy safe, fresh and delicious foods.

(2) Manufacturing processes

R&D → Dish trialed → Dish approved → Operating procedures → Official sales → Feedback and review

Food ordered → Food prepared in kitchen → Food served → Food enjoyed by customers

**(III) Supply status for the company's major raw materials:**

1. Real estate development industry

| Major raw materials | Supply status |
| --- | --- |
| Land | The Company retains land development professionals and has well established development channels through which to locate suitable land, as well as using land agents and various other channels. By taking these approaches, we buy land for our own or joint constructions with landowners, and there is no shortage of land supply. |
| Construction project | Construction projects are contracted by the Company through tender to effectively grasp progress and quality. |
| Building materials | Construction materials are carefully selected from quality foreign and domestic suppliers. Most of our major bulk building materials are supplied by companies listed on TSEC or TPEx, ensuring a stable source and quality of supply. |

2. General hotel industry

   The Company's hotel management is based on leasing guest rooms and providing food and drink. The main raw materials for our food and beverage services are customer supplies and fresh ingredients, of which there is a stably supply.

3. Hospitality industry

   Main raw materials include seafood, rice, noodles, fruits, vegetables and drinks. We maintain a longstanding business relationship with vendors who currently supply our main raw materials. Our supply chain is stable and there is no shortage or supply discontinuity of materials.

4. A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount and proportion in either of the two most recent fiscal years:

(1) Information on major suppliers in the most recent two fiscal years:

Unit: NTD thousand

| | 2022 | | | | 2023 | | | | As of the previous quarter of 2024 (Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Ratio to net annual purchase (%) | Relation to the issuer | Name | Amount | Ratio to net annual purchase (%) | Relation to the issuer | Name | Amount | Ratio to net procurement in current year to the end of the previous quarter (%) | Relation to the issuer |
| 1 | Company D | 619,130 | 47 | None | Company D | 220,636 | 14 | None | Company D | 89,548 | 13 | None |
| 2 | Company E | 154,956 | 12 | None | Company E | 252,265 | 16 | None | Company E | 36,056 | 5 | None |
| 3 | Company F | 141,189 | 11 | None | Company F | 177,597 | 11 | None | Company F | 79,949 | 12 | None |
| 4 | Company A | — | — | — | Company A | 340,000 | 21 | None | Company A | 339,771 | 51 | None |
| 5 | Others | 400,802 | 30 | None | Others | 634,425 | 38 | None | Others | 119,446 | 19 | None |
| 6 | Net purchase | 1,316,077 | 100 | — | Net purchase | 1,624,923 | 100 | — | Net purchase | 664,770 | 100 | — |

Note 1: A list of any suppliers accounting for 10 percent or more of the company's total procurement amount and proportion in either of the two most recent fiscal years. Where the company is prohibited by contract from revealing the name of a supplier, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: As of the publication date of this annual report, the financial information for the first quarter of 2024 has not been audited or reviewed by CPAs.

Note 3: D–F are the suppliers of construction projects.

(2) Information on major sales customers in the most recent two fiscal years:

Unit: NTD thousand

| | 2022 | | | | 2023 | | | | As of the previous quarter of 2024 (Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Ratio to annual net sales (%) | Relation to the issuer | Name | Amount | Ratio to annual net sales (%) | Relation to the issuer | Name | Amount | Ratio to net sales in current year to the end of the previous quarter (%) | Relation to the issuer |
| 1 | Company A | 10,188 | 2 | None | Company A | 46,087 | 8 | None | Company A | 19,234 | 11 | None |
| 2 | Others | 442,005 | 98 | None | Others | 563,126 | 92 | None | Others | 148,510 | 89 | None |
| (Note 3) | Net sales | 452,193 | 100 | — | Net sales | 609,213 | 100 | — | Net sales | 167,744 | 100 | — |

Note 1: A list of any clients accounting for 10 percent or more of the company's total sales amount and proportion in either of the two most recent fiscal years. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: As of the publication date of this annual report, the financial information for the first quarter of 2024 has not been audited or reviewed by CPAs.

Note 3: The increase in sales amount in 2023 compared to 2022 is mainly due to the increase in operating revenue of the hotel and restaurant business in 2023.

Note 4: Company A was an in-room dining service provider.

5. Table of production volume and value in the most recent two fiscal years: None.
6. Table of sales volume and value in the most recent two fiscal years:

Unit: NTD thousand

| Year / Sales volume and value / Major product | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic sales | | Foreign sales | | Domestic sales | | Foreign sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Construction income | 0 | 22,496 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accommodation | 0 | 193,888 | 0 | 0 | 0 | 366,524 | 0 | 0 |
| Food and drink service | 0 | 155,798 | 0 | 0 | 0 | 158,247 | 0 | 0 |
| Membership service | 0 | 66,436 | 0 | 0 | 0 | 65,631 | 0 | 0 |
| Others | 0 | 13,575 | 0 | 0 | 0 | 18,811 | 0 | 0 |
| Total | 0 | 452,193 | 0 | 0 | 0 | 609,213 | 0 | 0 |

## III. The number of employees employed for the two most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels: (based on the combined number of employees)

March 31, 2024

| Year | | 2022 | 2023 | Current year as of March 31, 2024 |
|---|---|---|---|---|
| Number of employees | Direct personnel | 162 | 155 | 156 |
| | Indirect personnel | 112 | 107 | 111 |
| | Total | 274 | 262 | 267 |
| Average age | | 38.8 | 40 | 40.4 |
| Average years of service | | 4.1 | 4.3 | 4.3 |
| Education levels (%) | Doctor | — | — | — |
| | Master | 5% | 5% | 5% |
| | College | 75% | 76% | 77% |
| | High school | 17% | 17% | 16% |
| | Below high school | 3% | 2% | 2% |

Note: Information on the current year as of the publication date of the annual report shall be fill in.

## IV. Information on disbursements for environmental protection:

(I) According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: Not applicable.

(II) Set forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: Not applicable.

(III) Describe the process undertaken by the company on environmental pollution improvement in the most recent two fiscal years and up to the publication date of the annual report. If there had been any pollution dispute, its handling process shall also be described: None. The construction projects of the Company's investments are contracted by construction companies. Environmental maintenance issues in the process of construction production are overseen by the construction company. However, the Company adheres to the concept of "it is everyone's responsibility to protect the environment," and strictly requires contractors to protect the environment when carrying out construction. Therefore, there has been no occurrence of any pollution dispute for the most recent two fiscal years and up to the publication date of the annual report.

(IV) Describe any losses suffered by the company in the most recent two fiscal years and up to the prospectus publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

(V) Explain the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming two fiscal years: As there have been no occurrence of environmental pollution issues in the production process of construction projects, in additional to normal environmental expenditures for waste removal, it is expected that there are no significant environmental expenditures in the coming year.

## V. Labor relations:

### (I) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1. Employee benefit measures:

   Employees are entitled to labor insurance and national health insurance, and an employee welfare committee has also been established as required by law. In accordance with regulations, welfare benefits are allocated, employee trips and meals organized. There are also other benefits such as birth subsidies, marriage allowances, birthday and major festival gifts.

2. Continuing education and training: In 2023, the Company arranged a total of 8 education and training courses.

| Date | Name of course | Hours of courses |
|---|---|---|
| 2023.03.20 | Relationship between structural cost and production capacity incentives<br>(Speaker: Yu-Ming Chang, structural technician) | 1 hour |
| 2023.05.25 | “Double Core – column-in-column” first choice for structuring<br>(Speaker: Chiang, Wen-Tsai, structural engineer | 1 hour |
| 2023.06.29 | Sharing the idea of brand marketing & Shihlin development series projects<br>(Speaker: Senior planner, Boling Lu | 1 hour |
| 2023.07.07 | Education and training for new employees<br>(Speakers: President, staff from Accounting Department, Administration Department and Audit Department) | 1.5 hours |
| 2023.07.28 | De-stress and stay away from depression<br>(Speaker: Psychotherapist Chang Chun-Chi) | 1 hour |
| 2023.08.31 | The Small Luck of Office Workers – Personal Financial Management<br>(Speaker: Fan-Sheng Bu, former President of Yuanta Bank) | 1 hour |
| 2023.10.26 | Work Safety Case Review and Prevention at Kitai University<br>(Speaker: Chih-Gang Chen, Manager of Engineering Department) | 1 hour |
| 2023.11.30 | Simple talk about urban renewal<br>(Speaker: Wen-Hsiung Chiu, Senior Manager of Development Department) | 1 hour |

3. Retirement system:

   There are employee retirement provisions stipulated in the Company's Work Rules. These provisions are formulated in accordance with the Labor Pension Act. The years of service are carried out under the defined allocation system, and the Company contributes not less than 6% of the employee's monthly wage to their personal retirement account. At present, no retirement has been applied.

4. Status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

   The Company holds labor–management meetings according to the provisions stipulated in the Labor Standards Act. Appointed labor–management meeting representatives also adhere to the spirit of coordination and cooperation to strengthen labor–management relations to protect the rights and interests of labors. The communication channel between labor and management is smooth and the relationship is harmonious.

**(II) Describe any losses suffered by the company up to the prospectus publication date due to labor disputes, and disclose an estimate of possible expenses that could be incurred currently and, in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:**

In the most recent year, the Company did not suffer any losses due to labor disputes, and there are no potential factors for labor disputes. It is expected that, with the Company's ongoing effort to facilitate and implement various employee benefit measures, there should not be any losses due to labor disputes.

## VI. Cyber security management:

**(I) The Company's cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:**

1. Cyber security risk management framework

   The Administration Department of the Company is temporarily responsible for information security management related affairs.

2. Cyber security policies

   (1) The company conducts information security and personal data protection education and training and activities on an irregular basis.

   (2) Outsourcing vendors need to sign a non-disclosure agreement to ensure that those who use the Company's information services to provide information services or perform related information business have the responsibility and obligation to protect the Company's information assets that they acquire or use, thereby protection information from unauthorized access, modification, destruction, or improper disclosure.

   (3) Proper backup and disaster recovery have been built for important information systems or equipment

   (4) Antivirus software is installed on all PCs with virus pattern being checked on a regular basis, and any use of unauthorized software is prohibited.

   (5) The employees are required to take responsibility for properly keeping and using their account ID, password, and permissions and changing their password regularly.

**(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the**

**possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:**

None.

## VII. Important Contact:

| Nature of contract | Parties involved | Contract start/end date | Main details | Restricted terms |
|---|---|---|---|---|
| Appointment guarantee contract | First Commercial Bank | 2019.07.29-2024.07.29 | The first secured corporate bonds in 2019 were issued for NTD 600 million, and the First Commercial Bank was entrusted as the guarantor. The guaranteed scope is the principal amount of all accrued interest based on the coupon rate of the bonds and the issuance period. | None |
| Appointment guarantee contract | First Commercial Bank | 2021.1.14-2026.1.14 | The first secured corporate bonds in 2020 were issued for NTD 1 billion, and the First Commercial Bank was entrusted as the guarantor. The guarantee scope is the principal amount of all accrued interest based on the coupon rate of the bonds and the issuance period. | None |
| Appointment guarantee contract | Hua Nan Commercial Bank Ltd. | 2022.1.12-2027.1.12 | The first secured corporate bonds in 2021 were issued for NTD 1.2 billion, and Hua Nan Commercial Bank Ltd. was entrusted as the guarantor. The guaranteed scope includes the principal amount and all accrued interests calculated based on the coupon rate of the corporate bonds and the issuance period. | None |

# Six. Financial Overview

## I. Financial Information

### (I) Information on condensed balance sheets and consolidated income statements for the most recent five fiscal years – IFRS adopted:

**Standalone condensed balance sheets - IFRS adopted**

Unit: NTD thousand

| Item \ Year | | Financial information for the most recent five fiscal years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 1,092,443 | 2,736,448 | 6,059,122 | 6,233,459 | 7,571,688 |
| Financial assets | | 105,802 | 82,021 | 53,874 | 46,244 | 66,813 |
| Investments accounted for using the equity method | | 413,369 | 306,637 | 352,335 | 271,304 | 278,011 |
| Property, plant and equipment (Note 2) | | 302 | 519 | 1,100 | 1,121 | 711 |
| Intangible assets | | 100 | 162 | 372 | 500 | 811 |
| Other assets (Note 2) | | 72,139 | 84,079 | 234,138 | 405,499 | 362,001 |
| Total assets | | 1,684,155 | 3,209,866 | 6,700,941 | 6,958,127 | 8,280,035 |
| Current liabilities | Before distribution | 401,246 | 1,623,541 | 3,423,674 | 2,697,049 | 4,710,599 |
| | After distribution | 401,246 | 1,623,541 | 3,423,674 | 2,697,049 | 4,710,599 |
| Non-current liabilities | | 600,120 | 607,904 | 1,600,248 | 2,796,746 | 2,203,084 |
| Total liabilities | Before distribution | 1,001,366 | 2,231,445 | 5,023,922 | 5,493,795 | 6,913,683 |
| | After distribution | 1,001,366 | 2,231,445 | 5,023,922 | 5,493,795 | 6,913,683 |
| Equity attributable to owners of the parent company | | 682,789 | 978,421 | 1,677,019 | 1,464,332 | 1,366,352 |
| Share capital | | 1,063,791 | 1,363,791 | 2,263,791 | 2,263,791 | 2,263,791 |
| Capital surplus | | 79,284 | 64,187 | 17,484 | 17,484 | 17,484 |
| Retained earnings | Before distribution | (274,430) | (259,965) | (386,801) | (591,084) | (710,645) |
| | After distribution | (274,430) | (259,965) | (386,801) | (591,084) | (710,645) |
| Other equity interest | | (185,856) | (189,592) | (217,455) | (225,139) | (204,278) |
| Total equity | Before distribution | 682,789 | 978,421 | 1,677,019 | 1,464,322 | 1,366,352 |
| | After distribution | 682,789 | 978,421 | 1,677,019 | 1,464,322 | 1,366,352 |

Note 1: The financial information for each year has been audited by CPAs of KPMG Taiwan.

Note 2: Those who have revaluated their assets in the current year, the date and the amount of the evaluation should be stated.

Note 3: The figures after distribution as mentioned above are filled in based on the resolutions of the board of directors meeting or the next annual shareholders' meeting.

Note 4: If the financial information has been notified by the competent authority that it should be corrected or re-prepared, the information should be updated with the new figures with reasons given.

## Consolidated condensed balance sheets – IFRS adopted

Unit: NTD thousand

| Item \ Year | | Financial information for the most recent five fiscal years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 1,365,469 | 3,015,511 | 6,353,704 | 6,570,371 | 7,947,077 |
| Financial assets | | 131,496 | 107,818 | 80,193 | 72,438 | 93,681 |
| Investments accounted for using the equity method | | 34,193 | 81,260 | 73,036 | 26,519 | 22,173 |
| Property, plant and equipment (Note 2) | | 610,503 | 530,833 | 455,750 | 401,858 | 358,676 |
| Intangible assets | | 52,991 | 208 | 372 | 500 | 811 |
| Other assets (Note 2) | | 1,410,616 | 1,308,762 | 1,362,920 | 1,484,441 | 1,360,203 |
| Total assets | | 3,605,268 | 5,044,392 | 8,325,975 | 8,556,127 | 9,782,621 |
| Current liabilities | Before distribution | 834,994 | 2,145,254 | 3,846,993 | 3,167,186 | 5,162,371 |
| | After distribution | 834,994 | 2,145,254 | 3,846,993 | 3,167,186 | 5,162,371 |
| Non-current liabilities | | 1,888,365 | 1,797,204 | 2,704,065 | 3,842,825 | 3,166,709 |
| Total liabilities | Before distribution | 2,723,359 | 3,942,458 | 6,551,058 | 7,010,011 | 8,329,080 |
| | After distribution | 2,723,359 | 3,942,458 | 6,551,058 | 7,010,011 | 8,329,080 |
| Equity attributable to owners of the parent company | | 682,789 | 978,421 | 1,677,019 | 1,464,332 | 1,366,352 |
| Share capital | | 1,063,791 | 1,363,791 | 2,263,791 | 2,263,791 | 2,263,791 |
| Capital surplus | | 79,284 | 64,187 | 17,484 | 17,484 | 17,484 |
| Retained earnings | Before distribution | (274,430) | (259,965) | (386,801) | (591,804) | (710,645) |
| | After distribution | (274,430) | (259,965) | (386,801) | (591,804) | (710,645) |
| Other equity interest | | (185,856) | (189,592) | (217,455) | (225,139) | (204,278) |
| Treasury stocks | | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interests | | 199,120 | 123,513 | 97,898 | 81,784 | 87,189 |
| Total equity | Before distribution | 881,909 | 1,101,934 | 1,774,917 | 1,546,116 | 1,453,541 |
| | After distribution | 881,909 | 1,101,934 | 1,774,917 | 1,546,116 | 1,453,541 |

Note 1: The financial information for each year has been audited by CPAs of KPMG Taiwan.

Note 2: Those who have revaluated their assets in the current year, the date and the amount of the evaluation should be stated.

Note 3: The figures after distribution as mentioned above are filled in based on the resolutions of the board of directors meeting or the next annual shareholders' meeting.

Note 4: If the financial information has been notified by the competent authority that it should be corrected or re-prepared, the information should be updated with the new figures with reasons given.

## Standalone condensed income statements – IFRS adopted

Unit: NTD thousand

| Item / Year | Financial information for the most recent five fiscal years (Note 1) | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 7,027 | 3,642 | 319,534 | 25,476 | 3,387 |
| Gross profit | 2,099 | 1,146 | 36,851 | 11,118 | 3,055 |
| Operating income | (77,192) | (119,472) | (66,285) | (91,764) | (94,468) |
| Non-operating income and expenses | (26,347) | 133,851 | (33,891) | (116,327) | (24,840) |
| Net income before tax | (103,539) | 14,379 | (100,176) | (208,091) | (119,308) |
| Net income of continuing business units for the period | (103,539) | 14,379 | (102,573) | (208,091) | (119,308) |
| Loss of discontinuing operations | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) for the period | (103,539) | 14,379 | (102,573) | (208,091) | (119,308) |
| Other comprehensive income (net after tax) for the period | (28,873) | (3,650) | (27,861) | (4,596) | 21,328 |
| Total comprehensive income for the period | (132,412) | 10,729 | (130,434) | (212,687) | (97,980) |
| Net income attributable to owners of the parent company | (103,539) | 14,379 | (102,573) | (208,091) | (119,308) |
| Net income attributable to non-controlling interests | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income attributable to owners of the parent company | (132,412) | 10,729 | (130,434) | (212,687) | (97,980) |
| Total comprehensive income attributable to non-controlling interests | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | (0.97) | 0.11 | (0.64) | (0.92) | (0.53) |

Note 1: The financial information for each year has been audited by CPAs of KPMG Taiwan.

Note 2: Profit (loss) from discontinued operations, extraordinary item, and cumulative effect of changes in accounting principles are presented as a net amount after deducting income tax.

Note 3: If the financial information has been notified by the competent authority that it should be corrected or re-prepared, the information should be updated with the new figures with reasons given.

## Consolidated condensed income statements – IFRS adopted

Unit: NTD thousand

| Item \ Year | Financial information for the most recent five fiscal years (Note 1) | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 762,602 | 369,550 | 736,271 | 452,193 | 609,213 |
| Gross profit | 375,077 | 50,305 | 140,465 | 140,946 | 303,826 |
| Operating income | (35,279) | (292,798) | (181,105) | (183,669) | (55,297) |
| Non-operating income and expenses | (40,505) | 229,468 | 33,351 | (41,689) | (57,614) |
| Net income before tax | (75,784) | (63,330) | (147,754) | (225,358) | (112,911) |
| Net income of continuing business units for the period | (89,098) | (61,400) | (151,320) | (228,179) | (114,897) |
| Loss of discontinuing operations | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) for the period | (89,098) | (61,400) | (151,320) | (228,179) | (114,897) |
| Other comprehensive income (net after tax) for the period | (28,691) | (3,478) | (27,488) | (622) | 22,322 |
| Total comprehensive income for the period | (117,789) | (64,878) | (178,808) | (228,801) | (92,575) |
| Net income attributable to owners of the parent company | (103,539) | 14,379 | (102,573) | (208,091) | (119,308) |
| Net income attributable to non-controlling interests | 14,441 | (75,779) | (48,747) | (20,088) | 4,411 |
| Total comprehensive income attributable to owners of the parent company | (132,412) | 10,729 | (130,434) | (212,687) | (97,980) |
| Total comprehensive income attributable to non-controlling interests | 14,623 | (75,607) | (48,374) | (16,114) | 5,405 |
| Earnings per share | (0.97) | 0.11 | (0.64) | (0.92) | (0.53) |

Note 1: The financial information for each year has been audited by CPAs of KPMG Taiwan.
Note 2: Profit (loss) from discontinued operations, extraordinary item, and cumulative effect of changes in accounting principles are presented as a net amount after deducting income tax.
Note 3: If the financial information has been notified by the competent authority that it should be corrected or re-prepared, the information should be updated with the new figures with reasons given.

### (III) The names and opinions of the attesting CPA for the most recent five fiscal years:

| Year | Name of accounting firm | Names of CPAs | Audit opinion |
|---|---|---|---|
| 2019 | KPMG Taiwan | Chih, Shih-Chin, Chien, Ti-Nuan | Unqualified opinions and other items for reference. |
| 2020 | KPMG Taiwan | Chen, Tsung-Che, Chien, Ti-Nuan | Unqualified opinions and other items for reference. |
| 2021 | KPMG Taiwan | Tsung-Che Chen, Hsin-Ting Huang | Unqualified opinions and other items for reference. |
| 2022 | KPMG Taiwan | Tsung-Che Chen, Hsin-Ting Huang | Unqualified opinions and other items for reference. |
| 2023 | KPMG Taiwan | Tsung-Che Chen, Hsin-Ting Huang | Unqualified opinions and other items for reference. |

## II. Financial analysis for the most recent five fiscal years:

### (I) Financial analysis – IFRS adopted:

**Standalone financial analysis – IFRS adopted**

| Analysis items (Note 3) \ Year (Note 1) | | Financial analysis for the most recent five fiscal years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt to assets ratio | 59.46 | 69.52 | 74.97 | 78.96 | 83.50 |
| | Ratio of long-term capital to property, plant and equipment | 424,804.30 | 305,650.29 | 297,933.36 | 380,114.01 | 502,030.38 |
| Solvency % | Current ratio | 272.26 | 168.55 | 176.98 | 231.12 | 160.74 |
| | Quick ratio | 33.99 | 46.26 | 58.33 | 37.42 | 17.95 |
| | Times interest earned | (8.20) | 2.12 | (2.52) | (2.50) | (0.78) |
| Operating capacity | Receivables turnover ratio (times) | 2.18 | 0.49 | 35.82 | 5.17 | 13.26 |
| | Days sales in receivables | 167.43 | 744.89 | 10.18 | 70.59 | 27.52 |
| | Inventory turnover (times) | 0.01 | 0.00 | 0.11 | 0.00 | 0.00 |
| | Payables turnover (times) | 0.07 | 0.04 | 2.10 | 0.04 | 0.00 |
| | Days sales in inventory | 36,500.00 | 0.00 | 3,318.18 | 0.00 | 0.00 |
| | Turnover of property, plant, and equipment (times) | 21.07 | 8.87 | 394.73 | 22.94 | 3.70 |
| | Total assets turnover (times) | 0.00 | 0.00 | 0.06 | 0.00 | 0.00 |
| Profitability | Return on assets (%) | (5.99) | 0.78 | (1.63) | (2.42) | (1.00) |
| | Return on equity (%) | (13.82) | 1.73 | (7.73) | (13.25) | (8.43) |
| | Ratio of profit before tax to paid-in capital (%) (Note 7) | (9.73) | 1.05 | (4.43) | (9.19) | (5.27) |
| | Profit margin (%) | (1,473.45) | 394.81 | (32.10) | (816.81) | (3,522.53) |
| | Earnings per share (NTD) | (0.97) | 0.11 | (0.64) | (0.92) | (0.53) |
| Cash flows | Cash flow ratio (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Cash flow adequacy ratio (%) | 47.44 | 22.32 | 12.10 | 0.45 | 0.00 |
| | Cash re-investment ratio (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Leverage | Operating leverage | (0.03) | (0.01) | (0.56) | (0.12) | (0.03) |
| | Financial leverage | 0.94 | 0.95 | 0.71 | 0.63 | 0.63 |

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis is not required.)

1. Ratio of long-term capital to property, plant and equipment increased: mainly due to no increase in property, plant and equipment this year.
2. The decrease in the current ratio and quick ratio: mainly due to the adjustment of corporate bonds due within one year from non-current to current, and the increase in current liabilities.
3. Higher interest coverage ratio: This is mainly due to better operating performance of the subsidiaries, which resulted in higher net income before interest expense.
4. The increase in receivables turnover rate and the decrease in average collection days are mainly due to the fact that the balance of receivables this year is lower than that of last year.
5. The decrease in the turnover rate of payables is mainly due to the fact that no construction projects were completed this year and the profit or loss was recognized as cost of sales.
6. Property, plant and equipment turnover rate (times) decreased: Mainly because no construction projects were completed this year, carryforward profits and losses were recognized as sales revenue.
7. Higher profitability: This is mainly due to better operating performance of the subsidiaries as compared to the previous year and recognized positive investment gains and losses, resulting in lower net loss after tax than the previous year.
8. Cash flow adequacy ratio decreased: mainly due to the continuous investment of related construction costs and urban renewal development costs for construction projects, resulting in negative cash flow from operating activities.
9. The decrease in operating leverage is mainly due to the fact that no construction projects were completed this year and the profit or loss was recognized as cost of sales.

## Consolidated financial analysis – IFRS adopted

| Analysis items (Note 3) \ Year (Note 1) | | Financial analysis for the most recent five fiscal years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt to assets ratio | 75.54 | 78.16 | 78.68 | 81.93 | 85.14 |
| | Ratio of long-term capital to property, plant and equipment | 453.77 | 546.15 | 982.77 | 1,341.01 | 1,288.14 |
| Solvency % | Current ratio | 163.53 | 140.57 | 165.16 | 207.45 | 153.94 |
| | Quick ratio | 47.14 | 47.49 | 59.33 | 41.39 | 21.90 |
| | Times interest earned | (2.47) | (0.84) | (1.69) | (1.71) | (0.38) |
| Operating capacity | Receivables turnover ratio (times) | 27.45 | 16.03 | 38.50 | 26.23 | 32.34 |
| | Days sales in receivables | 13.29 | 22.76 | 9.48 | 13.91 | 11.28 |
| | Inventory turnover (times) | 0.55 | 0.27 | 0.24 | 0.08 | 0.06 |
| | Payables turnover (times) | 3.94 | 3.45 | 3.83 | 0.91 | 0.73 |
| | Days sales in inventory | 663.63 | 1,351.85 | 1,520.83 | 4,562.50 | 6,083.33 |
| | Turnover of property, plant, and equipment (times) | 1.18 | 0.65 | 1.49 | 1.05 | 1.60 |
| | Total assets turnover (times) | 0.25 | 0.09 | 0.11 | 0.05 | 0.07 |
| Profitability | Return on assets (%) | (2.01) | (0.82) | (1.63) | (1.97) | (0.56) |
| | Return on equity (%) | (9.47) | (6.19) | (10.52) | (13.74) | (7.66) |
| | Ratio of profit before tax to paid-in capital (%) (Note 7) | (7.12) | (4.64) | (6.53) | (9.95) | (4.99) |
| | Profit margin (%) | (11.68) | (16.61) | (20.55) | (50.46) | (18.86) |
| | Earnings per share (NTD) | (0.97) | 0.11 | (0.64) | (0.92) | (0.53) |
| Cash flows | Cash flow ratio (%) | 23.20 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Cash flow adequacy ratio (%) | 105.55 | 57.26 | 18.86 | 8.68 | 3.53 |
| | Cash re-investment ratio (%) | 10.42 | 0.00 | 0.00 | 0.00 | 0.00 |
| Leverage | Operating leverage | (10.63) | (0.17) | (0.78) | (0.77) | (5.49) |
| | Financial leverage | 0.50 | 0.90 | 0.77 | 0.70 | 0.41 |

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis is not required.)

1. The decrease in the current ratio and quick ratio: mainly due to the adjustment of corporate bonds due within one year from non-current to current, and the increase in current liabilities.
2. Debt service coverage ratio on the rise: This is mainly due to better operating performance of hotel rooms and dining, and higher net income and net income before interest expense.
3. The increase in receivables turnover rate: This is mainly due to the better performance of hotel guest rooms and dining, and the increase in net sales.
4. Lower inventory turnover and higher inventory turnover days: This is mainly due to the fact that the construction industry continues to invest in construction costs and urban renewal development costs, resulting in an increase in inventory.
5. Property, plant and equipment turnover rate (times) increased: mainly due to better revenue from hotel rooms and dining compared to last year.
6. Higher profitability: This is mainly due to better guest rooms and dining operations and lower net loss after tax.
7. Cash flow adequacy ratio decreased: mainly due to the continuous investment of related construction costs and urban renewal development costs for construction projects, resulting in negative cash flow from operating activities in the recent years.
8. Higher operating leverage: This is mainly due to better guest room and dining operations, higher revenues, and lower operating profits.
9. Higher financial leverage: This is mainly due to better guest rooms and dining operations and lower operating profits.

Note 1: The financial information for each year has been audited by CPAs of KPMG Taiwan.

Note 2: The following calculation formula should be shown at the end of this table in the annual report.

1. Financial structure
   (1) Debt-to-asset Ratio = total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (total equity+non-current liabilities) / net worth of property, plant, and equipment.
2. Solvency %
   (1) Current ratio = Current assets / current liabilities.
   (2) Quick ratio = (Current assets - inventory - prepayment) / current liabilities.
   (3) Times interest earned = Net profit before income tax and interest expenses / interest expenses for the period.
3. Operating capacity
   (1) Receivables (including accounts receivable and notes receivable from operation) turnover ratio = Net sales / average of accounts receivable (including accounts receivable and notes receivable from operation) balance.
   (2) Days sales in receivables = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales / average inventory.
   (4) Payables (including accounts payable and notes payable from operation) turnover ratio = Cost of sales / average of accounts payable (including accounts payable and notes payable from operation) balance.
   (5) Days sales in inventory = 365 / inventory turnover ratio.
   (6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment.
   (7) Total assets turnover ratio = Net sales / average total assets.
4. Profitability
   (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
   (2) Return on equity = Profit and loss after tax / average total equity.
   (3) Net profit margin = Profit and loss after tax / net sales.
   (4) EPS = (Profit and loss attributable to the owner of parent company - dividends from preferred shares) / weighted average number of outstanding shares. (Note 4)
5. Cash flows
   (1) Cash flow ratio = Net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital expenditure + increase in inventory + cash dividends) in the most recent five years. Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds).
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds). (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating revenue - variable costs and expenses of operations) / operating profit (Note 6).
   (2) Financial leverage = Operating profit/ (operating profit - interest expenses).

Note 4: The above formula for calculating earnings per shares should pay special attention to the following when measuring:

1. Based on the weighted average number of common shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5: Special attention should be paid to the following when analyzing cash flows:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the opening. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Fixed assets means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variables. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 7: If the Company's shares are no par or not in the denomination of NTD 10, the calculation of the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

## III. The Audit Committee's report for the most recent year's financial statement:

# Shihlin Development Company Limited

# Audit Committee's Review Report

The Company's Board of Directors has duly worked out and submitted hereto annual final account settlement papers for 2023 including business report, financial statement and table for surplus earnings distribution or loss make-up. Among them, the financial statements have been duly audited and contracted by KPMG Certified Public Accountants who has worked out the Audit Report. The abovementioned business report, financial statements and profit and loss appropriation table have not been found to be inconsistent after the audit by the Audit Committee, therefore we have prepared the report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely

The Company's 2024 Annual General Meeting

Shihlin Development Company Limited

Convener of the Audit Committee: Wang, Chia-Kun

March 7, 2024

**IV. Financial statements for the most recent fiscal year:**

**(Please refer to p.203 to p.268 in this Handbook)**

**V. A parent company only financial statement for the most recent fiscal year, certified by a CPA:**

**(Please refer to p.142 to p.202 in this Handbook)**

**VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial status.** None.

# Seven. Review and analysis of financial status and operating results and risks

## I. Financial status:

Unit: NTD thousand

| Item / Year | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | (%) |
| Current assets | 7,947,077 | 6,570,371 | 1,376,706 | 20.95 |
| Financial assets | 93,681 | 72,438 | 21,243 | 29.33 |
| Investments accounted for using the equity method | 22,173 | 26,519 | (4,346) | -16.39 |
| Property, plant and equipment | 358,676 | 401,858 | (43,182) | -10.75 |
| Intangible assets | 811 | 500 | 311 | 62.20 |
| Other assets | 1,360,203 | 1,484,441 | (124,238) | -8.37 |
| Total assets | 9,782,621 | 8,556,127 | 1,226,494 | 14.33 |
| Current liabilities | 5,162,371 | 3,167,186 | 1,995,185 | 63.00 |
| Non-current liabilities | 3,166,709 | 3,842,825 | (676,116) | -17.59 |
| Total liabilities | 8,329,080 | 7,010,011 | 1,319,069 | 18.82 |
| Equity attributable to owners of the parent company | 1,366,352 | 1,464,332 | (97,980) | -6.69 |
| Share capital | 2,263,791 | 2,263,791 | 0 | 0.00 |
| Capital surplus | 17,484 | 17,484 | 0 | 0.00 |
| Retained earnings | (710,645) | (591,804) | (118,841) | 20.08 |
| Other equity interest | (204,278) | (225,139) | 20,861 | -9.27 |
| Non-controlling interests | 87,189 | 81,784 | 5,405 | 6.61 |
| Total equity | 1,453,541 | 1,546,116 | (92,575) | -5.99 |

Main reasons for the significant change in assets, liabilities and equity in the most recent two fiscal years: (change ratio reaching 20% or more and changes amounting to NTD 10 million), their effects and future plans:

1. Increase in current assets: The construction industry continues to invest in construction and development costs, resulting in an increase in inventories. The profit and loss of projects to be carried forward is recognized in cost of sales, and the amount of inventories will decrease.
2. Increase in financial assets: due to a recovery in the fair value of invested financial assets.
3. Increase in current liabilities:
   (1) The corporate bonds due within one year were classified from non-current to current, resulting in an increase in current liabilities.
   (2) The increase in short-term borrowings is due to the fact that the construction industry has invested in the development of construction projects.
4. Decrease in retained earnings: Net loss in the current period.

## II. Operating Results:

### (I) Comparative analysis of operating results:

Unit: NTD thousand

| Item / Year | 2023 | 2022 | Increase or decrease amount | Change ratio (%) |
|---|---|---|---|---|
| Operating revenue | 609,213 | 452,193 | 157,020 | 34.72 |
| Operating costs | 305,387 | 311,247 | (5,860) | -1.88 |
| Gross profit | 303,826 | 140,946 | 162,880 | 115.56 |
| Operating expenses | 359,123 | 324,615 | 34,508 | 10.63 |
| Net operating profit | (55,297) | (183,669) | 128,372 | -69.89 |
| Non-operating income and expenses | (57,614) | (41,689) | (15,925) | 38.20 |
| Net income (loss) before tax | (112,911) | (225,358) | 112,447 | -49.90 |
| Less: Income tax expense | 1,986 | 2,821 | (835) | -29.60 |
| Net profit for the period | (114,897) | (228,179) | 113,282 | -49.65 |

### (II) Analysis of changes in the increase or decrease ratio in the most recent two fiscal years:

1. The increase in operating revenue, gross profit and net operating profit: It is due to the increase in operating revenue of hotels and catering.
2. Decrease in non-operating income and expense: the decrease in government subsidies for the pandemic.
3. Increase in net income: due to the increase in operating revenue of the hotel and restaurant business.

### (III) Analysis of changes in gross profit before and after the period:

Unit: NTD thousand

| Item / Year | Net operating income | Operating costs | Gross profit | Gross margin (%) |
|---|---|---|---|---|
| 2023 | 609,213 | 305,387 | 303,826 | 49.87 |
| 2022 | 452,193 | 311,247 | 140,946 | 31.17 |

Instructions for significant changes in gross profit: (before and after the period reaches 20% or more, the impact of price and volume changes on gross margin should be analyzed)

| Item / Product | | Net operating income | Operating costs | Gross profit |
|---|---|---|---|---|
| 2023 | Construction income | 0 | 0 | 0 |
| | Accommodation | 366,524 | 162,387 | 204,137 |
| | Food and drink service | 158,247 | 132,581 | 25,666 |
| | Membership service | 65,631 | 0 | 65,631 |
| | Others | 18,811 | 10,419 | 8,392 |
| | Total | 609,213 | 305,387 | 303,826 |

| Product \ Item | | Net operating income | Operating costs | Gross profit |
|---|---|---|---|---|
| 2022 | Construction income | 22,496 | 14,082 | 8,414 |
| | Accommodation | 193,888 | 156,860 | 37,028 |
| | Food and drink service | 155,798 | 133,621 | 22,177 |
| | Membership service | 66,436 | 0 | 66,436 |
| | Others | 13,575 | 6,684 | 6,891 |
| | Total | 452,193 | 311,247 | 140,946 |
| Increase (decrease) change | | 157,020 | (5,860) | 162,880 |

1. Construction revenue: No construction project carried forward gains and losses this year was recognized in operating revenue.
2. Guest room accommodation: Due to the stabilization of the epidemic and the booming tourism this year, the guest room occupancy rate has increased significantly compared to last year, and the revenue has increased compared to last year.

# III. Cash flows:

## (I) Analysis of changes in cash flows in the most recent fiscal year:

Unit: NTD thousand

| Year \ Item | Cash inflows (outflows) | | Increase (decrease) change | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | (%) |
| Operating activities | (1,402,644) | (752,145) | (650,499) | 86.49 |
| Investment activities | 159,448 | (274,564) | 434,012 | -158.07 |
| Financing activities | 1,254,988 | 57,789 | 1,197,199 | 2071.67 |

## (II) Analysis of changes in the increase or decrease ratio in the most recent two fiscal years:

1. Operating activities: The main reason is that the construction industry continued to invest in construction costs and development costs, and the inventory increased from the previous year. Therefore, the cash outflow from operating activities in the current period increased.
2. Investing activities: The increase in cash inflow from investing activities is a result of the reduction of other financial assets as a result of the termination of the USD time deposit commitment made last year.
3. Financing activities: Cash inflow from financing activities increased due to the increase in short-term loans as the construction industry invested in construction projects.

## (III) Improvement plan for insufficient liquidity:

The Company has no cash liquidity shortage, so it is not applicable.

### (IV) Liquidity analysis for the coming year:

Unit: NTD thousand

| Opening cash balance | Net cash flows from operating activities for the year | Net cash flows from other activities for the year | Cash surplus (deficiency) amount | Remedies for cash deficits | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financial plan |
| 865,395 | (488,694) | 216,353 | 593,054 | None | None |

1. Cash flow analysis for the year: The cash flow from operating activities for the year was negative, mainly because the construction industry continued to invest in construction costs and development costs for unclosed construction sites.
2. Remedies and liquidity analysis for expected cash deficits: None.

## IV. Effect upon financial operations of any major capital expenditures during the most recent fiscal year:

None.

## V. The company’s reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

December 31, 2023 Unit: NTD thousand

| Descriptions Item | Original investment | Book value | Shareholding ratio (%) | Investment gain or loss recognized during the period | Policy | Main reasons for gain or loss | Improvement plan | Other future investment plans |
|---|---|---|---|---|---|---|---|---|
| Charter Leisure Co., Ltd. | 21,662 | 49,939 | 43.30% | 69 | Diversified business | Operating profit | None | None |
| SURV Planning And Development Co., Ltd. | 17,858 | 22,173 | 35% | (4,346) | Diversified business | New project under development | None | None |
| Huide Development Company Limited | 115,000 | 122,350 | 100% | 6,466 | Diversified business | Non-operating income | None | None |
| Good One Company Limited (Note 2) | — | — | — | (1) | — | — | — | — |
| Qun Xin Properties Co., Ltd. | 350,000 | 83,549 | 79.31% | 16,564 | Diversified business | Operating profit | None | None |
| T-Design Co., Ltd. | 19,800 | (1,047) | 33.00% | — (Note 1) | Diversified business | Operating loss | None | None |

Note 1: The gain or loss of the investment company already includes its investment company, and to avoid confusion, it is not expressed separately.

Note 2: Based on the Group’s considerations for business, Good One Company Limited was dissolved by resolution of the shareholders’ meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

## VI. Analysis and assessment of risks during the most recent fiscal year and as of the publication date of the annual report:

### (I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Changes in interest rates and interest expenditures:

Unit: NTD thousand

| Year / Item | 2023 | As of March 31, 2024 |
|---|---|---|
| Interest income | 21,711 | 1,386 |
| Interest expense | 79,304 | 15,898 |
| Net operating income | 609,213 | 167,744 |
| (Interest expense - interest income)/net operating income | 9.45% | 8.65% |

Note: The financial information for the first quarter of 2024 has not been audited or reviewed by CPAs.

Policy and response measures:

A. In terms of interest rates, we pay attention to research reports published by domestic and foreign economic research institutions and banks. By doing this, we are able to take on board the future trend of interest rates. We also keep an active communication channel with banks that we have a business relationship with to obtain favorable terms on loans.

B. By effectively using various types of financial instruments, we improve company financial planning to reduce the risk of interest rate changes.

C. In the future, we will continue to adhere to a conservative manner and consider safe and reasonable return. In the meantime, the Company's idle funds are safeguarded by a reliable financial institution.

2. Exchange gains and losses:

Unit: NTD thousand

| Year / Item | 2023 | As of March 31, 2024 |
|---|---|---|
| Net exchange (losses) gains | 14,625 | 60 |
| Net operating income | 609,213 | 167,744 |
| Net exchange (losses) gains/net operating income | 2.40% | 0.04% |

Note: The financial information for the first quarter of 2024 has not been audited or reviewed by CPAs.

Policy and response measures:

A. The Company collects information on exchange rate changes at all times to make judgement on their status in order to make timely hedges to avoid risks. This way, we can reduce adverse impact of exchange rate changes on the Company's profit or loss.

B. For our foreign exchange positions, the Company takes reference from professional consulting services provided by financial institutions to fully master the exchange rate trend. Additionally, the Company decides the favorable time to convert the Taiwan dollar depending on the actual capital needs.

C. Depending on foreign exchange market changes and foreign exchange capital needs, the Company adopts hedging strategies for derivative financial instruments. These include options and pre-sales of forward exchange to hedge related exchange rate changes. By doing this, we hope to minimize the impact of exchange rate changes on the Company's profit or loss.

The Company's payments and receipts are mainly in New Taiwan dollars, and exchange rate judgements are carried out with reference to professional reports published by research institutions for hedging purposes.

3. Changes in the inflation rate, and response measures to be taken in the future:

As there is a rising trend for international raw material and material prices in recent years, we are at the same time under pressure to increase raw material and material costs. Based on such notion, we have been proactively seeking multiple sources of supply and continues to grasp the pricing ability of the market to reduce the pressure of additional costs brought by inflation. In the meantime, we also convince our customers to accept the rate of product price increase so as to reduce the pressure of cost increase borne by the Company.

**(II) In the most recent fiscal year and as of the publication date of the annual report, the company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:**

1. Engaging in high-risk investments or highly leveraged investments

We abide by prudent and sensible management philosophy, and aside from focusing on long-term investments in the Company's related businesses, the Company has not engaged in any high-risk or high-leverage investments since 2023.

2. Loaning to other parties

The Company and its subsidiaries make loans to others in accordance with the Operational Procedures for Loaning Funds to Others. As of December 31, 2023 and the date of publication of the annual report, the Company made no loans to others.

3. Making endorsements/guarantees

Making endorsements/guarantees is handled in accordance with the Operating Procedures for Making Endorsements/Guarantees of the Company and its subsidiaries. As of December 31, 2023, and the publication date of the annual report, the Company made no endorsements/guarantees.

Loaning funds to others, endorsements/guarantees and derivative transactions of the Company and its subsidiaries are carried out in accordance with the policies and measures provided in the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" and the "Regulations Governing the Acquisition and Disposal of Assets." In the future, the Company will continue to follow related regulations in a strict manner in order to protect the best interests of the Company.

4. Engaging in derivative transactions

In accordance with Article 7 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, if a company does not intend to engage in derivative product transactions, it may submit this to the Board of Directors for approval and obtain shareholders' consent at the shareholders' meeting, exempting it from the need to establish operating procedures for derivative product transactions. The Company's Board of Directors approved the exemption from the Regulations on March 27, 2019, and was discussed and approved in the Shareholders' Meeting on June 18, 2019 to exempt the Derivative Trading Operating Regulations.

**(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:**

Not applicable.

**(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:**

The Company abides by domestic and foreign laws and regulations, while also keeping a close eye on domestic and foreign product development trends as well as regulatory changes. This enables us to adopt appropriate policies and make action plans for changes in the market. Therefore, changes in important domestic and foreign policies and laws did not pose significant impact on the Company's financial operations in the most recent fiscal year.

**(V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:**

We pay close attention to technological change in the industry in which we operate. In order to quickly grasp the industry dynamics, we designate dedicated personnel or project teams to evaluate the impact of the study on the future development and financial operations. Moreover, by constantly improving our own R&D capabilities, we protect our innovative concepts and designs by applying for patents, and are also proactively expanding our market applications in the market. Therefore, technology and industrial change will pose positive impact on the Company.

**(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:**

The Company has been focusing on managing its business in the industry since establishment, and has sound business results and positive reputation. There is no report in the market that would damage the Company's corporate image. Therefore, there has not been occurrence of corporate image change that resulted in corporate crisis management.

**(VII) Expected benefits and possible risks associated with any mergers and acquisitions, and mitigation measures being or to be taken:**

There have been no mergers or acquisitions in the most recent fiscal year and as of the prospectus publication date.

**(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:**

There has been plant expansion in the most recent fiscal year and as of the prospectus publication date.

**(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:**

There are no risks associated with any consolidation of sales or purchasing of suppliers and customers.

**(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:**

No major quantity of shares belonging to a director of the Company has been transferred or has otherwise changed hands.

**(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.**

None.

**(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:**

None.

**(XIII) Other important risks, and mitigation measures being or to be taken: Information security risk evaluation analysis and mitigation measures being or to be taken:**

The Company strives for protecting the confidential information of the Company, customers, and employees. Not only have anti-virus systems been installed for information security, but company information is also backed up off-site. Moreover, the use of data and security maintenance are strictly managed and firewalls and electronic files encryption system are built, aiming to reduce the risk of company information security.

## VII. Other important matters:

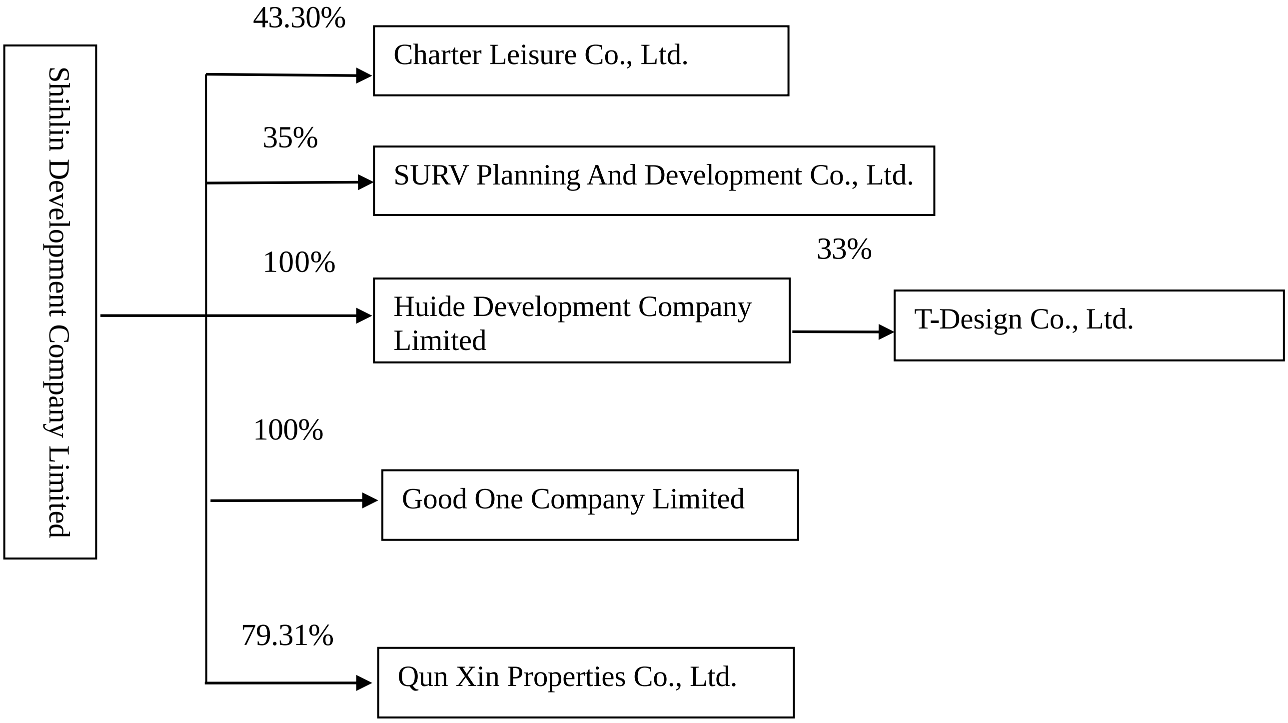
None.

# Eight. Special items to be included:

## I. Information related to the company's affiliates:

### (I) Consolidated business report of affiliates:

1. Organizational chart of affiliates:




2. Basic information of affiliates:

December 31, 2023 Unit: NTD thousand

| Company name | Date of establishment | Location | Paid-in capital | Main business |
|---|---|---|---|---|
| Charter Leisure Co., Ltd. | 1997/07/04 | 1, 2F., No. 88, Sec. 6, Zhongshan N. Rd., Shihlin Dist., Taipei City | 50,000 | Food and drink and clubs |
| SURV Planning And Development Co., Ltd. | 2001/05/03 | 7F., No. 88, Sec. 6, Zhongshan N. Rd., Shihlin Dist., Taipei City | 50,000 | Real estate development |
| Huide Development Company Limited | 2010/07/05 | 8F., No. 90, Sec. 6, Zhongshan N. Rd., Shihlin Dist., Taipei City | 115,000 | Real estate development |
| Qun Xin Properties Co., Ltd. | 2009/06/29 | No. 57-1, Sec. 2, Zhongshan North Road, Zhongshan District, Taipei City | 290,000 | General hotel industry |
| T-Design Co., Ltd. | 1992/12/07 | 3F., No. 88, Sec. 6, Zhongshan N. Rd., Shihlin Dist., Taipei City | 60,000 | Interior design |
| Good One Company Limited (Note 1) | — | — | — | — |

Note 1: Based on the Group's considerations for business, Good One Company Limited was dissolved by resolution of the shareholders' meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

3. Information on the same shareholders presumed to have a relationship of control and subordination:

   None.

4. Information on directors, supervisors and presidents of affiliates:

December 31, 2023 Unit: shares; %; NTD

| Company name | Title | Name or representative | Shares held | |
|---|---|---|---|---|
| | | | Number of shares | Shareholding ratio |
| Charter Leisure Co., Ltd. | Chairman | Ambassador Hotel Co., Ltd. (Representative: Li, Wei-Yi) | 900,000 | 18% |
| | Director | Shihlin Development Company Limited (Representative: Kuo, Ying-Yen) | 2,166,167 | 43.3% |
| | Director | HCT Logistics Co., Ltd. (Representative: Li, Ying-Chu) | 900,000 | 18% |
| | President | Li, Wei-Yi | 0 | 0 |
| | Supervisor | Shihlin Electric Co., Ltd. (Representative: Ho, Chung-Jen) | 950,000 | 19% |
| SURV Planning And Development Co., Ltd. | Chairman | Huang Yi Development Asset Management Co., Ltd. (Representative: Lo, Yung-Cheng) | 3,250,000 | 65% |
| | Vice chairman | Huang Yi Development Asset Management Co., Ltd. (Representative: Lin, Cheng-Pang) | 3,250,000 | 65% |
| | Director | Shihlin Development Company Limited (Representative: Li, Chang-Lin) | 1,750,000 | 35% |
| | President | Fu, Hong-Chieh | 0 | 0 |
| | Supervisor | Tseng, Yu-Wen | 0 | 0 |
| | Supervisor | Fu, Chin-Yu | 0 | 0 |
| Huide Development Company Limited | Chairman | Shihlin Development Company Limited (Representative: Hsu, Yu-Shan) | 11,500,000 | 100% |
| | Director | Shihlin Development Company Limited (Representative: Lin, Hsin-Cheng) | 11,500,000 | 100% |
| | Director | Shihlin Development Company Limited (Representative: Chang, Ching-Min) | 11,500,000 | 100% |
| | Supervisor | Shihlin Development Company Limited (Representative: Kuo, Ying-Yen) | 11,500,000 | 100% |
| Good One Company Limited (Note 4) | Liquidator | Chang, Ching-Min | 0 | 0 |
| Qun Xin Properties Co., Ltd. | Chairman | Shihlin Development Company Limited (Representative: Li, Chang-Lin) | 23,000,000 | 79.31% |
| | Director | Shihlin Development Company Limited (Representative: Hsu, Yu-Shan) | 23,000,000 | 79.31% |
| | Director | Shihlin Development Company Limited (Representative: Chang, Ching-Min) | 23,000,000 | 79.31% |
| | Director | Ambassador Hotel Co., Ltd. (Representative: Li, Ying-Chu) | 3,600,000 | 12.41% |
| | Director | China Prosperity Development Corporation (CPDC) (Representative: Chang, Hui-Ru) | 2,400,000 | 8.28% |
| | Supervisor | Kuo, Ying-Yen | 0 | 0 |
| T-Design Co., Ltd. | Chairman | Shi Hong Investment Co., Ltd. (Representative: Chen, Chin-Hsien) | NTD 20,400,000 | 34.00% |
| | Director | Huide Development Company Limited (Representative: Hsu, Yu-Shan) | NTD 19,800,000 | 33.00% |
| | Director | Hsu, Chao-Shun | NTD 15,800,000 | 26.33% |

Note 1: If an affiliate is a foreign company, its position is listed as equivalent.

Note 2: If an investee is a limited company, please state the number of shareholding and percentage of shareholding. For others, please state the capital contribution and the percentage of capital contribution.

Note 3: If the director or supervisor is a legal entity, the relevant information on the representative should be disclosed separately.

Note 4: Based on the Group's considerations for business, Good One Company Limited was dissolved by resolution of the shareholders' meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

## 5. Overview of the operations of the affiliates

December 31, 2023 Unit: NTD thousand

| Company name | Capital | Total value of assets | Total liabilities | Net worth | Operating revenue | Operating profit | Profit or loss for the period (after tax) | Earnings per share (NTD) (after tax) |
|---|---|---|---|---|---|---|---|---|
| Charter Leisure Co., Ltd. | 50,000 | 154,897 | 39,566 | 115,331 | 79,981 | (2,220) | 159 | 0.03 |
| SURV Planning And Development Co., Ltd. | 50,000 | 85,530 | 22,178 | 63,352 | 0 | (14,394) | (12,417) | (2.48) |
| Huide Development Company Limited | 115,000 | 124,058 | 1,707 | 122,351 | 94 | (324) | 6,466 | 0.56 |
| Good One Company Limited (Note 3) | — | — | — | — | — | — | (1) | — |
| Qun Xin Properties Co., Ltd. | 290,000 | 1,479,471 | 1,374,125 | 105,346 | 526,520 | 41,704 | 20,886 | 0.72 |
| T-Design Co., Ltd. | 60,000 | 197 | 16,981 | (16,784) | 0 | (104) | (104) | (0.02) |

Note 1: All affiliates must be disclosed regardless of their size.

Note 2: If a related party is a foreign company, figures should be presented using the exchange rate as of the reporting date in New Taiwan dollars.

Note 3: Based on the Group’s considerations for business, Good One Company Limited was dissolved by resolution of the shareholders’ meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

## (II) Consolidated Financial Statements of Affiliates:

# Declaration

Considering that the companies to be included into the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under Summary of Statement No. 7 – FASB in 2023 (from January 1, 2023 to December 31, 2023), and the related information to be disclosed in the consolidated financial statements of affiliated enterprises has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliated enterprises were prepared separately.

It is hereby declared

Company name: Shihlin Development Company Limited

Chairman: Hsu, Yu-Shan

Date: March 7, 2024

## II. Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

None.

## III. Holding or disposal of the Company's equity by its subsidiary during the most recent fiscal year and as of the publication date of the annual report:

Not applicable.

## IV. Other matters for which supplementary explanation is required:

None.

## V. If any of the situations listed in Article 36, paragraph 2 subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

None.

## Independent Auditors' Report

To Shihlin Development Company Limited,

**Audit opinion**

We have reviewed the accompanying balance sheets of Shihlin Development Company Limited (the "Company") for the years ended December 31, 2023 and 2022 and the relevant standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

In our opinion, the accompanying standalone financial statements, based on our audit results and other CPAs' audit reports (see "Other matters" paragraph), present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and for the years then ended, and its financial performance and cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for the audit opinion**

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

**Key audit matters**

Key audit matters refer to the most vital matters in our audit of the standalone financial statements of the Company for the year ended December 31, 2023, based on our professional judgment. These matters were addressed in our audit of the standalone financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters. Key audit matters of the standalone 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 estimates and assumptions for the inventory valuation; please refer to Note 6(5) "Inventories" to standalone financial statements for details of inventories.

Description of key audit matters:

The Company's construction inventories are an important asset for operations, accounting for about 74% of its total assets; inventory valuation is handled in accordance with the International Accounting Standards (IAS) 2. If the net realizable value is not properly appraised, the financial statements will be misstated. Therefore, the test of inventory values is one of our key audit matters during the audit of the Company's standalone financial statements.

Audit procedures:

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

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

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

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

Description of key audit matters:

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

Audit procedures:

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

**Other matters**

Among the investments using the equity method recognized by the Company, some investees’ financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said standalone financial statements, such investees’ amounts listed in the financial statements were based on the audit report by other CPAs. The investment amount recognized for some investees using the equity method as of December 31, 2023 and 2022 accounted for 0.87% and 1.09% of the total assets, respectively. The share in the profit or loss of subsidiaries and associates using the equity method recognized for the years ended December 31, 2023 and 2022 accounted for 3.58% and 4.22% of the net loss before tax, respectively.

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

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

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

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

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

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

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

1. Identified and assessed the risks of material misstatement arising from fraud or error within the standalone financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error.

2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.

4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the standalone financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluated the overall presentation, structure, and content of the standalone financial statements (including relevant notes), and whether the standalone financial statements adequately present the relevant transactions and events.

6. Obtained sufficient and appropriate audit evidence concerning the financial information of investees using the equity method, to express an opinion on the standalone financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Company.

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

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

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Company's standalone financial statements for the year ended December 31, 2023. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

CPA:

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

March 7, 2024

## Shihlin Development Company Limited

## Balance Sheets

## For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

| Code | Assets | 2023.12.31 Amount | % | 2022.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | $ 622,225 | 7 | 697,129 | 10 |
| 1150 | Notes and accounts receivable, net (Notes 6(3) and (19)) | 7 | - | 504 | - |
| 1200 | Other receivables (Note 6(4)) | 57,391 | 1 | 42,008 | 1 |
| 130X | Inventories (Notes 6(5) and 8) | 6,123,488 | 74 | 4,602,140 | 66 |
| 1410 | Prepayment | 167,130 | 2 | 147,636 | 2 |
| 1476 | Other financial assets - current (Notes 6(10) and 8) | 368,065 | 4 | 508,807 | 7 |
| 1479 | Other current assets - others | 7,179 | - | 6,429 | - |
| 1480 | Incremental cost of obtaining contracts - current | 226,203 | 3 | 228,806 | 3 |
| | | 7,571,688 | 91 | 6,233,459 | 89 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 6(2)) | 66,813 | 1 | 46,244 | 1 |
| 1550 | Investments using the equity method (Notes 6(6) and 7) | 278,011 | 4 | 271,304 | 4 |
| 1600 | Property, plant and equipment (Note 6(7)) | 711 | - | 1,121 | - |
| 1755 | Right-of-use assets (Note 6(8)) | 13,774 | - | 3,633 | - |
| 1760 | Net investment property (Notes 6(9)) | 6,809 | - | 6,809 | - |
| 1780 | Intangible assets | 811 | - | 500 | - |
| 1980 | Other financial assets - non-current (Notes 6(10) and 8) | 341,418 | 4 | 394,872 | 6 |
| 1990 | Other non-current assets - others | - | - | 185 | - |
| | | 708,347 | 9 | 724,668 | 11 |
| | **Total assets** | $ 8,280,035 | 100 | 6,958,127 | 100 |

| Code | Liabilities and equity | 2023.12.31 Amount | % | 2022.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (Note 6(11)) | $ 2,776,200 | 34 | 1,587,223 | 23 |
| 2110 | Short-term notes and bills payable (Note 6(12)) | 199,546 | 2 | - | - |
| 2130 | Contract liabilities - current (Note 6(19)) | 724,258 | 9 | 591,618 | 9 |
| 2150 | Notes payable | 2,550 | - | - | - |
| 2170 | Accounts payable | 341,754 | 4 | 445,882 | 6 |
| 2200 | Other payables (Note 7) | 57,204 | 1 | 65,198 | 1 |
| 2250 | Provision for liabilities - current (Note 6(15)) | 151 | - | 101 | - |
| 2280 | Lease liabilities - current (Notes 6(14) and 7) | 7,304 | - | 3,169 | - |
| 2310 | Advance receipts | 300 | - | 622 | - |
| 2320 | Long-term liabilities due within one year or one operating cycle (Note 6 (13)) | 599,940 | 7 | - | - |
| 2399 | Other current liabilities - others | 1,392 | - | 3,236 | - |
| | | 4,710,599 | 57 | 2,697,049 | 39 |
| | **Non-current liabilities:** | | | | |
| 2530 | Corporate bonds payable (Note 6(13)) | 2,196,102 | 26 | 2,794,291 | 40 |
| 2580 | Lease liabilities - non-current (Notes 6(14) and 7) | 6,533 | - | 1,871 | - |
| 2670 | Other non-current liabilities - others | 449 | - | 584 | - |
| | | 2,203,084 | 26 | 2,796,746 | 40 |
| | **Total liabilities** | 6,913,683 | 83 | 5,493,795 | 79 |
| | **Equity:** (Note 6(17)): | | | | |
| 3100 | Share capital | 2,263,791 | 27 | 2,263,791 | 33 |
| 3200 | Capital surplus | 17,484 | - | 17,484 | - |
| 3300 | Retained earnings | (710,645) | (8) | (591,804) | (9) |
| 3400 | Other equity interest | (204,278) | (2) | (225,139) | (3) |
| | **Total equity** | 1,366,352 | 17 | 1,464,332 | 21 |
| | **Total liabilities and equity** | $ 8,280,035 | 100 | 6,958,127 | 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, 2023 and 2022

**Unit: NTD thousand**

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

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

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

## Shihlin Development Company Limited

## Statements of Changes in Equity

## For the Years Ended December 31, 2023 and 2022

**Unit: NTD thousand**

| | Common stock | Capital surplus | Retained earnings: Legal reserve | Retained earnings: Deficit to be compensated | Retained earnings: Total | Other equity items: Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2022** | $ 2,263,791 | 17,484 | 50,262 | (437,063) | (386,801) | (217,455) | 1,677,019 |
| Net loss for the period | - | - | - | (208,091) | (208,091) | - | (208,091) |
| Comprehensive income for the period | - | - | - | 3,088 | 3,088 | (7,684) | (4,596) |
| Total comprehensive income for the period | - | - | - | (205,003) | (205,003) | (7,684) | (212,687) |
| **Balance as at December 31, 2022** | 2,263,791 | 17,484 | 50,262 | (642,066) | (591,804) | (225,139) | 1,464,332 |
| Net loss for the period | - | - | - | (119,308) | (119,308) | - | (119,308) |
| Comprehensive income for the period | - | - | - | 467 | 467 | 20,861 | 21,328 |
| Total comprehensive income for the period | - | - | - | (118,841) | (118,841) | 20,861 | (97,980) |
| **Balance as at December 31, 2023** | **$ 2,263,791** | **17,484** | **50,262** | **(760,907)** | **(710,645)** | **(204,278)** | **1,366,352** |

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

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

**Shihlin Development Company Limited**

**Statements of Cash Flows**

**For the Years Ended December 31, 2023 and 2022**

**Unit: NTD thousand**

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

## Shihlin Development Company Limited

## Statements of Cash Flows (Continued)

**For the Years Ended December 31, 2023 and 2022**

**Unit: NTD thousand**

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

**(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**
**Notes to the Standalone Financial Statements**
**For the Years Ended December 31, 2023 and 2022**
**(Unless otherwise stated, all amounts are in thousand of NTD)**

I. Company History

Shihlin Development Company Limited (hereinafter referred to as the "Company") was incorporated on January 23, 1984 and began operations on January 8, 1985 after trial production. Its main business includes the manufacturing and sales of small signal transistors, power transistors, and integrated circuits. In addition, in order to diversify business, the extraordinary shareholders' meeting, on October 29, 2007, approved to include the real estate development business within the business scope in the Articles of Incorporation. The Company's original name was Huaxin Electronics Co., Ltd., and it has changed the name several times. It was renamed Defeng Innovation International Co., Ltd. in 2007 and renamed as Shihlin Development Company Limited again on July 9, 2010.

II. Date and Procedure for Approval of Financial Statements

The standalone financial statements were approved by the Board of Directors for release on March 7, 2024.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) Impact of adoption of new and revised standards and interpretations endorsed by the FSC

The Company has adopted the new and revised IFRS since January 1, 2023, which has not caused a material impact on the standalone financial statements.

- Amendments to IAS 1 (Disclosure of Accounting Policies)
- Amendments to IAS 8 (Definition of Accounting Estimates)
- Amendments to IAS 12 (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)

The Company has adopted the new and revised IFRS since May 23, 2023, which has not caused a material impact on the standalone financial statements.

- Amendments to IAS 12 International Tax Reform - Pillar Two Model Rules

(II) Impact of not adopting the IFRSs endorsed by the FSC

The Company has assessed the application of the newly revised IFRS that have taken effect on January 1, 2024, which will not cause a material impact on the standalone financial statements.

- Amendments to IAS 1 (Classification of Liabilities as Current or Non-current)
- Amendments to IAS 1 (Non-current Liabilities with Covenants)
- Amendments to IAS 7 and IFRS 7 (Supplier Finance Arrangements)
- Amendments to IFRS 16, (Lease Liability in a Sale and Leaseback)

(III) New and revised standards and interpretations not yet endorsed by the FSC

The Company does not expect that new and revised standards below that have not yet been endorsed will have a material impact on the standalone financial statements.

- Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- Amendments to IFRS 17 (Initial Application of IFRS 17 and IFRS 9—Comparative Information)
- Amendments to IAS 21 (Lack of Exchangeability)

IV. Summary of Significant Accounting Policies

A summary of the significant accounting policies adopted in the standalone financial statements is as follows. The accounting policies below have been applied consistently throughout the reporting period presented in the standalone financial statements.

(I) Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Basis for measurement

Except for important items on the balance sheets below, the standalone financial statements have been prepared at historical cost:

Financial assets at fair value through other comprehensive income.

2. Functional currency and currency presented

The Company adopts the currency used in the main economic environment in which it operates as its functional currency. The standalone financial statements are presented in the Company's functional currency, namely New Taiwan dollars (NTD). All financial information presented in NTD is in the unit of thousand of NTD.

(III) Foreign currency

Foreign currency transactions are translated into functional currency at the exchange rate prevailing on the transaction date. On the end date of each reporting period (hereinafter referred to as the “balance sheet date”), foreign currency monetary items are translated into the functional currency at the exchange rate prevailing on the balance sheet date Foreign currency non-monetary items measured at fair value are translated into the functional currency at the exchange rate prevailing on the day of measurement. Foreign currency non-monetary items measured at historical cost are translated at the exchange rate prevailing on the transaction date.

Foreign currency translation differences arising from a translation are normally recognized in profit or loss, except for the circumstances below where such differences are recognized in other comprehensive income: equity instrument designated at fair value through other comprehensive income.

(IV) Criteria for classification of current and non-current assets and liabilities

The Company are mainly contracted for construction and civil engineering projects, and leasing or sales of real estate. The business cycle is usually longer than one year, and the assets and liabilities related to the construction projects are classified as current and non-current based on an operating cycle of three to five years. The criteria for classifying current and non-current assets and liabilities are as follows:

Assets that meet one of the following criteria are classified as current assets; all other assets that are not current assets are classified as non-current assets:

1. Assets expected to be realized in the Company's ordinary course of business (usually longer than one year for the construction industry), or intended to be sold or consumed;
2. Assets held primarily for the purpose of trading;
3. Assets expected to be realized within 12 months after the balance sheet date; or
4. Assets that are cash or cash equivalents, excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities; all other liabilities that are not current liabilities are classified as non-current liabilities:

1. Liabilities expected to be settled in the Company's ordinary course of business (usually longer than one year for the construction industry);
2. Liabilities held primarily for the purpose of trading;
3. Liabilities expected to be settled within 12 months after the balance sheet date; or
4. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits that meet the aforementioned definition and whose purpose is to satisfy short-term cash commitments in operations are classified as cash equivalents. Time deposits that do not meet the above definitions are recognized in other financial assets - current and non-current.

(VI) Financial instruments

Accounts receivable and debt securities issued are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual terms of the financial instruments. Financial assets (except receivables that do not contain significant financial components) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

1. Financial assets

If the purchase or sale of financial assets conforms to the regular way purchase or sale, the Company shall adopt trade date accounting or settlement date accounting consistently to recognize the purchase or sale of the financial assets in the same category.

Financial assets are classified as financial assets at amortized cost and equity instrument investments at fair value through other comprehensive income upon initial recognition. The Company only reclassifies all affected financial assets from the first day of next reporting period when changing the financial assets management model.

(1) Financial assets at amortized cost

If the financial assets are in alignment with the following criteria and not designated as at fair value through profit or loss, such assets are measured at amortized cost:

- Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

Such assets are subsequently amortized by the effective interest method plus or less the initially recognized amount using the effective interest method, adjusted for the allowance for losses measured at amortized cost. Interest income, foreign exchange gains or losses, and impairment losses are recognized in the profit or loss. Upon derecognition, the gain or loss is included in profit or loss.

(2) Financial assets at fair value through other comprehensive income

Investments in debt instruments that meet the following criteria at the same time and are not designated as at fair value through profit or loss are measured at fair value through other comprehensive income:

- Held under a certain business model, of which the objective is for collection of contractual cash flows and sales by holding the financial assets.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

Upon initial recognition, the Company may make an irrevocable election to recognize subsequent changes in fair value of equity instrument investments not held for trading in other comprehensive income. The foregoing election is made as per each instrument.

Investments in debt instruments are subsequently measured at fair value. Interest income, foreign currency exchange gains or losses, and impairment losses calculated using the effective interest method are recognized in profit or loss, while the remaining net gains or losses are recognized in other comprehensive income. Upon derecognition, the cumulative amount of other comprehensive income is reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (unless it clearly represents a recovery of part of an investment cost) is recognized in profit or loss. The remaining net gain or loss is recognized as other comprehensive income and is not reclassified to profit or loss.

Dividend income from investments in equity is recognized on the date on which the Company is entitled to receive the dividend (usually the ex-dividend date).

(3) Evaluation of the business model

The Company evaluates the business model of financial assets held at the portfolio level as it is the best way to reflect the way they operate and provide information to the management. The information to be considered includes:

- Such a portfolio policy and purpose and the operation of the policy. Including whether the management's strategy is focused on earning contractual cash flows, maintaining a specific interest-yield portfolio, matching the duration of financial assets with the duration of relevant liabilities or expected cash outflows, or realizing cash flows by selling financial assets.
- The performance of the business model and how the financial assets held under the model are evaluated and reported to an enterprise’s key management personnel;
- Risks affecting the performance of the business model (and the financial assets held under the model) and how such risks are managed;

- How the managers' remuneration is determined at an enterprise, such as the remuneration based on the fair value of assets under management or contractual cash flow received; and
- Frequency, amount, and timing of sales of financial assets in previous periods, the reasons for such sales, and forecast for future sales.

According to the above business purpose, if a transaction of transferring a financial asset to a third party does not meet the de-recognition criteria, it is not a sale as mentioned above, which is consistent with the Company's purpose of continuing to recognize the asset.

(4) Evaluation of whether the contractual cash flow is entirely for the payment for the principal and the interest on the outstanding principal

Based on the evaluation purpose, the principal is the fair value of a financial asset at the time of initial recognition, and the interest is composed of the following considerations: the time value of money, the credit risk associated with the amount of outstanding principal in a specific period, other basic lending risks and costs, and profit margin.

To evaluate whether a contractual cash flow is entirely for payment for principal and interest on the outstanding principal, the Company considers the contractual terms of the financial instrument, including assessing whether the financial asset contains a contractual term that may change the timing or amount of the contractual cash flow, resulting in the failure to meet this criterion. During evaluation, the Company considers:

- Any contingencies that will change the timing or amount of a contractual cash flow;
- Terms that may have the contractual coupon rate adjusted, including the characteristics of variable interest rates;
- Early repayment and deferment; and
- The Company's right of claim is limited to terms of cash flow from specific assets (such as the non-recourse feature).

(5) Impairment of financial assets

The Company recognizes the expected credit losses on financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, and other financial assets) in allowance for losses.

The allowance for losses for the financial assets below are measured at 12-month expected credit losses, and the allowance for losses for the rest are measured at the lifetime expected credit losses:

- Debt securities are judged to be of low credit risk on the balance sheet date; and
- The credit risk of other debt securities and bank deposits (i.e. the risk of default during the expected duration of the financial instruments) has not increased significantly since the initial recognition.

Allowance for losses on accounts receivable are measured at lifetime expected credit losses.

When determining whether the credit risk has increased significantly since the initial recognition, the Company takes into account reasonable and corroborative information (obtainable without undue cost or effort), including qualitative and quantitative information, and analyzes it based on the Company's historical experience,credit assessments, and forward-looking information.

If the credit risk rating of an financial instrument is equivalent to the globally defined "investment grade" (BBB- in Standard & Poor's, Baa3 in Moody's, or twA in Taiwan Ratings, or higher than such levels), the Company regards that the credit risk of the debt securities is low.

If a contract payment is overdue, the Company assumes that the credit risk of an financial asset has increased significantly.

If a contract payment is overdue for more than 90 days, or the borrower is unlikely to fulfill its credit obligations and pay the full amount to the Company, it will deem the financial asset to be in default.

Lifetime expected credit losses refer to the expected credit losses arising from all possible default events during the expected duration of a financial instrument.

Twelve-month expected credit losses are expected credit losses on a financial instrument arising from possible default events within 12 months after the balance sheet date (or a shorter period if the expected duration of the financial instrument is less than 12 months).

The maximum period over which expected credit losses are measured is the maximum contract period over which the Company is exposed to credit risk.

Expected credit losses are an estimate of weighted probability of credit losses over the expected lifetime of a financial instrument. Credit losses are measured at the present value of all cash shortfalls, that is the difference between the cash flows that the Company can receive as per the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the effective interest rate on the financial asset.

The Company assesses whether the financial assets at amortized cost and financial assets at fair value through other comprehensive income are credit-impaired on each balance sheet date. A financial asset is credit-impaired when one or more events have occurred with an adverse effect on the estimated future cash flows of the financial asset. Evidence that indicates a financial asset is credit-impaired includes the observable information below:

- The borrower or issuer encountered significant financial difficulties;
- Default, such as delayed or overdue payment for more than 90 days;
- The Company, for financial or contractual reasons related to the borrower's financial difficulties, grants the borrower a concession that the borrower would not otherwise consider;
- The borrower is likely to file for bankruptcy or other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance for losses for a financial asset measured at amortized cost is deducted from the carrying amount of the asset. The profit or loss is adjusted for an allowance for losses on investments in debt instruments measured at fair value through other comprehensive income, which is recognized in other comprehensive income (without the carrying amount of the asset reduced).

When the Company cannot reasonably expect to recover the whole or part of an financial asset, it directly reduces the total carrying amount of the financial asset. For individuals, the Company's policy is to write off the total carrying amount of an financial asset when it is overdue based on the past experience of similar assets. For companies, the Company analyzes the timing and amount of write-off for each company on the basis of whether it can reasonably expect to recover the financial asset. The Company does not expect a material reversal of an amount written off. However, financial assets that have been written off are still enforceable to be aligned with the Company's procedures for recovering overdue amounts.

(6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire, when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party, or when it has not transferred, retained substantially all the risks and rewards of ownership, and retained control over the financial asset.

For transfer of transfer financial assets, if the Company has retained all or substantially all the risks and rewards of ownership of the asset to be transferred, it continues to recognize the asset on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities and equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity as per the substance of a contractual agreement and the definition of financial liabilities and equity instruments.

(2) Equity transactions

An equity instrument is any contract that represents the Company’s remaining equity after its assets are deducted from all of its liabilities. Equity instruments issued by the Company are recognized at the amount of acquisition, less direct issuance costs.

(3) Financial liabilities

Financial liabilities are classified as those at amortized cost or at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss if they are held for trading, derivatives, or designated upon initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant net gain and loss, including any interest expense, is recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains or losses are recognized in profit or loss. Any gain or loss is also recognized in profit or loss upon derecognition.

(4) Derecognition of financial liabilities

The Company derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled, or expired. When the terms of financial liabilities are revised and the cash flow of the revised liabilities is significantly different, the initial financial liabilities are derecognized, and new financial liabilities are recognized at fair value as per the revised terms.

When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and liabilities are offset and presented in a net amount on the balance sheet only when the Company has legally enforceable rights to offset financial and liabilities and intends to settle on a net basis or to realize assets and settle liabilities simultaneously.

(VII) Inventories

Inventories are measured at the lower of cost or net realizable value. Costs include the costs incurred to bring them to a location and condition ready for use. Development costs of real estate include construction, land, borrowing, and project costs incurred during the development period. When the cost of inventory is higher than the net realizable value, the cost should be written down to the net realizable value, and the amount written down should be recognized in the cost of sales in the current period.

Net realizable value is an estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The methods for evaluating the net realizable value are as follows:

1. Construction land: Net realizable value is based on the estimate made by the competent authority as per the market condition.
2. Construction in progress: The net realizable value is calculated based on the estimated selling price (according to the market condition at the time) less the costs and selling expenses required till completion.
3. Real estate for sale: Net realizable value is calculated based on estimated selling price (based on the estimate made by the competent authority per the market condition) less estimated costs and selling expenses incurred in the sales of the real estate.

(VIII) Investment in associates

An associate is an entity on which the Company has significant influence on its financial and business policies and is not a controller or joint controller.

The Company adopts the equity method to account for its equity in associates. Under the equity method, investments in an associate are initially recognized at cost, and the investment cost includes the transaction cost. The carrying amount of an investment in an associate includes the goodwill identified at the time of the initial investment, less any accumulated impairment losses.

The Company’s standalone financial statements include, from the date of it having significant influence to the date of it losing significant influence, after adjusting associates’ accounting policies to be consistent with those adopted by the Company, include the amount of profit or loss and other comprehensive income from investment in each associate recognized in proportion to the equity held. When an associate undergoes a change in equity that is not related to profit or loss or other comprehensive income without affecting the Company’s shareholding in the associate, the Company recognizes the share of changes in equity attributable to the Company in capital surplus in proportion to its shareholding.

Unrealized gains or losses arising from transactions between the Company and any associate are recognized in the financial statements to the extent that such gains or losses are unrelated to the investor's interests in associates.

When the Company’s share of losses on an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate.

(IX) Investment in subsidiaries

When preparing the standalone financial statements, the Company adopts the equity method to valuate the investees over which the Company has control. With the equity method, the current profit or loss and other comprehensive income in the standalone financial statements are the same as the current profit or loss and other comprehensive income attributable to the owners of the parent company in the consolidated financial statements. The owner's equity in the standalone financial statements is the same as the equity attributable to the owners of the parent company in the consolidated financial statements.

Changes in the Company's ownership interests in subsidiaries that do not result in the loss of its control over them are treated as equity transactions between the owners.

(X) Investment property

Investment property refers to property held for earning rents or asset appreciation or both, but not for sale under normal business activities, production, provision of goods or services, or for administrative purposes. Investment property is initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment. The depreciation method, useful life, and residual value are handled in accordance with the rules of property, plant and equipment.

Gains or losses on the disposal of investment property (calculated as the difference between the net proceed from the disposal and the carrying amount of the property) are recognized in the profit or loss.

Rental income from investment property is recognized in non-operating income on a straight-line basis over the lease term. The lease incentives are recognized as part of the rental income over the lease term.

(XI) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the useful lives of material components of property, plant and equipment are different, they are treated as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent cost

Subsequent expenditures are capitalized only when it is probable that the future economic benefits will flow to the Company.

3. Depreciation

Depreciation is calculated at the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component.

Land is not depreciated.

The estimated useful life for the current and comparative periods are as follows:

| | |
|---|---|
| (1) Office equipment | 3–6 years |
| (2) Leasehold improvement | 1.5–5 years |
| (3) Other equipment | 3–5 years |

The Company reviews the depreciation method, useful life, and residual value on each balance sheet date and makes appropriate adjustments if necessary.

(XII) Lease

The Company assesses whether a contract is or contains a lease on the date of the establishment the contract and determines a contract is or contains a lease if the contract transfers control over the use of the identified asset for a period of time in exchange for consideration.

1. Lessee

The Company recognizes the right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, which includes the initially measured amount of the lease liability, adjusted for any lease payments paid on or before the lease commencement date, plus the initial direct costs incurred and the estimated costs for dismantling, removing the asset, or restoring its location or the asset, and less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier. In addition, the Company regularly assesses whether the right-of-use asset is impaired and accounts for any impairment loss that has occurred, and adjusts the right-of-use asset if the lease liability is remeasured.

The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. If the interest rate implicit in a lease is easy to be determined, the discount rate is said rate; if it is not easy to determine such a rate, the Company's incremental borrowing rate is adopted. Generally speaking, the Company adopts its incremental borrowing rate as the discount rate.

Lease payments included in the lease liability measurement include:

(1) Fixed payments, including substantial fixed payments;

(2) The lease payment depends on the change in an index or rate, and the index or rate on the lease commencement date is adopted for the initial measurement;

(3) The residual value guarantee amount expected to be paid; and

(4) The exercise price or penalty to be paid when it is reasonably ascertain that the purchase or lease termination will be executed.

Interest on lease liabilities is subsequently accrued using the effective interest method, and the amount is re-measured under each of the circumstances below:

(1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;

(2) There is a change in the residual value guarantee amount expected to be paid;

(3) There is a change in the evaluation of the option of purchasing the asset;

(4) A change in the evaluation of whether to extend or terminate a lease has resulted in a change in the evaluation of the lease term;

(5) The subject leased, scope of lease, or other terms are modified.

When the lease liability is re-measured due to the aforementioned changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension, or termination, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications with a reduced scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between said amount and the remeasured amount of the lease liability is recognized in profit or loss.

The Company presents right-of-use assets and lease liabilities not in alignment with the definition of investment property on a separate line in the balance sheet.

For short-term leases of office equipment and leases of low-value assets, the Company elects not to recognize right-of-use assets and lease liabilities and recognizes relevant lease payments in expenses on a straight-line basis over the lease term instead.

2. Lessor

Transactions in which the Company is the lessor are classified on the lease commencement date as per whether a lease contract is with substantially all risks and rewards attached to the ownership of the asset transferred; if so, such a contract is classified as a finance lease, otherwise it is classified as an operating lease. During evaluation, the Company considers relevant specific indicators, including whether the lease term covers a major part of the economic life of the asset.

If the Company is a sublessor, it accounts for headlease and sublease transactions separately and classifies sublease transactions based on the right-of-use assets derived from a headlease. If a headlease is a short-term lease to which recognition exemption applies, the sublease transaction derived therefrom should be classified as an operating lease.

If an agreement contains lease and non-lease components, the Company allocates the consideration in the agreement as per IFRS 15.

The Company recognizes lease payments of operating leases received in rental income over the lease term on a straight-line basis.

(XIII) Intangible assets

1. Recognition and measurement

Goodwill arising from the acquisition of a subsidiary is measured at cost less accumulated impairment.

The Company's acquisition of other intangible assets with finite useful life is measured at the cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

Subsequent expenditure is capitalized only to the extent that the future economic benefits of a specific asset will increase. All other expenditures are recognized in profit or loss when occurring, including internally developed goodwill and branding.

3. Amortization

Except goodwill, amortization is calculated at the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method over the estimated useful life from when an intangible asset becomes available for use.

The estimated useful life for the current and comparative periods are as follows:

Computer software 1–3 years

The Company reviews the amortization method, useful life, and residual value of intangible assets on each balance sheet date and makes appropriate adjustments if necessary.

(XIV) Impairment of non-financial assets

The Company evaluates if there is any sign of impairment of non-financial assets (except inventories) at the balance sheet date. The Company estimates the recoverable amount of such assets with a sign of impairment. The Company tests the impairment of goodwill.

Impairment testing aims at the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the individual asset or the air value of the cash-generating unit less cost of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects present market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized when the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount thereof.

Impairment losses are recognized immediately in profit or loss with the carrying amount of the cash-generating unit's amortized goodwill reduced first; then the carrying amount of each asset in proportion to the carrying amount thereof in the unit reduced.

Goodwill impairment losses are not reversed. Non-financial assets other than goodwill are reversed only when it does not exceed the carrying amount (less depreciation or amortization) that would have been determined if such assets had not been recognized for impairment losses in prior years.

(XV) Borrowing costs

It takes a long period of work to bringing an asset to the condition ready for use or sale, during which borrowing costs directly attributable to the acquisition, construction, or manufacturing of an asset should be capitalized as the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other relevant costs incurred on borrowings.

(XVI) Provision

The recognition of provision is a present obligation due to past events, which makes it probable that the economic resources may flow out from the Company to settle the obligation in the future and the amount of the obligation can be estimated reliably. The provision is discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, and the amortization of the discount is recognized in interest expense.

(XVII) Revenue recognition

1. Revenue from customer contracts

Revenue is measured as the consideration to which the transfer of goods or services is expected to be entitled. The Company recognizes revenue when the control over goods or services is transferred to customers and its performance obligations are fulfilled. The Company’s main revenue items are described as follows:

(1) Land development and real estate sales

The Company develops and sells residential property and often launches pre-sale property projects during or before construction. The Company recognizes revenue when control over property is transferred. Due to contractual restrictions, property usually has no other uses for the Company. Therefore, the Company recognizes property in revenue when the legal ownership of property is transferred to customers based on the date of the immovable property transferred to customers even though only either of them was completed before the balance sheet date and the other was completed after the balance sheet date.

Revenue is measured at the transaction price in the contractual agreement. If it is a sale of a finished property project, the consideration, in most cases, can be collected when the legal ownership of property is transferred. In a few cases, the payment can be deferred per the contractual agreement. If a significant financial component is included, the transaction price is adjusted to reflect the effect of the significant financial component. In the case of a pre-sale property project, the payment is usually collected in installments during the period from when the contract is signed to when the property is transferred to a customer. If the contract contains a significant financial component, the transaction price is adjusted as per the borrowing rate for the project during said period to reflect the effect of time value of money. Advance receipts are recognized in contract liabilities, and interest expenses and contract liabilities are recognized when the effect of the time value of the monetary needs is adjusted. The cumulative contract liabilities are reclassified to revenue when the property is transferred to a customer.

Some contracts include multiple items to be delivered, such as the sale of residential property and interior design services, which are regarded as a separate performance obligation and the transaction price is amortized on a stand-alone selling price basis. If no directly observable price is available, the stand-alone selling price is estimated based on expected cost plus margin. The interior design service is recognized in relevant income during the financial reporting period for rendering of services, which are determined on the basis of the proportion of construction costs that have occurred to date to the estimated total contract costs.

(2) Financial components

The Company expects that the time interval between the time when all goods or services are transferred to customers and the time when the customers pay for the goods or services will not exceed one year or the impact of the financial components is not significant to the respective contracts. Thus, the Company does not adjust the time value of money for the transaction prices.

2. Cost of customer contracts

(1) Incremental cost of obtaining contracts

If the Company expects to recover its incremental costs of obtaining customer contracts, it recognizes such costs in assets. Incremental costs of obtaining a contract are costs incurred when a customer contract is obtained that would not have been incurred if the contract had not been obtained. Costs of obtaining a contract that will be incurred regardless of whether the contract is obtained are recognized in expenses when incurred, unless such costs are clearly chargeable to customers regardless of whether a contract has been obtained.

The Company adopts the practical expedient as in the standard, if the incremental cost of obtaining a contract is recognized as an asset and the amortization period of the asset is less than one year, it is recognized as an expense when the incremental cost occurs.

(2) Cost of fulfilling contracts

If costs arising from fulfilling of a contract with a customer are not covered by other standards (IAS 2 "Inventories", IAS 16 "Property, Plant and Equipment", or IAS 38 "Intangible Assets"), the Company recognizes such costs as assets only when the costs or contracts, or directly related to a clearly identifiable prospective contract, generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and when such costs are expected to be recovered.

General and management costs, costs of wasted materials, labor, or other resources used to fulfill contracts without being reflected in the contract price, costs associated with fulfilled (or partially fulfilled) performance obligations, or the costs that cannot be distinguished between unfulfilled or fulfilled (or partially fulfilled) performance obligations are recognized as expenses as occurred.

(XVIII) Employee benefits

1. Defined contribution plan

   Contribution obligations to the defined contribution plan are recognized in expenses in the period during which the employee provides services.

2. Short-term employee benefits

   Short-term employee benefits are recognized as expenses when the relevant services are provided. If the Company has a present legal or constructive payment obligation due to an employee's past services and the obligation can be estimated reliably, the amount of benefits is recognized in liabilities.

(XIX) Income tax

Income tax includes current income and deferred taxes. Current income tax and deferred tax are recognized in profit or loss, except in relation to business combinations or items directly recognized in equity or other comprehensive income.

The Company judged that the interest or penalties related to income tax (uncertainty over income tax treatments) did not meet the definition of income tax, and therefore the accounting treatment under IAS 37 applies.

Current income tax includes the expected income tax payable or tax refund receivable based on the taxable income (loss) for the year and any adjustments to income tax payable or tax refund receivable in prior years. The amount is the best estimate of the amount expected to be paid or received based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized based on the temporary differences between the carrying amounts of an asset and liability for financial reporting purposes and its tax base on the balance sheet date. Temporary differences arising from the circumstances below are not recognized in deferred tax:

1. Assets or liabilities are initially recognized for a transaction that is not a business combination, and (i) such assets or liabilities does not affect accounting profit and taxable income (loss); and (ii) no equivalent taxable and deductible temporary differences have occurred at the time of the transaction;
2. For temporary differences arising from investments in subsidiaries, associates, and joint venture interests, the Company can control the timing of the reversal of such temporary differences and it is likely that they will not be reversed in the foreseeable future; and
3. Taxable temporary differences arises from the initial recognition of goodwill.

   Unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized, as well as deductible temporary differences are recognized in deferred tax assets. It is reassessed at each balance sheet date to reduce the relevant income tax benefits to the extent that it is not probable that they will be realized; or to reverse the previously reduced amount to the extent that it becomes probable that sufficient taxable income will be available.

Deferred tax is measured at the tax rate at which the temporary difference is expected to reverse, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The Company will offset deferred tax assets and deferred tax liabilities only when the criteria below are met at the same time:

1. Has the statutory enforcement power to offset current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities are related to one of the following taxpayers with income tax levied by the same tax authority:
   (1) The same taxpayer; or
   (2) Different taxpayers but each taxpayer intends to settle the current tax liabilities and assets on a net basis or to realize both in each future period, in which significant amounts of deferred tax assets are expected to be recovered and deferred tax liabilities are expected to be settled.

(XX) Business combination

The Company adopts the acquisition method for each business combination. Goodwill is the fair value of the consideration transferred on the acquisition date, including the amount attributable to the acquiree’s any non-controlling interests, less identifiable assets acquired and the net liability (usually fair value) assumed. If the balance after deduction is negative, the Company reassesses whether it has correctly identified all acquired assets and all assumed liabilities before recognizing the bargain purchase gains in profit or loss.

Except for those related to the issuance of debt or equity instruments, transaction costs related to business combinations shall be recognized as the Company’s expenses once they occur.

Among the acquiree’s non-controlling interests, if it is the present ownership interest and the holder is entitled to the enterprise’s share of the net assets on a *pro rata* basis when the liquidation occurs, the Company shall elect to measure it at fair value on the acquisition date on a transaction-by-transaction basis or at the share of the amount of the acquiree's identifiable net assets recognized based on the present ownership instruments. Other non-controlling interests are measured at fair value on the acquisition date or other bases as required by IFRS endorsed by the FSC.

Contingent consideration included in the transfer consideration is recognized at fair value on the acquisition date. For changes in the fair value of the contingent consideration after the acquisition date in the measurement period, the acquisition cost is retrospectively adjusted with goodwill relatively adjusted. Measurement period adjustments are adjustments made by the Company to obtain additional information about the facts and circumstances existing on the acquisition date after the acquisition date. The measurement period does not exceed one year from the acquisition date. The accounting for changes in the fair value of contingent consideration that are not measurement period adjustments depends on the classification of the contingent consideration. Contingent consideration classified as equity shall not be re-measured, and its subsequent settlement is adjusted within equity. Other contingent consideration is measured at fair value on each balance sheet date after the acquisition date, with changes in fair value recognized in profit or loss.

(XXI) Earnings per share

The Company presents basic and diluted earnings per share attributable to holders of the Group’s common shares. The Company’s basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company's common shares by the weighted average number of common shares outstanding in the current period. Diluted earnings per share is calculated by having the profit or loss attributable to the equity holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding adjusted for the effect of all potential dilutive common shares.

(XXII) Information on Segments

The Company has disclosed segment information in the consolidated financial statements, so does not disclose such information in the standalone financial statements.

V. Key Sources of Uncertainty over Critical Accounting Judgments, Assumptions, and Estimation

When the management prepares the standalone financial statements, it shall make judgments, estimates, and assumptions, which will affect the accounting policies adopted and the amounts of assets, liabilities, income, and expenses presented. Actual results may differ from estimates.

The management continues to review estimates and basic assumptions, and changes in accounting estimates are recognized in the period in which they are changed and future periods affected.

The accounting policies involve significant judgement, and the information with a material impact on the amounts recognized in this standalone financial statements lies in the substantive control over investees. Please refer to the 2023 consolidated financial statements.

The uncertainties in the following assumptions and estimates pose significant risks that the carrying amount of assets and liabilities will be adjusted significantly in the next fiscal year. The relevant information is as follows:

(I) Inventory valuation

As inventories should be measured at the lower of cost or net realizable value, the Company assessed that the market selling price of inventories on the balance sheet date was lower than cost and wrote down the cost of inventories to the net realizable value. This inventory valuation is mainly based on the prevailing market conditions. Please refer to Note 6(5) for details of inventory valuation and estimation.

(II) Evaluation of impairment of investments accounted for using the equity method

In the process of evaluating asset impairment, the Company needs to rely on its subjective judgment and determines the independent cash flow of a specific asset group, the number of the asset’s useful lives, and potential future gains and losses based on asset use patterns and industry characteristics of investments using the equity method. Any changes in financial position or changes in corporate strategy may affect estimates, thereby causing significant impairment in the future. Please refer to Note 6(6) for the evaluation of impairment of investments accounted for using the equity method.

The Company's accounting policies and disclosures include the adoption of fair value to measure its financial and non-financial assets and liabilities. The Company has established relevant internal control systems for fair value measurement. Of them, an investment team has been established to be responsible for reviewing all significant fair value measurements (including Level 3 fair value) and reporting to the responsible manager. The team regularly reviews significant unobservable inputs and adjustments. If an input used to measure fair value is based on external third-party information (such as a broker or pricing service institution), the investment team will assess the evidence provided by the third party in support of the input to confirm that the valuation and its fair value level are aligned with the requirements of IFRS. The fair value of investment property is estimated with reference to the current land value.

The Company adopts observable inputs in the market wherever possible when measuring its assets and liabilities. The fair value levels are based on the inputsused in the valuation techniques and are classified as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are not based on observable inputs (unobservable inputs) for the asset or liability.

If a transfer occurs between the fair value levels, the Company recognizes the transfer on the balance sheet date. Please refer to Note 6(22) "Financial instruments" for relevant information on the assumptions used to measure fair value.

VI. Description of Significant Account Titles

(I) Cash and cash equivalents

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Cash | $ 55 | 55 |
| Demand deposit | 516,266 | 201,825 |
| Checking deposit | 5,633 | 1,710 |
| Foreign currency deposit | 271 | 1,559 |
| Time deposit | 100,000 | 491,980 |
| | $ 622,225 | 697,129 |

Please refer to Note 6(22) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

(II) Financial assets at fair value through other comprehensive income

1. The details are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| **Equity instruments at fair value through other comprehensive income:** | | |
| Domestic TWSE/TPEx listed stock - Acer Incorporated | $ 851 | 372 |
| Domestic privately placed stock - Choice | 43,770 | 23,280 |
| Hong Kong listed stock - Beijing Health (Holdings) Limited | 22,192 | 22,592 |
| Total | $ 66,813 | 46,244 |

These equity instrument investments held by the Company are long-term strategic investments and are not held for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

2. Due to the above equity instrument investments designated by the Company as at fair value through other comprehensive income, the dividend income recognized by the

Company for 2023 and 2022 was NTD 24 thousand and NTD 36 thousand, respectively.

3. Please refer to Note 6(22) for credit risk and market risk information.
4. None of the above financial assets was pledged as collateral as of December 31, 2023 and 2022.

(III) Notes and accounts receivable

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Notes receivable - from operations | $ - | 504 |
| Accounts receivable at amortized cost | 7 | - |
| Less: Allowance for losses | - | - |
| | $ 7 | 504 |

The Company adopts a simplified approach to estimate expected credit losses for all notes and accounts receivable which are measured at lifetime expected credit losses. To this end, such notes and accounts receivable are grouped by common credit risk characteristics that represent a customer's ability to pay all amounts due as per the contract terms with forward-looking information incorporated, including the information on the overall economy and relevant information. The Company's expected credit loss analysis for the notes and accounts receivable is as follows:

| | 2023.12.31 | | |
|---|---|---|---|
| | Carrying amount of notes and accounts receivable | Weighted average expected credit loss rate | Allowance for lifetime expected credit losses |
| Not past due | $ 7 | 0% | - |

| | 2022.12.31 | | |
|---|---|---|---|
| | Carrying amount of notes and accounts receivable | Weighted average expected credit loss rate | Allowance for lifetime expected credit losses |
| Not past due | $ 504 | 0% | - |

The changes in allowances for losses on the Company's notes and accounts receivable are as follows:

| | 2023 | 2022 |
|---|---|---|
| Ending balance (opening balance) | $ - | - |

None of the above notes receivable was pledged as collateral as of December 31, 2023 and 2022.

Please refer to Note 6(22) for information on other credit risks.

IV. Other receivables

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Other receivables- joint construction deposit | $ 47,500 | 47,500 |
| Other receivables- land contract termination payment | 15,459 | - |
| Others | 432 | 508 |
| Less: Allowance for losses | (6,000) | (6,000) |
| | $ 57,391 | 42,008 |

1. As of December 31, 2023 and 2022, the Company recognized an allowance for losses of

NTD 6,000 thousand for a joint construction deposit due to the low possibility of recovery of this deposit based on the assessment.

2. Please refer to Note 6(22) for information on other credit risks.

(V) Inventories

| | | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Construction business | | | |
| Real estate for sale | $ | 339,059 | 339,059 |
| Construction in progress | | 3,877,189 | 2,845,525 |
| Construction land | | 1,566,491 | 1,399,821 |
| Prepayment for land | | 340,749 | 17,735 |
| | $ | 6,123,488 | 4,602,140 |
| Estimated to be recovered after more than 12 months | $ | 4,922,647 | 4,263,081 |

1. The Company recognized the cost of inventories in cost of sales and expenses in 2023 and 2022 in the amounts of NTD 0 thousand and NTD 14,082 thousand, respectively.
2. In both 2023 and 2022, there was no inventory valuation loss recognized due to inventory written down to net realizable value and no gain on inventory value recovery recognized due to increase in net realizable value or sale of inventory.
3. The Company’s construction in progress in 2023 and 2022 was calculated at the capitalized interest rate of 1.76% and 1.53%, respectively. Please refer to Note 6(21) for the amount of capitalized interest.
4. Please refer to Note 8 for the Company's inventory pledged as collateral as of December 31, 2023 and 2022.

(VI) Investments using the equity method

The Company's investments using the equity method as at the balance sheet date are listed below:

| | | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Subsidiary | $ | 255,838 | 244,785 |
| Associates | | 22,173 | 26,519 |
| | $ | 278,011 | 271,304 |

1. Subsidiary

Please refer to the 2023 consolidated financial statements.

Subsidiary, Qun Xin Properties Co., Ltd., assessed the impairment of the recoverable amount of operating assets (property, plant and equipment and right-of-use assets) for 2023 and 2022 and adopted the value in use as the basis for the calculation of the recoverable amount. The value-in-use calculation is based on subsidiaries’ forecasted future cash flows. The forecasted cash flows are based on combined factors of changes in the industry, market competition, estimated future annual revenue, gross profit, and other operating costs. The subsidiaries adopted the discount rates of 5.45% and 4.96% for 2023 and 2022 to reflect the specific risks from the relevant cash-generating units. As per the result of the above evaluation, there was no need to recognize impairment loss for 2023 and 2022.

2. Associate

The information on associates with materiality to the Company is as follows:

| Name of associate | Relations with the Company | Principal place of business | Proportion of ownership interest and voting rights 2023.12.31 | Proportion of ownership interest and voting rights 2022.12.31 |
|---|---|---|---|---|
| SURV Planning And Development Co., Ltd. | Principal business is real estate development | Taiwan | 35% | 35% |

The aggregate financial information of the Company's material associates is as follows, and the respective associates' amounts included in the standalone financial statements as per IFRS have been adjusted to reflect the fair value adjustment made by the Company when it acquired the equity of the associates and the adjustment made for the difference in accounting policies:

Aggregate financial information of SURV Planning And Development Co., Ltd.:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Current assets | $ 70,026 | 84,036 |
| Non-current assets | 15,504 | 15,519 |
| Current liabilities | (3,090) | (4,699) |
| Non-current liabilities | (19,088) | (19,088) |
| Net assets | $ 63,352 | 75,768 |
| Net assets attributable to non-controlling interests in investee | $ - | - |
| Net assets attributable to owners of investee | $ 63,352 | 75,768 |

| | 2023 | 2022 |
|---|---|---|
| Operating revenue | $ - | - |
| Net loss of continuing business units for the period | $ (12,417) | (24,232) |
| Other comprehensive income | - | - |
| Total comprehensive income | $ (12,417) | (24,232) |
| Total comprehensive income attributable to owners of investee | $ (12,417) | (24,232) |
| The Company's share of the net assets of associates at the beginning of the period | $ 26,519 | 43,639 |
| Total comprehensive income attributable to the Company for the period | (4,346) | (8,481) |
| Dividends received from associates in the period | - | (8,639) |
| The Company's share of the net assets of associates at the end of the period | 22,173 | 26,519 |
| Carrying amount of the Company's equity in associates at the end of the period | $ 22,173 | 26,519 |

3. Loss of control over subsidiaries

Due to Good One Company Limited's liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023, causing the Company to lose control over it, and the carrying amount of the net assets derecognized due to the loss of control (i.e., the net consideration received for liquidation) is as follows:

| | |
|---|---|
| Cash and cash equivalents | **$ 5,888** |

4. Collateral

None of the above investments using the equity method by the Company was pledged as collateral as of December 31, 2023 and 2022.

(VII) Property, plant and equipment

The details of the changes in the cost, depreciation, and impairment losses of the Company's property, plant and equipment are as follows:

| | Office equipment | Leasehold improvement | Other equipment | Total |
|---|---|---|---|---|
| **Cost or deemed cost:** | | | | |
| Balance on January 1, 2023 | $ 7,640 | 6,399 | 256 | 14,295 |
| Addition | - | 115 | - | 115 |
| Balance on December 31, 2023 | **$ 7,640** | **6,514** | **256** | **14,410** |
| Balance on January 1, 2022 | $ 9,277 | 6,799 | 1,647 | 17,723 |
| Addition | 451 | - | - | 451 |
| Disposal | (2,088) | (400) | (1,391) | (3,879) |
| Balance on December 31, 2022 | **$ 7,640** | **6,399** | **256** | **14,295** |
| **Depreciation and impairment losses:** | | | | |
| Balance on January 1, 2023 | $ 6,560 | 6,358 | 256 | 13,174 |
| Depreciation during the period | 441 | 84 | - | 525 |
| Balance on December 31, 2023 | **$ 7,001** | **6,442** | **256** | **13,699** |
| Balance on January 1, 2022 | $ 8,317 | 6,659 | 1,647 | 16,623 |
| Depreciation during the period | 331 | 99 | - | 430 |
| Disposal | (2,088) | (400) | (1,391) | (3,879) |
| Balance on December 31, 2022 | **$ 6,560** | **6,358** | **256** | **13,174** |
| **Book value:** | | | | |
| December 31, 2023 | **$ 639** | **72** | **-** | **711** |
| January 1, 2022 | **$ 960** | **140** | **-** | **1,100** |
| December 31, 2022 | **$ 1,080** | **41** | **-** | **1,121** |

None of the above property, plant and equipment held by the Company was pledged as collateral as of December 31, 2023 and 2022.

(VIII) Right-of-use assets

The changes in the cost and depreciation of the buildings and transportation equipment leased by the Company are as follows:

| | Buildings | Transportation equipment | Total |
|---|---|---|---|
| **Cost of right-of-use assets:** | | | |
| Balance on January 1, 2023 | $ 18,753 | 4,528 | 23,281 |
| Addition | 17,822 | - | 17,822 |
| Decrease | (17,774) | - | (17,774) |
| Balance on December 31, 2023 | $ 18,801 | 4,528 | 23,329 |
| Balance on January 1, 2022 | $ 18,753 | 5,087 | 23,840 |
| Addition | 979 | 647 | 1,626 |
| Decrease | (979) | (1,206) | (2,185) |
| Balance on December 31, 2022 | $ 18,753 | 4,528 | 23,281 |
| **Depreciation and impairment losses on right-of-use assets:** | | | |
| Balance on January 1, 2023 | $ 17,740 | 1,908 | 19,648 |
| Depreciation | 6,367 | 1,314 | 7,681 |
| Decrease in others | (17,774) | - | (17,774) |
| Balance on December 31, 2023 | $ 6,333 | 3,222 | 9,555 |
| Balance on January 1, 2022 | $ 12,468 | 1,788 | 14,256 |
| Depreciation | 6,251 | 1,326 | 7,577 |
| Decrease in others | (979) | (1,206) | (2,185) |
| Balance on December 31, 2022 | $ 17,740 | 1,908 | 19,648 |
| **Book value:** | | | |
| December 31, 2023 | $ 12,468 | 1,306 | 13,774 |
| January 1, 2022 | $ 6,285 | 3,299 | 9,584 |
| December 31, 2022 | $ 1,013 | 2,620 | 3,633 |

(IX) Investment property

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Land | | |
| Cost | $ 19,809 | 19,809 |
| Impairment | (13,000) | (13,000) |
| Total investment property | $ 6,809 | 6,809 |
| Fair value | $ 52,387 | 50,204 |

The Company’s investment property is mainly held for gains from capital appreciation, so it is recognized in investment property.

The fair value of investment property is estimated with reference to the current land value for each reporting period. The input used in the fair value measurement is Level 3 fair value.

None of the above investment property held by the Company was pledged as collateral as of December 31, 2023 and 2022.

(X) Other financial assets

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Current: | | |
| Other financial assets - certificates of deposit | $ - | 91,980 |
| Other financial assets - trust account for presale of properties | 98,145 | 171,299 |
| Other financial assets - guarantee deposits for corporate bonds | 60,600 | - |
| Joint construction deposit | 209,320 | 245,528 |
| | $ 368,065 | 508,807 |
| Non-current: | | |
| Other financial assets - guarantee deposits for corporate bonds | $ 332,805 | 394,592 |
| Guarantee deposits paid - security deposits for leasing | 8,613 | 280 |
| | $ 341,418 | 394,872 |

Please refer to Note 8 for the Company's other financial assets pledged as collateral as of December 31, 2023 and 2022.

(XI) Short-term borrowings

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Unsecured bank borrowings | $ 907,000 | 229,000 |
| Secured bank borrowings | 1,869,200 | 1,358,223 |
| Total | $ 2,776,200 | 1,587,223 |
| Amount not drawn | $ 3,870,212 | 2,081,000 |
| Interest rate range | 1.98%~2.57% | 1.83%~2.615% |

Please refer to Note 8 for the Company's assets provided as collateral for bank borrowings as of December 31, 2023 and 2022. Please refer to Note 6(22) for information on exposure to liquidity risk.

(XII) Short-term notes and bills payable

The details of the Company's short-term notes and bills payable are as follows:

| | 2023.12.31 | | |
|---|---|---|---|
| | Guarantee or acceptance institution | Interest rate range | Amount |
| Commercial promissory note payable | Taiwan Cooperative Bills Finance Corporation and Union Bills Finance Corporation | 2.14%~2.82% | $ 200,000 |
| Less: Discount of short-term notes and bills payable | | | (454) |
| Total | | | $ 199,546 |

| | | | |
|---|---|---|---|
| Amount not drawn | | | $ - |

| | 2022.12.31 | | |
|---|---|---|---|
| | **Guarantee or acceptance institution** | **Interest rate range** | **Amount** |
| Commercial promissory note payable | Taiwan Cooperative Bills Finance Corporation, China Bills Finance Corporation, and Dah Chung Bills Finance Corp. | - | $ - |
| Amount not drawn | | | $ 150,000 |

The Company's short-term notes and bills payable were not pledged as of December 31, 2023 and 2022. Please refer to Note 6(22) for information on liquidity risk.

(XIII) Corporate bonds payable

1. The information on the corporate bonds payable issued by the Company is as follows:

| | **2023.12.31** | **2022.12.31** |
|---|---|---|
| Amount of domestic ordinary corporate bonds issued | $ 2,800,000 | 2,800,000 |
| Unamortized balance of discounted corporate bonds payable | (3,958) | (5,709) |
| Less: Current portion | 599,940 | - |
| Balance of corporate bonds payable at the end of the period | $ 2,196,102 | 2,794,291 |

2. The rights and obligations of the Company's domestic secured ordinary corporate bonds are as follows:

| **Item** | **The first issue of domestic secured corporate bonds in 2021** |
|---|---|
| Total issue amount | NTD 1,200,000 thousand |
| Issue date | 2022.01.12 |
| Coupon rate | 0.60% |
| Issue period | 2022.01.12~2027.01.12 |
| Guarantee agency | Hua Nan Commercial Bank Ltd. |
| Trustee | Taishin International Bank |
| Repayment method | The Company may repay the principal in one lump sum upon the end of five years from the date of issue of the corporate bonds. |
| Interest accrual method | From the date of issuance of the corporate bonds, the interest is paid annually at the coupon rate of simple interest on the balance of the outstanding bonds. Interest will be accrued on every NTD 1 million and rounded to the nearest NTD 1. If the principal and interest payment date of the Company's bonds is a non-business day of a bank at the place of payment, the principal and interest will be paid on the business day next to the non-business day without additional interest accrued and paid. If the principal and interest are withdrawn after the principal and interest payment date, no additional interest will be accrued and paid. |

| Item | The first issue of domestic secured corporate bonds in 2020 |
|---|---|
| Total issue amount | NTD 1,000,000 thousand |
| Issue date | 2021.01.14 |
| Coupon rate | 0.62% |
| Issue period | 2021.01.14~2026.01.14 |
| Guarantee agency | First Commercial Bank |
| Trustee | Taishin International Bank |
| Repayment method | The Company may repay the principal in one lump sum upon the end of five years from the date of issue of the corporate bonds. |
| Interest accrual method | From the date of issuance of the corporate bonds, the interest is paid annually at the coupon rate of simple interest on the balance of the outstanding bonds. Interest will be accrued on every NTD 1 million and rounded to the nearest NTD 1. If the principal and interest payment date of the Company's bonds is a non-business day of a bank at the place of payment, the principal and interest will be paid on the business day next to the non-business day without additional interest accrued and paid. If the principal and interest are withdrawn after the principal and interest payment date, no additional moratory interest will be accrued and paid. |

| Item | The first issue of domestic secured corporate bonds in 2019 |
|---|---|
| Total issue amount | NTD 600,000 thousand |
| Issue date | 2019.07.29 |
| Coupon rate | 0.80% |
| Issue period | 2019.07.29~2024.07.29 |
| Guarantee agency | First Commercial Bank |
| Trustee | E.SUN Commercial Bank |
| Repayment method | The Company may repay the principal in one lump sum upon the end of five years from the date of issue of the corporate bonds. |
| Interest accrual method | From the date of issuance of the corporate bonds, the interest is paid annually at the coupon rate of simple interest on the balance of the outstanding bonds. Interest will be accrued on every NTD 1 million and rounded to the nearest NTD 1. If the principal and interest payment date of the Company's bonds is a non-business day of a bank at the place of payment, the principal and interest will be paid on the business day next to the non-business day without additional interest accrued and paid. If the principal and interest are withdrawn after the principal and interest payment date, no additional interest will be accrued and paid. |

3. Please refer to Note 8 for details of the guarantees provided for said secured ordinary corporate bonds.

(XIV) Lease liabilities

The carrying amounts of the Company's lease liabilities are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Current | $ 7,304 | 3,169 |
| Non-current | $ 6,533 | 1,871 |

Please refer to Note 6(22) "Financial instruments" for maturity analysis.

The amounts recognized in profit or loss are as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest expense on lease liabilities | $ 323 | 150 |
| Gains from sublease of right-of-use assets | $ 411 | 434 |
| Expenses on short-term leases | $ 4 | 43 |
| Expenses on low-value leased assets (excluding short-term, low-value leases) | $ 106 | 103 |

The amounts recognized in the Statements of Cash Flows are as follows:

| | 2023 | 2022 |
|---|---|---|
| Total cash outflow from leases | $ 9,370 | 7,679 |

1. Lease-in of land and buildings

The Company leases in land and buildings as offices. The lease term for the offices is usually three years. Some leases include an option to extend the lease term for the same period as in the original contract.

Some of the lease contracts contain options for lease extension or lease termination, and such contracts are managed by each entity of the Company separately, so the individual terms and conditions agreed upon vary within the Company. Such options can only be exercised by the Company rather than the lessors. Where it is not reasonably certain that an option to extend the lease term will be exercised, payments related to the term covered by the option are not included in the lease liabilities.

2. Other leases

The lease term for the transportation equipment leased by the Company ranges from one to four years.

The lease term for the office equipment leased by the Company ranges from one to five years. As such leases are short-term or low-value leases, the Company elects to apply the exemption from recognition and does not recognize the relevant right-of-use assets and lease liabilities thereof.

(XV) Employee benefits

1.Defined benefit plan

The details of the Company's employee benefit liabilities are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Paid leave liability | $ 151 | 101 |

2. Defined contribution plan

The Company's defined contribution plan is as per the Labor Pension Act, and the Company makes a contribution equal to 6% of each employee's monthly salary to employees' individual pension accounts under the Bureau of Labor Insurance. Under this plan, after the Company has provided a fixed amount to the Bureau of Labor Insurance, it has no legal or constructive obligation to pay additional amounts.

Pension expenses under the defined contribution plan in 2023 and 2022 were NTD 2,397 thousand and NTD 2,431 thousand, respectively, which have been contributed to the Bureau of Labor Insurance.

(XVI) Income tax

1. Income tax expense

(1) The details of the Company's income tax expenses for 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Income tax expense | $ - | - |

(2) The reconciliation of the Company's income tax expenses and net losses before tax for 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Net loss before tax | $ (119,308) | (208,091) |
| Income tax calculated at the domestic tax rate where the Company is located | $ (23,862) | (41,618) |
| Domestic investment losses (gains) recognized using the equity method | (3,751) | 15,085 |
| Investment loss | (14,822) | - |
| Capitalized financial and tax differences | 7,396 | 9,305 |
| Unrecognized current tax losses on deferred tax assets | 34,690 | 13,744 |
| Others | 349 | 3,484 |
| Total | $ - | - |

2. Deferred tax assets and liabilities

Items not recognized as deferred tax assets by the Company are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Tax loss | $ 151,530 | 113,664 |
| Others | 5,281 | 6,856 |
| | $ 156,811 | 120,520 |

Taxable losses are determined in accordance with the Income Tax Act, and the losses for the previous ten years may be deducted from the net income for the year after being approved by the tax authority before the income is taxed. Such an item is not recognized in deferred tax assets because it is not highly probable that the Company will have sufficient taxable income in the future for the temporary differences.

For the Company’s unrecognized current tax losses on deferred tax assets as of December 31, 2023, the deadlines are as follows:

| **Year** | **Losses not yet used** | | **Last valid year** |
|---|---|---|---|
| 2014 (approved amount) | $ | 45,189 | 2024 |
| 2015 (approved amount) | | 81,762 | 2025 |
| 2017 (approved amount) | | 419 | 2027 |
| 2019 (approved amount) | | 12,836 | 2029 |
| 2021 (approved amount) | | 359,395 | 2031 |
| 2022 (reported amount) | | 84,600 | 2032 |
| 2023 (estimated amount) | | 173,448 | 2033 |
| | **$** | **757,649** | |

3. The Company's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to the year 2021.

(XVII) Capital and other interests

1. Share capital

The total amount of the Company's authorized capital as of December 31, 2023 and 2022 was NTD 3,000,000 thousand, divided into 300,000 thousand shares, with a par value of NTD 10 per share. The above-mentioned authorized capital is in the form of common shares. The number of outstanding common shares was 226,379 thousand shares, and all capital contributions for the shares have been received.

2. Capital surplus

The balance of the Company's capital surplus is as follows:

| | | **2023.12.31** | **2022.12.31** |
|---|---|---|---|
| Share issued at a premium | $ | 16,408 | 16,408 |
| Share issued at a premium - employee stock options | | 1,076 | 1,076 |
| | **$** | **17,484** | **17,484** |

According to the Company Act, the capital surplus shall be used to compensate a deficit first before the realized capital surplus can be converted into capital or used to pay out cash dividends. The realized capital surplus referred to in the preceding paragraph includes the premium from shares issued in excess of the par value, the difference between the price of the shares actually acquired or disposed of in a subsidiary and the book value, and the income from gifts. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus to be used as capital shall not exceed 10% of the paid-in capital.

3. Retained earnings

As per the Articles of Incorporation, if there are earnings at the end of a 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 is involved in the construction industry, it considers 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 NTD 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.

(1) Legal reserve

When the Company suffers no losses, it may, upon a resolution by the shareholders' meeting, issue new shares or pay out cash from the legal reserve, but only to the extent that such reserve exceeds 25% of the paid-in capital.

(2) Special reserve

As per the regulations of the FSC, when the Company distributes the distributable earnings, it shall set aside a special reserve from the amount of the current period's net profit after tax, plus items other than the current period's net profit after tax included in the current period's undistributed earnings, in the same amount of the net deduction of other shareholders' equity in the year; in the case of an insufficiency, an amount shall be provided from the undistributed earnings from the prior period; and, as for the cumulative deduction amount of other shareholders' equity, the Group shall set aside a special reserve from the undistributed earnings from the prior period and shall not distribute it. If there is a subsequent reversal of the amount of the deduction of other shareholders' equity, the earnings may be distributed from the reversed portion.

(3) Earnings distribution

The Company's annual general meeting, on June 1, 2023 and June 10, 2022, passed a resolution not to distribute 2022 and 2021 earnings due to a loss suffered by the Company.

4. Other equity interests (net of tax)

| | **Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income** |
|---|---|
| Balance on January 1, 2023 | $ (225,139) |
| Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income | 20,569 |
| Share of unrealized gain or loss on financial assets at fair value through other comprehensive income of subsidiaries using the equity method | 292 |
| Balance on December 31, 2023 | **$ (204,278)** |

| | | Unrealized gain or loss on financial assets at fair value through other comprehensive income |
|---|---|---|
| Balance on January 1, 2022 | $ | (217,455) |
| Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income | | (7,630) |
| Share of unrealized gain or loss on financial assets at fair value through other comprehensive income of subsidiaries using the equity method | | (54) |
| Balance on December 31, 2022 | $ | (225,139) |

(XVIII) Loss per share

The basic loss per share for 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| **Basic loss per share** | | |
| Net loss attributable to holders of the Company's common shares | $ (119,308) | (208,091) |
| Weighted average number of common shares outstanding | 226,379 | 226,379 |
| Basic loss per share | $ (0.53) | (0.92) |
| **Diluted loss per share** | $ (0.53) | (0.92) |

(XIX) Revenue from customer contracts

1. Details of revenue

| | 2023 | 2022 |
|---|---|---|
| Main product/service lines: | | |
| Sales of real estate | $ - | 22,496 |
| Others | 3,387 | 2,980 |
| | $ 3,387 | 25,476 |

2. Contract balance

| | 2023.12.31 | 2022.12.31 | 111.1.1 |
|---|---|---|---|
| Notes receivable - from operations | $ - | 504 | 9,344 |
| Accounts receivable - from operations | 7 | - | 8 |
| Less: Allowance for losses | - | - | - |
| Total | $ 7 | 504 | 9,352 |
| Contract liabilities | $ 724,258 | 591,618 | 455,151 |

Please refer to Note 6(3) for the disclosure of notes and accounts receivable and the impairment thereof.

The opening balances of contract liabilities on January 1, 2023 and 2022 recognized in income for 2023 and 2022 were both in the amounts of NTD 0.

Changes in contract liabilities are mainly attributable to the difference between the time when the Company transfers goods or services to customers to satisfy performance obligations and when customers pay.

(XX) Remuneration of employees, directors, and supervisors

As per the Company's Articles of Incorporation, if the Company makes a profit in a year, it shall allocate 8% of the balance as employee remuneration and no more than 5% as directors' remuneration. However, profits must first be reserved to offset against the cumulative deficit, if applicable.

As the Company suffered a cumulative deficit in both 2023 and 2022, there was no need to estimate the amount of employee remuneration and directors' remuneration. In addition, the amount of the Company's employee remuneration and directors' remuneration are estimated based on the Company's net income before tax for each period before employee remuneration and directors' remuneration are deducted, multiplied by the percentages of employee remuneration and directors' remuneration as stipulated in the Company's Articles of Incorporation, which is recognized as operating costs or operating expenses for the period. If there is a difference between the amount distributed in the following year and the estimated amount, it will be treated as a change in accounting estimates, and the difference will be recognized in the following year's profit or loss. Relevant information is available on the MOPS.

The Company's employee remuneration and director remuneration for 2023 and 2022 were both in the amounts of NTD 0 as no profit was made during both years as per the Articles of Association, which was no different from the actual distribution.

(XXI) Non-operating income and expenses

1. Interest income

The details of the Company's interest income for 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Interest on bank deposits | $ | 13,839 | 6,593 |
| Other interest income | | 3,087 | 2 |
| | **$** | **16,926** | **6,595** |

2. Other income

The details of the Company's other income for 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Dividend income | $ | 24 | 36 |
| Others | | 4,272 | 14,926 |
| | **$** | **4,296** | **14,962** |

3. Other gains and losses

The details of the Company's other gains and losses in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Foreign exchange gains (losses) | $ 9,626 | (7,871) |
| Miscellaneous income and loss | (20,095) | (916) |
| | $ (10,469) | (8,787) |

4. Financial costs

The Company's financial costs for 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest expense | | |
| Bank borrowings | $ 47,852 | 31,345 |
| Corporate bonds | 38,368 | 37,866 |
| Lease liabilities | 323 | 150 |
| Others | 6 | - |
| Less: Capitalized interest | (32,204) | (15,690) |
| | $ 54,345 | 53,671 |

(XXII) Financial instruments

1. Credit risk

(1) Exposure to credit risk

The carrying amount of various financial assets held by the Company represents the maximum exposure to credit risk.

(2) Credit concentration risk

As the Company has a large customer base and does not have significant customer concentration in transactions, there is no significant credit concentration risk of accounts receivable. In order to reduce the credit risk, the Company also regularly and continuously evaluates each customer's financial position but does not require the customer to provide collateral.

(3) Credit risk of receivables

Please refer to Note 6(3) for information on the exposure of notes and accounts receivable to the credit risk.

The Group's other financial assets measured at amortized cost include other receivables and certificates of deposit. The Group's transaction counterparties and counterparties of contracts are financial institutions at the investment grade or above. There are no major concerns about contract performance, so the credit risk is considered low. Therefore, an allowance for losses for the period were measured at the twelve-month expected credit loss.

Please refer to Note 6(3) for details of changes in allowance for losses as of December 31, 2023 and 2022.

2. Liquidity risk

The Company's working capital is sufficient to cover it, so there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations. The table below indicates the contractual maturity dates for financial liabilities, including estimated interest but excluding the effect of netting agreements.

| | Carrying amount | Contractual cash flows | Within 1 year | 1-2 years | Over 2 years |
|---|---|---|---|---|---|
| **December 31, 2023** | | | | | |
| Non-derivative liabilities: | | | | | |
| Secured bank borrowings | $ 1,869,200 | 2,009,123 | 202,031 | 41,788 | 1,765,304 |
| Unsecured bank borrowings | 907,000 | 918,225 | 679,611 | 238,614 | - |
| Lease liabilities | 13,837 | 14,074 | 7,487 | 6,587 | - |
| Short-term notes and bills payable | 199,546 | 200,000 | 200,000 | - | - |
| Accounts and other payables | 401,508 | 401,508 | 280,151 | 4,718 | 116,639 |
| Secured ordinary corporate bonds | 2,796,042 | 2,873,861 | 630,589 | 27,787 | 2,215,485 |
| Guarantee deposits received | 449 | 449 | - | 449 | - |
| | **$ 6,187,582** | **6,417,240** | **1,999,869** | **319,943** | **4,097,428** |
| **December 31, 2022** | | | | | |
| Non-derivative liabilities: | | | | | |
| Secured bank borrowings | $ 1,358,223 | 1,480,106 | 30,874 | 30,874 | 1,418,358 |
| Unsecured bank borrowings | 229,000 | 231,971 | 177,644 | 1,232 | 53,095 |
| Lease liabilities | 5,040 | 5,117 | 3,221 | 1,360 | 536 |
| Accounts and other payables | 511,080 | 511,080 | 479,485 | 4,718 | 26,877 |
| Secured ordinary corporate bonds | 2,794,291 | 2,855,386 | 18,200 | 616,148 | 2,221,038 |
| Guarantee deposits received | 584 | 584 | - | 584 | - |
| | **$ 4,898,218** | **5,084,244** | **709,424** | **654,916** | **3,719,904** |

The Company does not expect that the timing of the cash flows for the maturity analysis will occur significantly earlier or that the actual amounts will be significantly different.

3. Exchange rate risk

(1) The Company’s investment in financial assets exposed to material foreign currency exchange rate risk is as follows:

| | 2023.12.31 | | | 2022.12.31 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 9 | 30.6550 | 271 | 6,000 | 30.6600 | 183,960 |
| Non-monetary items | | | | | | |
| HKD | $ 5,645 | 3.931 | 22,192 | 5,730 | 3.9430 | 22,592 |

(2) Sensitivity analysis

The exchange rate risk of the Company's monetary items mainly arises from cash and cash equivalents and time deposits denominated in foreign currencies, from which foreign exchange gains and losses arise during translation. On December 31, 2023 and 2022, when the NTD depreciated or appreciated by 1% against USD, with all other factors held constant, the Company's net loss after tax for 2023 and 2022 would have increased or decreased by NTD 2 thousand and NTD 1,472 thousand, respectively. The analyses in the two periods are on the same basis.

4. Interest rate analysis

The exposure of the Company's financial assets and financial liabilities to interest rate risk is described in liquidity risk management in this note.

The sensitivity analysis below is based on the exposure of non-derivative instruments to interest rate risk at the balance sheet date. For floating-rate liabilities, the analysis is based on an assumption that the amount of a liability outstanding at the balance sheet date is outstanding throughout the year. The sensitivity to a 0.5% change in interest rate is used when reporting the interest rate risk internally to key management personnel and also represents the management's assessment of the reasonably possible change in interest rates.

If the interest rate increased/decreased by 0.5% and all other variables remain unchanged, the Company's net loss for 2023 and 2022 would have decreased/increased by NTD 9,838 thousand and NTD 4,090 thousand, respectively, mainly due to the Company's borrowings at variable interest rates.

5. Other price risks

If the price of equity securities changes on the balance sheet date (the analyses in the two periods are on the same basis while other factors are assumed to remain unchanged), the impact on the comprehensive income items is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Securities prices on the balance sheet date** | **Other comprehensive income after tax** | **Other comprehensive income after tax** |
| Increase by 3% | $ 2,004 | 1,387 |
| Decrease by 3% | $ (2,004) | (1,387) |

6. Information on fair value

(1) Types and fair values of financial instruments

The Company's financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The carrying amounts and fair values of various types of financial assets and financial liabilities (including fair value level information, but the carrying amounts of financial instruments not measured by fair value is a reasonable approximation of fair value, and the fair values of lease liabilities per the regulations, are not required to be disclosed) are listed below:

| | 2023.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic and foreign listed stocks | $ 23,043 | 23,043 | - | - | 23,043 |
| Publicly listed companies' privately placed stocks | 43,770 | - | 43,770 | - | 43,770 |
| Subtotal | 66,813 | 23,043 | 43,770 | - | 66,813 |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | $ 622,225 | - | - | - | - |
| Notes and accounts payable | 7 | - | - | - | - |
| Other receivables | 57,391 | - | - | - | - |
| Other financial assets (current and non-current) | 709,483 | - | - | - | - |
| Subtotal | 1,389,106 | - | - | - | - |
| Total | $ 1,455,919 | 23,043 | 43,770 | - | 66,813 |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings and short-term notes and bills payable | $ 2,975,746 | - | - | - | - |
| Notes and accounts payable (including related parties) | 344,304 | - | - | - | - |
| Other payables (including related parties) | 57,204 | - | - | - | - |
| Lease liabilities (current and non-current) | 13,837 | - | - | - | - |
| Secured ordinary corporate bonds | 2,796,042 | - | 2,749,092 | - | 2,749,092 |
| Guarantee deposits received | 449 | - | - | - | - |
| Total | $ 6,187,582 | - | 2,749,092 | - | 2,749,092 |

| | 2022.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic and foreign listed stocks | $ 22,964 | 22,964 | - | - | 22,964 |
| Publicly listed companies' privately placed stocks | 23,280 | - | 23,280 | - | 23,280 |
| Subtotal | 46,244 | 22,964 | 23,280 | - | 46,244 |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | $ 697,129 | - | - | - | - |
| Notes and accounts payable | 504 | - | - | - | - |
| Other receivables | 42,008 | - | - | - | - |
| Other financial assets (current and non-current) | 903,679 | - | - | - | - |
| Subtotal | 1,643,320 | - | - | - | - |
| Total | **$ 1,689,564** | **22,964** | **23,280** | **-** | **46,244** |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings and short-term notes and bills payable | $ 1,587,223 | - | - | - | - |
| Notes and accounts payable (including related parties) | 445,882 | - | - | - | - |
| Other payables (including related parties) | 65,198 | - | - | - | - |
| Lease liabilities (current and non-current) | 5,040 | - | - | - | - |
| Secured ordinary corporate bonds | 2,794,291 | - | 2,717,981 | - | 2,717,981 |
| Guarantee deposits received | 584 | - | - | - | - |
| Total | **$ 4,898,218** | **-** | **2,717,981** | **-** | **2,717,981** |

(2) Fair value valuation techniques for financial instruments not at fair value

The methods and assumptions adopted by the Company to estimate instruments not at fair value are as follows:

(2.1) Financial assets and liabilities at amortized cost

If there is information on quoted prices from transactions or market makers, the latest transaction price and quoted price should be adopted as the basis for valuating the fair value. If there is no information on market prices for reference, the valuation method is adopted for estimation. The estimates and assumptions used in the valuation method are the discounted value of cash flows to estimate the fair value. The fair values of ordinary corporate bonds payable are measured at Level 2 inputs, and the fair values are measured based on the weighted average price in hundreds of dollars announced by Taipei Exchange on the reporting date.

(3) Fair value valuation techniques for financial instruments at fair value

(3.1) Non-derivative financial instruments

When a financial instrument is quoted in an active market, the quoted price in the active market is the fair value.

A financial instrument is deemed to be with quoted prices in the active markets if its quoted prices can be obtained from exchanges, brokers, underwriters, industry associations, pricing services institutions, or competent authorities in a timely and regular manner, and the prices represent the prices in actual fair market transactions that occur frequently. If the above criteria are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low trading volume are all indicators of an inactive market.

Except for the above financial instruments with active markets, the fair values of other financial instruments are obtained through valuation techniques or with reference to the quoted prices by counterparties. The fair value obtained through valuation techniques may be calculated and obtained with reference to the present fair value of other financial instruments with substantively similar criteria and characteristics, discounted cash flow method, or other valuation techniques, including the use of models based on market information available at the balance sheet date.

(4) Transfer between levels of fair values

There was no change in the Compan's valuation techniques for fair values in 2023 and 2022. In addition, there was no transfer between the levels of fair values in 2023 and 2022.

(XXIII) Financial risk management

1. Summary

The Company is exposed to the risks below due to the use of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note indicates the Company's exposure to each of the above risks and its objectives, policies, and procedures for risk measurement and management. Please refer to the notes to the standalone financial statements for more quantitative information.

2. Risk management framework

The formulation of the Company's risk management policy aims to identify and analyze the risks faced by the Company, set appropriate risk limits and control, and monitor risks and observance of risk limits. The risk management policy and system are regularly reviewed to reflect changes in market conditions and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines, and operating, enabling all employees to understand their roles and responsibilities.

3. Credit risk

The Company's credit risk is the risk of financial loss suffered by the Company arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations, mainly from the Company's accounts receivable from customers.

(1) Accounts and other receivables

The Company's credit risk exposure is mainly affected by each customer's circumstances. However, the Company does not have significant credit risk concentration.

The Company maintains an allowance account for losses to reflect estimates of losses incurred on accounts receivable and investments. The main components of the allowance account include specific loss components associated with individual material exposures and a portfolio of losses created for losses on similar asset groups that are incurred but unidentified. The allowance account for the portfolio of losses is determined based on historical data on payments for similar financial assets.

(2) Investment

The credit risk of bank deposits, fixed-income investments, and other financial instruments is measured and monitored by the Company’s finance department. As the Company's transaction counterparties and contract counterparties are all creditworthy banks, financial institutions rated at investment grade and above, corporate organizations, and government agencies, there is no significant doubts over contract performance, hence no significant credit risk.

(3) Guarantee

The Company, as of December 31, 2023 and 2022, did not provide any endorsement/guarantee.

4. Liquidity risk

Liquidity risk is the risk arising when the Company cannot deliver cash or other financial assets to settle financial liabilities and fails to fulfill relevant obligations. The Company's approach to managing liquidity is to ensure, as much as possible, that the Company, under normal circumstances and pressure, has sufficient liquidity to cover its liabilities as they fall due, without resulting in a risk of incurring unacceptable losses or causing damage to the Company's reputation.

The Company ensures that there is sufficient cash to cover any expected operating expenses, including the performance of financial obligations, monitors the use of banks’ financing facilities, and ensures compliance with the terms and conditions of loan contracts. The banks’ financing facilities not drawn by the Company, as of December 31, 2023 and 2022, were in the amounts of NTD 3,870,212 thousand and NTD 2,231,000 thousand, respectively.

5. Market risk

Market risk refers to the risk that affects the Company's revenue or the value of financial instruments held due to changes in market prices, such as changes in exchange rates, interest rates, or equity instrument prices. The purpose of market risk management is to control the exposure to market risks within a range of tolerance and optimize return on investment.

(XXIV) Capital management

The Company's capital management aims to ensure the ability to continue as a going concern, continue to provide bonuses to shareholders and interests to other stakeholders, and maintain an optimal capital structure to reduce capital costs. To maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, reduce capital and refund capital to shareholders, issue new shares, or sell assets to settle liabilities. The Company’s capital management strategy in 2023 was the same as in 2022.

The debt-to-equity ratios as of December 31, 2023 and 2022 were as follows:

| | **2023.12.31** | **2022.12.31** |
|---|---|---|
| Total liabilities | $ 6,913,683 | 5,493,795 |

| | | |
|---|---|---|
| Less: Cash and cash equivalents | (622,225) | (697,129) |
| Net liabilities | 6,291,458 | 4,796,666 |
| Total equity | 1,366,352 | 1,464,332 |
| Capital after adjustment | $ 7,657,810 | 6,260,998 |
| Debt-to-equity ratio | 82.16% | 76.61% |

The increase in the debt-to-equity ratio on December 31, 2023 was mainly due to the Company's continuous investment in construction projects, resulting in an increase in bank borrowings.

VII. Related Party Transactions

(I) Name of related party and relations

The Company's subsidiaries and other related parties that have transactions with the Company during the period covered by the standalone financial statements are as follows:

| Name of related party | Relations with the Company |
|---|---|
| Charter Leisure Co., Ltd. | Subsidiary of the Company |
| Huide Development Company Limited | Subsidiary of the Company |
| Good One Company Limited (Note 1) | Subsidiary of the Company |
| Qun Xin Properties Co., Ltd. | Subsidiary of the Company |
| SURV Planning And Development Co., Ltd. | Investee valuated by the Company using the equity method |
| Shi Hong Interior Design Co., Ltd. (Shi Hong) (Note 2) | Subsidiary of the Company - investee valuated using the equity method |
| T-Design Co., Ltd. (T-Design) | Subsidiary of the Company - investee valuated using the equity method |
| SHIHLIN ELECTRIC & ENGINEERING CORPORATION | The director at the Company and the chairman of the company are relatives within the second degree of kinship |
| THE AMBASSADOR HOTEL CO., LTD. | The director at the Company and the chairman of the company are relatives within the second degree of kinship |
| Chuang Sheng Investment Co., Ltd. (Chuang Sheng) | A director at the Company and the chairman of the company are the same person. |
| YAO ZE LIMITED | The Chairman of the Company and the chairman of the company are the same person. |
| Chih-Chieh Co., Ltd. | A director at the Company and the chairman of the company are the same person. |
| DE YU COMPANY LIMITED (Deyu) | A director at the Company and the chairman of the company are the same person. |
| Prospect Hospitality Co., Ltd. (Prospect Hospitality) | A director at the Company and the chairman of the company are the same person. |

Note 1: Based on the Group's considerations for business, Good One Company Limited was dissolved by resolution of the shareholders' meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

Note 2: Due to the consideration for the Group's operations, Huide Development Company Limited sold all the shares it held in Shi Hong Interior Design Co., Ltd. on April 27, 2022 and completed the sale of the shares, so the latter is no longer a related party of the Company.

(II) Significant transactions with related parties

1. Lease

The Company leased office buildings from Shihlin Electric, an entity in the category of other related parties, in January 2023 and January 2020, respectively, and signed a three-year lease contract with reference to the office rental market in nearby areas. The total contract prices were NTD 17,774 thousand and NTD 17,774 thousand, respectively. The interest expenses recognized for 2023 and 2022 were NTD 276 thousand and NTD 90 thousand, respectively, and the balances of lease liabilities as of December 31, 2023 and 2022 were NTD 11,966 thousand and NTD 1,527 thousand.

2. For the cash dividends received by the Company from the associate - SURV Planning And Development Co., Ltd. in 2023 and 2022, please refer to Note 6(6) for relevant information.

3. The Company recovered a capital of NTD 5,888 thousand in 2023 for liquidation of subsidiary, Good One Company Limited.

(III) Transactions by key management personnel

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | $ 15,607 | 14,938 |
| Post-retirement benefits | 216 | 216 |
| | $ 15,823 | 15,154 |

VIII. Assets Pledged

The details of the book value of the assets pledged by the Company are as follows:

| Asset name | Collateral | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Inventory | Bank borrowings | $ 3,666,838 | 3,247,991 |
| Restricted assets (recognized in other financial assets - current and non-current) | Collateral for corporate bonds | 393,405 | 394,592 |
| | | $ 4,060,243 | 3,642,583 |

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Significant unrecognized commitments:

1. Projects launched by the Company and the price of the pre-sale and finished housing sales contracts signed with the customers are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Price of the signed sales contract | $ 4,500,690 | 4,448,110 |
| Amount received as per contract | $ 724,258 | 591,618 |

2. The construction contracts signed between the Company and suppliers and amounts paid as per the contracts are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Price of the signed construction contract | $ 4,526,747 | 4,281,733 |
| Unrecognized amount | $ 2,498,300 | 2,991,533 |

3. The Company intended to undertake an urban renewal project and signed a collaborative development and integration contract and a rights transfer agreement. The payment according to the contract is as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Price of signed contract (before tax) | $ 528,228 | 561,367 |
| Amount not yet paid (before tax) | $ 350,340 | 273,036 |

4. The total price of the land purchase contract signed by the Company for the purchase of land is as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| The total price of the signed purchase contract | $ 680,170 | 354,706 |
| Amount not yet paid | $ 340,170 | 336,971 |

5. Other unrecognized contractual commitments are as follows:

| Item | Subject matter | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Guarantee notes received | Outsourcing of projects and urban renewal development collaboration | $ 735,184 | 721,322 |
| Guarantee deposits paid (recognized in other financial assets - current) | Joint construction project | $ 209,320 | 245,528 |

(II) Others:

1. In October 2012, the Company signed a joint construction agreement with Jut Land Development Company Limited to increase the overall operating profit, with 24 parcels of land, including land lots 430-453, Subsection 3, Zhengyi Section, Zhongshan District, Taipei City, as the collaborative development subject matter. As of December 31, 2023, this project was still under planning.
2. The Company signed a service contract with a non-related party in October 2020 for the development and integration of the urban renewal project of 33 parcels of land, including land lot 1, sub-section 3, Shuanglian Section, Datong District, Taipei City, to handle all relevant matters before the completion of the projects and handover of the housing units, and the Company will pay a service fee at 2% of the sales profit of the projects after the landlords handed over their housing units.

X. Major Disaster Loss: None

## XI. Material Events After the Balance Sheet Date

The Company's Board of Directors, on November 14, 2023, approved by resolution the proposal to purchase nine parcels of land from a non-related party, Long Bon International Co., Ltd., within the scope of the "(Second time) Urban Renewal Project and Rights Transfer Project for 33 parcels of land at land lot 1, Subsection 3, Shuanglian Section, Datong District, Taipei

City", for which the Company is the executer. The transfer of the ownership was completed on January 3, 2024. Please refer to Note 13 (1) 5. for details.

## XII. Others

Employee benefits and depreciation and amortization expense are summarized by function as follows:

| By function / By nature | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary and wages | $ - | 60,315 | 60,315 | - | 54,743 | 54,743 |
| Labor and health insurance | - | 4,115 | 4,115 | - | 4,121 | 4,121 |
| Pension | - | 2,397 | 2,397 | - | 2,431 | 2,431 |
| Remuneration to directors | - | 3,720 | 3,720 | - | 3,655 | 3,655 |
| Other employee benefits | - | 2,697 | 2,697 | - | 2,700 | 2,700 |
| Depreciation expense | - | 8,206 | 8,206 | - | 8,007 | 8,007 |
| Amortization expense | - | 466 | 466 | - | 429 | 429 |

Additional information on the Company's number of employees and employee benefit expenses for 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Number of employees | 49 | 49 |
| Number of directors who do not serve as employees con-currently | 6 | 6 |
| Average employee benefit expenses | $ 1,617 | 1,488 |
| Average employee salary and wages | $ 1,403 | 1,273 |
| Average adjustment to employee salary and wages | 10.21% | |
| Supervisors' remuneration | $ - | - |

The Company's remuneration policy (including directors, managerial officers, and employees) information is as follows:

(I) Directors:

The Company's remuneration to directors (including independent directors) is determined by the Remuneration Committee authorized by the Board of Directors in accordance with the Articles of Incorporation based on the degree of the director's involvement in the Company's operations as well their contribution and value, with reference to standard remuneration paid by peers. The Company's remuneration and travel expenses are paid in accordance with the "Payment Standards of Remuneration to Directors and Functional Committee Members" established by the Remuneration Committee.

Where the Company makes profit, the amount of remuneration is resolved by the board meeting in accordance with the Articles of Incorporation.

(II) Managerial officers and employees:

The Company's remuneration to managerial officers and employees consists of a fixed monthly wage (including basic salary and meal allowance) and bonuses for the three major festivals. Other allowances or appraisal bonuses are given in accordance with the Company's operating conditions and evaluation rules.

Wages for managerial officers and employees are determined based on their academic background, technical expertise and professional experience, regardless of their gender, race, religion and political positions.

Where the Company makes profit, remuneration to employees is resolved by the board meeting in accordance with the Articles of Incorporation.

## XIII. Additional Disclosures

(I) Information on significant transactions

As per the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall disclose the relevant information of significant transactions in 2023 as follows:

1. Loans to others: None.
2. Endorsements/Guarantees provided to others: None
3. Securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures):

Unit: NTD thousand

| Company | Type and name of marketable securities held | Relations with marketable securities issuer | Account title | End of Period | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares (thousand shares) | Carrying amount | Shareholding ratio (%) | Fair value | |
| The Company | Stock - Acer Incorporated | None | Financial assets at fair value through other comprehensive income - non-current | 16 | 851 | - % | 851 | |
| The Company | Stock - Choice Development, Inc. | " | " | 3,000 | 43,770 | 2.96 % | 43,770 | Note |
| The Company | Stock - Beijing Health (Holdings) Limited | " | " | 84,258 | 22,192 | - % | 22,192 | |
| The Company | Stock - Lico Technology Corp. | " | " | 4,014 | - | 3.23 % | - | |
| Charter Leisure Co., Ltd. | Stock - Nan Ya Plastics Corporation | " | " | 29 | 1,943 | - % | 1,943 | |
| Charter Leisure Co., Ltd. | Stock - Acer Incorporated | " | " | 16 | 851 | - % | 851 | |
| Charter Leisure Co., Ltd. | Stock - Winbond Electronics Corp. | " | " | 4 | 120 | - % | 120 | |
| Charter Leisure Co., Ltd. | Stock - The Roar Company Limited | " | " | 547 | 3,704 | 13.07 % | 3,704 | |
| Huide Development Company Limited | Stock - Hsin Chun Build | " | " | 2,025 | 20,250 | 20.00 % | 20,250 | |

Note: It is a privately placed common share, and its fair value is measured using the Black-Scholes valuation model.

4. Marketable securities acquired or sold at costs or prices at least NTD 300 million or 20% of the paid-in capital: None.
5. Acquisition of individual property at costs of at least NTD 300 million or 20% of the paid-in capital:

Unit: NTD thousand

| Company | Property | Date of occurrence | Transaction amount | Payment status | Transaction | Relations | If the transaction counterparty is a related party, the previous transfer data | | | | Basis for price determination | Purpose of acquisition and use | Other agreed matters |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relation to | Transfer | Amount | | | |

| acquiring real estate | | | | | counterparty | | | the issuer | date | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Tonghua Section, Daan District, Taipei City | 2021.04.27 | 3,100 | 3,100 | Da-Cin Construction Co., Ltd. | Non-related party | - | - | - | - | Price negotiation | Urban renewal | None |
| " | " | 2021.08.18~ 2021.08.30 | 253,988 | 253,988 | Two people surnamed Shen and Mo | " | - | - | - | - | " | " | " |
| " | " | 2022.11.10 | 73,354 | 73,354 | National Property Administration | " | - | - | - | - | Appraisal by the government | " | " |
| " | Rui'an Section, Daan District, Taipei City | 2021.07.05 | 37,000 | 37,000 | Wan | " | - | - | - | - | Price negotiation | " | " |
| " | " | 2021.07.21 | 37,000 | 37,000 | Two people surnamed Li and Hong | " | - | - | - | - | " | " | " |
| " | " | 2021.11.01 | 182,018 | 182,018 | National Property Administration | " | - | - | - | - | Appraisal by the government | " | " |
| " | " | 2023.03.15 | 47,180 | 47,180 | Jiang | " | - | - | - | - | Price negotiation | " | " |
| " | Shuanglian Section, Datong District, Taipei City | 2023.11.14 | 680,000 | 340,000 | Long Bon International Co., Ltd. | " | - | - | - | - | " | " | " |

6. Disposal of individual property at costs of at least NTD 300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NTD 100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NTD 100 million or 20% of the paid-in capital: None.
9. Derivatives Trading: None.

(II) Information on investees:

The information on the Company’s investees in 2023 is as follows:

| | | | | Initial investment amount | | End of period | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee | Location | Main business | End of this period | End of last year | Number of shares (thousand shares) | Percentage | Carrying amount | Gain or loss on Investee | Investment gain or loss recognized during the period | Remarks |
| The Company | Charter Leisure Co., Ltd. | Taiwan | Food and drink and clubs | $ 21,662 | 21,662 | 2,166 | 43.30% | 49,939 | 159 | 69 | |
| The Company | SURV Planning And Development Co., Ltd. | Taiwan | Real estate development | 17,858 | 17,858 | 1,750 | 35.00% | 22,173 | (12,417) | (4,346) | |
| The Company | Huide Development Company Limited | Taiwan | Real estate development | 115,000 | 115,000 | 11,500 | 100.00% | 122,350 | 6,466 | 6,466 | |
| The Company | Good One Company Limited | Taiwan | Retail sales of integrated wholesales | - | 80,000 | - | - % | - | (1) | (1) | Note |
| The Company | Qun Xin Properties Co., Ltd. | Taiwan | General hotel industry | 350,000 | 350,000 | 23,000 | 79.31% | 83,549 | 20,886 | 16,564 | |
| Huide Development Company Limited | T-Design Co., Ltd. | Taiwan | Interior design | 19,800 | 19,800 | 1,980 | 33.00% | (1,047) | (104) | Exempted from disclosure | |

Note: Based on the Group’s considerations for business, Good One Company Limited was dissolved by resolution of the shareholders' meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

(III) Information on investments in mainland China: None.

(IV) Information on major shareholders:

| Shares | Number of | Shareholding |
|---|---|---|

| Name of principal shareholder | shares held | ratio |
|---|---|---|
| Chuang Sheng Investment Co., Ltd. | 20,374,118 | 8.99% |
| Yao ze Limited | 20,374,118 | 8.99% |
| Choice Development, Inc. | 17,006,014 | 7.51% |
| Chen Chieh Investment Limited | 14,914,201 | 6.58% |

## XIV. Information on Segments

Please refer to the 2023 consolidated financial statements.

**Shihlin Development Company Limited**

**Statement of Cash and Cash Equivalents**

**December 31, 2023**

**Unit: NTD thousand**

| Item | Summary | Amount |
|---|---|---|
| Cash | | $ 55 |
| Bank deposits | | |
| Demand deposit | | 516,266 |
| Checking deposit | | 5,633 |
| Foreign currency deposit | US$8,850.80 at the exchange rate of 30.655 NTD to 1 USD | 271 |
| Time deposit | | 100,000 |
| | | **$ 622,225** |

**Shihlin Development Company Limited**

**Statement of Inventories**

**December 31, 2023**

**Unit: NTD thousand**

| Item | Summary | Amount: Cost | Amount: Net realizable value | Remarks |
|---|---|---|---|---|
| Real estate for sale | Residential project in Neihu | $ 23,659 | | Close to the market price |
| | Linyi Street project | 315,400 | | " |
| | Subtotal | 339,059 | 450,130 | |
| Construction in progress | Chengde Jinxi project | 1,878,308 | | Return on investment analysis |
| | Zhiyuan 1st Rd., Beitou project | 566,746 | | " |
| | Xinyi Anhe project | 195,004 | | " |
| | Bihu 410 Road project | 467,015 | | " |
| | Shidong Road project | 634,096 | | " |
| | Ruian Street project | 91,964 | | " |
| | Section 6, Zhongshan North Road project | 9,035 | | " |
| | Lane 157, Zhongshan North Road | 5,652 | | " |
| | Fujin Street project | 15,067 | | " |
| | Tungfung Street project | 14,302 | | " |
| | Subtotal | 3,877,189 | 4,217,298 | |
| Construction land | Tungfung Street project | 122 | | Return on investment analysis |
| | Xinyi Anhe project | 1,171,118 | | " |
| | Ruian Street project | 395,251 | | " |
| | Subtotal | 1,566,491 | 1,887,102 | |
| Prepayment for land | Chengde Jinxi project | 340,216 | | Return on investment analysis |
| | Tungfung Street project | 533 | | " |
| | | 340,749 | 367,993 | |
| Total | | $ 6,123,488 | 6,922,523 | |

**Statement of Other Financial Assets**

Please refer to Note 6(10) for relevant information.

# Shihlin Development Company Limited
## Statement of Changes in Investments Using the Equity Method
## For the Year Ended December 31, 2023

**Unit: NTD thousand**

| Company | Opening balance: Number of shares (thousand shares) | Opening balance: Amount | Increase in this period: Number of shares (thousand shares) | Increase in this period: Amount | Decrease in this period (Note 1): Number of shares (thousand shares) | Decrease in this period (Note 1): Amount | Adjustments to values using the equity method (Note 2) | Ending balance: Number of shares (thousand shares) | Ending balance: Shareholding ratio (%) | Ending balance: Amount | Market price or net equity worth | Guarantee or pledge |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Charter Leisure Co., Ltd. | 2,166 | $ 49,111 | - | - | - | - | 828 | 2,166 | 43.30 | 49,939 | 23.07 | None |
| Huide Development Company Limited | 11,500 | 122,800 | - | - | - | 6,916 | 6,466 | 11,500 | 100.00 | 122,350 | 10.64 | 〃 |
| SURV Planning And Development Co., Ltd. | 1,750 | 26,519 | - | - | - | - | (4,346) | 1,750 | 35.00 | 22,173 | 12.67 | 〃 |
| Qun Xin Properties Co., Ltd. | 23,000 | 66,985 | - | - | - | - | 16,564 | 23,000 | 79.31 | 83,549 | 3.63 | 〃 |
| Goodone Company Limited | 8,000 | 5,889 | - | - | 8,000 | 5,888 | (1) | - | - | - | - | - |
| Total | | $ 271,304 | | - | | 12,804 | 19,511 | | | 278,011 | | |

Note 1: The decrease in this period is due to the cash dividends of NTD 6,916 thousand received and the capital contributions of NTD 5,888 thousand returned due to the liquidation of the subsidiary.

Note 2: The adjustments to values using the equity method are the share of profits or losses on subsidiaries and associates recognized using the equity method in the amount of NTD 18,752 thousand, the change in other comprehensive income in the amount of NTD 292 thousand, and recognized actuarial profit (loss) on investees' defined benefit plans of NTD 467 thousand.

# Shihlin Development Company Limited

## Statement of Short-Term Borrowings

## December 31, 2023

**Unit: NTD thousand**

| Creditor | Type of borrowings | Ending balance | Type of borrowings | Interest rate range | Financing facility | Mortgage or collateral |
|---|---|---|---|---|---|---|
| The Shanghai Commercial & Savings Bank, Ltd. | Unsecured borrowings | $ 50,000 | 2023/12/27~ 2024/12/13 | Note | 50,000 | None |
| First Commercial Bank | " | 53,000 | 2021/01/29~ 2025/01/29 | 〃 | 482,000 | " |
| " | " | 119,000 | 2023/02/10~ 2025/01/29 | 〃 | The amounts above share the same facility | " |
| " | " | 100,000 | 2023/10/05~ 2024/01/05 | 〃 | 100,000 | " |
| Lanya Branch of Mega Bank | Secured borrowings | 49,000 | 2023/11/03~ 2031/06/30 | 〃 | 252,000 | Yes |
| " | " | 586,000 | 2021/05/18~ 2031/06/30 | 〃 | 650,000 | " |
| " | " | 97,000 | 2022/10/18~ 2031/06/30 | 〃 | 98,000 | " |
| " | " | 27,600 | 2023/11/03~ 2029/11/03 | 〃 | 27,600 | " |
| " | Unsecured borrowings | 180,000 | 2023/12/01~ 2024/02/29 | 〃 | 180,000 | None |
| " | " | 65,000 | 2023/02/24~ 2025/10/18 | 〃 | 267,612 | " |
| E. Sun Commercial Bank, Ltd. | " | 10,000 | 2023/11/17~ 2024/02/17 | 〃 | 50,000 | " |
| ChangAn Branch of Shin Kong Bank | " | 100,000 | 2023/12/27~ 2024/03/27 | 〃 | 100,000 | " |
| Tienmu Branch, Chang Hwa Commercial Bank Ltd. | " | 80,000 | 2023/12/27~ 2024/06/27 | 〃 | 80,000 | " |
| Shilin Branch, Hua Nan Commercial Bank, Ltd. | " | 50,000 | 2023/12/06~ 2024/03/05 | 〃 | 50,000 | " |
| O-Bank Co., Ltd. | " | 50,000 | 2023/11/03~ 2024/02/05 | 〃 | 50,000 | " |
| " | Secured borrowings | 132,800 | 2023/11/24~ 2024/06/26 | 〃 | 132,800 | Yes |
| Jianbei Branch of Taishin Bank | " | 25,800 | 2023/11/29~ 2024/02/27 | 〃 | 25,800 | " |
| " | Unsecured borrowings | 50,000 | 2023/10/26~ 2024/01/24 | 〃 | 100,000 | None |
| Sinan Branch, Bank of Taiwan | Secured borrowings | 290,000 | 2021/08/31~ 2026/08/10 | 〃 | 480,000 | Yes |
| " | " | 114,000 | 2021/11/30~ 2026/08/10 | 〃 | The amounts above share the same facility | " |
| " | " | 76,000 | 2022/04/27~ 2026/08/10 | 〃 | " | " |
| " | " | 27,000 | 2022/10/21~ 2026/08/10 | 〃 | 1,450,000 | " |
| " | " | 76,000 | 2022/12/30~ 2026/08/10 | 〃 | The amounts above share the same facility | " |
| " | " | 158,000 | 2023/07/03~ 2026/08/10 | 〃 | " | " |
| " | " | 120,000 | 2023/12/01~ 2026/08/10 | 〃 | " | " |
| " | " | 90,000 | 2021/08/10~ 2026/08/10 | 〃 | 90,000 | " |
| | | $ 2,776,200 | | | | |

Note: Interest rate range is from 1.98%–2.57%.

**Shihlin Development Company Limited**

**Statement of Contract Liabilities**

**December 31, 2023** **Unit: NTD thousand**

| Item | Summary | Amount | Remarks |
|---|---|---|---|
| Advance real estate receipts | Section 6, Zhongshan North Road project | $ 8,505 | |
| | Zhiyuan 1st Rd., Beitou project | 173,965 | |
| | Shidong Road project | 207,327 | |
| | Chengde Jinxi project | 334,461 | |
| | | **$ 724,258** | |

**Statement of Corporate Bonds Payable**

Please refer to Note 6(13) for relevant information.

## Shihlin Development Company Limited

## Statement of Operating Income

## For the Year Ended December 31, 2023

**Unit: NTD thousand**

| Item | Summary | Amount |
|---|---|---|
| Rental income | Land, building, and parking space rental income | $ 3,387 |

## Statement of Operating Costs

| Item | Summary | Amount |
|---|---|---|
| Cost of lease | Land and building maintenance costs and parking space management fees | $ 332 |

**Shihlin Development Company Limited**

**Statement of Operating Expenses**

**For the Year Ended December 31, 2023** **Unit: NTD thousand**

| Item | Management expenses |
|---|---|
| Salary and wages | 66,432 |
| Depreciation expense | 8,206 |
| Professional service fees | 3,775 |
| Insurance | 4,230 |
| Others (Note) | 14,880 |
| | **97,523** |

Note: The amount of each item does not exceed 5% of the total amount of the account.

**Statement of Net Amounts of Other Income and Expenses**

Please refer to Note 6(21) for relevant information.

# Independent Auditors' Report

To Shihlin Development Company Limited,

**Audit opinion**

We have reviewed the accompanying consolidated balance sheets of Shihlin Development Company Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to collectively as the "Group") for the years ended December 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (hereinafter referred to collectively as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements, based on our audit results and other CPAs' audit reports (see "Other matters" paragraph), present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022 and for the years then ended and its consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (hereinafter referred to as IFRS), International Accounting Standards (hereinafter referred to as IAS), IFRIC Interpretations (hereinafter referred to as IFRIC) and SIC Interpretations (SIC) (hereinafter collectively referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

**Basis for the audit opinion**

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

**Key audit matters**

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2023, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters. Key audit matters of the consolidated financial statements of the Group are stated as follows:

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

Please refer to Note 4(17) to the consolidated financial statements for the accounting policy on income recognition; please refer to Note 6(20) to the consolidated financial statements for the description of income.

Description of key audit matters:

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

Audit procedures:

Understood the income from hotel rooms and catering services to understand the effectiveness of internal control over sales process and the design thereof and tested whether the internal control related to the timing of income recognition was effective; randomly checked customers' bills and uniform invoices and other materials from the sales for a selected period before and after the balance sheet date to see if they were consistent with the billing records to evaluate if the income was recognized in the correct period.

II. Inventory valuation

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

Description of key audit matters:

The Group's construction inventories are an important asset for operations, accounting for about 63% of its total assets; inventory valuation is handled in accordance with the International Accounting Standards (IAS) 2. If the net realizable value is not properly appraised, the financial statements will be misstated. Therefore, the test of inventory values is one of our key audit matters during the audit of the Group's consolidated financial statements.

Audit procedures:

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

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

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

Please refer to Note 4(14) "Impairment of non-financial assets" to the consolidated financial statements for the accounting policy on asset impairment; please refer to Note 5(2) "Evaluation of impairment of property, plant and equipment, and right-of-use assets" to the consolidated financial statements for the estimate of asset impairment and assumption uncertainties. Please refer to Notes 6(7) and (8) to the consolidated financial statements for the description of the evaluation.

Description of key audit matters:

The carrying amount of the Group's property, plant and equipment and right-of-use assets as at December 31, 2023 accounted for 14% of the total consolidated assets. As the future operating performance of the aforementioned assets is susceptible to uncertain factors, such as competition in the industry, policies, and economic environment, estimating the recoverable amount of the aforementioned assets based on the discounted present value of future cash flows is highly uncertain. As such, the carrying amount of property, plant and equipment and right-of-use assets may be impaired. Therefore, we paid special attention to the appropriateness of the assumptions, estimates, and judgment adopted for the discounted present value of the future cash flows during the audit process.

Audit procedures:

The audit procedures we have implemented for the above-mentioned key audit matters include: Reviewed the appropriateness of the management's valuation, evaluated the reasonableness key assumptions (discount rate and estimated growth rate) during the specific procedures for asset impairment assessment, and verified the correctness of the accounting methods adopted and the recoverable amount of the asset. We also evaluated whether the Group's disclosure of information related to impairment of assets was appropriate.

**Other matters**

Among the subsidiaries included in the Group's consolidated financial statements, Charter Leisure Co., Ltd.'s financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said consolidated financial statements, Charter Leisure Co., Ltd.'s amounts listed in the financial statements were based on the audit report by other CPAs. Charter Leisure Co., Ltd.'s total assets as of December 31, 2023 and 2022 accounted for 1.58% and 2.09% of the total consolidated assets, respectively. Its net operating income for the years ended December 31, 2023 and 2022 accounted for 13.13% and 16.43% of the consolidated net operating income, respectively.

Among the investments using the equity method included in the Group's consolidated financial statements, part of the investees' financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said consolidated financial statements, such investees' amounts listed in the financial statements were based on the audit report by other CPAs. The investment amount recognized for some investees using the equity method as of December 31, 2023 and 2022 accounted for 0.23% and 0.31% of the total consolidated assets, respectively. The share in the profit or loss of associates using the equity method recognized for the years ended December 31, 2023 and 2022 accounted for 3.85% and 3.76% of the consolidated net loss before tax, respectively.

The Group has prepared the standalone financial statements for the years ended December 31, 2023 and 2022, for which we have issued an audit report with an unqualified opinion with the "Other matters" paragraph for reference.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2023. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

CPA:

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

March 7, 2024

**Shihlin Development Company Limited and Its Subsidiaries**

**Consolidated Balance Sheets**

**For the Years Ended December 31, 2023 and 2022**

**Unit: NTD thousand**

| | Assets | 2023.12.31 Amount | % | 2022.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | $ 865,395 | 9 | 853,603 | 10 |
| 1170 | Notes and accounts receivable, net (Notes 6(3) and (20)) | 20,684 | - | 16,994 | - |
| 1200 | Other receivables (Note 6(4)) | 58,581 | 1 | 43,054 | 1 |
| 130X | Inventories (Notes 6(5) and 8) | 6,205,515 | 63 | 4,631,819 | 54 |
| 1410 | Prepayment | 175,244 | 2 | 153,461 | 2 |
| 1476 | Other financial assets - current (Notes 6(10) and 8) | 388,065 | 4 | 634,987 | 7 |
| 1479 | Other current assets - others | 7,390 | - | 7,647 | - |
| 1480 | Incremental cost of obtaining contracts - current | 226,203 | 2 | 228,806 | 3 |
| | | 7,947,077 | 81 | 6,570,371 | 77 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 6(2)) | 93,681 | 1 | 72,438 | 1 |
| 1550 | Investments using the equity method (Note 6(6)) | 22,173 | - | 26,519 | - |
| 1600 | Property, plant and equipment (Notes 6(7) and (26)) | 358,676 | 4 | 401,858 | 5 |
| 1755 | Right-of-use assets (Note 6(8)) | 926,059 | 10 | 1,036,231 | 12 |
| 1760 | Net investment property (Notes 6(9)) | 6,809 | - | 6,809 | - |
| 1780 | Intangible assets | 811 | - | 500 | - |
| 1840 | Deferred tax assets (Note 6(17)) | 7,758 | - | 8,590 | - |
| 1980 | Other financial assets - non-current (Notes 6(10) and 8) | 413,594 | 4 | 427,805 | 5 |
| 1990 | Other non-current assets - others | - | - | 185 | - |
| 1975 | Net defined benefit assets - non-current (Note 6(16)) | 5,983 | - | 4,821 | - |
| | | 1,835,544 | 19 | 1,985,756 | 23 |
| | **Total assets** | $ 9,782,621 | 100 | 8,556,127 | 100 |

| | Liabilities and equity | 2023.12.31 Amount | % | 2022.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (Note 6(11)) | $ 2,976,200 | 31 | 1,867,223 | 22 |
| 2110 | Short-term notes and bills payable (Note 6(12)) | 239,546 | 2 | - | - |
| 2130 | Contract liabilities - current (Note 6(20)) | 739,217 | 8 | 607,969 | 7 |
| 2150 | Notes payable | 2,621 | - | 370 | - |
| 2170 | Accounts payable (Note 7) | 365,451 | 4 | 464,070 | 6 |
| 2200 | Other payables (Note 7) | 114,028 | 1 | 103,444 | 1 |
| 2230 | Income tax liabilities for the period (Note 6(17)) | 766 | - | 2,883 | - |
| 2250 | Provision for liabilities - current (Note 6(16)) | 2,564 | - | 4,020 | - |
| 2280 | Lease liabilities - current (Notes 6(15) and 7) | 110,315 | 1 | 109,606 | 1 |
| 2310 | Advance receipts | 646 | - | 991 | - |
| 2320 | Long-term liabilities due within one year or one operating cycle (Notes 6 (13) and (14)) | 605,723 | 6 | - | - |
| 2399 | Other current liabilities - others | 5,294 | - | 6,610 | - |
| | | 5,162,371 | 53 | 3,167,186 | 37 |
| | **Non-current liabilities:** | | | | |
| 2530 | Corporate bonds payable (Note 6(14)) | 2,196,102 | 22 | 2,794,291 | 33 |
| 2541 | Long-term bank borrowings (Note 6 (13)) | 29,217 | - | - | - |
| 2550 | Provisions - non-current | 9,964 | - | - | - |
| 2580 | Lease liabilities - non-current (Notes 6(15) and 7) | 929,497 | 10 | 1,046,718 | 12 |
| 2650 | Investment credit balance using the equity method (Note 6(6)) | 1,047 | - | 1,047 | - |
| 2670 | Other non-current liabilities - others | 882 | - | 769 | - |
| | | 3,166,709 | 32 | 3,842,825 | 45 |
| | **Total liabilities** | 8,329,080 | 85 | 7,010,011 | 82 |
| | **Equity attributable to owners of the parent company (Note 6(18)):** | | | | |
| 3100 | Share capital | 2,263,791 | 23 | 2,263,791 | 27 |
| 3200 | Capital surplus | 17,484 | - | 17,484 | - |
| 3300 | Retained earnings | (710,645) | (7) | (591,804) | (7) |
| 3400 | Other equity interest | (204,278) | (2) | (225,139) | (3) |
| | Subtotal of equity attributable to owners of the parent company | 1,366,352 | 14 | 1,464,332 | 17 |
| 36XX | **Non-controlling interests (Note 6(18))** | 87,189 | 1 | 81,784 | 1 |
| | **Total equity** | 1,453,541 | 15 | 1,546,116 | 18 |
| | **Total liabilities and equity** | $ 9,782,621 | 100 | 8,556,127 | 100 |

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

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

## Shihlin Development Company Limited and Its Subsidiaries
## Consolidated Statements of Comprehensive Income
## For the Years Ended December 31, 2023 and 2022

**Unit: NTD thousand**

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

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

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

## Shihlin Development Company Limited and Its Subsidiaries

## Consolidated Statements of Changes in Equity

## For the Years Ended December 31, 2023 and 2022

**Unit: NTD thousand**

| | Equity attributable to owners of the parent company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | | Retained earnings | | | Other equity items | | | |
| | Common stock | Capital surplus | Legal reserve | Deficit to be compensated | Total | Unrealized gain or loss on financial assets at fair value through other comprehensive income | Total equity attributable to owners of the parent company | Non-controlling interests | Total equity |
| **Balance as at January 1, 2022** | $ 2,263,791 | 17,484 | 50,262 | (437,063) | (386,801) | (217,455) | 1,677,019 | 97,898 | 1,774,917 |
| Net loss for the period | - | - | - | (208,091) | (208,091) | - | (208,091) | (20,088) | (228,179) |
| Comprehensive income for the period | - | - | - | 3,088 | 3,088 | (7,684) | (4,596) | 3,974 | (622) |
| Total comprehensive income for the period | - | - | - | (205,003) | (205,003) | (7,684) | (212,687) | (16,114) | (228,801) |
| **Balance as at December 31, 2022** | **2,263,791** | **17,484** | **50,262** | **(642,066)** | **(591,804)** | **(225,139)** | **1,464,332** | **81,784** | **1,546,116** |
| Net loss for the period | - | - | - | (119,308) | (119,308) | - | (119,308) | 4,411 | (114,897) |
| Comprehensive income for the period | - | - | - | 467 | 467 | 20,861 | 21,328 | 994 | 22,322 |
| Total comprehensive income for the period | - | - | - | (118,841) | (118,841) | 20,861 | (97,980) | 5,405 | (92,575) |
| **Balance as at December 31, 2023** | **$ 2,263,791** | **17,484** | **50,262** | **(760,907)** | **(710,645)** | **(204,278)** | **1,366,352** | **87,189** | **1,453,541** |

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

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

# Shihlin Development Company Limited and Its Subsidiaries

## Consolidated Statements of Cash Flows

## For the Years Ended December 31, 2023 and 2022

**Unit: NTD thousand**

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

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

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

## Shihlin Development Company Limited and Its Subsidiaries

## Consolidated Statements of Cash Flows (Continued)

**For the Years Ended December 31, 2023 and 2022**

**Unit: NTD thousand**

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

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

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

**Shihlin Development Company Limited and Its Subsidiaries**
**Notes to the Consolidated Financial Statements**
**For the Years Ended December 31, 2023 and 2022**
**(Unless otherwise stated, all amounts are in thousand of NTD)**

I. Company History

Shihlin Development Company Limited (hereinafter referred to as the "Company") was incorporated on January 23, 1984 and began operations on January 8, 1985 after trial production. Its main business includes the manufacturing and sales of small signal transistors, power transistors, and integrated circuits. In addition, in order to diversify business, the extraordinary shareholders' meeting, on October 29, 2007, approved to include the real estate development business within the business scope in the Articles of Incorporation. The Company's original name was Huaxin Electronics Co., Ltd., and it has changed the name several times. It was renamed Defeng Innovation International Co., Ltd. in 2007 and renamed as Shihlin Development Company Limited again on July 9, 2010.

The Company's consolidated financial statements for the years ended December 31, 2023 and 2022 includes the Company and its subsidiaries (hereinafter referred to as the "Group").

II. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved by the Board of Directors for release on March 7, 2024.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) Impact of adoption of new and revised standards and interpretations endorsed by the FSC

The Group has adopted the new and revised IFRS since January 1, 2023, which has not caused a material impact on the consolidated financial statements.

- Amendments to IAS 1 (Disclosure of Accounting Policies)
- Amendments to IAS 8 (Definition of Accounting Estimates)
- Amendments to IAS 12 (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)

The Group has adopted the new and revised IFRS since May 23, 2023, which has not caused a material impact on the consolidated financial statements.

- Amendments to IAS 12 International Tax Reform - Pillar Two Model Rules

(II) Impact of not adopting the IFRSs endorsed by the FSC

The Group has assessed the application of the newly revised IFRS that have taken effect on January 1, 2024, which will not cause a material impact on the consolidated financial statements.

- Amendments to IAS 1 (Classification of Liabilities as Current or Non-current)
- Amendments to IAS 1 (Non-current Liabilities with Covenants)
- Amendments to IAS 7 and IFRS 7 (Supplier Finance Arrangements)
- Amendments to IFRS 16, (Lease Liability in a Sale and Leaseback)

(III) New and revised standards and interpretations not yet endorsed by the FSC

The Group does not expect that new and revised standards below that have not yet been endorsed will have a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- Amendments to IFRS 17 (Initial Application of IFRS 17 and IFRS 9—Comparative Information)

Amendments to IAS 21 (Lack of Exchangeability)

IV. Summary of Significant Accounting Policies

A summary of the significant accounting policies adopted in the consolidated financial statements is as follows. The accounting policies below have been applied consistently throughout the reporting period presented in the consolidated financial statements.

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the “Regulations”) and the IFRSs endorsed and issued into effect by the FSC of the Republic of China.

(II) Basis of preparation

1. Basis for measurement

Except for important items on the balance sheets below, the consolidated financial statements have been prepared at historical cost:

(1) Financial assets at fair value through other comprehensive income;
(2) The net defined benefit asset (or liability) is measured at fair value of the pension fund assets less the present value of the defined benefit obligation.

2. Functional currency and currency presented

The Group adopts the currency used in the main economic environment in which each system under the Group operates as its functional currency. The consolidated financial statements are presented in the Company's functional currency, namely New Taiwan dollars (NTD). All financial information presented in NTD is in the unit of thousand of NTD.

(III) Basis of consolidation

1. Principles for the preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities (subsidiaries) controlled by the Company. When the Company is exposed to or entitled to variable returns from its participation in an investee with the ability to influence such returns through its power over the investee, the Company controls the investee.

From the date of the Group’s obtaining of control over a subsidiary, its financial statements will be included in the consolidated financial statements until the date of the Group’s loss of control. Inter-company transactions, balances, and any unrealized gains and losses have been eliminated in the preparation of the consolidated financial statements. Subsidiaries’ total consolidated profit or loss is attributable to the owners of the Company and the non-controlling interests even if it becomes a loss balance for the non-controlling interests.

Subsidiaries' financial statements have been adjusted to ensure consistency between their accounting policies and the Group's ones.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions between owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributable to the owners of the Company.

2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements include:

| Investor Name | Subsidiary | Nature of business | % of equity held 2023.12.31 | % of equity held 2022.12.31 | Descriptions |
|---|---|---|---|---|---|
| The Company | Charter Leisure Co., Ltd. | Food and drink and clubs | 43.30% | 43.30% | Subsidiary |
| The Company | Huide Development Company Limited | Real estate development | 100.00% | 100.00% | Subsidiary |
| The Company | Good One Company Limited | Retail sales of integrated wholesales | - % | 100.00% | Subsidiary (Note 1) |
| The Company | Qun Xin Properties Co., Ltd. | General hotel industry | 79.31% | 79.31% | Subsidiary |

Note 1: Due to Good One Company Limited's business contraction, it was dissolved by resolution of the shareholders' meeting on November 14, 2022. The application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

3. Subsidiaries in which the Group does not hold more than half of the equity: The Group directly holds 43.30% of Charter Leisure Co., Ltd.'s equity as its largest institutional shareholder, so it is deemed to have control over the company; and the income received and expenses incurred after the control was gained are included in the consolidated financial statements.

4. Subsidiaries not included in the consolidated financial statements: None.

(IV) Foreign currency

Foreign currency transactions are translated into functional currency at the exchange rate prevailing on the transaction date. On the end date of each reporting period (hereinafter referred to as the "balance sheet date"), foreign currency monetary items are translated into the functional currency at the exchange rate prevailing on the balance sheet date Foreign currency non-monetary items measured at fair value are translated into the functional currency at the exchange rate prevailing on the day of measurement. Foreign currency non-monetary items measured at historical cost are translated at the exchange rate prevailing on the transaction date.

Foreign currency translation differences arising from a translation are normally recognized in profit or loss, except for the circumstances below where such differences are recognized in other comprehensive income: equity instrument designated at fair value through other comprehensive income.

(V) Criteria for classification of current and non-current assets and liabilities

The Group is mainly contracted for construction and civil engineering projects, leasing or sales of real estate, and hotel business. Among them, the business cycle of the construction business is usually longer than one year, and the assets and liabilities related to the construction projects are classified as current and non-current based on an operating cycle of three to five years. The criteria for classifying current and non-current assets and liabilities are as follows:

Assets that meet one of the following criteria are classified as current assets; all other assets that are not current assets are classified as non-current assets:

1. Assets expected to be realized in the Group’s ordinary course of business (usually longer than one year for the construction industry), or intended to be sold or consumed;
2. Assets held primarily for the purpose of trading;
3. Assets expected to be realized within 12 months after the balance sheet date; or
4. Assets that are in cash or cash equivalents, excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities; all other liabilities that are not current liabilities are classified as non-current liabilities:

1. Liabilities expected to be settled in the Group’s ordinary course of business (usually longer than one year for the construction industry);
2. Liabilities held primarily for the purpose of trading;
3. Liabilities expected to be settled within 12 months after the balance sheet date; or
4. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

(VI) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits that meet the aforementioned definition and whose purpose is to satisfy short-term cash commitments in operations are classified as cash equivalents. Time deposits that do not meet the above definitions are recognized in other financial assets - current and non-current.

(VII) Financial instruments

Accounts receivable and debt securities issued are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual terms of the financial instruments. Financial assets (except receivables that do not contain significant financial components) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

1. Financial assets

   If the purchase or sale of financial assets conforms to the regular way purchase or sale, the Group shall adopt trade date accounting or settlement date accounting consistently to recognize the purchase or sale of the financial assets in the same category.

   Financial assets are classified as financial assets at amortized cost and equity instrument investments at fair value through other comprehensive income upon initial recognition. The Group only reclassifies all affected financial assets from the first day of next reporting period when changing the financial assets management model.

(1) Financial assets at amortized cost

If the financial assets are in alignment with the following criteria and not designated as at fair value through profit or loss, such assets are measured at amortized cost:

- Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

Such assets are subsequently amortized by the effective interest method plus or less the initially recognized amount using the effective interest method, adjusted for the allowance for losses measured at amortized cost. Interest income, foreign exchange gains or losses, and impairment losses are recognized in the profit or loss. Upon derecognition, the gain or loss is included in profit or loss.

(2) Financial assets at fair value through other comprehensive income

Investments in debt instruments that meet the following criteria at the same time and are not designated as at fair value through profit or loss are measured at fair value through other comprehensive income:

- Held under a certain business model, of which the objective is for collection of contractual cash flows and sales by holding the financial assets.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

Upon initial recognition, the Group may make an irrevocable election to recognize subsequent changes in fair value of equity instrument investments not held for trading in other comprehensive income. The foregoing election is made as per each instrument.

Investments in debt instruments are subsequently measured at fair value. Interest income, foreign currency exchange gains or losses, and impairment losses calculated using the effective interest method are recognized in profit or loss, while the remaining net gains or losses are recognized in other comprehensive income. Upon derecognition, the cumulative amount of other comprehensive income is reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (unless it clearly represents a recovery of part of an investment cost) is recognized in profit or loss. The remaining net gain or loss is recognized as other comprehensive income and is not reclassified to profit or loss.

Dividend income from investments in equity is recognized on the date on which the Group is entitled to receive the dividend (usually the ex-dividend date).

(3) Evaluation of the business model

The Group evaluates the business model of financial assets held at the portfolio level as it is the best way to reflect the way they operate and provide information to the management. The information to be considered includes:

- Such a portfolio policy and purpose and the operation of the policy. Including whether the management's strategy is focused on earning contractual cash flows, maintaining a specific interest-yield portfolio, matching the duration of financial assets with the duration of relevant liabilities or expected cash outflows, or realizing cash flows by selling financial assets.

- The performance of the business model and how the financial assets held under the model are evaluated and reported to an enterprise's key management personnel;
- Risks affecting the performance of the business model (and the financial assets held under the model) and how such risks are managed;
- How the managers' remuneration is determined at an enterprise, such as the remuneration based on the fair value of assets under management or contractual cash flow received; and
- Frequency, amount, and timing of sales of financial assets in previous periods, the reasons for such sales, and forecast for future sales.

According to the above business purpose, if a transaction of transferring a financial asset to a third party does not meet the de-recognition criteria, it is not a sale as mentioned above, which is consistent with the Group's purpose of continuing to recognize the asset.

(4) Evaluation of whether the contractual cash flow is entirely for the payment for the principal and the interest on the outstanding principal

Based on the evaluation purpose, the principal is the fair value of a financial asset at the time of initial recognition, and the interest is composed of the following considerations: the time value of money, the credit risk associated with the amount of outstanding principal in a specific period, other basic lending risks and costs, and profit margin.

To evaluate whether a contractual cash flow is entirely for payment for the principal and interest on the outstanding principal, the Group considers the contractual terms of the financial instrument, including assessing whether the financial asset contains a contractual term that may change the timing or amount of the contractual cash flow, resulting in the failure to meet this criterion. During evaluation, the Group considers:

- Any contingencies that will change the timing or amount of a contractual cash flow;
- Terms that may have the contractual coupon rate adjusted, including the characteristics of variable interest rates;
- Early repayment and deferment; and
- The Group's right of claim is limited to terms of cash flow from specific assets (such as the non-recourse feature).

(5) Impairment of financial assets

The Group recognizes the expected credit losses on financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, and other financial assets) in allowance for losses.

The allowance for losses for the financial assets below are measured at 12-month expected credit losses, and the allowance for losses for the rest are measured at the lifetime expected credit losses:

- Debt securities are judged to be of low credit risk on the balance sheet date; and
- The credit risk of other debt securities and bank deposits (i.e. the risk of default during the expected duration of the financial instruments) has not increased significantly since the initial recognition.

Allowance for losses on accounts receivable are measured at lifetime expected credit losses.

When determining whether the credit risk has increased significantly since the initial recognition, the Group takes into account reasonable and corroborative information (obtainable without undue cost or effort), including qualitative and quantitative information, and analyzes it based on the Group's historical experience,credit assessments, and forward-looking information.

If the credit risk rating of an financial instrument is equivalent to the globally defined "investment grade" (BBB- in Standard & Poor's, Baa3 in Moody's, or twA in Taiwan Ratings, or higher than such levels), the Group regards that the credit risk of the debt securities is low.

If a contract payment is overdue, the Group assumes that the credit risk of an financial asset has increased significantly.

If a contract payment is overdue for more than 90 days, or the borrower is unlikely to fulfill its credit obligations and pay the full amount to the Group, it will deem the financial asset to be in default.

Lifetime expected credit losses refer to the expected credit losses arising from all possible default events during the expected duration of a financial instrument.

Twelve-month expected credit losses are expected credit losses on a financial instrument arising from possible default events within 12 months after the balance sheet date (or a shorter period if the expected duration of the financial instrument is less than 12 months).

The maximum period over which expected credit losses are measured is the maximum contract period over which the Group is exposed to a credit risk.

Expected credit losses are an estimate of weighted probability of credit losses over the expected lifetime of a financial instrument. Credit losses are measured at the present value of all cash shortfalls, that is the difference between the cash flows that the Group can receive as per the contract and the cash flows that the Group expects to receive. Expected credit losses are discounted at the effective interest rate on the financial asset.

The Group assesses whether the financial assets at amortized cost and financial assets at fair value through other comprehensive income are credit-impaired on each balance sheet date. A financial asset is credit-impaired when one or more events have occurred with an adverse effect on the estimated future cash flows of the financial asset. Evidence that indicates a financial asset is credit-impaired includes the observable information below:

- The borrower or issuer encountered significant financial difficulties;
- Default, such as delayed or overdue payment for more than 90 days;
- The Group, for financial or contractual reasons related to the borrower's financial difficulties, grants the borrower a concession that the borrower would not otherwise consider;
- The borrower is likely to file for bankruptcy or other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance for losses for a financial asset measured at amortized cost is deducted from the carrying amount of the asset. The profit or loss is adjusted for an allowance for losses on investments in debt instruments measured at fair value through other comprehensive income, which is recognized in other comprehensive income (without the carrying amount of the asset reduced).

When the Group cannot reasonably expect to recover the whole or part of an financial asset, it directly reduces the total carrying amount of the financial asset. For individuals, the Group's policy is to write off the total carrying amount of an financial asset when it is overdue based on the past experience of similar assets. For companies, the Group analyzes the timing and amount of write-off for each company on the basis of whether it can reasonably expect to recover the financial asset. The Group does not expect a material reversal of an amount written off. However, financial assets that have been written off are still enforceable to be aligned with the Group's procedures for recovering overdue amounts.

(6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire, when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party, or when it has not transferred, retained substantially all the risks and rewards of ownership, and retained control over the financial asset.

For transfer of transfer financial assets, if the Group has retained all or substantially all the risks and rewards of ownership of the asset to be transferred, it continues to recognize the asset on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities and equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity as per the substance of a contractual agreement and the definition of financial liabilities and equity instruments.

(2) Equity transactions

An equity instrument is any contract that represents the Group's remaining equity after its assets are deducted from all of its liabilities. Equity instruments issued by the Group are recognized at the amount of acquisition, less direct issuance costs.

(3) Financial liabilities

Financial liabilities are classified as those at amortized cost or at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss if they are held for trading, derivatives, or designated upon initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant net gain and loss, including any interest expense, is recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains or losses are recognized in profit or loss. Any gain or loss is also recognized in profit or loss upon derecognition.

(4) Derecognition of financial liabilities

The Group derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled, or expired. When the terms of financial liabilities are revised and the cash flow of the revised liabilities is significantly different, the initial financial liabilities are derecognized, and new financial liabilities are recognized at fair value as per the revised terms.

When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and liabilities are offset and presented in a net amount on the balance sheet only when the Group has legally enforceable rights to offset financial and liabilities and intends to settle on a net basis or to realize assets and settle liabilities simultaneously.

(VIII) Inventories

<u>Merchandising business</u>

Inventories are measured at the lower of cost or net realizable value. Costs include other costs incurred to bring inventories to a location and condition ready for use and are calculated using the weighted average method.

Net realizable value is an estimated selling price in the ordinary course of business, less the estimated cost needed to bring the inventory to a condition ready for sale and the estimated costs necessary to make the sale.

<u>Construction business</u>

Inventories are measured at the lower of cost or net realizable value. Costs include the costs incurred to bring them to a location and condition ready for use. Development costs of real estate include construction, land, borrowing, and project costs incurred during the development period. When the cost of inventory is higher than the net realizable value, the cost should be written down to the net realizable value, and the amount written down should be recognized in the cost of sales in the current period.

Net realizable value is an estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The methods for evaluating the net realizable value are as follows:

(1) Construction land: Net realizable value is based on the estimate made by the competent authority as per the market condition.

(2) Construction in progress: The net realizable value is calculated based on the estimated selling price (according to the market condition at the time) less the costs and selling expenses required till completion.

(3) Real estate for sale: Net realizable value is calculated based on estimated selling price (based on the estimate made by the competent authority per the market condition) less estimated costs and selling expenses incurred in the sales of the real estate.

(IX) Investment in associates

An associate is an entity on which the Group has significant influence on its financial and business policies and is not a controller or joint controller.

The Group adopts the equity method to account for its equity in associates. Under the equity method, investments in an associate are initially recognized at cost, and the investment cost includes the transaction cost. The carrying amount of an investment in an associate includes the goodwill identified at the time of the initial investment, less any accumulated impairment losses.

The Group’s consolidated financial statements include, from the date of it having a significant influence to the date of its losing significant influence, after adjusting the associates’ accounting policies to be consistent with those adopted by the Group, include the amount of profit or loss and other comprehensive income from investment in each associate recognized in proportion to the equity held. When an associate undergoes a change in equity that is not related to profit or loss or other comprehensive income without affecting the Group’s shareholdings in the associate, the Group recognizes the share of changes in equity attributable to the Group in capital surplus in proportion to its shareholding.

Unrealized gains or losses arising from transactions between the Group and any associate are recognized in the financial statements only within the scope of non-related investors' equity in the associate.

When the Group's share of losses on an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of the said associate.

(X) Investment property

Investment property refers to property held for earning rents or asset appreciation or both, but not for sale under normal business activities, production, provision of goods or services, or for administrative purposes. Investment property is initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment. The depreciation method, useful life, and residual value are handled in accordance with the rules of property, plant and equipment.

Gains or losses on the disposal of investment property (calculated as the difference between the net proceed from the disposal and the carrying amount of the property) are recognized in the profit or loss.

Rental income from investment property is recognized in non-operating income on a straight-line basis over the lease term. The lease incentives are recognized as part of the rental income over the lease term.

(XI) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the useful lives of material components of property, plant and equipment are different, they are treated as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent cost

Subsequent expenditures are capitalized only when it is probable that the future economic benefits will flow to the Group.

3. Depreciation

Depreciation is calculated at the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component.

Land is not depreciated.

The estimated useful life for the current and comparative periods are as follows:

| | |
|---|---|
| (1) Office equipment | 3–10 years |
| (2) Machinery and equipment | 0.5–19 years |
| (3) Leasehold improvement | 1–19 years |
| (4) Other equipment | 2–17 years |

The Group reviews the depreciation method, useful life, and residual value on each balance sheet date and makes appropriate adjustments if necessary.

(XII) Lease

The Group assesses whether a contract is or contains a lease on the date of the establishment the contract and determines what a contract is or contains a lease if the contract transfers control over the use of the identified asset for a period of time in exchange for consideration.

1. Lessee

The Group recognizes the right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, which includes the initially measured amount of the lease liability, adjusted for any lease payments paid on or before the lease commencement date, plus the initial direct costs incurred and the estimated costs for dismantling, removing the asset, or restoring its location or the asset, and less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier. In addition, the Group regularly assesses whether the right-of-use asset is impaired and accounts for any impairment loss that has occurred, and adjusts the right-of-use asset if the lease liability is remeasured.

The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. If the interest rate implicit in a lease is easy to be determined, the discount rate is said rate; if it is not easy to determine such a rate, the Group's incremental borrowing rate is adopted. Generally speaking, the Group adopts its incremental borrowing rate as the discount rate.

Lease payments included in the lease liability measurement include:

(1) Fixed payments, including substantial fixed payments;

(2) The lease payment depends on the change in an index or rate, and the index or rate on the lease commencement date is adopted for the initial measurement;

(3) The residual value guarantee amount expected to be paid; and

(4) The exercise price or penalty to be paid when it is reasonably ascertain that the purchase or lease termination will be executed.

Interest on lease liabilities is subsequently accrued using the effective interest method, and the amount is re-measured under each of the circumstances below:

(1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;

(2) There is a change in the residual value guarantee amount expected to be paid;

(3) There is a change in the evaluation of the option of purchasing the asset;

(4) A change in the evaluation of whether to extend or terminate a lease has resulted in a change in the evaluation of the lease term;

(5) The subject leased, scope of lease, or other terms are modified.

When the lease liability is re-measured due to the aforementioned changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension, or termination, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications with a reduced scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between said amount and the remeasured amount of the lease liability is recognized in profit or loss.

The Group presents right-of-use assets and lease liabilities not in alignment with the definition of investment property on a separate line in the balance sheet.

For short-term leases of office equipment and leases of low-value assets, the Group elects not to recognize right-of-use assets and lease liabilities and recognizes relevant lease payments in expenses on a straight-line basis over the lease term instead.

The Group elects to adopt a practical expedient for all rent concessions that meet all of the criteria below and does not assess whether it is a lease modification:

(1) Rent concessions occurring as a direct consequence of the COVID-19 pandemic;

(2) The change in lease payment leads to the revised lease consideration being substantially the same or less than the lease consideration prior to the change;

(3) Lease reductions only affect lease payments originally due on or before 30 June 2022; and

(4) There is no substantive change to other terms and conditions of the lease.

As a practical expedient, when rent concessions lead to changes in lease payments, the amount of the change is recognized in the profit or loss when the event or circumstance that initiates the rent concession arises.

2. Lessor

Transactions in which the Group is the lessor are classified on the lease commencement date per whether a lease contract is with substantially all risks and rewards attached to the ownership of the asset transferred; if so, such a contract is classified as a finance lease, otherwise it is classified as an operating lease. During evaluation, the Group considers relevant specific indicators, including whether the lease term covers a major part of the economic life of the asset.

If the Group is a sublessor, it accounts for headlease and sublease transactions separately and classifies sublease transactions based on the right-of-use assets derived from a headlease. If a headlease is a short-term lease to which recognition exemption applies, the sublease transaction derived therefrom should be classified as an operating lease.

If an agreement contains lease and non-lease components, the Group allocates the consideration in the agreement per IFRS 15.

The Group recognizes lease payments of operating leases received as rental income over the lease term on a straight-line basis.

(XIII) Intangible assets

1. Recognition and measurement

Goodwill arising from the acquisition of a subsidiary is measured at cost less accumulated impairment.

The carrying amount of goodwill arising from investments using the equity method is included in the carrying amount of the investments, and impairment losses on such investments are not allocated to goodwill and any assets but are part of the carrying amount of the investments using the equity method.

The Group's acquisition of other intangible assets with finite useful life is measured at the cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

Subsequent expenditure is capitalized only to the extent that the future economic benefits of a specific asset will increase. All other expenditures are recognized in profit or loss as incurred.

3. Amortization

Except goodwill, amortization is calculated at the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method over the estimated useful life from when an intangible asset becomes available for use.

The estimated useful life for the current and comparative periods are as follows:

| | |
|---|---|
| (1)Computer software | 1–3 years |
| (2)Other intangible assets | 1–3 years |

The Group reviews the amortization method, useful life, and residual value of intangible assets on each balance sheet date and makes appropriate adjustments, if necessary.

(XIV) Impairment of non-financial assets

The Group evaluates if there is any sign of impairment of non-financial assets (except inventories and deferred tax assets) at the balance sheet date. The Group estimates the recoverable amount of such assets with a sign of impairment. The Company tests the impairment of goodwill.

Impairment testing aims at the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the individual asset or the air value of the cash-generating unit less cost of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects present market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized when the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount thereof.

Impairment losses are recognized immediately in profit or loss with the carrying amount of the cash-generating unit's amortized goodwill reduced first; then the carrying amount of each asset in proportion to the carrying amount thereof in the unit reduced.

Goodwill impairment losses are not reversed. Non-financial assets other than goodwill are reversed only when it does not exceed the carrying amount (less depreciation or amortization) that would have been determined if such assets had not been recognized for impairment losses in prior years.

(XV) Borrowing costs

It takes a long period of work to bringing an asset to the condition ready for use or sale, during which borrowing costs directly attributable to the acquisition, construction, or manufacturing of an asset should be capitalized as the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other relevant costs incurred on borrowings.

(XVI) Provision

The recognition of provision is a present obligation due to past events, which makes it probable that the economic resources may flow out from the Group to settle the obligation in the future and the amount of the obligation can be estimated reliably. The provision is discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, and the amortization of the discount is recognized in interest expense.

(XVII) Revenue recognition

1. Revenue from customer contracts

Revenue is measured as the consideration to which the transfer of goods or services is expected to be entitled. The Group recognizes revenue when the control over goods or services is transferred to customers and its performance obligations are fulfilled. The Group's main revenue items are described as follows:

(1) Land development and real estate sales

The Group develops and sells residential property and often launches pre-sale property projects during or before construction. The Group recognizes revenue when control over property is transferred. Due to contractual restrictions, property usually has no other uses for the Group. Therefore, the Group recognizes property in revenue when the legal ownership of property is transferred to customers based on the date of the immovable property transferred to customers even though only either of them was completed before the balance sheet date and the other was completed after the balance sheet date.

Revenue is measured at the transaction price in the contractual agreement. If it is a sale of a finished property project, the consideration, in most cases, can be collected when the legal ownership of property is transferred. In a few cases, the payment can be deferred per the contractual agreement. If a significant financial component is included, the transaction price is adjusted to reflect the effect of the significant financial component. In the case of a pre-sale property project, the payment is usually collected in installments during the period from when the contract is signed to when the property is transferred to a customer. If the contract contains a significant financial component, the transaction price is adjusted as per the borrowing rate for the project during said period to reflect the effect of time value of money. Advance receipts are recognized in contract liabilities, and interest expenses and contract liabilities are recognized when the effect of the time value of the monetary needs is adjusted. The cumulative contract liabilities are reclassified to revenue when the property is transferred to a customer.

Some contracts include multiple items to be delivered, such as the sale of residential property and interior design services, which are regarded as a separate performance obligation and the transaction price is amortized on a stand-alone selling price basis. If no directly observable price is available, the stand-alone selling price is estimated based on expected cost plus margin. The interior design service is recognized in relevant income during the financial reporting period for rendering of services, which are determined on the basis of the proportion of construction costs that have occurred to date to the estimated total contract costs.

(2) Sales of goods

The Group recognizes revenue when control over products is transferred. The transfer of control over products means that the products have been delivered to customers, who can then fully determine the sales channels and prices of the products, without any outstanding obligations that will affect customers' acceptance of the products. Delivery occurs when a product has been shipped to a specific location with its risk of obsolescence losses passed to the customer, and the customer has accepted the product in accordance with the sales contract; the acceptance clause has become invalid, or the Group has objective evidence that all acceptance criteria have been met.

(3) Provision of catering and room services

The Group provides catering services and hotel room services. Revenue is measured as the consideration to which the transfer of goods or services is expected to be entitled. The Group recognizes revenue when the control over goods or services is transferred to customers and its performance obligations are fulfilled. Advance receipt of deposits or gift certificates received in advance are recognized in contract liabilities and are reclassified to revenue at the time when the above revenue is recognized.

(4) Provision of services

The Group provides corporate membership clubs and other services, and the relevant income is recognized during the financial reporting period in which such services are provided. For fixed-price contracts, revenue is recognized on the basis of the proportion of services provided to total services as of the balance sheet date, which is determined by the services provided as a percentage of the total services to be provided.

Some contracts consist of multiple element arrangements, most of which are simple items without including integrated services and can be executed by other parties and are therefore regarded as a single performance obligation; the transaction price is allocated on a stand-alone selling price basis. If no directly observable price is available, the stand-alone selling price is estimated based on expected cost plus margin.

(5) Financial components

The Group expects that the time interval between the time when all goods or services are transferred to customers and the time when the customers pay for the goods or services will not exceed one year or the impact of the financial components is not significant to the respective contracts. Thus, the Group does not adjust the time value of money for the transaction prices.

2. Cost of customer contracts

(1) Incremental cost of obtaining contracts

If the Group expects to recover its incremental costs of obtaining customer contracts, it recognizes such costs in assets. Incremental costs of obtaining a contract are costs incurred when a customer contract is obtained that would not have been incurred if the contract had not been obtained. Costs of obtaining a contract that will be incurred regardless of whether the contract is obtained are recognized in expenses when incurred, unless such costs are clearly chargeable to customers regardless of whether a contract has been obtained.

The Groups adopts the practical expedient as in the standard, if the incremental cost of obtaining a contract is recognized as an asset and the amortization period of the asset is less than one year, it is recognized as an expense when the incremental cost occurs.

(2) Cost of fulfilling contracts

If costs arising from fulfilling of a contract with a customer are not covered by other standards (IAS 2 "Inventories", IAS 16 "Property, Plant and Equipment", or IAS 38 "Intangible Assets"), the Group recognizes such costs as assets only when the costs or contracts, or directly related to a clearly identifiable prospective contract, generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and when such costs are expected to be recovered.

General and management costs, costs of wasted materials, labor, or other resources used to fulfill contracts without being reflected in the contract price, costs associated with fulfilled (or partially fulfilled) performance obligations, or the costs that cannot be distinguished between unfulfilled or fulfilled (or partially fulfilled) performance obligations are recognized as expenses as occurred.

(XVIII) Government grants

When the Group can receive government grants related to salaries and necessary operating costs, the unconditional grants are recognized as non-operating income. For other asset-related grants, when the Group can be reasonably assured that it will meet the conditions attached to the government grants and receive the grants, it will recognize such grants as deferred income at fair value and will recognize the deferred income in non-operating income on a systematic basis over its useful life. Government grants to compensate for the Group’s expenses or losses and relevant expenses in the same period are recognized in profit or loss on a systematic basis.

(XIX) Employee benefits

1. Defined contribution plan

Contribution obligations to the defined contribution plan are recognized in expenses in the period during which the employee provides services.

2. Defined benefit plan

The Group's net obligation to the defined benefit plan is calculated by discounting the amount of future benefits earned by employees for services provided in the current or prior periods to the present value for each benefit plan, less the fair value of any plan assets.

Defined benefit obligations are calculated annually by a qualified actuary using the projected unit credit method. When the result of the calculation may be favorable to the Group, the asset recognized is limited to the present value of any economic benefits that could be derived from the plan in the form of a refund of contributions or a reduction in future contributions. Any minimum contribution requirements are taken into account when the present value of economic benefits is calculated.

The remeasurement of the net defined benefit liability, including actuarial gains or losses, return on plan assets (excluding interest), and any changes in the effect of asset caps (excluding interest) are recognized immediately in other comprehensive income and accumulated in retained earnings. The Group determines the net interest expense (income) on net defined benefit liability (asset) based on the net defined benefit liability (asset) and discount rates determined at the beginning of the annual reporting period. Net interest expense and other expenses on defined benefit plans are recognized in profit or loss.

When the plan is revised or curtailed, the resulting change in benefits related to service costs in the prior periods or curtailment gains or losses is recognized immediately in profit or loss. When the settlement occurs, the Group recognizes it in the settlement gain or loss of the defined benefit plan.

3. Short-term employee benefits

   Short-term employee benefits are recognized as expenses when the relevant services are provided. If the Group has a present legal or constructive payment obligation due to an employee's past services and the obligation can be estimated reliably, the amount of benefits is recognized in the liabilities.

(XX) Income tax

Income tax includes current income and deferred taxes. Current income tax and deferred tax are recognized in profit or loss, except in relation to business combinations or items directly recognized in equity or other comprehensive income.

The Group judged that the interest or penalties related to income tax (uncertainty over income tax treatments) did not meet the definition of income tax, and therefore the accounting treatment under IAS 37 applies.

Current income tax includes the expected income tax payable or tax refund receivable based on the taxable income (loss) for the year and any adjustments to income tax payable or tax refund receivable in prior years. The amount is the best estimate of the amount expected to be paid or received based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized based on the temporary differences between the carrying amounts of an asset and liability for financial reporting purposes and its tax base on the balance sheet date. Temporary differences arising from the circumstances below are not recognized in deferred tax:

1. Assets or liabilities are initially recognized for a transaction that is not a business combination, and (i) such assets or liabilities does not affect accounting profit and taxable income (loss); and (ii) no equivalent taxable and deductible temporary differences have occurred at the time of the transaction;
2. For temporary differences arising from investments in subsidiaries, associates, and joint venture interests, the Group can control the timing of the reversal of such temporary differences and it is likely that they will not be reversed in the foreseeable future; and
3. Taxable temporary differences arises from the initial recognition of goodwill.

Unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized, as well as deductible temporary differences are recognized in deferred tax assets. It is reassessed at each balance sheet date to reduce the relevant income tax benefits to the extent that it is not probable that they will be realized; or to reverse the previously reduced amount to the extent that it becomes probable that sufficient taxable income will be available.

Deferred tax is measured at the tax rate at which the temporary difference is expected to reverse, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The Group will offset deferred tax assets and deferred tax liabilities only when the criteria below are met at the same time:

1. Has the statutory enforcement power to offset current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities are related to one of the following taxpayers with income tax levied by the same tax authority:

   (1) The same taxpayer; or

   (2) Different taxpayers but each taxpayer intends to settle the current

tax liabilities and assets on a net basis or to realize both in each future period, in which significant amounts of deferred tax assets are expected to be recovered and deferred tax liabilities are expected to be settled.

(XXI) Business combination

The Group adopts the acquisition method for each business combination. Goodwill is the fair value of the consideration transferred on the acquisition date, including the amount attributable to the acquiree’s any non-controlling interests, less identifiable assets acquired and the net liability (usually fair value) assumed. If the balance after deduction is negative, the Group reassesses whether it has correctly identified all acquired assets and all assumed liabilities before recognizing the bargain purchase gains in profit or loss.

Except for those related to the issuance of debt or equity instruments, transaction costs related to business combinations shall be recognized as the Group’s expenses once they occur.

Among the acquiree’s non-controlling interests, if it is the present ownership interest and the holder is entitled to the enterprise’s share of the net assets on a *pro rata* basis when the liquidation occurs, the Group shall elect to measure it at fair value on the acquisition date on a transaction-by-transaction basis or at the share of the amount of the acquiree's identifiable net assets recognized based on the present ownership instruments. Other non-controlling interests are measured at fair value on the acquisition date or other bases as required by IFRS endorsed by the FSC.

Contingent consideration included in the transfer consideration is recognized at fair value on the acquisition date. For changes in the fair value of the contingent consideration after the acquisition date in the measurement period, the acquisition cost is retrospectively adjusted with goodwill relatively adjusted. Measurement period adjustments are adjustments made by the Group to obtain additional information about the facts and circumstances existing on the acquisition date after the acquisition date. The measurement period does not exceed one year from the acquisition date. The accounting for changes in the fair value of contingent consideration that are not measurement period adjustments depends on the classification of the contingent consideration. Contingent consideration classified as equity shall not be re-measured, and its subsequent settlement is adjusted within equity. Other contingent consideration is measured at fair value on each balance sheet date after the acquisition date, with changes in fair value recognized in profit or loss.

(XXII) Earnings per share

The Group presents basic and diluted earnings per share attributable to holders of the Group’s common shares. The Group’s basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company's ordinary shares by the weighted average number of common shares outstanding in the current period. Diluted earnings per share is calculated by having the profit or loss attributable to the equity holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding adjusted for the effect of all potential dilutive common shares.

(XXIII) Information on Segments

The operating segment is an integral part of the Group and engages in business activities that may earn revenue and incur expenses (including those related to transactions between other entities in the Group). The operating results of all operating segments are regularly reviewed by the Group's chief operating decision maker to make decisions about allocating resources to segments and measure their performance. Each operating segment has separate financial information.

V. Key Sources of Uncertainty over Critical Accounting Judgments, Assumptions, and Estimation

When the management prepares the consolidated financial statements, it shall make judgments, estimates, and assumptions, which will affect the accounting policies adopted and the amounts of assets, liabilities, income, and expenses presented. Actual results may differ from estimates.

The management continues to review estimates and basic assumptions, and changes in accounting estimates are recognized in the period in which they are changed and future periods affected.

The accounting policies involve significant judgement, and the information with a material impact on the amounts recognized in the consolidated financial statements is as follows:

(1) Judgment on whether it has significant influence on an investee

As the Group holds 20% of the voting shares of Hsin Chun Build but has no ability to lead its board of directors, the Group considers that the company has no significant influence.

The uncertainties in the following assumptions and estimates pose significant risks that the carrying amount of assets and liabilities will be adjusted significantly in the next fiscal year. The relevant information is as follows:

(I) Inventory valuation

As inventories should be measured at the lower of cost or net realizable value, the Group assessed that the market selling price of inventories on the balance sheet date was lower than cost and wrote down the cost of inventories to the net realizable value. This inventory valuation is mainly based on the selling price as per the prevailing market conditions. Please refer to Note 6(5) for details of inventory valuation and estimation.

(II) Evaluation of impairment of property, plant and equipment, and right-of-use assets

In the process of evaluating asset impairment, the Group needs to exercise its subjective judgment and determines the independent cash flow of a specific asset group, the number of the asset’s useful lives, and potential future gains and losses based on asset use patterns and industry characteristics. Changes in estimates due to changes in financial position or corporate strategy may result in significant impairment or reversal of recognized impairment losses in the future. Please refer to Notes 6(7) and (8) for the description of the key assumptions adopted for the recoverable amount.

The Group's accounting policies and disclosures include the adoption of fair value to measure its financial and non-financial assets and liabilities. The Group has established relevant internal control systems for fair value measurement. Of them, an investment team has been established to be responsible for reviewing all significant fair value measurements (including Level 3 fair value) and reporting directly to the responsible manager. The team regularly reviews significant unobservable inputs and adjustments. If an input used to measure fair value is based on external third-party information (such as a broker or pricing service institution), the investment team will assess the evidence provided by the third party in support of the input to confirm that the valuation and its fair value level are aligned with the requirements of IFRS. The fair value of investment property is estimated with reference to the current land value.

The Group adopts observable inputs in the market wherever possible when measuring its assets and liabilities. The fair value levels are based on the inputsused in the valuation techniques and are classified as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e.,

derived from prices).

- Level 3 inputs are not based on observable inputs (unobservable inputs) for the asset or liability.

If a transfer occurs between the fair value levels, the Group recognizes the transfer on the balance sheet date. Please refer to Note 6(23) “Financial instruments” for relevant information on the assumptions used to measure fair value.

VI. Description of Significant Account Titles

(I) Cash and cash equivalents

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Cash | $ 2,151 | 2,316 |
| Demand deposit | 644,460 | 338,477 |
| Time deposit | 193,700 | 491,980 |
| Checking deposit | 24,802 | 18,665 |
| Foreign currency deposit | 282 | 2,165 |
| | $ 865,395 | 853,603 |

Please refer to Note 6(23) for the disclosure of interest rate risk and sensitivity analysis of the Group’s financial assets and liabilities.

(II) Financial assets at fair value through other comprehensive income

1. The details are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| **Equity instruments at fair value through other comprehensive income - non-current:** | | |
| Domestic TWSE/TPEx listed stock - Nan Ya Plastics Corporation | $ 1,943 | 2,074 |
| Domestic TWSE/TPEx listed stock - Acer Incorporated | 1,702 | 744 |
| Domestic TWSE/TPEx listed stock - Winbond Electronics Corp. | 120 | 78 |
| Domestic privately placed stock - Choice | 43,770 | 23,280 |
| Hong Kong listed stock - Beijing Health (Holdings) Limited | 22,192 | 22,592 |
| Domestic non-TWSE/TPEx listed stock - Hsin Chun Build | 20,250 | 20,250 |
| Domestic non-TWSE/TPEx listed stock - The Roar Company Limited | 3,704 | 3,420 |
| Total | $ 93,681 | 72,438 |

These equity instrument investments held by the Group are long-term strategic investments and are not held for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

2. Due to the above equity instrument investments designated by the Group as at fair value through other comprehensive income, the dividend income recognized by the Group for 2023 and 2022 was NTD 1,124 thousand and NTD 4,157 thousand, respectively.
3. Please refer to Note 6(23) for credit risk and market risk information.
4. None of the above financial assets was pledged as collateral as of December 31, 2023 and 2022.

(III) Notes and accounts receivable

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Notes receivable - from operations | $ 8 | 881 |
| Accounts receivable at amortized cost | 22,091 | 17,761 |
| Less: Allowance for losses | (1,415) | (1,648) |
| | $ 20,684 | 16,994 |

The Group adopts a simplified approach to estimate expected credit losses for all notes and accounts receivables, which are measured at lifetime expected credit losses. To this end, such notes and accounts receivables are grouped by common credit risk characteristics that represent a customer's ability to pay all amounts due as per the contract terms with forward-looking information incorporated. The Group's expected credit loss analysis for the notes and accounts receivable is as follows:

| | 2023.12.31 | | |
|---|---|---|---|
| | Accounts receivable Carrying amount | Weighted average expected credit loss rate | Allowance for lifetime expected credit losses |
| Not past due | $ 19,100 | 0%~1% | 123 |
| Overdue for 0–90 days | 2,327 | 0%~29% | 620 |
| Overdue for more than 91 days | 672 | 100% | 672 |
| | $ 22,099 | | 1,415 |

| | 2022.12.31 | | |
|---|---|---|---|
| | Carrying amount of accounts receivable | Weighted average expected credit loss rate | Allowance for lifetime expected credit losses |
| Not past due | $ 16,100 | 0%~10% | 135 |
| Overdue for 0–90 days | 1,744 | 0%~43% | 715 |
| Overdue for more than 91 days | 798 | 100% | 798 |
| | $ 18,642 | | 1,648 |

The changes in allowances for losses on the Group’s notes and accounts receivable are as follows:

| | 2023 | 2022 |
|---|---|---|
| Opening balance | $ 1,648 | 1,734 |
| Amount written off as unable to be recovered in the current year | (233) | (86) |
| Ending balance | $ 1,415 | 1,648 |

None of the above notes and accounts receivable was pledged as collateral as of December 31, 2023 and 2022.

Please refer to Note 6(23) for other credit risks.

IV. Other receivables

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Other receivables - joint construction deposit | $ 47,500 | 47,500 |
| Other receivables - land contract termination payment | 15,459 | - |
| Others | 1,622 | 1,554 |
| Less: Allowance for losses | (6,000) | (6,000) |
| | $ 58,581 | 43,054 |

1. As of December 31, 2023 and 2022, the Group recognized an allowance for losses of NTD 6,000 thousand for a joint construction deposit due to the low possibility of recovery of this deposit based on the assessment.
2. Please refer to Note 6(23) for information on other credit risks.

(V) Inventories

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Merchandising business | | |
| Inventory of goods | $ 4,737 | 5,124 |
| Construction business | | |
| Real estate for sale | 339,059 | 339,059 |
| Construction in progress | 3,877,189 | 2,845,525 |
| Construction land | 1,619,139 | 1,399,821 |
| Prepayment for land | 365,391 | 42,290 |
| Subtotal | 6,200,778 | 4,626,695 |
| Total | $ 6,205,515 | 4,631,819 |
| Estimated to be recovered after more than 12 months | $ 4,999,937 | 4,287,635 |

1. The Group recognized the cost of inventories in cost of sales and expenses in 2023 and 2022 in the amounts of NTD 62,917 thousand and NTD 81,491 thousand, respectively.
2. The Group’s construction in progress in 2023 and 2022 was calculated at the capitalized interest rate of 1.76% and 1.53%. Please refer to Note 6(22) for the amount of capitalized interest.
3. Please refer to Note 8 for the Group's inventory pledged as collateral as of December 31, 2023 and 2022.

(VI) Investments using the equity method

The Group's investments using the equity method at the balance sheet date (after the balance of investments using the equity method is deducted) are shown below:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Associates | $ 21,126 | 25,472 |

1. The information on associates with materiality to the Group is as follows:

| Name of associate | Relations with the Group | Principal place of business | Proportion of ownership interest and voting rights | |
|---|---|---|---|---|
| | | | 2023.12.31 | 2022.12.31 |

| | | | | |
|---|---|---|---|---|
| SURV Planning And Development Co., Ltd. | Principal business is real estate development | Taiwan | 35% | 35% |

The aggregate financial information of the Group's material associates is as follows, and the respective associates' amounts included in the consolidated financial statements as per IFRS have been adjusted to reflect the fair value adjustment made by the Group when it acquired the equity of the associates and the adjustment made for the difference in accounting policies:

Aggregate financial information of SURV Planning And Development Co., Ltd.:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Current assets | $ 70,026 | 84,036 |
| Non-current assets | 15,504 | 15,519 |
| Current liabilities | (3,090) | (4,699) |
| Non-current liabilities | (19,088) | (19,088) |
| Net assets | $ 63,352 | 75,768 |
| Net assets attributable to non-controlling interests in investee | $ - | - |
| Net assets attributable to owners of investee | $ 63,352 | 75,768 |

| | 2023 | 2022 |
|---|---|---|
| Operating revenue | $ - | - |
| Net loss of continuing business units for the period | $ (12,417) | (24,232) |
| Other comprehensive income | - | - |
| Total comprehensive income | $ (12,417) | (24,232) |
| Total comprehensive income attributable to owners of investee | $ (12,417) | (24,232) |

| | 2023 | 2022 |
|---|---|---|
| The Group's share of the net assets of associates at the beginning of the period | $ 26,519 | 43,639 |
| Total comprehensive income attributable to the Group for the period | (4,346) | (8,481) |
| Dividends received from associates in the period | - | (8,639) |
| The Group's share of the net assets of associates at the end of the period | 22,173 | 26,519 |
| Carrying amount of the Group's equity in associates at the end of the period | $ 22,173 | 26,519 |

2. Aggregate financial information - associates that are not individually material

The Group's associates using the equity method are not material individually, and their aggregate financial information is as follows, which are the amounts included in the Group's consolidated financial statements:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Aggregate carrying amount of interests in individually immaterial associates at the end of the period | $ (1,047) | (1,047) |

Note: The Group, as of December 31, 2023 and 2022, accounted for the associate T-Design Co., Ltd. under “Investment credit balance using the equity method” due to its negative net worth, leading to a credit balance of the carrying amount of the long-term equity investment.

The Group sold 49% equity in Shi Hong Interior Design Co., Ltd. it held on April 27, 2022, completed the transfer of the equity and lost its significant influence on the latter, and recognized a gain on the disposal of NTD 12,445 thousand. Please refer to Note 6 (22) for the information on profit or loss.

The Group does not assume an associate's contingent liabilities jointly with other investors, or contingent liabilities arising from responsibility for an associate's liabilities; and the ability of the Group’s associate to transfer funds to the Company is not subject to significant restrictions.

3. Collateral

None of the above investments using the equity method by the Group was pledged as collateral as of December 31, 2023 and 2022.

4. Loss of control over subsidiaries

Due to Good One Company Limited’s liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023, causing the Company to lose control over it, and the carrying amount of the net assets derecognized due to the loss of control (i.e., the net consideration received for liquidation) is as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 5,888 |

(VII) Property, plant and equipment

The details of the changes in the cost, depreciation, and impairment losses of the Group’s property, plant and equipment are as follows:

| | Office equipment | Machinery and equipment | Leasehold improvement | Other equipment | Unfinished construction | Total |
|---|---|---|---|---|---|---|
| **Cost or deemed cost:** | | | | | | |
| Balance on January 1, 2023 | $ 33,408 | 56,315 | 832,245 | 140,712 | 22 | 1,062,702 |
| Addition | - | 1,103 | 2,304 | 2,868 | 6,701 | 12,976 |
| Disposal and scrapping | (1,151) | (830) | (113) | (3,575) | - | (5,669) |
| Reclassification | - | 16 | - | 753 | (714) | 55 |
| Balance on December 31, 2023 | $ 32,257 | 56,604 | 834,436 | 140,758 | 6,009 | 1,070,064 |
| Balance on January 1, 2022 | $ 35,528 | 56,701 | 833,077 | 136,902 | 1,834 | 1,064,042 |
| Addition | 451 | 450 | 275 | 8,669 | 326 | 10,171 |
| Disposal and scrapping | (2,571) | (891) | (1,157) | (6,432) | - | (11,051) |
| Reclassification | - | 55 | 50 | 1,573 | (2,138) | (460) |
| Balance on December 31, 2022 | $ 33,408 | 56,315 | 832,245 | 140,712 | 22 | 1,062,702 |
| **Depreciation and impairment losses:** | | | | | | |
| Balance on January 1, 2023 | $ 26,891 | 42,397 | 471,639 | 119,917 | - | 660,844 |
| Depreciation during the period | 1,198 | 3,021 | 45,284 | 6,238 | - | 55,741 |
| Disposal and scrapping | (921) | (825) | (113) | (3,521) | - | (5,380) |
| Reclassification | - | 56 | 22 | 105 | - | 183 |
| Balance on December 31, 2023 | $ 27,168 | 44,649 | 516,832 | 122,739 | - | 711,388 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance on January 1, 2022 | $ 27,890 | 39,183 | 424,026 | 117,193 | - | 608,292 |
| Depreciation during the period | 1,572 | 3,815 | 48,644 | 8,674 | - | 62,705 |
| Disposal and scrapping | (2,571) | (656) | (1,081) | (6,204) | - | (10,512) |
| Reclassification | - | 55 | 50 | 254 | - | 359 |
| Balance on December 31, 2022 | $ 26,891 | 42,397 | 471,639 | 119,917 | - | 660,844 |
| **Carrying amount:** | | | | | | |
| December 31, 2023 | $ 5,089 | 11,955 | 317,604 | 18,019 | 6,009 | 358,676 |
| January 1, 2022 | $ 7,638 | 17,518 | 409,051 | 19,709 | 1,834 | 455,750 |
| December 31, 2022 | $ 6,517 | 13,918 | 360,606 | 20,795 | 22 | 401,858 |

1. Impairment loss

    The Group assessed the impairment of the recoverable amount of operating assets (property, plant and equipment and right-of-use assets) on the balance sheet date and adopted the value in use as the basis for the calculation of the recoverable amount. The value-in-use calculation is based on the forecasted cash flows of each of the Group's operating segment for the next five years, while the cash flows beyond the five-year period are based on the growth rate assumptions assessed by the management. The cash flow of the financial forecast is based on industry changes, market competition, estimated future changes in annual revenue, gross margin, other operating costs, and other comprehensive factors. The Group adopted a discount rate of 5.45% and 4.96%, respectively, on December 31, 2023 and 2022 to reflect the specific risks of the relevant cash-generating units. Based on the results of the above assessment, there was no need to recognize the amount in impairment losses.

2. Collateral

    None of the above property, plant and equipment held by the Group was pledged as collateral as of December 31, 2023 and 2022.

(VIII) Right-of-use assets

For the right-of-use assets recognized, including buildings, machinery and equipment, and transportation equipment leased in by the Group, the details of the changes are as follows:

| | Buildings | Machinery and equipment | Transportation equipment | Total |
|---|---|---|---|---|
| **Cost of right-of-use assets:** | | | | |
| Balance on January 1, 2023 | $ 1,437,995 | 2,406 | 4,528 | 1,444,929 |
| Addition | 30,931 | - | - | 30,931 |
| Decrease | (67,013) | (2,406) | - | (69,419) |
| Balance on December 31, 2023 | $ 1,401,913 | - | 4,528 | 1,406,441 |
| Balance on January 1, 2022 | $ 1,380,768 | 2,406 | 5,087 | 1,388,261 |
| Addition | 58,206 | - | 647 | 58,853 |
| Decrease | (979) | - | (1,206) | (2,185) |
| Balance on December 31, 2022 | $ 1,437,995 | 2,406 | 4,528 | 1,444,929 |
| **Depreciation and impairment losses on right-of-use assets:** | | | | |
| Balance on January 1, 2023 | $ 404,763 | 2,027 | 1,908 | 408,698 |
| Depreciation during the period | 111,237 | 379 | 1,315 | 112,931 |
| Decrease | (38,841) | (2,406) | - | (41,247) |
| Balance on December 31, 2023 | $ 477,159 | - | 3,223 | 480,382 |
| Balance on January 1, 2022 | $ 288,934 | 1,520 | 1,788 | 292,242 |

| | | | | |
|---|---|---|---|---|
| Depreciation during the period | 116,808 | 507 | 1,326 | 118,641 |
| Decrease | (979) | - | (1,206) | (2,185) |
| Balance on December 31, 2022 | $ 404,763 | 2,027 | 1,908 | 408,698 |
| **Book value:** | | | | |
| December 31, 2023 | $ 924,754 | - | 1,305 | 926,059 |
| December 31, 2022 | $ 1,033,232 | 379 | 2,620 | 1,036,231 |

The Group assessed the impairment of the recoverable amount of the right-of-use asset on the balance sheet date. Please refer to Note 6(7) for information on the assessment.

(IX) Investment property

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Land | | |
| Cost | $ 19,809 | 19,809 |
| Impairment | (13,000) | (13,000) |
| Total investment property | $ 6,809 | 6,809 |
| Fair value | $ 52,387 | 50,204 |

The Group's investment property is mainly held for gains from capital appreciation, so it is recognized in investment property.

The fair value of investment property is estimated with reference to the current land value for each reporting period. The input used in the fair value measurement is Level 3 fair value.

None of the above investment property held by the Group was pledged as collateral as of December 31, 2023 and 2022.

(X) Other financial assets

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Current: | | |
| Other financial assets - certificates of deposit | $ 20,000 | 126,180 |
| Other financial assets - certificates of deposit pledged | - | 91,980 |
| Other financial assets - trust account for presale of properties | 98,145 | 171,299 |
| Other financial assets - guarantee deposits for corporate bonds | 60,600 | - |
| Joint construction deposit | 209,320 | 245,528 |
| | $ 388,065 | 634,987 |
| Non-current: | | |
| Other financial assets - guarantee deposits for corporate bonds | $ 332,805 | 394,592 |
| Guarantee deposits paid - certificates of deposit pledged | 35,000 | - |
| Guarantee deposits paid - security deposits for leasing | 33,206 | 33,213 |
| Guarantee deposits paid - security deposits for provisional attachment | 12,583 | - |
| | $ 413,594 | 427,805 |

Please refer to Note 8 for the Group's other financial assets pledged as collateral as of December 31, 2023 and 2022.

(XI) Short-term borrowings

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Unsecured bank borrowings | $ 1,107,000 | 489,000 |
| Secured bank borrowings | 1,869,200 | 1,378,223 |
| Total | $ 2,976,200 | 1,867,223 |
| Amount not drawn | $ 3,980,212 | 2,189,000 |
| Interest rate range | 1.92%~2.57% | 1.505%~2.615% |

1. Please refer to Note 6(23) for information on exposure to liquidity risk.
2. Collateral for bank borrowings

   Please refer to Note 8 for the Group's assets provided as collateral for bank borrowings as of December 31, 2023 and 2022.

(XII) Short-term notes and bills payable

The details of the Group’s short-term notes and bills payable are as follows:

| | 2023.12.31 | | |
|---|---|---|---|
| | **Guarantee or acceptance institution** | **Interest rate range** | **Amount** |
| Commercial promissory note payable | Union Bills Finance Corporation, Dah Chung Bills Finance Corp., Mega Bills Finance Co., Ltd., Taiwan Finance Corporation, and Taiwan Cooperative Bills Finance Corporation | 1.988%~2.820% | $ 240,000 |
| Less: Discount of short-term notes and bills payable | | | (454) |
| Total | | | $ 239,546 |
| Amount not drawn | | | $ 210,000 |

| | 2022.12.31 | | |
|---|---|---|---|
| | **Guarantee or acceptance institution** | **Interest rate range** | **Amount** |
| Commercial promissory note payable | China Bills Finance Corporation, Dah Chung Bills Finance Corp., International Bills Finance Corporation, Mega Bills Finance Co., Ltd., Taiwan Finance Corporation, and Taiwan Cooperative Bills Finance Corporation | - | $ - |
| Amount not drawn | | | $ 450,000 |

The Group did not take assets as collateral to secure the short-term notes payable as of December 31, 2023 and 2022. Please refer to Note 6(23) for information on liquidity risk.

(XIII) Long-term borrowings

The details, terms, and conditions of the Group's long-term borrowings are as follows:

| | 2023.12.31 | | | |
|---|---|---|---|---|
| | Currency | Interest rate range | Deadline year | Amount |
| Secured bank borrowings | NTD | 2.095% | 114.10.06 | $ 35,000 |
| Less: Current portion | | | | (5,783) |
| Total | | | | $ 29,217 |
| Amount not drawn | | | | $ - |

Please refer to Note 8 for details of the assets pledged by the Group to secure long-term borrowings.

(XIV) Corporate bonds payable

1. The information on the corporate bonds payable issued by the Group is as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Domestic ordinary corporate bonds issued | $ 2,800,000 | 2,800,000 |
| Unamortized balance of discounted corporate bonds payable | (3,958) | (5,709) |
| Less: Current portion | (599,940) | - |
| Balance of corporate bonds payable at the end of the period | $ 2,196,102 | 2,794,291 |

2. The rights and obligations of the Group's domestic secured ordinary corporate bonds are as follows:

| Item | The first issue of domestic secured corporate bonds in 2021 |
|---|---|
| Total issue amount | NTD 1,200,000 thousand |
| Issue date | 2022.01.12 |
| Coupon rate | 0.60% |
| Issue period | 2022.01.12~2027.01.12 |
| Guarantee agency | Hua Nan Commercial Bank Ltd. |
| Trustee | Taishin International Bank |
| Repayment method | The Group may repay the principal in one lump sum upon the end of five years from the date of issue of the corporate bonds. |
| Interest accrual method | From the date of issuance of the corporate bonds, the interest is paid annually at the coupon rate of simple interest on the balance of the outstanding bonds. Interest will be accrued on every NTD 1 million and rounded to the nearest NTD 1. If the principal and interest payment date of the Company's bonds is a non-business day of a bank at the place of payment, the principal and interest will be paid on the business day next to the non-business day without additional interest accrued and paid. If the principal and interest are withdrawn after the principal and interest payment date, no additional interest will be accrued and paid. |

| Item | The first issue of domestic secured corporate bonds in 2020 |
|---|---|
| Total issue amount | NTD 1,000,000 thousand |

| | |
|---|---|
| Issue date | 2021.01.14 |
| Coupon rate | 0.62% |
| Issue period | 2021.01.14~2026.01.14 |
| Guarantee agency | First Commercial Bank |
| Trustee | Taishin International Bank |
| Repayment method | The Group may repay the principal in one lump sum upon the end of five years from the date of issue of the corporate bonds. |
| Interest accrual method | From the date of issuance of the corporate bonds, the interest is paid annually at the coupon rate of simple interest on the balance of the outstanding bonds. Interest will be accrued on every NTD 1 million and rounded to the nearest NTD 1. If the principal and interest payment date of the Company's bonds is a non-business day of a bank at the place of payment, the principal and interest will be paid on the business day next to the non-business day without additional interest accrued and paid. If the principal and interest are withdrawn after the principal and interest payment date, no additional moratory interest will be accrued and paid. |

| **Item** | **The first issue of domestic secured corporate bonds in 2019** |
|---|---|
| Total issue amount | NTD 600,000 thousand |
| Issue date | 2019.07.29 |
| Coupon rate | 0.80% |
| Issue period | 2019.07.29~2024.07.29 |
| Guarantee agency | First Commercial Bank |
| Trustee | E.SUN Commercial Bank |
| Repayment method | The Group may repay the principal in one lump sum upon the end of five years from the date of issue of the corporate bonds. |
| Interest accrual method | From the date of issuance of the corporate bonds, the interest is paid annually at the coupon rate of simple interest on the balance of the outstanding bonds. Interest will be accrued on every NTD 1 million and rounded to the nearest NTD 1. If the principal and interest payment date of the Company's bonds is a non-business day of a bank at the place of payment, the principal and interest will be paid on the business day next to the non-business day without additional interest accrued and paid. If the principal and interest are withdrawn after the principal and interest payment date, no additional interest will be accrued and paid. |

3. Please refer to Note 8 for details of the guarantees provided for said secured ordinary corporate bonds.

(XV) Lease liabilities

The carrying amounts of the Group’s lease liabilities are as follows:

| | **2023.12.31** | **2022.12.31** |
|---|---|---|
| Current | **$ 110,315** | **109,606** |
| Non-current | **$ 929,497** | **1,046,718** |

Please refer to Note 6(23) “Financial instruments” for maturity analysis.

The amounts recognized in profit or loss are as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest expense on lease liabilities | $ 19,607 | 20,857 |
| Variable lease payments not included in the measurement of lease liabilities | $ 7,228 | 5,398 |
| Gains from sublease of right-of-use assets | $ 411 | 423 |
| Expenses on short-term leases | $ 187 | 227 |
| Expenses on low-value leased assets (excluding short-term, low-value leases) | $ 7,071 | 7,380 |
| Rent concessions related to the COVID-19 pandemic (recognized as rent reductions) | $ - | 9,322 |

The amounts recognized in the Statements of Cash Flows are as follows:

| | 2023 | 2022 |
|---|---|---|
| Total cash outflow from leases | $ 162,784 | 156,531 |

1. Lease-in of land and buildings

   The Group leases in land and buildings as offices and business premises. The lease term for the offices is usually two to three years and that for the business premises is 2 to 21 years. Some leases include an option to extend the lease term for the same period as in the original contract.

   The lease payments of some contracts depend on the changes in the local price index or are calculated based on the sales of the storefronts leased in by the Group over the lease term.

   Some contracts also stipulate that the Group will advance the lessor's taxes and insurance expenses related to the property, and such expenses are usually incurred once a year.

   Some of the lease contracts contain options for lease extension or lease termination, and such contracts are managed by each entity of the Group separately, so the individual terms and conditions agreed upon vary within the Group. Such options can only be exercised by the Group rather than the lessors. Where it is not reasonably certain that an option to extend the lease term will be exercised, payments related to the term covered by the option are not included in the lease liabilities.

2. Other leases

   The lease term for the transportation equipment leased by the Group ranges from one to four years.

   The lease term for the office equipment leased by the Group ranges from one to five years. As such leases are short-term or low-value leases, the Group elects to apply the exemption from recognition and does not recognize the relevant right-of-use assets and lease liabilities thereof.

(XVI) Employee benefits

1. Defined benefit plan

   The reconciliation between the present value of the defined benefit obligation and the fair value of the plan assets is as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Present value of the defined benefit obligation | $ 4,933 | 5,857 |
| Fair value of the plan assets | (10,916) | (10,678) |
| Net defined benefit (asset) liability | $ (5,983) | (4,821) |

The details of the Group's employee benefit liabilities are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Paid leave liability | $ 2,564 | 4,020 |

The Group’s defined benefit plan is transferred to the pension reserve account with the Bank of Taiwan. Pension payment for each employee to which the Labor Standards Act applies is calculated based on the number of units obtained for the length of services and the average salary for the six months prior to retirement.

(1) Composition of plan assets

The pension fund contributed by the Group in accordance with the Labor Standards Act is under the overall management of the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the “Bureau of Labor Funds”). Per the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum income from the use of the fund, distributed annually, shall not be lower than the income from two-year time deposits with the interest rates offered by local banks.

As of the balance sheet date, the balance of the Group’s pension reserve account with the Bank of Taiwan amounted to NTD 10,916 thousand. The information on the use of the assets of the labor pension fund includes the yield rate and the asset allocation of the fund. Please refer to the information published on the website of the Bureau of Labor Funds.

(2) Changes in the present value of the defined benefit obligation

The changes in the present value of the Group’s defined benefit obligations in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Defined benefit obligation on January 1 | $ 5,857 | 12,172 |
| Current service cost and interest | 80 | 46 |
| Remeasurement of net defined benefit (asset) liability | | |
| - Actuarial gain or loss from experience adjustments | 152 | (5,887) |
| - Actuarial gain or loss from changes in demographic assumptions | - | (474) |
| - Actuarial gain or loss from changes in financial assumptions | (1,156) | - |
| Defined benefit obligation on December 31 | $ 4,933 | 5,857 |

(3) Changes in fair value of the plan assets

The changes in the fair value of the Group's defined benefit plan assets in

2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Fair value of the plan assets on January 1 | $ 10,678 | 9,729 |
| Interest income | 153 | 46 |
| Remeasurement of net defined benefit (asset) liability | | |
| - Return on plan asset (excluding current interest) | 75 | 772 |
| Contribution to the plan | 10 | 131 |
| Fair value of the plan assets on December 31 | **$ 10,916** | **10,678** |

(4) Expenses recognized in profit or loss

Expenses recognized as profit or loss by the Group in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Net interest on net defined benefit (asset) liability | **$ (73)** | **-** |
| Operating expenses | **$ (73)** | **-** |

(5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The remeasurement of the Group's cumulative net defined benefit liability (asset) recognized in other comprehensive income for 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Cumulative balance on January 1 | $ (11,544) | (4,411) |
| Recognized in this period | (1,079) | (7,133) |
| Balance on December 31 | **$ (12,623)** | **(11,544)** |

(6) Actuarial assumptions

The significant actuarial assumptions adopted by the Group to determine the present value of the defined benefit obligation at the end of the financial reporting period are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Discount rate | 1.125% | 1.50% |
| Future salary increase | 2.00% | 2.00% |

The Group expects to contribute NTD 0 to the defined benefit plan within one year after the 2023 balance sheet date

The weighted average duration of the defined benefit plan is 8.3 years.

(7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group should exercise judgments and conduct estimation to determine relevant actuarial assumptions on the balance sheet date, including discount rates, employee turnover rates, and future salary changes. Changes in any actuarial assumptions may materially affect the amount of the Group's defined benefit obligation.

The effect of changes in the main actuarial assumptions adopted on December 31, 2023 and 2022 on the present value of the defined benefit obligation is as follows:

| | **Effect on the defined benefit obligation** | |
|---|---|---|
| | **Increase by 0.25%** | **Decrease by 0.25%** |
| December 31, 2023 | | |
| Discount rate (change by 0.25%) | (2.07)% | 2.14 |
| Future salary increase (change by 0.25%) | 2.07% | (2.02)% |
| December 31, 2022 | | |
| Discount rate (change by 0.25%) | (1.85)% | 1.92% |
| Future salary increase (change by 0.25%) | 1.87% | (1.82)% |

The sensitivity analysis above is based on the analysis of the effect of a change in a single assumption while other assumptions remain unchanged. In practice, many assumptions may change at the same time. The sensitivity analysis is consistent with the method used to calculate the net defined benefit liability on the balance sheet.

The methods and assumptions adopted in sensitivity analysis in this period are the same as those in the prior period.

2. Defined contribution plan

The Group's defined contribution plan is as per the Labor Pension Act, and the Company makes a contribution equal to 6% of each employee’s monthly salary to employees’ individual pension accounts under the Bureau of Labor Insurance. Under this plan, after the Group has provided a fixed amount to the Bureau of Labor Insurance, it has no legal or constructive obligation to pay additional amounts.

The Group’s pension expenses under the defined contribution plan in 2023 and 2022 were NTD 9,454 thousand and NTD 8,272 thousand, respectively, which have been contributed to the Bureau of Labor Insurance.

(XVII) Income tax

1. Income tax expense

The details of the Group’s income tax expenses for 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Income tax expense in this period | | |
| Income tax expense | $ 865 | 2,031 |
| Adjustment to the income tax for the prior period | - | (42) |
| Surtax on undistributed earnings | 289 | - |
| | 1,154 | 1,989 |
| Deferred tax expense | | |
| Temporary differences occurring and reversed | 832 | 832 |
| Income tax expense from continuing operations | $ 1,986 | 2,821 |

The reconciliation of the Group's income tax expenses (benefits) and net losses before tax for 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Net loss before tax | $ (112,911) | (225,358) |
| Income tax calculated at the domestic tax rate where the Company is located | $ (22,582) | (45,072) |
| Domestic investment gains or losses recognized using the equity method | 869 | 2,323 |
| Book-tax differences from gain or loss on disposal of investment | (14,822) | (627) |
| Capitalized financial and tax differences | 7,396 | 9,305 |
| Changes in unrecognized temporary differences | (1,896) | (264) |
| Government grants (due to the impact of the COVID-19 pandemic) | (635) | (3,982) |
| Unrecognized current tax losses on deferred tax assets | 34,690 | 37,496 |
| Overestimation/Underestimation in the prior period | - | (42) |
| Surtax on undistributed earnings | 289 | - |
| Others | (1,323) | 3,684 |
| Total | $ 1,986 | 2,821 |

2. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

Items not recognized as deferred tax assets by the Group are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Tax loss | $ 240,994 | 205,854 |
| Others | 18,885 | 19,787 |
| | $ 259,879 | 225,641 |

Taxable losses are determined in accordance with the Income Tax Act, and the losses for the previous ten years may be deducted from the net income for the year after being approved by the tax authority before the income is taxed. Such an item is not recognized in deferred tax assets because it is not highly probable that the Group will have sufficient taxable income in the future for the temporary differences.

As of December 31, 2023, the tax losses not used yet and the deadlines for the Group to use the tax losses are as follows:

| Year | Losses not yet used | Last valid year |
|---|---|---|
| 2014 | $ 45,189 | 2024 |
| 2015 | 81,762 | 2025 |
| 2017 | 419 | 2027 |
| 2019 | 12,836 | 2029 |
| 2020 | 191,682 | 2030 |
| 2021 | 496,002 | 2031 |
| 2022 | 203,634 | 2032 |
| 2023 | 173,448 | 2033 |
| | $ 1,204,972 | |

(2) Deferred tax assets recognized

The changes in the deferred tax assets recognized by the Group in 2023 and 2022 are as follows:

Deferred tax assets

| | Right-of-use assets |
|---|---|
| **January 1, 2023** | $ 8,590 |
| Credit income statement | (832) |
| **December 31, 2023** | $ 7,758 |
| | |
| **January 1, 2022** | $ 9,422 |
| Credit income statement | (832) |
| **December 31, 2022** | $ 8,590 |

3. Approval of income tax returns

The Group's profit-seeking enterprise income tax returns filed approved by the tax authority are as follows:

| Company | Year |
|---|---|
| The Company | 2021 |
| Charter Leisure Co., Ltd. | 2021 |
| Huide Development Company Limited | 2021 |
| Qun Xin Properties Co., Ltd. | 2021 |

(XVIII) Capital and other interests

1. Share capital

The total amount of the Company's authorized capital as of December 31, 2023 and 2022 was NTD 3,000,000 thousand, divided into 300,000 thousand shares, with a par value of NTD 10 per share. The above-mentioned authorized capital is in the form of common shares. The number of outstanding common shares was 226,379 thousand shares, and all capital contributions for the shares have been received.

2. Capital surplus

The balance of the Company's capital surplus is as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Share issued at a premium | $ 16,408 | 16,408 |
| Share issued at a premium - employee stock options | 1,076 | 1,076 |
| | $ 17,484 | 17,484 |

According to the Company Act, the capital surplus shall be used to compensate a deficit first before the realized capital surplus can be converted into capital or used to pay out cash dividends. The realized capital surplus referred to in the preceding paragraph includes the premium from shares issued in excess of the par value, the difference between the price of the shares actually acquired or disposed of in a subsidiary and the book value, and the income from gifts. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus to be used as capital shall not exceed 10% of the paid-in capital.

3. Retained earnings

As per the Articles of Incorporation, if there are earnings at the end of a 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 is involved in the construction industry, it considers 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 NTD 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.

(1) Legal reserve

When the Company suffers no losses, it may, upon a resolution by the shareholders' meeting, issue new shares or pay out cash from the legal reserve, but only to the extent that such reserve exceeds 25% of the paid-in capital.

(2) Special reserve

As per the regulations of the FSC, when the Company distributes the distributable earnings, it shall set aside a special reserve from the amount of the current period's net profit after tax, plus items other than the current period's net profit after tax included in the current period's undistributed earnings, in the same amount of the net deduction of other shareholders' equity in the year; in the case of an insufficiency, an amount shall be provided from the undistributed earnings from the prior period; and, as for the cumulative deduction amount of other shareholders' equity, the Group shall set aside a special reserve from the undistributed earnings from the prior period and shall not distribute it. If there is a subsequent reversal of the amount of the deduction of other shareholders' equity, the earnings may be distributed from the reversed portion.

(3) Earnings distribution

The Company's annual general meeting, on June 1, 2023 and June 10, 2022, passed a resolution not to distribute 2022 and 2021 earnings due to a loss suffered by the Company.

4. Other equity interests (net of tax)

| | Unrealized gain or loss on financial assets at fair value through other comprehensive income |
|---|---|
| Balance on January 1, 2023 | $ (225,139) |
| Unrealized gain or loss on financial assets at fair value through other comprehensive income | 20,861 |
| Balance on December 31, 2023 | **$ (204,278)** |
| Balance on January 1, 2022 | $ (217,455) |
| Unrealized gain or loss on financial assets at fair value through other comprehensive income | (7,684) |
| Balance on December 31, 2022 | **$ (225,139)** |

5. Non-controlling interests

| | Share attributable to non-controlling interests | |
|---|---|---|
| | **2023** | **2022** |
| Opening balance | $ 81,784 | 97,898 |
| Net gain (loss) on non-controlling interests | 4,411 | (20,088) |
| Unrealized gain or loss on financial assets at fair value through other comprehensive income | 382 | (70) |
| Actuarial gain or loss on defined benefits | 612 | 4,044 |
| | **$ 87,189** | **81,784** |

(XIX) Loss per share

The calculation of the Group's basic loss per share is as follows:

| | **2023** | **2022** |
|---|---|---|
| **Basic loss per share** | | |
| Net loss attributable to holders of the Company's common shares | $ (119,308) | (208,091) |
| Weighted average number of common shares outstanding | 226,379 | 226,379 |
| Basic loss per share | $ (0.53) | (0.92) |
| **Diluted loss per share** | $ (0.53) | (0.92) |

(XX) Revenue from customer contracts

1. Details of revenue

| | 2023 | | | |
|---|---|---|---|---|
| | **Construction and development** | **Leisure and recreation** | **Catering and hotel** | **Total** |
| Main product/service lines: | | | | |
| Accommodation | $ - | - | 366,524 | 366,524 |
| Food and drink service | - | 2,255 | 155,992 | 158,247 |
| Membership service | - | 65,631 | - | 65,631 |
| Others | 3,482 | 12,095 | 3,234 | 18,811 |
| | **$ 3,482** | **79,981** | **525,750** | **609,213** |

| | 2022 | | | |
|---|---|---|---|---|
| | **Construction and development** | **Leisure and recreation** | **Catering and hotel** | **Total** |
| Main product/service lines: | | | | |
| Sales of real estate | $ 22,496 | - | - | 22,496 |
| Accommodation | - | - | 193,888 | 193,888 |
| Food and drink service | - | - | 155,798 | 155,798 |
| Membership service | - | 66,436 | - | 66,436 |
| Others | 2,980 | 7,856 | 2,739 | 13,575 |
| | **$ 25,476** | **74,292** | **352,425** | **452,193** |

2. Contract balance

| | **2023.12.31** | **2022.12.31** | **2022.1.1** |
|---|---|---|---|
| Accounts and notes receivable | $ 22,099 | 18,642 | 19,216 |
| Less: Allowance for losses | (1,415) | (1,648) | (1,734) |
| | **$ 20,684** | **16,994** | **17,482** |
| Contract liabilities | **$ 739,217** | **607,969** | **478,906** |

Please refer to Note 6(3) for the disclosure of notes and accounts receivable and the impairment thereof.

The opening balances of contract liabilities on January 1, 2023 and 2022 recognized in income for 2023 and 2022 were in the amounts of NTD 12,429 thousand and NTD 22,632 thousand, respectively.

Changes in contract liabilities are mainly attributable to the difference between the time when the Group transfers goods or services to customers to satisfy performance obligations and when customers pay.

(XXI) Remuneration of employees, directors, and supervisors

Per the Company's Articles of Incorporation, if the Company makes a profit in a year, it shall allocate 8% of the balance as employee remuneration and no more than 5% as directors' remuneration. However, profits must first be reserved to offset against the cumulative deficit, if applicable.

As the Company suffered a cumulative deficit in both 2023 and 2022, there was no need to estimate the amount of employee remuneration and directors' remuneration. In addition, the amount of the Company's employee remuneration and directors' remuneration are estimated based on the Company's net income before tax for each period before employee remuneration and directors' remuneration are deducted, multiplied by the percentages of employee remuneration and directors' remuneration as stipulated in the Company's Articles of Incorporation, which is recognized as operating costs or operating expenses for the period. If there is a difference between the amount distributed in the following year and the estimated amount, it will be treated as a change in accounting estimates, and the difference will be recognized in the following year's profit or loss. Relevant information is available on the MOPS.

The Company's employee remuneration and director remuneration for 2023 and 2022 were both in the amounts of NTD 0 as no profit was made during both years as per the Articles of Association, which was no different from the actual distribution.

(XXII) Non-operating income and expenses

1. Interest income

The details of the Group's interest income for 2023 and 2022 are as follows:

| | **2023** | **2022** |
|---|---|---|
| Interest on bank deposits | $ 18,513 | 8,672 |
| Other interest income | 3,198 | 2 |
| | **$ 21,711** | **8,674** |

2. Other income

The details of the Group's other income for 2023 and 2022 are as follows:

| | **2023** | **2022** |
|---|---|---|
| Dividend income | $ 1,124 | 4,157 |
| Government grants | 3,214 | 19,909 |
| Others | 5,473 | 15,288 |
| | **$ 9,811** | **39,354** |

3. Other gains and losses

The details of the Group's other gains and losses in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Foreign exchange gains (losses) | $ 14,625 | (10,892) |
| Gain (Loss) on disposal of property, plant and equipment | 157 | (528) |
| Gain on disposal of investments | - | 12,445 |
| Miscellaneous income and expenses | (20,268) | (1,250) |
| | $ (5,486) | (225) |

4. Financial costs

The Group’s financial costs for 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest expense | | |
| Bank borrowings | $ 53,337 | 34,846 |
| Corporate bonds | 38,368 | 37,866 |
| Lease liabilities | 19,607 | 20,857 |
| Others | 196 | - |
| Less: Capitalized interest | (32,204) | (15,690) |
| | $ 79,304 | 77,879 |

(XXIII) Financial instruments

1. Credit risk

(1) Exposure to credit risk

The carrying amount of various financial assets held by the Group represents the maximum exposure to credit risk.

(2) Credit concentration risk

As the Group has a large customer base and does not have significant customer concentration in transactions, there is no significant credit concentration risk of accounts receivable. In order to reduce the credit risk, the Group also regularly and continuously evaluates each customer's financial position but does not require the customer to provide collateral.

(3) Credit risk of receivables

Please refer to Note 6(3) for information on the exposure of notes and accounts receivable to the credit risk.

The Group’s other financial assets measured at amortized cost include other receivables and certificates of deposit. The Group’s transaction counterparties and counterparties of contracts are financial institutions at the investment grade or above. There are no major concerns about contract performance, so the credit risk is considered low. Therefore, an allowance for losses for the period were measured at the twelve-month expected credit loss. Please refer to Note 6 (3) for changes in allowance for losses as of December 31, 2023 and 2022.

2. Liquidity risk

The Group's working capital is sufficient to cover it, so there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations.

The table below indicates the contractual maturity dates for financial liabilities, including estimated interest but excluding the effect of netting agreements.

| | Carrying amount | Contracts Cash flows | Within 1 year | 1-2 years | Over 2 years |
|---|---|---|---|---|---|
| **December 31, 2023** | | | | | |
| Non-derivative liabilities: | | | | | |
| Secured bank borrowings | $ 1,904,200 | 2,045,415 | 202,764 | 77,347 | 1,765,304 |
| Unsecured bank borrowings | 1,107,000 | 1,118,664 | 880,050 | 238,614 | - |
| Short-term notes and bills payable | 239,546 | 240,038 | 240,038 | - | - |
| Lease liabilities | 1,039,812 | 1,142,102 | 126,989 | 123,869 | 891,244 |
| Accounts and other payables | 482,100 | 482,100 | 360,742 | 4,719 | 116,639 |
| Secured ordinary corporate bonds (including corporate bonds maturing within one year or one operating cycle) | 2,796,042 | 2,873,861 | 630,589 | 27,787 | 2,215,485 |
| Guarantee deposits received | 882 | 882 | - | 882 | - |
| | $ 7,569,582 | 7,903,062 | 2,441,172 | 473,218 | 4,988,672 |
| **December 31, 2022** | | | | | |
| Non-derivative liabilities: | | | | | |
| Secured bank borrowings | $ 1,378,223 | 1,500,420 | 51,188 | 30,874 | 1,418,358 |
| Unsecured bank borrowings | 489,000 | 492,110 | 437,783 | 1,232 | 53,095 |
| Lease liabilities | 1,156,324 | 1,276,975 | 129,092 | 127,711 | 1,020,172 |
| Accounts and other payables | 567,884 | 567,884 | 536,289 | 4,718 | 26,877 |
| Secured ordinary corporate bonds | 2,794,291 | 2,855,386 | 18,200 | 616,148 | 2,221,038 |
| Guarantee deposits received | 769 | 769 | - | 769 | - |
| | $ 6,386,491 | 6,693,544 | 1,172,552 | 781,452 | 4,739,540 |

The Group does not expect that the timing of the cash flows for the maturity analysis will occur significantly earlier or that the actual amounts will be significantly different.

3. Market risk

(1) Exchange rate risk

The Group's investment in financial assets exposed to material foreign currency exchange rate risk is as follows:

| | 2023.12.31 | | | 2022.12.31 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 9 | 30.655 | 271 | 9,000 | 30.6600 | 275,940 |
| Non-monetary items | | | | | | |
| HKD | 5,645 | 3.931 | 22,191 | 5,730 | 3.943 | 22,592 |

(2) Sensitivity analysis

The Group’s exchange rate risk mainly arises from cash and cash equivalents and time deposits denominated in foreign currencies, from which foreign exchange gains and losses arise during translation. On December 31, 2023 and 2022, when the NTD depreciated or appreciated by 1% against USD, with all other factors held constant, the net loss after tax for 2023 and 2022 would have increased or decreased by NTD 2 thousand and NTD 2,208 thousand, respectively. The analyses in the two periods are on the same basis.

4. Interest rate analysis

The exposure of the Group's financial assets and financial liabilities to interest rate risk is described in liquidity risk management in this note.

The sensitivity analysis below is based on the exposure of non-derivative instruments to interest rate risk at the balance sheet date. For floating-rate liabilities, the analysis is based on an assumption that the amount of a liability outstanding at the balance sheet date is outstanding throughout the year. The sensitivity to a 0.5% change in interest rate is used when reporting the interest rate risk internally to key management personnel and also represents the management’s assessment of the reasonably possible change in interest rates.

If the interest rate increased/decreased by 0.5% and all other variables remain unchanged, the Group’s net loss for 2023 and 2022 would have decreased/increased by NTD 10,572 thousand and NTD 4,803 thousand, respectively, mainly due to the Group’s borrowings at variable interest rates.

5. Other price risks

If the price of equity securities changes on the balance sheet date (the analyses in the two periods are on the same basis while other factors are assumed to remain unchanged), the impact on the comprehensive income items is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Securities prices on the balance sheet date** | **Other comprehensive income after tax** | **Other comprehensive income after tax** |
| Increase by 3% | $ 2,810 | 2,173 |
| Decrease by 3% | $ (2,810) | (2,173) |

6. Information on fair value

(1) Types and fair values of financial instruments

The Group's financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The carrying amounts and fair values of various types of financial assets and financial liabilities (including fair value level information, but the carrying amounts of financial instruments not measured by fair value is a reasonable approximation of fair value, and the fair values of lease liabilities per the regulations, are not required to be disclosed) are listed below:

| | 2023.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at fair value through other | | | | | |

| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| comprehensive income | | | | | |
| Domestic and foreign listed stocks | $ 25,957 | 25,957 | - | - | 25,957 |
| Publicly listed companies' privately placed stocks | 43,770 | - | 43,770 | - | 43,770 |
| Domestic non-listed stocks | 23,954 | - | - | 23,954 | 23,954 |
| Subtotal | 93,681 | 25,957 | 43,770 | 23,954 | 93,681 |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | 865,395 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 20,684 | - | - | - | - |
| Other receivables (including related parties) | 58,581 | - | - | - | - |
| Other financial assets (current and non-current) | 801,659 | - | - | - | - |
| Subtotal | 1,746,319 | - | - | - | - |
| Total | $ 1,840,000 | 25,957 | 43,770 | 23,954 | 93,681 |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings and short-term notes and bills payable | $ 3,215,746 | - | - | - | - |
| Notes and accounts payable (including related parties) | 368,072 | - | - | - | - |
| Other payables (including related parties) | 114,028 | - | - | - | - |
| Lease liabilities (current and non-current) | 1,039,812 | - | - | - | - |
| Secured ordinary corporate bonds (including corporate bonds maturing within one year or one operating cycle) | 2,796,042 | - | 2,749,092 | - | 2,749,092 |
| Guarantee deposits received | 882 | - | - | - | - |
| Total | $ 7,534,582 | - | 2,749,092 | - | 2,749,092 |

| | 2022.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic and foreign listed stocks | $ 25,488 | 25,488 | - | - | 25,488 |
| Publicly listed companies' privately placed stocks | 23,280 | - | 23,280 | - | 23,280 |
| Domestic non-listed stocks | 23,670 | - | - | 23,670 | 23,670 |
| Subtotal | 72,438 | 25,488 | 23,280 | 23,670 | 72,438 |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | 853,603 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 16,994 | - | - | - | - |
| Other receivables (including related parties) | 43,054 | - | - | - | - |
| Other financial assets (current and non-current) | 1,062,792 | - | - | - | - |
| Subtotal | 1,976,443 | - | - | - | - |
| Total | $ 2,048,881 | 25,488 | 23,280 | 23,670 | 72,438 |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings and short-term notes and bills payable | $ 1,867,223 | - | - | - | - |
| Notes and accounts payable (including related parties) | 464,440 | - | - | - | - |
| Other payables (including related parties) | 103,444 | - | - | - | - |
| Lease liabilities (current and non-current) | 1,156,324 | - | - | - | - |
| Secured ordinary corporate bonds | 2,794,291 | - | 2,717,981 | - | 2,717,981 |
| Guarantee deposits received | 769 | - | - | - | - |
| Total | $ 6,386,491 | - | 2,717,981 | - | 2,717,981 |

(2) Fair value valuation techniques for financial instruments not at fair value

The methods and assumptions adopted by the Group to estimate instruments not at fair value are as follows:

(2.1) Financial assets and liabilities at amortized cost

If there is information on quoted prices from transactions or market makers, the latest transaction price and quoted price should be adopted as the basis for valuating the fair value. If there is no information on market prices for reference, the valuation method is adopted for estimation. The estimates and assumptions used in the valuation method are the discounted value of cash flows to estimate the fair value. The fair values of ordinary corporate bonds payable are measured at Level 2 inputs, and the fair values are measured based on the weighted average price in hundreds of dollars announced by Taipei Exchange on the reporting date.

(3) Fair value valuation techniques for financial instruments at fair value

(3.1) Non-derivative financial instruments

When a financial instrument is quoted in an active market, the quoted price in the active market is the fair value.

A financial instrument is deemed to be with quoted prices in the active markets if its quoted prices can be obtained from exchanges, brokers, underwriters, industry associations, pricing services institutions, or competent authorities in a timely and regular manner, and the prices represent the prices in actual fair market transactions that occur frequently. If the above criteria are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low trading volume are all indicators of an inactive market.

Except for the above financial instruments with active markets, the fair values of other financial instruments are obtained through valuation techniques or with reference to the quoted prices by counterparties. The fair value obtained through valuation techniques may be calculated and obtained with reference to the present fair value of other financial instruments with substantively similar criteria and characteristics, discounted cash flow method, or other valuation techniques, including the use of models based on market information available at the balance sheet date.

(4) Transfer between levels of fair values

There was no change in the Group’s valuation techniques for fair values in 2023 and 2022. In addition, there was no transfer between the levels of fair values in 2023 and 2022.

(5) Quantitative information on measurement of significant unobservable fair value input (Level 3)

The Group's Level 3 fair value mainly includes financial assets at fair value through other comprehensive income.

There are multiple, significant unobservable inputs for most of the Group's

Level 3 fair values of investments in equity instruments without active markets. Significant unobservable inputs for investments in equity instruments with no active market are independent of each other and therefore do not correlate.

Quantitative information on significant unobservable inputs is listed as follows:

| Item | Valuation technique | Significant unobservable input | Relations between significant unobservable input and fair value |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income – investments in equity instruments without active markets | Net asset value method | • Net asset value<br>· Discount for lack of marketability (10%–30% on both December 31, 2023 and 2022) | Not applicable |

(6) Analysis of sensitivity of Level 3 fair value to reasonably possible alternative assumptions

The measurement of fair values of financial instruments by the Group is reasonable, but the use of different valuation models or valuation parameters may result in different valuation results. For financial instruments classified as Level 3, if the valuation parameters change, the effect on the current profit or loss or other comprehensive income is as follows:

| | Input | Increase or decrease Change | Changes in fair value reflected in current profit or loss – Favorable change | Changes in fair value reflected in current profit or loss – Unfavorable change | Changes in fair value reflected in other comprehensive income – Favorable change | Changes in fair value reflected in other comprehensive income – Unfavorable change |
|---|---|---|---|---|---|---|
| **December 31, 2023** | | | | | | |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Investment in equity instruments without active markets | Discount for lack of marketability | 1% | - | - | 125 | (125) |
| **December 31, 2022** | | | | | | |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Investment in equity instruments without active markets | Discount for lack of marketability | 1% | - | - | 114 | (114) |

The Group's favorable and unfavorable changes refer to the fluctuations of fair values, and fair values are calculated with the valuation techniques based on different unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs.

(XXIV) Financial risk management

1. Summary

The Group is exposed to the risks below due to the use of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note indicates the Group's exposure to each of the above risks and its objectives, policies, and procedures for risk measurement and management. Please refer to the notes to the consolidated financial statements for more quantitative information.

2. Risk management framework

The formulation of the Group's risk management policy aims to identify and analyze the risks faced by the Group, set appropriate risk limits and control, and monitor risks and observance of risk limits. The risk management policy and system are regularly reviewed to reflect changes in market conditions and the Group's operations. The Group develops a disciplined and constructive control environment through training, management guidelines, and operating procedures, enabling all employees to understand their roles and responsibilities.

3. Credit risk

The Group’s credit risk is the risk of financial loss suffered by the Group arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations, mainly from the Group's accounts receivable from customers.

(1) Accounts and other receivables

The Group’s credit risk exposure is mainly affected by each customer’s circumstances. However, the Group does not have significant credit risk concentration.

The Group maintains an allowance account for losses to reflect estimates of losses incurred on accounts receivable and investments. The main components of the allowance account include specific loss components associated with individual material exposures and a portfolio of losses created for losses on similar asset groups that are incurred but unidentified. The allowance account for the portfolio of losses is determined based on historical data on payments for similar financial assets.

(2) Investment

The credit risk of bank deposits, fixed-income investments, and other financial instruments is measured and monitored by the Group’s finance department. As the Group's transaction counterparties and contract counterparties are all creditworthy banks, financial institutions rated at investment grade and above, corporate organizations, and government agencies, there is no significant doubts over contract performance, hence no significant credit risk.

(3) Guarantee

The Group’s policy stipulates that the Group can only provide financial guarantee to those subject to the financial guarantee operating procedures. The Group, as of December 31, 2023 and 2022, did not provide any endorsement/guarantee.

4. Liquidity risk

Liquidity risk is the risk arising when the Group cannot deliver cash or other financial assets to settle financial liabilities and fails to fulfill relevant obligations. The Group's approach to managing liquidity is to ensure, as much as possible, that the Group, under normal circumstances and pressure, has sufficient liquidity to cover its liabilities as they fall due, without resulting in a risk of incurring unacceptable losses or causing damage to the Group's reputation.

The Group ensures that there is sufficient cash to cover any expected operating expenses, including the performance of financial obligations, monitors the use of banks' financing facilities, and ensures compliance with the terms and conditions of loan contracts. The banks' financing facilities not drawn by the Group, as of December 31, 2023 and 2022, were in the amounts of NTD 4,190,212 thousand and NTD 2,639,000 thousand, respectively.

5. Market risk

Market risk refers to the risk that affects the Group's revenue or the value of financial instruments held due to changes in market prices, such as changes in exchange rates, interest rates, or equity instrument prices. The purpose of market risk management is to control the exposure to market risks within a range of tolerance and optimize return on investment.

(XXV) Capital management

The Group's capital management aims to ensure the ability to continue as a going concern, continue to provide bonuses to shareholders and interests to other related parties, and maintain an optimal capital structure to reduce capital costs. To maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, reduce capital and refund capital to shareholders, issue new shares, or sell assets to settle liabilities. The Group's capital management strategy in 2023 was the same as in 2022.

The debt-to-equity ratios as of December 31, 2023 and 2022 were as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Total liabilities | $ 8,329,080 | 7,010,011 |
| Less: Cash and cash equivalents | (865,395) | (853,603) |
| Net liabilities | 7,463,685 | 6,156,408 |
| Total equity | 1,453,541 | 1,546,116 |
| Capital after adjustment | $ 8,917,226 | 7,702,524 |
| Debt-to-equity ratio | 84% | 80% |

The increase in the debt-to-equity ratio on December 31, 2023 was mainly due to the Group's continuous investment in construction projects, resulting in an increase in bank borrowings.

(XXVI) Non-cash investments

The Group's material non-cash investments for 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Purchase of property, plant and equipment | $ 12,976 | 10,171 |
| Add: Construction facilities payable at the beginning of the period | 5,354 | 1,373 |
| Less: Construction facilities payable at the end of the period | (1,013) | (5,354) |
| Cash payment in this period | $ 17,317 | 6,190 |

VII. Related Party Transactions

(I) Name of related party and relations

The related parties that had transactions with the Group during the period covered by this consolidated financial statements are as follows:

| Name of related party | Relations with the Group |
|---|---|
| Shi Hong Interior Design Co., Ltd. (Shi Hong) (Note) | Investee valuated by the Group using the equity method |
| T-Design Co., Ltd. (T-Design) | Investee valuated by the Group using the equity method |
| SHIHLIN ELECTRIC & ENGINEERING CORPORATION | The director at the Company and the chairman of the company are relatives within the second degree of kinship |
| THE AMBASSADOR HOTEL CO., LTD. | The director at the Company and the chairman of the company are relatives within the second degree of kinship |
| Prospect Hospitality Co., Ltd. (Prospect Hospitality) | The director at the Company and the chairman of the company are the same person. |
| Jia Bin Management Consultants Co., Ltd. (Jia Bin Management) | The Chairman of the Group and the chairman of the company are the same person. |
| YAO ZE LIMITED | The Chairman of the Company and the chairman of the company are the same person. |
| Chuang Sheng Investment Co., Ltd. (Chuang Sheng) | The director at the Company and the chairman of the company are the same person. |
| Chih-Chieh Co., Ltd. | The director at the Company and the chairman of the company are the same person. |
| DE YU COMPANY LIMITED | The director at the Company and the chairman of the company are the same person. |
| Ambassador Real Estate Development Co., Ltd. (Ambassador Real Estate) | Substantive related party of the Group |
| Republic of Marketing Limited | Substantive related party of the Group |

Note: Due to the consideration for the Group’s operations, the Group sold all the shares it held in Shi Hong Interior Design Co., Ltd. on April 27, 2022 and completed the sale of the shares, so the latter is no longer a related party of the Group.

(II) Significant transactions with related parties

1. Operating income

The Group’s significant sales to related parties are as follows:

| | 2023 | 2022 |
|---|---|---|
| Other related parties | $ 2,994 | 2,796 |

The Group provides services, including hotel guest rooms and catering, to above companies, and its sales price and payment terms are the same as those of general transactions.

2. Creditor's rights and debts

The creditor's rights and debts between the Group and related parties are as follows:

| Account | Category of related party | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Accounts payable | Other related parties | $ 4,480 | 4,760 |
| Other payables | Other related parties | $ 8,250 | 312 |

3. Lease

The Group leased office buildings from Shihlin Electric in January, September 2023 and September 2022, respectively, and signed a lease contract over a lease term of two to three years with reference to the office rental market in nearby areas. The total contract prices were NTD 18,386 thousand, 1,298 thousand and NTD 57,225 thousand, respectively, which were paid on a monthly basis. The interest expenses recognized for 2023 and 2022 were NTD 729 thousand and NTD 448 thousand, respectively, and the balances of lease liabilities as of December 31, 2023 and 2022 were NTD 34,958 thousand and NTD 52,966 thousand; the balance of guarantee deposits paid was NTD 7,567 thousand for both years.

4. Others

In 2023 and 2022, the service fees paid by the Group to other related parties as per operational needs were NTD 11,341 thousand and NTD 8,156 thousand, respectively, and the utilities were NTD 10,906 thousand and NTD 8,191 thousand, respectively.

For the cash dividends received by the Group from the associate - SURV Planning And Development Co., Ltd. in 2023 and 2022, please refer to Note 6(6) for relevant information.

(III) Transactions by key management personnel

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | $ 21,631 | 21,523 |
| Post-retirement benefits | 457 | 432 |
| | $ 22,088 | 21,955 |

## VIII. Assets Pledged

The details of the book value of the assets pledged by the Group are as follows:

| Asset name | Collateral | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Inventory | Bank borrowings | $ 3,666,838 | 3,247,991 |
| Restricted assets (recognized in other financial assets - current and non-current) | Bank borrowings | 35,000 | 91,980 |
| Restricted assets (recognized in other financial assets - current and non-current) | Collateral for corporate bonds | 393,405 | 394,592 |
| | | $ 4,095,243 | 3,734,563 |

## IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Significant unrecognized commitments:

1. Projects launched by the Group and the price of the pre-sale and finished housing sales contracts signed with the customers are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Price of the signed sales contract | $ 4,500,690 | 4,448,110 |
| Amount received as per contract | $ 724,258 | 591,618 |

2. The construction contracts signed between the Group and suppliers and amounts paid as per the contracts are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Price of the signed construction contract | $ 4,526,747 | 4,281,733 |
| Unrecognized amount | $ 2,498,300 | 2,991,533 |

3. The Group intended to undertake an urban renewal project and signed a collaborative development and integration contract and a rights transfer agreement. The payments not yet made are as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Price of signed contract (before tax) | $ 528,228 | 561,367 |
| Amount not yet paid (before tax) | $ 350,340 | 273,036 |

4. The total price of the land purchase contract signed by the Group for the purchase of land is as follows:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| The total price of the signed purchase contract | $ 680,170 | 354,706 |
| Amount not yet paid | $ 340,170 | 336,971 |

5. Other unrecognized contractual commitments are as follows:

| Item | Subject matter | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Guarantee notes received | Outsourcing of projects and urban renewal development collaboratio | $ 735,184 | 721,322 |
| Guarantee deposits paid (recognized in other financial assets - current) | Joint construction project | $ 209,320 | 245,528 |

6. The master lease agreement signed by the Group is as follows:

| Name of lessor | Subject matter of lease | Lease term | Rent payment method |
|---|---|---|---|
| Eslite Spectrum Corporation | Eslite Wuchang Building, Ximending, Taipei City | 2010.11.05~ 2029.12.31 | The Group paid a deposit of NTD 7,000 thousand as stipulated in the contract (recognized in "Other financial assets - non-current") and pays a monthly fixed rent, which will be raised by 3% every three years, plus a commission on the revenue. |
| Runtai Baiyi Co., Ltd. | 17th to 21st floors, multi-purpose building, Songshan Station, Taipei City | 2015.06.01~ 2035.11.30 | The Group paid a deposit of NTD 13,000 thousand as stipulated in the contract (recognized in "Other financial assets - non-current") and |

| | | | |
|---|---|---|---|
| | | | pays a monthly fixed rent, which will be raised by 1% every year from the sixth year onward. |
| " | 2nd floor, multi-purpose building, Songshan Station, Taipei City | 2019.01.01~ 2035.11.30 | The Group paid a deposit of NTD 100 thousand as stipulated in the contract (recognized in "Other financial assets - non-current") and pays a monthly fixed rent, which will be raised by 1% every year from the sixth year onward. |
| Sanming Industrial Co., Ltd. | Sanming Building, Sec. 2, Zhongshan N. Rd., Taipei City | 2015.03.26~ 2035.03.25 | The Group paid a deposit of NTD 4,050 thousand as stipulated in the contract (recognized in "Other financial assets - non-current") and pays a monthly fixed rent, which will be raised based on the annual increase of the CPI for the previous year from the 6th year onwards, plus a commission on the revenue. |

(II) Others:

1. In October 2012, the Group signed a joint construction agreement with Jut Land Development Company Limited to increase the overall operating profit, with 24 parcels of land, including land lots 430-453, Subsection 3, Zhengyi Section, Zhongshan District, Taipei City, as the collaborative development subject matter. As of December 31, 2023, this project was still under planning.
2. Pursuant to the Matters that Shall and Shall Not Be Included in the Standard Agreement for Gift Certificates for Hotel Products (Services), the Matters that Shall and Shall Not Be Included in the Standard Agreement for Gift Certificates for Catering Products (Services), and the Matters that Shall and Shall Not Be Included in the Standard Agreement for Gift Certificates for Retail Products (Services), the Group signed an agreement with the First Commercial Bank, and the bank provided a full performance guarantee in accordance with the terms in the agreement. As of December 31, 2023 and 2022, the undrawn balances of the gift certificates guaranteed by the bank were NTD 14,000 thousand and NTD 7,496 thousand, respectively.
3. The Group signed a service contract with a non-related party in October 2020 for the development and integration of the urban renewal project of 33 parcels of land, including land lot 1, sub-section 3, Shuanglian Section, Datong District, Taipei City, to handle all relevant matters before the completion of the projects and handover of the housing units, and the Group will pay a service fee at 2% of the sales profit of the projects after the landlords handed over their housing units.

## X. Major Disaster Loss: None

## XI. Material Events After the Balance Sheet Date

The Group’s Board of Directors, on November 14, 2023, approved by resolution the proposal to purchase nine parcels of land from a non-related party, Long Bon International Co., Ltd., within the scope of the "Urban Renewal Project and Rights Transfer Project for 33 parcels of land at land lot 1, Subsection 3, Shuanglian Section, Datong District, Taipei City", for which the Company is the executer. The transfer of the ownership was completed on January 3, 2024. Please refer to Note 13 (1) 5. for details.

## XII. Others

Employee benefits and depreciation and amortization expense are summarized by function as follows:

| By function / By nature | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary and wages | $ 82,980 | 150,849 | 233,829 | 71,896 | 133,286 | 205,182 |
| Labor and health insurance | 9,062 | 10,824 | 19,886 | 6,995 | 10,083 | 17,078 |
| Pension | 3,778 | 5,603 | 9,381 | 2,948 | 5,324 | 8,272 |
| Other employee benefits | 2,904 | 4,860 | 7,764 | 2,760 | 5,001 | 7,761 |
| Depreciation expense | 140,070 | 28,602 | 168,672 | 146,179 | 35,167 | 181,346 |
| Amortization expense | - | 466 | 466 | - | 429 | 429 |

## XIII. Additional Disclosures

(I) Information on significant transactions

As per the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall disclose the relevant information of significant transactions in 2023 as follows:

1. Loans to others: None.
2. Endorsements/Guarantees provided to others: None
3. Securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures):

Unit: NTD thousand

| Company | Type and name of marketable securities held | Relations with marketable securities issuer | Account title | End of Period | | | | The highest shareholding or capital contribution during the period | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares (thousand shares) | Carrying amount | Shareholding ratio (%) | Fair value | | |
| The Company | Stock - Acer Incorporated | None | Financial assets at fair value through other comprehensive income - non-current | 16 | 851 | - % | 851 | - % | |
| The Company | Stock - Choice Development, Inc. | 〃 | 〃 | 3,000 | 43,770 | 2.96 % | 43,770 | 2.96% | Note |
| The Company | Stock - Beijing Health (Holdings) Limited | 〃 | 〃 | 84,258 | 22,192 | - % | 22,192 | - % | |
| The Company | Stock - Lico Technology Corp. | 〃 | 〃 | 4,014 | - | 3.23 % | - | 3.23% | |
| Charter Leisure Co., Ltd. | Stock - Nan Ya Plastics Corporation | 〃 | 〃 | 29 | 1,943 | - % | 1,943 | - % | |
| Charter Leisure Co., Ltd. | Stock - Acer Incorporated | 〃 | 〃 | 16 | 851 | - % | 851 | - % | |
| Charter Leisure Co., Ltd. | Stock - Winbond Electronics Corp. | 〃 | 〃 | 4 | 120 | - % | 120 | - % | |
| Charter Leisure Co., Ltd. | Stock - The Roar Company Limited | 〃 | 〃 | 547 | 3,704 | 13.07 % | 3,704 | 13.07% | |
| Huide Development Company Limited | Stock - Hsin Chun Build | 〃 | 〃 | 2,025 | 20,250 | 20.00 % | 20,250 | 20.00% | |

Note: It is a privately placed common share, and its fair value is measured using the Black-Scholes valuation model.

4. Marketable securities acquired or sold at costs or prices at least NTD 300 million or 20% of the paid-in capital: None.

5. Acquisition of individual property at costs of at least NTD 300 million or 20% of the paid-in capital:

Unit: NTD thousand

| Company acquiring real estate | Property | | Transaction amount | Payment status | Transaction counterparty | Relations | If the transaction counterparty is a related party, the previous transfer data | | | | Basis for price determination | Purpose of acquisition and use | Other agreed matters |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relation to the issuer | Transfer date | Amount | | | |
| The Company | Tonghua Section, Daan District, Taipei City | 2021.04.27 | 3,100 | 3,100 | Da-Cin Construction Co., Ltd. | Non-related party | - | - | - | - | Price negotiation | Urban renewal | None |
| " | " | 2021.08.18~2021.08.30 | 253,988 | 253,988 | Two people surnamed Shen and Mo | " | - | - | - | - | " | " | " |
| " | " | 2022.11.10 | 73,354 | 73,354 | National Property Administration | " | - | - | - | - | Appraisal by the government | " | " |
| " | Rui'an Section, Daan District, Taipei City | 2021.07.05 | 37,000 | 37,000 | Wan | " | - | - | - | - | Price negotiation | " | " |
| " | " | 2021.07.21 | 37,000 | 37,000 | Two people surnamed Li and Hong | " | - | - | - | - | " | " | " |
| " | " | 2021.11.01 | 182,018 | 182,018 | National Property Administration | " | - | - | - | - | Appraisal by the government | " | " |
| " | " | 2023.03.15 | 47,180 | 47,180 | Jiang | " | - | - | - | - | Price negotiation | " | " |
| " | Shuanglian Section, Datong District, Taipei City | 2023.11.14 | 680,000 | 340,000 | Long Bon International Co., Ltd. | " | - | - | - | - | " | " | " |

6. Disposal of individual property at costs of at least NTD 300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NTD 100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NTD 100 million or 20% of the paid-in capital: None.
9. Derivatives Trading: None.

10. Business relations and important transactions between parent company and subsidiaries:

| Number | Company | Counterparty | Relations with counter party | Transaction details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | As a percentage of total consolidated revenue or assets |
| 0 | Qun Xin Properties Co., Ltd. | Shihlin Development | 2 | Operating revenue | $ 770 | Same as non-related party | 0.13% |

Note 1: Businesses are coded as follows:
1. The parent company is coded “0”.

2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: The types of relations with the counterparty are indicated as follows:
1. Parent company to subsidiary
2. Subsidiary to parent company
3. Between subsidiaries

Note 3. The above transactions have been written off when the consolidated financial statements were prepared.

(II) Information on investees:

The information on the Group's investees in 2023 is as follows:

| Investor | Investee | Location | Main business | Initial investment amount | | End of period | | | The highest shareholding or capital contribution during the period | Gain or loss on Investee | Investment gain or loss recognized during the period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of this period | End of last year | Number of shares (thousand shares) | Percentage | Carrying amount | | | | |
| The Company | Charter Leisure Co., Ltd. | Taiwan | Food and drink and clubs | $ 21,662 | 21,662 | 2,166 | 43.30% | 49,939 | 43.30% | 159 | 69 | |
| The Company | SURV Planning And Development Co., Ltd. | Taiwan | Real estate development | 17,858 | 17,858 | 1,750 | 35.00% | 22,173 | 35.00% | (12,417) | (4,346) | |
| The Company | Huide Development Company Limited | Taiwan | Real estate development | 115,000 | 115,000 | 11,500 | 100.00% | 122,350 | 100.00% | 6,466 | 6,466 | |
| The Company | Good One Company Limited | Taiwan | Retail sales of integrated wholesales | - | 80,000 | - | - % | - | 100.00% | (1) | (1) | Note |
| The Company | Qun Xin Properties Co., Ltd. | Taiwan | General hotel industry | 350,000 | 350,000 | 23,000 | 79.31% | 83,549 | 79.31% | 20,886 | 16,564 | |
| Huide Development Company Limited | T-Design Co., Ltd. | Taiwan | Interior design | 19,800 | 19,800 | 1,980 | 33.00% | (1,047) | 33.00% | (104) | Exempted from disclosure | |

Note: Based on the Group's considerations for business, Good One Company Limited was dissolved by resolution of the shareholders' meeting on November 14, 2022; and the application was approved as per Letter Jin-Shang No. 11155093200 dated November 21, 2022. The liquidation procedures were completed as per Letter Shi-Yuan-Ming-Min-Si-Jing-2023-Si-Si213 No. 1129014309 dated August 1, 2023.

(III) Information on investments in mainland China: None.

(IV) Information on major shareholders:

| Shares / Name of principal shareholder | Number of shares held | Shareholding ratio |
|---|---|---|
| Chuang Sheng Investment Co., Ltd. | 20,374,118 | 8.99% |
| Yao ze Limited | 20,374,118 | 8.99% |
| Choice Development, Inc. | 17,006,014 | 7.51% |
| Chen Chieh Investment Limited | 14,914,201 | 6.58% |

## XIV. Information on Segments

(I) General information

The Group has three reportable segments: The construction and development, the leisure and recreation, and the catering and hotel segments. The construction and development segment engages in the construction of commercial buildings, sales and leasing of residences, and real estate development. The leisure and recreation segment engages in the development of clubs and specific areas. The catering and hotel segment engages in the catering and hotel room business.

The Group's reportable segments are strategic business units that provide different products and services. As each strategic business unit requires different skills and marketing strategies, it should be managed separately. Most of the business units were acquired separately and their management teams at the time of acquisition were retained.

(II) The information on the Group's operating segments and reconciliation are as follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | **Construction and development segment** | **Leisure and recreation segment** | **Catering and hotel segment** | **Adjustment and elimination** | **Total** |
| **Income** | | | | | |
| Income from external customers | $ 3,482 | 79,981 | 525,750 | - | 609,213 |
| Intersegment income | - | - | 770 | (770) | - |
| Total income | $ 3,482 | 79,981 | 526,520 | (770) | 609,213 |
| Interest expense | $ 54,658 | 455 | 24,191 | - | 79,304 |
| Depreciation and amortization | 8,672 | 16,792 | 143,674 | - | 169,138 |
| Share of profit or loss of associates recognized using the equity method | (4,346) | - | - | - | (4,346) |
| **Profit or loss on reportable segments (before tax)** | $ (135,077) | 448 | 21,718 | - | (112,911) |
| **Assets** | | | | | |
| Long-term equity investment using the equity method (including credit balance) | $ 21,126 | - | - | - | 21,126 |
| Capital expenditure on non-current assets | 115 | 1,707 | 15,495 | - | 17,317 |
| **Segment assets** | $ 8,148,254 | 154,897 | 1,479,470 | - | 9,782,621 |
| **Segment liabilities** | $ 6,915,390 | 39,565 | 1,374,125 | - | 8,329,080 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **Construction and development segment** | **Leisure and recreation segment** | **Catering and hotel segment** | **Adjustment and elimination** | **Total** |
| **Income** | | | | | |
| Income from external customers | $ 25,476 | 74,292 | 352,425 | - | 452,193 |
| Intersegment income | - | - | 1,168 | (1,168) | - |
| Total income | $ 25,476 | 74,292 | 353,593 | (1,168) | 452,193 |
| Interest expense | $ 53,700 | 368 | 23,811 | - | 77,879 |
| Depreciation and amortization | 8,436 | 23,913 | 149,426 | - | 181,775 |
| Share of profit or loss of associates recognized using the equity method | (11,613) | - | - | - | (11,613) |
| **Profit or loss on reportable segments (before tax)** | $ (130,163) | (836) | (94,359) | - | (225,358) |
| **Assets** | | | | | |
| Long-term equity investment | $ 25,472 | - | - | - | 25,472 |

| | | | | | |
|---|---|---|---|---|---|
| using the equity method (including credit balance) | | | | | |
| Capital expenditure on non-current assets | 451 | - | 5,739 | - | 6,190 |
| **Segment assets** | **$ 6,859,579** | **185,197** | **1,511,351** | **-** | **8,556,127** |
| **Segment liabilities** | **$ 5,517,231** | **65,888** | **1,426,892** | **-** | **7,010,011** |

(III) Overall information on the Group

1. Region

The Group’s main operating site is in Taiwan. As of December 31, 2023 and 2022, all income from external customers took place in Taiwan.

2. Important clients

The Group had no information on important clients in 2023 and 2022.

# Shihlin Development Company Limited

## Chairman: Hsu, Yu-Shan