

Stock Code: 2539

# SAKURA DEVELOPMENT CO., LTD

## **2021 Annual Shareholders' Meeting**

## **Meeting Handbook**

Time: 10 a.m., June 15, 2021

Venue: B1F, No. 57, Guanqian Rd., West Dist.,  
Taichung City

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# SAKURA DEVELOPMENT CO., LTD

## 2021 Annual Shareholders' Meeting

### Procedures

- I. Meeting called to order
- II. Chairman's speech
- III. Matters to be reported
- IV. Matters for ratification
- V. Matters for discussion
- VI. Extempore motions
- VII. Meeting ends

# SAKURA DEVELOPMENT CO., LTD

## 2021 Annual Shareholders' Meeting Agenda

Time: 10:00 a.m. (Tuesday), June 15, 2021

Venue: B1F, No. 57, Guanqian Rd., West Dist., Taichung City (Hotel National)

I. Meeting called to order

II. Chairman's speech

III. Matters to be reported

(1) 2020 Business Report.

(2) 2020 Audit Committee's Audit Report.

(3) 2020 distribution of remuneration to employees and directors.

(4) Amendment to the Company's Ethical Corporate Management Guidelines.

(5) Report on the Company's Ethical Corporate Management Best Practice Principles.

IV. Matters for ratification

(1) 2020 Business Report and financial statements.

(2) 2020 earnings distribution proposal.

V. Matters for discussion

(1) Amendment to the Articles of Incorporation.

(2) Issuance of new shares through capitalization of the 2020 earnings.

VI. Extempore motions

VII. Meeting ends

## **Matters to be reported**

(1) 2020 Business Report.

Explanation: The 2020 Business Report has been presented in Attachment I on page 8 of this handbook.

(2) 2020 Audit Committee's Audit Report.

Explanation: The Audit Committees' Report has been presented in Attachment II on page 10 of this handbook.

(3) 2020 distribution of remuneration to employees and directors.

Explanation: 1. According to the Company's Articles of Incorporation, if the Company has profit for the year, no less than 0.5 percent shall be allocated for employee bonus and no more than 2 percent of the income shall be allocated for director remuneration.

2. In 2020, the Company allocated NT\$5,357,747 (approx. 0.51%) as bonus for employees and NT\$9,384,113 (approx. 0.9%) as remuneration for directors. Employee bonus was paid in cash.

(4) Amendment to the Company's Ethical Corporate Management Guidelines.

Explanation: The Ethical Corporate Management Guidelines were amended, and the comparison table of existing and amended articles has been presented in Attachment III on page 13 of this handbook.

(5) Report on the Company's Ethical Corporate Management Best Practice Principles.

Explanation: The amended Procedures for Ethical Corporate Management Best Practice Principles have been presented in Attachment IV on page 18 of this handbook.

## **Matters for ratification:**

Case 1: (Proposed by the Board of Directors)

Proposal: The 2020 Business Report and financial statements are hereby submitted for approval.

Explanation: 1. The Company's 2020 individual financial statements have been audited by auditor Yi-Chun Chang and auditor Hsin-Shan Teng of BDO Taiwan, who have also issued an audit report containing an unqualified opinion.

2. The aforementioned financial statements and Business Report have also been audited by the Audit Committee.

3. The 2020 Business Report has been presented in Attachment I on page 8 of this handbook.

4. Please refer to Attachment V on pages 27 to 34 of this handbook for the Auditor's Report and financial statements.

Resolution:

Case 2: (Proposed by the Board of Directors)

Proposal: The 2020 Earnings Distribution Proposal is hereby submitted. Please approve.

Explanation: 1. The Company's 2020 after-tax net profit amounted to NT\$822,138,632. After allocating legal reserve, the remainder plus opening undistributed earnings became the distributable earnings, which was NT\$1,164,831,879. Shareholders' dividends to be distributed was NT\$894,267,681, which shall be distributed according to individual shareholders' ownership percentages. As of December 31, 2020, the number of outstanding shares amounted to 558,917,303. Stock dividend per share was NT\$1.4; cash dividend per share was NT\$0.2; closing undistributed earnings after distribution was NT\$270,564,198.

2. If subsequent changes in the Company's share capital affect the number of outstanding shares, and the dividend rate of the allotment by shareholders changes accordingly, it is proposed

that the Board of Directors be authorized by the Shareholders' Meeting to implement the adjustments to relevant matters.

3. The Company's 2020 Earnings Distribution Statement has been presented in Attachment VI on page 35 of this handbook.

Resolution:

## **Matters for discussion :**

Case 1: (Proposed by the Board of Directors)

Proposal: Please discuss the amendment to the Articles of Incorporation.

Explanation: For the comparison table of the revised Articles of Incorporation, see Attachment VII on page 36 of this handbook.

Resolution:

Case 2: (Proposed by the Board of Directors)

Proposal: Please discuss the issuance of new shares through capitalization of the 2020 earnings.

Explanation:

1. To meet the requirement of the Company's business growth, funds for business expansion were retained and earnings were proposed to turn into capital through issuing new issues.
2. The Company has allocated NT\$782,484,220 of shareholder dividends from its distributable earnings to turn into capital by issuing 78,248,422 shares, which were distributed according to the ratio of each shareholder's holding on the record dates at 140 shares free-gratis for each 1,000 shares held.
3. New shares are issued at a par value of NT\$10 per share. Shareholders allotted fractions of a share may coordinate among themselves to combine and form whole shares shareholders will be paid fractions of the face value in cash. Upon authorization, the Chairman will approach specific persons for possible subscriptions of all fractional shares at par value.
4. The rights and obligations associated with the new shares issued for the capitalization are identical to those associated with the existing common shares.
5. Matters related to the capitalization project are subject to the passing by the Shareholders' Meeting and the approval of the competent authority. It is proposed that the Board of Directors be fully authorized by the shareholders' meeting to handle the matters.
6. If the Company's outstanding shares are subsequently changed due to changes in share capital, which impact on the stock



dividend ratio, it is proposed that the Board of Directors be authorized by the Shareholders' Meeting to implement the adjustments to relevant matters.

Resolution:

**Extempore Motions**

**Meeting Ends**

## SAKURA DEVELOPMENT CO., LTD

### 2020 Business Report

(I) Implementation of the annual business plan:

The Company's net operating income in 2020 stood at NT\$4,616,492,000, down NT\$2,814,622,000 from that of NT\$7,431,114,000 in 2019. The net profit after tax for 2020 was NT\$822,140,000, down RMB 666,365,000 from that of NT\$1,488,505,000 in 2019. The decreases in operating income and after-tax net profit were due to the decrease in the number of completed cases and units in 2020 from 2019.

(II) Budget implementation:

In accordance with the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company is not required to make a financial forecast in 2020.

(III) Financial status and profitability

1. Financial status

Unit: NT\$1,000

Item	2020	2019	YOY growth rate
Operating revenue	4,616,492	7,431,114	-37.88%
Operating costs	3,108,675	5,294,559	-41.29%
Gross operating profit	1,507,817	2,136,555	-29.43%
Operating expenses	456,698	484,848	-5.81%
Operating income	1,051,119	1,651,707	-36.36%
Net income	822,140	1,488,505	-44.77%

2. Profitability

Item	2020	2019
ROA (%)	5.18	11.38
ROE (%)	10.96	22.91
Pre-tax profit to paid-in capital ratio (%)	18.48	35.22
Profit ratio (%)	17.81	20.03
EPS (NT\$)	1.48	2.71

(IV) Research and development

1. Land development: Our professional land developers selected targets for development in areas with convenient transportation developmental potentials, such as parks, parkways, waterfronts, school neighborhoods, with reference to professional advice provided by architects and sales teams.
2. Planning and design: We adhered to the "people-oriented" spirit in our design and planning according to the characteristics of the areas where projects are proposed, creating for customers functional and beautiful products that

incorporate the concept of green building to meet market demand.

3. Construction management: We rigorously and fully controlled the quality, progress and costs of construction projects to ensure the safety of construction sites.
4. Customer service: We adhere to sustainability, fully implement customer services, and make post-sales service an important channel for the Company to continue offering services to residents, so as to secure home safety.

SAKURA DEVELOPMENT CO., LTD  
Audit Committee's Report

The Company's individual financial statements, business report, and earnings distribution proposal for the year 2020 have been approved by the Audit Committee and passed by the Board of Directors. In particular, the Company's individual financial statements have been audited by auditor I-Chun Chang and auditor Hsin-Shan Teng of BDO Taiwan, who have also issued an audit report containing an unqualified opinion.

The Audit Committee is responsible for supervising the Company's financial reporting processes.

The auditors verified the Company's individual financial statements for 2020 and communicated with the Audit Committee on the following matters:

1. There are currently no major issues found within the scope and period of the matters being audited.
2. The personnel subject to the regulations of independence by the accounting firm to which the auditors are affiliated as provided by the auditors to the Audit Committee have complied with independence and other ethical requirements in the Professional Ethics Standards. There are currently no other relations or matters that may affect the auditors' independence.
3. During the communication between the auditors and the Audit Committee on the key audit items, the following two points were determined as the key audit items that should be communicated in the audit report:

- (1) The Company's revenue from real estates is a main source of its income, and the risk of material misstatements lies in the authenticity of revenue recognition. Because operating revenue involves business performance, it is possible that the management fail to follow relevant regulations and perform early or deferred recognition to reach expected net income, which may in turn lead to material misstatements of profit and loss. Therefore, testing of revenue recognition is an important item in our audit of the Company's individual financial statements, and is thus included in the key audit items.
- (2) The Company's inventories are an important asset for its operations, the amount of which accounts for 90.17% of total assets. Whether the prices and procedures of the acquisition of our inventories (lands held for construction sites) comply with applicable laws and regulations will impact the rights and interests of shareholders in individual financial statements. In addition, the appraisal of the inventories is implemented in accordance with International Accounting Standards No. 2. Any improper valuation of net realizable value will lead to misstatements in individual financial statements. Therefore, the testing of inventory acquisition and revaluation is a important item for our audit of individual financial statements by SAKURA DEVELOPMENT CO., LTD, and is thus included in the key audit items.

The Company's 2020 individual financial statements, business reports, and

earnings distribution proposals approved by the Audit Committee and passed by the Board of Directors are in compliance with applicable laws and regulations, and are reported in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act as above.

Please review and approve.

Best Regards,

2021 Annual Shareholders' Meeting of SAKURA DEVELOPMENT CO., LTD

SAKURA DEVELOPMENT CO., LTD

Audit Committee convener: Kuei-Yuan Wang

March 22, 2021

# SAKURA DEVELOPMENT CO., LTD

## Comparison Table of the Amended Ethical Corporate Management Guidelines

Amended articles	Existing articles	Explanation
<p>Article 5. Policy</p> <p>The Company shall abide by the operational philosophies of integrity, transparency and responsibility, <u>formulate policies based on the principle of good faith and subject to the approval of the Board of Directors</u>, and establish good corporate governance and risk control mechanisms, so as to create an operational environment for sustainable development.</p>	<p>Article 5. Policy</p> <p>The Company shall abide by the operational philosophies of integrity, transparency and responsibility, formulated policies based on the principle of good faith, and establish good corporate governance and risk control mechanisms, so as to create an operational environment for sustainable development.</p>	<p>The ethical corporate management policies were amended in accordance with the instructions in the official letter Tai-Zheng-Zhi-Li-Zi No. 1080008378 and approved by the Board of Directors</p>
<p>Article 6. Prevention program</p> <p>The Company shall in its ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (hereinafter referred to as "prevention programs"), including operational procedures, conduct guidelines, and training.</p> <p>The prevention programs referred to in the preceding paragraph shall comply with relevant laws and regulations of the territory where the Company and its business group are operating.</p>	<p>Article 6. Prevention program</p> <p>The Company shall in its ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (hereinafter referred to as "prevention programs"), including operational procedures, conduct guidelines, and training.</p> <p>The prevention programs referred to in the preceding paragraph shall comply with relevant laws and regulations of the country where the Company and <u>its</u> business group are operating.</p> <p><u>In the course of developing the prevention programs, the Company is advised to negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.</u></p>	<p>Revised wording.</p>
<p>Article 7. Scope of Prevention Programs</p> <p>The Company <u>shall establish an evaluation mechanism for risks of unethical conduct, and regularly analyze and evaluate</u> operating activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct. <u>Based on the mechanism, prevention programs shall be developed, and their adequacy and effectiveness shall be regularly reviewed.</u></p> <p>The prevention programs adopted by the Company shall at least include preventive measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political contributions.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents, hospitality, or other improper benefits.</li> <li>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> <li>6. Engaging in unfair competitive practices.</li> <li>7. Products and services that directly or indirectly damage the rights, health and safety of consumers or other interested</li> </ol>	<p>Article 7. Scope of Prevention Programs</p> <p><u>When establishing the prevention programs</u>, the Company <u>shall</u> analyze business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct, and <u>strengthen the preventive measures.</u></p> <p>The prevention programs adopted by the Company shall at least include preventive measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political contributions.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents, hospitality, or other improper benefits.</li> <li>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> <li>6. Engaging in unfair competitive practices.</li> <li>7. Products and services that directly or indirectly damage the rights, health and safety of consumers or other</li> </ol>	<p>Revised wording.</p>

Amended articles	Existing articles	Explanation
parties in their developments, purchases, manufactures, provisions or sales.	interested parties in their developments, purchases, manufactures, provisions or sales.	
<p>Article 8. Commitment and Implementation</p> <p><u>The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u> The Company and business group shall clearly specify in the rules, external documents and <u>websites</u> the ethical corporate management policies and the commitment by the Board of Directors and <u>senior</u> management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> <p><u>The aforementioned policies, statement, commitment, and implementation of ethical corporate management shall be documented and properly retained.</u></p>	<p>Article 8. Commitment and Implementation</p> <p>The Company and <u>its</u> business group shall clearly specify in <u>their</u> rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p>Wording revised as appropriate, with new requirements that directors and members of senior management shall issue a statement of ethical corporate management policies, and that related policies and implementation should be documented and properly retained.</p>
<p>Article 9. Ethical Engagement of Commercial Activities</p> <p>The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management. Prior to any commercial transactions, the Company shall take into consideration the legality of agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with agents, suppliers, clients, or other trading counterparties, the Company <u>shall ideally</u> include in such contracts terms that requires compliance with ethical management policies and that, in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.</p>	<p>Article 9. Ethical Engagement of Commercial Activities</p> <p>The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management. Prior to any commercial transactions, the Company shall take into consideration the legality of <u>its</u> agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with <u>its</u> agents, suppliers, clients, or other trading counterparties, the Company <u>shall</u> include in such contracts terms requiring compliance with ethical corporate management policies and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.</p>	<p>Revised wording.</p>



Amended articles	Existing articles	Explanation
<p>Article 17. Organization and Obligations</p> <p>The Company's directors, managerial personnel, employees, mandataries, and substantial controllers shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures, and continually make improvements, so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To ensure sound ethical corporate management, the <u>President's Office</u> is charged with establishing and supervising the implementation of ethical corporate management policies and their preventive programs, for handling the following matters, and for reporting to the Board on a regular basis (once a year at minimum):</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate preventive measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. <u>Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and accordingly</u> adopting programs to prevent unethical conduct, <u>and</u> setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</li> <li>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</li> <li>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</li> <li>5. Developing a whistleblowing system and ensuring its operating effectiveness.</li> <li>6. Assisting the Board of Directors and the management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</li> </ol>	<p>Article 17. Organization and Obligations</p> <p>The Company's directors, managerial personnel, employees, mandataries, and substantial controllers shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures, and continually make improvements, so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To ensure sound ethical corporate management, the <u>Administration Department</u> is charged with establishing and supervising the implementation of ethical corporate management policies and preventive programs, for handling the following matters, and for reporting to the Board of Directors on a regular basis:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate preventive measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Adopting programs to prevent unethical conduct <u>and</u> setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</li> <li>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</li> <li>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</li> <li>5. Developing a whistleblower system and ensuring its operating effectiveness.</li> <li>6. Assisting the Board of Directors and the management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</li> </ol>	<ol style="list-style-type: none"> <li>1. The responsible unit has been changed from the Administration Department to the President's Office.</li> <li>2. Amended in accordance with Article 7, Paragraph 1; specified new responsibilities of the responsible unit, including regularly analyzing and assessing the risks of unethical conduct within the business scope; and revised wording accordingly.</li> </ol>
<p>Article 20. Accounting and Internal Control</p> <p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or</p>	<p>Article 20. Accounting and Internal Control</p> <p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in unethical conduct. It may not have</p>	<ol style="list-style-type: none"> <li>1. Revised the scope of internal audit.</li> <li>2. Added Paragraph 3 to ensure that audit results are reported to senior management and the</li> </ol>

Amended articles	Existing articles	Explanation
<p>keep secret accounts, and conduct reviews regularly so as to ensure that the sustained effectiveness of the design and enforcement of such systems.</p> <p>The Company's internal audit unit shall, <u>based on the results of unethical conduct involvement risk assessment, devise relevant audit plans that include the auditees, scope, categories, and frequency of audit, and shall examine the compliance with prevention programs accordingly.</u> The internal audit unit may engage a CPA to implement the audit, and may engage professionals to assist if necessary.</p> <p><u>The results of examination in the preceding paragraph shall be reported to senior management and the unit responsible for ethical management, and put down in writing in the form of an audit report to be submitted to the Board of Directors.</u></p>	<p>under-the-table accounts or keep secret accounts, and shall conduct reviews regularly so as to ensure that the design and enforcement of the systems are continuously effective.</p> <p>The Company's internal audit unit shall <u>periodically</u> examine the Company's compliance with the <u>preceding</u> provisions, prepare audit reports to be submitted to the Board of Directors, and may engage a CPA to implement the audit and professionals to assist if necessary.</p>	<p>responsible unit.</p>
<p>Article 23. Whistleblower System</p> <p>The Company shall adopt a concrete whistleblower system and scrupulously operate the system. The whistleblower system shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the Company to submit reports.</li> <li>2. Dedicated personnel or unit appointed to handle the whistleblower system. Any tip involving a director or senior <u>management</u> shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> <li>3. <u>Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></li> <li>4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</li> <li>5. Confidentiality of the identity of whistleblowers and the content of reported cases, <u>and an undertaking regarding anonymous reporting.</u></li> <li>6. Measures for protecting whistleblowers from inappropriate disciplinary actions due to their reports.</li> <li>7. Whistleblowing incentive measures.</li> </ol> <p>The Company's <u>Secretarial Office of the Board is responsible for handling whistleblowing matters.</u> When material misconduct or likelihood of material impairment to the Company comes to the its awareness upon investigation, the office shall immediately prepare a report and notify the independent directors in written form.</p>	<p>Article 23. Whistleblower system</p> <p>The Company shall adopt a concrete whistleblower system and scrupulously operate the system. The whistleblower system shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the Company to submit reports.</li> <li>2. Dedicated personnel or unit shall be appointed to handle the whistleblower system. Any tip involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> <li>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</li> <li>4. Confidentiality of the identity of whistleblowers and the content of reported cases.</li> <li>5. Measures for protecting whistleblowers from inappropriate disciplinary actions due to their reports.</li> <li>6. Whistleblowing incentive measures. When material misconduct or likelihood of material impairment to the Company comes to its awareness upon investigation, <u>the dedicated personnel or unit handling the whistleblower system</u> shall immediately prepare a report and notify the independent directors in written form.</li> </ol>	<ol style="list-style-type: none"> <li>1. Revised wording.</li> <li>2. Added a third paragraph on the follow-up measures after investigations of cases reported.</li> <li>3. Adjusted paragraph numbering.</li> <li>4. Added acceptance of anonymous reports.</li> <li>5. Stipulated that the Audit Office is responsible for handling whistleblowing cases.</li> </ol>
<p>Article 27. Implementation</p> <p>These guidelines shall take effect after the approval of the Board of Directors. The same</p>	<p>Article 27. Implementation</p> <p>The Guidelines shall be implemented after the Board of Directors grants the</p>	<p>Revised wording.</p>

Amended articles	Existing articles	Explanation
<p>applies to all subsequent amendments.</p> <p>When submitting the Ethical Corporate Management Guidelines to the Board of Directors for discussion in accordance with the preceding paragraph, the Company shall fully take into consideration each independent director's opinions. The independent directors' objections or qualified opinions, if any, shall be included in the board meeting minutes. If an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.</p>	<p>approval, <u>and shall be submitted to the Audit Committee and reported at a shareholders' meeting.</u> The same procedure applies to all subsequent amendments. <u>If the Company has elected independent directors,</u> when submitting the Ethical Corporate Management Guidelines to the Board of Directors for discussion <u>in accordance with</u> the preceding paragraph, the Company shall fully take into consideration each independent director's opinions. The independent directors' objections or qualified opinions, if any, shall be included in the board meeting minutes. If an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the Board meeting minutes.</p>	

## SAKURA DEVELOPMENT CO., LTD

### Procedures for Ethical Corporate Management Best Practice Principles

Approved by the 8th Board of Directors meeting on November 9, 2020

#### Article 1. Purpose and scope

The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency. In order to fully implement a policy of ethical management and prevent unethical conduct, these procedures and guidelines are established in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the applicable laws and regulations of the places where the Company is located, with a view to providing all personnel of the Company with clear directions for the performance of their duties.

These guidelines and principles are applicable to the Company and its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the business group.

#### Article 2. Applicable subjects

For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control, of the Company or its group enterprises and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

#### Article 3. Unethical conduct

For the purposes of these procedures and guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial personnel, employees or those with substantial control of the Company or other stakeholders.

#### Article 4. Types of benefits

For the purposes of these procedures and guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

#### Article 5. Responsible unit and duties

The Company shall designate the President's office as the solely responsible unit (hereinafter referred to as "the responsible unit"), which is in charge of the

amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports (at least once a year) to the Board of Directors:

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and accordingly adopting programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistleblower system and ensuring its operating effectiveness.
6. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.
7. Preparing and properly retaining documented information such as ethical management policy and compliance statements, situations concerning the performance of undertakings and enforcement.

Article 6. Prohibition against providing or accepting improper benefits

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

1. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
2. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
3. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
4. Attendance at folk festivals that are open to and invite the attendance of the general public.

5. Rewards, emergency assistance, condolence payments, or honorariums from the management.
6. Money, property, or other benefits offered to or accepted from a person other than relatives or friends that align with ordinary social norms or accepted social customs.
7. Property received due to betrothal, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative that has a market value not exceeding the reasonable range accepted by social customs.
8. Other conduct that complies with the rules of the Company.

**Article 7. Procedures for handling the acceptance of improper benefits**

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
2. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, the personnel shall refer the matter to the responsible unit for handling within three days from the acceptance of the benefit.

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit shall make a proposal, based on the nature and value of the benefit under Paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved.

**Article 8. Prohibition of and handling procedure for facilitating payments**

The Company shall neither provide nor promise any facilitating payment.

If any personnel of the Company provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and notify the responsible unit.

Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

#### Article 9. Procedures for handling political contributions

Political contributions by the Company shall be made in accordance with the following provisions, reported to the President for approval, and notified to the responsible unit. When a contribution amounts to NT\$200,000 or more, it shall be made only after being reported to and approved by the Board of Directors:

1. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
2. A written record of the decision-making process shall be kept.
3. Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.
4. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of the Company with the related government agencies shall be avoided.

#### Article 10. Procedures of charitable donations or sponsorships

Charitable donations or sponsorships from the Company shall be provided in accordance with the regulations governing the meeting and approved authority level of the Board of Directors and the following provisions:

1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company is operating its business.
2. A written record of the decision-making process shall be kept.
3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of this Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
5. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

#### Article 11. Recusal

If any directors, managerial officers or other stakeholders attending or being present at a meeting of the Board of Directors, or any juristic persons that any of the aforementioned individuals represent, is an interested party in relation to an agenda item of the meeting, they shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interest of the Company, they may not participate in discussion or voting on that agenda item and shall recuse themselves from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. The directors shall exercise self-discipline and must not support one another in improper dealings.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director, has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both their immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

#### Article 12. Special unit in charge of confidentiality regime and its responsibilities

The Company shall set up a special unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties. The unit shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of the Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of the Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of the Company unrelated to their individual duties.

#### Article 13. Prohibition against unfair competition

The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

#### Article 14. Prevention of damage caused by products and services to stakeholders

The Company shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of the Company to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

The Company shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

#### Article 15. Prohibition against insider trading and non-disclosure agreement

All personnel of the Company shall comply with the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. They are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding,



strategic alliance, other business partnership plan, or the signing of a major contract with the Company, shall sign confidentiality contracts with the Company and undertake to not disclose to any other party any trade secrets or other material information of the Company acquired as a result, and they may not use such information without the prior consent of the Company.

Article 16. Compliance and announcement of policy of ethical management

The Company disclose its policy of ethical management in its internal rules, annual reports, on the Company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 17. Ethical management evaluation prior to development of commercial relationships

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When implementing the evaluation under the preceding paragraph, the Company may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
3. Whether enterprise's business operations are located in a country with a high risk of corruption.
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. The long-term business condition and degree of goodwill of the enterprise.
6. Consultation with the enterprise's business partners on their opinion of the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18. Statement of ethical management policy to counterparties in commercial dealings

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules, and shall clearly refuse to directly or indirectly provide, promise to provide, request, or accept any improper benefit in whatever form or name.

Article 19. Avoidance of commercial dealings with unethical operators

All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease

dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policies.

#### Article 20. Stipulation of terms of ethical management in contracts

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policies of the Company part of the terms and conditions of the contract, which stipulates at the least the following matters:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefits involved. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim compensations from the other party, and may also deduct the full amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations, shall be stipulated.

#### Article 21. Handling of unethical conduct by personnel of the Company

As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, the Company will grant a reward of an appropriate amount depending on the severity of the circumstance concerned. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.

The Company shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for insiders and outsiders of the Company to submit reports.

A whistleblower shall at least provide the following information:

1. The whistleblower's name and national ID number (whistleblowing reports may be submitted anonymously), and an address, telephone number and e-mail address where it can be reached;
2. The informed party's name or other information sufficient to distinguish its identifying features;
3. Specific facts available for investigation.

Personnel of the Company handling whistleblowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing.

The Broad Secretariat shall observe the following procedure in handling whistleblowing matters:

1. An information shall be reported to the department head if involving the rank and file and to an independent director or supervisor if involving a director or a senior executive.

2. The department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department.
3. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report to the competent authority, refer said person to judicial authority for investigation, or institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
4. Documentation of case acceptance, investigation processes, and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.
5. With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
6. The Board Secretariat shall submit a report on the whistleblowing case, actions taken, and follow-up reviews and corrective measures, to the Board of Directors.

#### Article 22. Actions upon event of unethical conduct by others towards the Company

If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify governmental anti-corruption agencies.

#### Article 23. Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures

The responsible unit shall organize internal awareness sessions each year and arrange for the Chairman, President, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.

The Company shall link ethical management to employee performance assessments and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.

The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

#### Article 24. Implementation

These procedures and guidelines shall come into effect by resolution of the Board of Directors. The same applies to all subsequent amendments

When these procedures and guidelines are submitted to the Board of Directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the Board of Directors meeting. If an independent director intends

to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

## Independent Auditor's Report

To the Board of Directors of Sakura Development Co., Ltd:

### Opinions

We have audited the financial statements of Sakura Development Co., Ltd (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Profession Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements of current period. These matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company’s individual financial statements of the current period are stated as follows:

#### Revenue recognition

For the accounting policies relating to income recognition, please refer to Note 4 (17). For the details of revenue, please refer to Note 6 (18).

The main revenue source of the Company is sales of real estate. The risk of material misstatement is the substance of revenue recognition. Revenue is related to operating performance of the management. To achieve expected financial performance, the management might override the internal control procedures to manipulate the timing of revenue recognition, which might lead to significant misstatement of profit and loss. Therefore, revenue recognition is one of the most important issue in performing our audit procedures and has been identified as one of the key audit matters.

Our principal audit procedures including:

- Test the internal control system of sales revenue and accounts receivables collection and

- to evaluate the effectiveness of preventing error and fraud.
- Perform substantive analytical procedures on revenue to evaluate the correctness of the timing of revenue recognition.
- Perform test of details, selecting samples from real estate sales contracts with customers and related real estate transfer registration documents to assess whether the Company recognizing revenue in accordance with its accounting policies and accounting standards.

### **Acquisition and valuation of Inventory**

For accounting policies relating to acquiring and valuation of inventory, please refer to Note 4 (6). For details of inventory, please refer to Note 6 (3).

Inventory is significant asset for operating for the Company, which account for 90.17% of total assets. The legality of acquisition price and procedures of inventory (construction land) might affect the interest of shareholders. Besides, the valuation of inventory shall be in accordance with IAS 2. If the Company values its inventory inappropriately, it might lead to significant misstatement of financial statement. Therefore, the acquisition and valuation of inventory is one of the most important issue in performing our audit procedures and has been identified as one of the key audit matters.

Our principal audit procedures including:

- Review whether the construction lands acquiring and pricing assessment procedures are in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
- Review contracts of acquisition of construction lands and check whether payment schedule are in accordance with the contracts.
- Obtain the Company's inventory valuation data. Select samples from the data and check to related real estate sales contracts. We also compare whether there's significant difference between the net realizable value of inventory and nearby area actual transaction information published by Ministry of Interior. For construction lands and construction-in-progress, we also obtain the Company's internal investment return analysis data to compare with current market tendency to assess whether the net realizable value is fairly presented.

### **Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements**

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of the individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit Committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chang, Yi-Chun  
Teng, Hsin-Shan  
BDO Taiwan  
March 22, 2021

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.*



# SAKURA DEVELOPMENT CO., LTD

## Individual Balance Sheet

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Code	Assets	Notes	December 31, 2020		December 31, 2019		Code	Liabilities	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%				Amount	%	Amount	%
	Current assets							Current liabilities					
1100	Cash and cash equivalents	4. 6(1)	\$155,492	0.86	\$644,916	4.72	2100	Short-term borrowings	4. 6(10)	\$1,454,600	8.02	\$1,014,600	7.43
1150	Notes receivables, net	4. 6(2)	174	-	18,601	0.13	2110	Short-term notes payables	4. 6(11)	2,353,151	12.97	507,969	3.72
1170	Account receivables, net	4. 6(2)	32,216	0.18	121,063	0.89	2130	Contract liabilities - current	4. 6(18)	1,118,952	6.17	620,448	4.55
130x	Inventories	4. 6(3). 7. 8	16,359,447	90.17	12,095,135	88.59	2150	Notes payables		7,633	0.04	1,437	0.01
1410	Prepayments	4. 6(4)	16,447	0.09	2,835	0.02	2170	Accounts payables		474,505	2.62	441,790	3.24
1476	Other current financial assets	4. 6(5). 8	1,125,013	6.20	481,662	3.53	2180	Accounts payable from related parties	7	27,953	0.15	-	-
1479	Other current assets	4. 6(6)(18)	345,723	1.90	169,315	1.24	2200	Other payables		427,765	2.36	482,936	3.54
11xx	Total current assets		18,034,512	99.40	13,533,527	99.12	2230	Current income tax liabilities	4. 6(22)	209,889	1.16	113,683	0.83
	Non-current assets						2250	Provisions		828	-	3,181	0.02
1600	Property, plant and equipment	4. 6(7). 8	52,222	0.29	54,345	0.40	2280	Lease liabilities – current	4. 6(8)	1,374	0.01	1,467	0.01
1755	Right-of-use assets	4. 6(8)	1,344	0.01	2,811	0.02	2320	Long-term liabilities – current portion	4. 6(13)	706,000	3.89	1,413,000	10.35
1760	Investment property, net	4. 6(9)	23,420	0.13	23,420	0.17	2399	Other current liabilities		19,001	0.10	46,522	0.34
1780	Intangible assets	4	400	-	178	-	21xx	Total current liabilities		6,801,651	37.49	4,647,033	34.04
1840	Deferred income tax assets	4. 6(22)	1,729	0.01	1,971	0.02		Non-current liabilities					
1920	Refundable deposits		29,218	0.16	36,958	0.27	2500	Financial liabilities at fair value	4. 6(12)	251	-	1,041	0.01
15xx	Total non-current assets		108,333	0.60	119,683	0.88		through profit or loss – non-current					
							2530	Bonds payable	4. 6(12)	239,320	1.32	412,743	3.02
							2540	Long-term borrowings	4. 6(13)	3,334,000	18.38	1,354,177	9.92
							2580	Lease liabilities – non-current	4. 6(8)	-	-	1,374	0.01
							2645	Deposits received		462	-	3,642	0.02
							25xx	Total non-current liabilities		3,574,033	19.70	1,772,977	12.98
							2xxx	Total liabilities		10,375,684	57.19	6,420,010	47.02
								Equity					
							3100	Capital stock					
							3110	Common stock	6(15)	5,584,827	30.78	4,632,433	33.93
							3130	Bond conversion entitlement certificates	6(15)	4,346	0.02	5,454	0.04
							3200	Capital surplus	6(16)	171,465	0.95	65,943	0.48
							3300	Retained earnings	6(17)				
							3310	Legal reserve		759,477	4.19	610,626	4.47
							3350	Unappropriated earnings		1,247,046	6.87	1,918,744	14.06
							3xxx	Total equity		7,767,161	42.81	7,233,200	52.98
1xxx	Total assets		\$18,142,845	100.00	\$13,653,210	100.00		Total liabilities and equity		\$18,142,845	100.00	\$13,653,210	100.00

The accompanying notes are an integral part of the financial statements.

Chairman: Cheng-Gang Chen

President: Shih-Ying Chen

Accounting Supervisor: Shu-Chen Shen

**SAKURA DEVELOPMENT CO., LTD**  
**Individual Statements of Comprehensive Income**  
**For the years ended December 31, 2020 and 2019**

(Expressed in thousands of New Taiwan Dollars, Except for earnings per share)

Code	Item	Notes	2020		2019	
			Amount	%	Amount	%
4000	Operating revenue	4. 6(18).7	\$4,616,492	100.00	\$7,431,114	100.00
5000	Operating costs		(3,108,675)	(67.34)	(5,294,559)	(71.25)
5900	Operating margin		1,507,817	32.66	2,136,555	28.75
5950	Net operating margin		1,507,817	32.66	2,136,555	28.75
	Operating expenses	6(14)(20)(21)				
6100	Selling expenses		(377,338)	(8.17)	(405,157)	(5.45)
6200	Administrative expenses		(79,360)	(1.72)	(79,691)	(1.07)
6000	Total operating expenses		(456,698)	(9.89)	(484,848)	(6.52)
6900	Net operating income		1,051,119	22.77	1,651,707	22.23
	Non-operating income and expenses	6(19)				
7100	Interest income		561	0.01	632	0.01
7010	Other income		888	0.02	583	0.01
7020	Other gains and losses, net		(954)	(0.02)	3,206	0.04
7050	Finance costs, net		(18,958)	(0.41)	(22,594)	(0.31)
7000	Total non-operating income and expenses		(18,463)	(0.40)	(18,173)	(0.25)
7900	Profit before income tax		1,032,656	22.37	1,633,534	21.98
7950	Income tax expenses	4. 6(22)	(210,516)	(4.56)	(145,029)	(1.95)
8200	Profit for the period		822,140	17.81	1,488,505	20.03
8500	Total comprehensive income for the period		\$822,140	17.81	\$1,488,505	20.03
	Earnings per share (in dollars):	4. 6(23)				
9750	Basic earnings per share		\$1.48		\$2.71	
9850	Diluted earnings per share		\$1.45		\$2.63	

The accompanying notes are an integral part of the financial statements.

Chairman: Cheng-Gang Chen

President: Shih-Ying Chen

Accounting Supervisor: Shu-Chen Shen

**SAKURA DEVELOPMENT CO., LTD**  
**Individual Statements of Changes In Equity**  
**For the years ended December 31, 2020 and 2019**  
(Expressed in thousands of New Taiwan Dollars)

	Capital stock			Retained earnings		Total equity
	Common stock	Bond conversion entitlement certificates	Capital surplus	Legal reserve	Unappropriated earnings	
Balance at January 1, 2019	\$4,082,428	\$-	\$66,910	\$565,597	\$1,046,809	\$5,761,744
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	-	45,029	(45,029)	-
Cash dividends	-	-	-	-	(81,649)	(81,649)
Stock dividends	530,716	-	(40,824)	-	(489,892)	-
Conversion of convertible bonds	19,289	5,454	39,825	-	-	64,568
Unclaimed cash dividends converted to capital surplus	-	-	32	-	-	32
Net income in 2019	-	-	-	-	1,488,505	1,488,505
Total comprehensive income in 2019	-	-	-	-	1,488,505	1,488,505
Balance at December 31, 2019	<u>\$4,632,433</u>	<u>\$5,454</u>	<u>\$65,943</u>	<u>\$610,626</u>	<u>\$1,918,744</u>	<u>\$7,233,200</u>
Balance at January 1, 2020	\$4,632,433	\$5,454	\$65,943	\$610,626	\$1,918,744	\$7,233,200
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	-	148,851	(148,851)	-
Cash dividends	-	-	-	-	(463,789)	(463,789)
Stock dividends	881,198	-	-	-	(881,198)	-
Conversion of Bond conversion entitlement certificates	5,454	(5,454)	-	-	-	-
Conversion of convertible bonds	65,742	4,346	105,495	-	-	175,583
Unclaimed cash dividends transferred to capital surplus	-	-	27	-	-	27
Net income in 2020	-	-	-	-	822,140	822,140
Total comprehensive income in 2020	-	-	-	-	822,140	822,140
Balance at December 31, 2020	<u>\$5,584,827</u>	<u>\$4,346</u>	<u>\$171,465</u>	<u>\$759,477</u>	<u>\$1,247,046</u>	<u>\$7,767,161</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Cheng-Gang Chen

President: Shih-Ying Chen

Accounting Supervisor: Shu-Chen Shen

**SAKURA DEVELOPMENT CO., LTD**  
**Individual Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**

(Expressed in thousands of New Taiwan Dollars)

Item	2020	2019
Cash flow from operating activities:		
Profit before income tax for the period	\$1,032,656	\$1,633,534
Adjustments for:		
Depreciation expense	4,337	4,390
Amortization expense	205	89
Net (gains) losses on financial assets and liabilities at fair value through profit and loss	(670)	(4,018)
Interest expense	18,958	22,594
Interest income	(561)	(632)
Subtotal	22,269	22,423
Change in operating assets and liabilities:		
Change in operating assets		
Decrease (increase) in notes receivable	18,427	(15,300)
Decrease (increase) in accounts receivable	88,847	(120,472)
Decrease (increase) in inventories(construction-in-progress)	(4,172,629)	(287,151)
Decrease (increase) in prepayments	(13,612)	4,989
Decrease (increase) in other current financial assets	(643,351)	(4,263)
Decrease (increase) in other current assets	(176,408)	(19,323)
Total net change in operating assets	(4,898,726)	(441,520)
Change in operating liabilities		
Increase (decrease) in notes payable	6,196	(10,930)
Increase (decrease) in accounts payable	32,715	113,391
Increase (decrease) in accounts payable from related parties	27,953	-
Increase (decrease) in other payables	(55,970)	175,106
Increase (decrease) in provisions	(2,353)	1,051
Increase (decrease) in contract liabilities	498,504	143,334
Increase (decrease) in other current liabilities	(27,521)	28,196
Total net change in operating assets and liabilities	479,524	450,148
Total net change in operating assets and liabilities	(4,419,202)	8,628
Total adjustments	(4,396,933)	31,051
Cash generated from operating activities	(3,364,277)	1,664,585
Interests received	561	632
Interests paid (including interest capitalization)	(107,755)	(117,575)
Income tax paid	(114,068)	(51,195)
Net cash provided by (used in) operating activities	(3,585,539)	1,496,447
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(747)	(84)
Acquisition of intangible assets	(427)	(267)
Decrease (increase) in refundable deposits	7,740	935
Net cash provided by investing activities	6,566	584
Cash flow from financing activities:		
Increase (decrease) in short-term borrowings	440,000	489,000
Increase in short-term notes payables	2,777,377	1,595,596
Decrease in short-term notes payables	(932,195)	(2,450,366)
Increase in long-term borrowings	2,191,823	1,462,177
Repayment of long-term borrowings	(919,000)	(1,952,500)
Payment of lease liabilities	(1,514)	(1,515)
Increase (decrease) in deposits received	(3,180)	840
Cash dividends paid	(463,789)	(81,649)
Unclaimed cash dividends transferred to capital surplus	27	32
Net cash provided by (used in) financing activities	3,089,549	(938,385)
Net increase (decrease) in cash and cash equivalents	(489,424)	558,646
Cash and cash equivalents at the beginning of the year	644,916	86,270
Cash and cash equivalents at the end of the year	\$155,492	\$644,916

The accompanying notes are an integral part of the financial statements.

Chairman: Cheng-Gang Chen

President: Shih-Ying Chen

Accounting Supervisor: Shu-Chen Shen

SAKURA DEVELOPMENT CO., LTD  
Earnings Distribution Statement  
2020

Unit: NT\$

<b>Opening undistributed earnings</b>		<b>424,907,110</b>
Add: after-tax net profit of the current period		822,138,632
Subtract: provision for legal reserve (10%)		(82,213,863)
<b>Distributable earnings</b>		<b>1,164,831,879</b>
Items for distribution:		
Dividends to shareholders: stock (NT\$1.4 per share)	(782,484,220)	
Dividends to shareholders: cash (NT\$0.2 per share)	(111,783,461)	(894,267,681)
<b>Closing undistributed earnings</b>		<b>270,564,198</b>

Note: The current cash dividends are rounded down to the nearest NTD based on the distribution ratio, and the total of fractional amounts that are less than NT\$1 has been counted towards the Company's other income.

Chairman: Cheng-Gang Chen

President: Shih-Ying Chen

Head accountant: Shu-Chen Shen

## SAKURA DEVELOPMENT CO., LTD

### Table of Comparison of the Revised Articles of Incorporation

Amended articles	Existing articles	Explanation
<p>Article 5.</p> <p>The Company's total capital is set at <u>NT\$9,000,000,000</u>, divided into <u>900,000,000</u> shares at NT\$10 par value. The Board of Directors is authorized to issue the shares in installments.</p>	<p>Article 5.</p> <p>The Company's total capital is set at NT\$6,000,000,000, divided into 600,000,000 shares at NT\$10 par value. The Board of Directors is authorized to issue the shares in installments.</p>	<p>Increased the total amount of the Company's authorized capital.</p>
<p>Article 33.</p> <p>These Articles of Incorporation were established on March 26, 1987.</p> <p>The first amendment was made on May 8, 1990.</p> <p>The second amendment was made on June 8, 1992.</p> <p>The third amendment was made on January 22, 1994.</p> <p>The fourth amendment was made on September 1, 1994.</p> <p>The fifth amendment was made on July 29, 1995.</p> <p>The sixth amendment was made on April 30, 1996.</p> <p>The seventh amendment was made on April 29, 1997.</p> <p>The eighth amendment was made on March 17, 1998.</p> <p>The ninth amendment was made on June 22, 2000.</p> <p>The tenth amendment was made on June 27, 2002.</p> <p>The eleventh amendment was made on June 30, 2003.</p> <p>The twelfth amendment was made on June 30, 2003.</p> <p>The thirteenth amendment was made on June 16, 2004.</p> <p>The fourteenth amendment was made on June 27, 2005.</p> <p>The fifteenth amendment was made on June 9, 2006.</p> <p>The sixteenth amendment was made on June 28, 2007.</p> <p>The seventeenth amendment was made on June 22, 2010.</p> <p>The eighteenth amendment was made on June 20,</p>	<p>Article 33.</p> <p>These Articles of Incorporation were established on March 26, 1987.</p> <p>The first amendment was made on May 8, 1990.</p> <p>The second amendment was made on June 8, 1992.</p> <p>The third amendment was made on January 22, 1994.</p> <p>The fourth amendment was made on September 1, 1994.</p> <p>The fifth amendment was made on July 29, 1995.</p> <p>The sixth amendment was made on April 30, 1996.</p> <p>The seventh amendment was made on April 29, 1997.</p> <p>The eighth amendment was made on March 17, 1998.</p> <p>The ninth amendment was made on June 22, 2000.</p> <p>The tenth amendment was made on June 27, 2002.</p> <p>The eleventh amendment was made on June 30, 2003.</p> <p>The twelfth amendment was made on June 30, 2003.</p> <p>The thirteenth amendment was made on June 16, 2004.</p> <p>The fourteenth amendment was made on June 27, 2005.</p> <p>The fifteenth amendment was made on June 9, 2006.</p> <p>The sixteenth amendment was made on June 28, 2007.</p> <p>The seventeenth amendment was made on June 22, 2010.</p> <p>The eighteenth amendment was made on June 20,</p>	

Amended articles	Existing articles	Explanation
<p>2012.</p> <p>The nineteenth amendment was made on June 20,</p> <p>2014.</p> <p>The twentieth amendment was made on June 17,</p> <p>2016.</p> <p>The twentieth-first amendment was made on June 16,</p> <p>2017.</p> <p>The twentieth-second amendment was made on June 6, 2019.</p> <p>The twentieth-third amendment was made on June 10, 2020.</p> <p><u>The twentieth-fourth amendment was made on June 15, 2021.</u></p>	<p>2012.</p> <p>The nineteenth amendment was made on June 20,</p> <p>2014.</p> <p>The twentieth amendment was made on June 17,</p> <p>2016.</p> <p>The twentieth-first amendment was made on June 16,</p> <p>2017.</p> <p>The twentieth-second amendment was made on June 6, 2019.</p> <p>The twentieth-third amendment was made on June 10, 2020.</p>	

Articles of Incorporation of SAKURA DEVELOPMENT CO., LTD (before  
Amendment)

Chapter 1. General Principles

- Article 1: The Company was organized in accordance with the Company Act, and was named SAKURA DEVELOPMENT CO., LTD.
- Article 2: The Company is engaged in the following businesses:
1. F111090 Wholesale of Building Materials.
  2. F113010 Wholesale of Machinery.
  3. H701010 Housing and Building Development and Rental.
  4. H701020 Industrial Factory Development and Rental.
  5. H701030 Funeral Places Lease Construction and Development.
  6. H701040 Specific Area Development.
  7. H701050 Investment, Development and Construction in Public Construction.
  8. H701060 New County and Community Construction and Investment.
  9. H701070 Process Zone Expropriation and Urban Land Readjustment Agency.
  10. H701080 Urban Renewal Reconstruction.
  11. H702010 Construction Manager.
  12. H703090 Real Estate Commerce.
  13. H703100 Real Estate Leasing.
  14. I102010 Investment Consulting.
  15. I503010 Landscape and Interior Designing.
  16. F401010 International Trade.
  17. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3: The Company's headquarters is located Taichung City, and may set up domestic or foreign branch offices as resolved by the Board of Directors, if necessary.
- Article 4: Public announcements from the Company are conducted in accordance with Article 28 of the Company Act.
- Article 4-1: The Company may provide external guarantees according to its business needs in accordance with the its Regulations Governing Endorsement and Guarantee.



## Chapter 2. Shares

Article 5: The Company's total capital is set at NT\$6,000,000,000, divided into 600,000,000 shares at NT\$10 par value. The Board of Directors is authorized to issue the shares in installments.

Article 5-1: Deleted.

Article 6: The Company's shares shall be registered, affixed with the signature or seal of the director representing the Company, and legally authenticated by the bank issuing share certificates prior to issuance.

Companies that do not print share certificates in accordance with the provision in the preceding paragraph shall register the issued shares with a centralized securities depository enterprise and follow the regulations of that enterprise.

Article 7: All stock-related matters implemented by the Company's shareholders shall be governed by the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authority of securities management and other relevant laws.

Article 8: Deleted.

Article 9: Title transfer of stocks may not be made within sixty days before the AGM is held, within thirty days before a shareholders' provisional meeting is held, or within five days before the base date for distribution of stock dividends and bonuses or other benefits determined by ASE.

## Chapter 3. Shareholders' Meeting

Article 10: Shareholders' meetings include ordinary meetings and extraordinary meetings. Ordinary meetings shall be convened once annually within six months after the end of each fiscal year and notified to the shareholders thirty days before taking place. Extraordinary meetings will be held according to the law whenever necessary and shall be notified to the shareholders fifteen days before taking place.

The aforementioned notification shall specify the date, venue, and reason(s) of such meeting either in written or electronic form to the shareholders, or alternatively via public announcement to shareholders holding fewer than 1,000 shares.

Unless otherwise specified by the Company Act, shareholders' meetings are convened by the Board of Directors.

Article 11: Any shareholder, who for any reason is unable to attend shareholders' meetings,

may execute a proxy printed by the Company, in which the authorized matters shall be expressly stated, to authorize a proxy to attend the meeting for him/her, in accordance with Article 177 of the Company Act. Unless otherwise specified by the Company Act, proxy attendance shall be conducted in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies promulgated by the competent authority.

Article 12: Unless otherwise required by the Company Act, shareholders' meetings are convened by the Board of Directors and chaired by the Chairman. If the Chairman is on leave or unable to perform his duties, he shall designate one of the directors to act on his behalf. If no such designation is made by the Chairman, the directors shall select one person from among themselves to serve as chair.

For shareholders' meetings convened by any authorized party other than the Board of Directors, the convener will act as the chair of the meeting. If there are two or more conveners at the same time, one shall be appointed from among them to chair the meeting.

Article 13: Each share is entitled to one voting right, except for shares where voting rights are restricted as described in the Company Act.

Article 14: Unless otherwise required by the Company Act, shareholders' resolutions shall be adopted by at least a majority of the votes of shareholders present at a shareholders' meeting who hold a majority of all issued and outstanding shares of the Company. In addition, voting rights are exercised in writing or through electronic means in accordance with relevant laws and regulations.

Article 15: Resolutions of a shareholders' meeting shall be compiled into detailed minutes, and signed or sealed by the Chairman then disseminated to each shareholder no later than 20 days after the meeting. The meeting minutes shall be prepared and distributed in accordance with Article 183 of the Company Act.

#### Chapter 4. Directors

Article 16: The Company has five to nine directors, who shall be elected in a shareholders' meeting from a list of nominees with disposing capacity to serve a term of three years and may be eligible for re-election.

The number of independent directors shall be no less than two and no less than one fifth of the total number of directors. All matters regarding the eligibility for independent directors will be handled in accordance with applicable laws

and regulations.

In accordance with the Securities and Exchange Act, the Company establishes an Audit Committee which is composed of all the independent directors. The Audit Committee's composition, functional duties, rules of procedure for meetings, and other matters to be complied with have all been established as regulated by the competent authority of the securities industry.

A company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.

Article 17: When the number of vacancies in the board of directors of a company equals to one third of the total number of directors, the Board of Directors shall call, within 60 days, a special meeting of shareholders to elect succeeding directors to fulfill the unexpired term of office of the predecessor.

Article 18: In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

Article 18-1: The total registered shares of the Company held by all the directors shall be governed by the provisions prescribed by the competent authority of securities affairs.

Article 19: The Board of Directors is constituted by directors, and the Chairman is elected from the directors by a majority of the directors at a board meeting at which over two-thirds of the directors are present. The Chairman represents the Company in its external dealings.

Article 20: The Company's operational directions and important matters shall be determined by the Board of Directors. Except when called for the first meeting of each board of directors in accordance with Article 203 of the Company Act, board meetings shall be called by the Chairman. In case the Chairman is on leave or can not exercise his power and authority for any cause, a delegate shall be designated to act on the Chairman's behalf in accordance with Article 208 of the Company Act.

Article 21: Unless otherwise provided for under the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the

meeting.

Each proxy may only represent one absent director.

If a board meeting is conducted in the form of video conference, the attendance of a director by video conference will be deemed as attendance in person.

Article 21-1: The reasons for calling a board meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.

The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.

Article 22: The proceedings of a Board meeting shall be compiled into meeting minutes, which shall be signed and sealed by the Chairman and then distributed to each director no later than 20 days after the meeting. The minutes of a shareholders' meeting shall record the date and place of the meeting, the name of the Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes, along with the attendance logs of the directors and powers of attorney of proxies, shall be kept persistently throughout the life of the Company.

Article 23: Deleted.

Article 23-1: The Board of Directors is authorized to determine the remuneration for directors based on the degree of individual directors' participation in the Company's operation and the value of the contributions each have made to the Company, with reference to the ordinary standards of industry competitors.

Article 23-2: Deleted.

## Chapter 5. Managerial Personnel and Staff

Article 24: The Company may have managerial personnel, whose appointment, dismissal and remuneration shall be handled in accordance with Article 29 of the Company Act.

Article 25: The Company may employ consultants and important staff as resolved by the Board of Directors.

Article 26: Deleted.

## Chapter 6. Final Accounts

Article 27: In the Company's final accounts at the end of each fiscal year, the Board of Directors shall prepare the following documents and submit them to the

Shareholders' Meeting for ratification. (1) a business report; (2) financial statements; and (3) proposals of earnings distribution or loss replenishment.

Article 28: If the Company has profit for the year, no less than 0.5 percent shall be allocated for employee compensation and no more than 2 percent shall be allocated for director remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. The determination of the distribution ratios for employee compensation and director remuneration, and whether employees' compensation shall be distributed in the form of shares or cash, shall be resolved by the majority of the directors at a board meeting at which over two-thirds of the directors are present and reported to the shareholders' meeting.

Article 28-1: In the event of profit after closing of annual accounts, the Company shall, as provided by law, pay for the taxes, offset losses sustained in previous years, allocate ten percent as the legal earnings reserve, and provide or reverse special reserve based on the balance. Any residual balance is then added to undistributed earnings carried from previous years and distributed as dividends, subject to Board of Directors' proposal and resolution in a shareholders' meeting.

The Company belongs to a capital intensive industry and has major investment and financial improvement plans in the coming years, making it difficult to discern clear-cut stages of its growth. For this reason, when the Company distributes its annual earnings, it will distribute cash dividends of at least ten percent; however, if the cash dividend per share is lower than NT\$0.1, it may distribute stock dividends instead.

## Chapter 7. Appendix

Article 29: Deleted.

Article 30: The Company may invest in other businesses according to its business needs and is not subject to the forty percent restriction specified in Article 13 of the Company Act in relation to the percentage of total investment amount that can be made with a Company's paid-up capital.

Article 31: The constitutive rules and the operation rules of the Company shall be stipulated separately by the Board of Directors.

Article 32: Matters not provided herein shall be subject to the provisions of the Company Act and other applicable laws and regulations.

Article 33: These Articles of Incorporation were established on March 26, 1987.

The first amendment was made on May 8, 1990.

The second amendment was made on June 8, 1992.

The third amendment was made on January 22, 1994.

The fourth amendment was made on September 1, 1994.

The fifth amendment was made on July 29, 1995.

The sixth amendment was made on April 30, 1996.

The seventh amendment was made on April 29, 1997.

The eighth amendment was made on March 17, 1998.

The ninth amendment was made on June 22, 2000.

The tenth amendment was made on June 27, 2002.

The eleventh amendment was made on June 30, 2003.

The twelfth amendment was made on June 30, 2003.

The thirteenth amendment was made on June 16, 2004.

The fourteenth amendment was made on June 27, 2005.

The fifteenth amendment was made on June 9, 2006.

The sixteenth amendment was made on June 28, 2007.

The seventeenth amendment was made on June 22, 2010.

The eighteenth amendment was made on June 20, 2012.

The nineteenth amendment was made on June 20, 2014.

The twentieth amendment was made on June 17, 2016.

The twentieth-first amendment was made on June 16, 2017.

The twentieth-second amendment was made on June 6, 2019.

The twentieth-third amendment was made on June 10, 2020.

## SAKURA DEVELOPMENT CO., LTD

### Rules and Procedures for Shareholders' Meetings

1. The Company's shareholders' meetings shall be conducted in accordance with these Rules and Procedures, unless otherwise provided by law.
2. The Company shall provide an attendance log to record attendance of shareholders; alternatively, attendance cards may be presented to signify their presence at the meeting. The number of shares represented during the meeting is calculated based on the total amount registered in the attendance log or the attendance cards collected.
3. Shareholder attendance and votes are calculated by the number of shares represented during the meeting.
4. Shareholders' meetings shall be held at the Company's location or locations that are suitable and convenient for shareholders to attend. Meetings shall begin no earlier than 9 a.m. and no later than 3 p.m.
5. Shareholders' meetings that are convened by the Board of Directors shall be chaired by the Chairman. If the Chairman is unable to perform such duties due to leave of absence or any reason, the Chairman may appoint one of the directors to act on the Chairman's behalf. If the Chairman does not appoint a delegate, one shall be elected among the directors to act on the Chairman's behalf.

For shareholders' meetings convened by any authorized party other than the Board of Directors, the convener will act as the chair of the meeting. If there are two or more conveners at the same time, one shall be appointed from among them to chair the meeting.

6. The company may summon its lawyers, certified public accountants, and any relevant personnel to be present at the shareholders' meeting.
7. The whole course of a shareholders' meeting shall be recorded on audio or video tape and shall be retained for at least one year.
8. The chair of the meeting shall call the meeting to order at the time scheduled for the meeting. If the number of shares represented by the shareholders present at the meeting does not accumulate to more than half of the Company's outstanding shares, the chair may postpone the time for the meeting. The postponements shall be limited to two times and the meeting shall not be postponed for longer than one hour in aggregate. If, after two postponements, no quorum can yet be constituted, but the shareholders present at the meeting represent more than one-third of the total outstanding shares, tentative resolutions may be made in accordance with Article 175, Item 1 of the Company Act. If the number of shares represented during the meeting accumulates to more than half of all outstanding shares before the meeting ends, the chair may re-propose any tentative resolution for final voting in accordance with Article 174 of the Company Act.
9. If a shareholders' meeting is convened by the Board of Directors, the Board of Directors shall determine the meeting agenda. The agenda may not be changed unless resolved during the shareholders' meeting.

The above rule also applies if the shareholders' meeting is convened by any authorized party other than the Board of Directors.

In either of the two arrangements described above, the chair may not dismiss the meeting while an agenda item (including extempore motions) is still in progress.

The shareholders may not designate any other person as chair and continue the meeting in the same or another place after the meeting ends. However, if the chair violates the meeting policy by dismissing the meeting when it is not allowed to do so, another chair may be elected with the support of the majority of voting rights represented and continue the meeting.

10. When a shareholder present at the meeting wishes to speak, a statement slip shall be filled out with a summary of the speech shareholder's number (or the number of the attendance card) and the name of the shareholder. The sequence of speeches by shareholders shall be decided by the chair.

A shareholder present at the meeting that merely submits a statement slip without speaking is considered not to have spoken. If the shareholder's actual comments differ from those stated on the statement slip, only the actual comments expressed shall be recorded.

While a shareholder is speaking, other shareholders may not speak simultaneously or interfere in any way, unless agreed upon by the chair and the person speaking. Any violators shall be restrained by the chair.
11. Unless otherwise permitted by the Chairman, each shareholder shall speak no more than two times, for five minutes each, on the same agenda item.
12. If the corporate shareholder is attending as proxy, only one representative shall be appointed to attend the meeting.

Where a corporate shareholder has appointed two or more representatives to attend the shareholders' meeting, only one representative may speak per agenda item.
13. After the shareholder has finished speaking, the Chairman may answer to the shareholder's queries personally or appoint any relevant personnel to do so.
14. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.
15. The chair will appoint a ballot scrutineer and a ballot counter; the ballot scrutineer must be a shareholder. Voting results shall be made known on-site immediately and recorded in writing.
16. While the shareholders' meeting is in session, the chair may allocate and announce appropriate time for breaks.
17. Unless otherwise provided by the Company Act or the Company's Articles of Incorporation, a proposal shall be approved by the majority of the total voting rights represented.
18. When there is an amendment or alternative resolution to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any resolution is passed, all other proposals shall be deemed rejected, and no further voting is necessary.
19. The chair may instruct the inspectors (or security personnel) to assist in maintaining order in the meeting venue.
20. These rules shall come into force on the approval of the shareholders' meeting, as shall any amendment.



# SAKURA DEVELOPMENT CO., LTD

## Status of Holdings of Directors

Record Date: April 17, 2021

Title	Name	Registered shares as of the book closure date	
		No. of Shares	Percentage
Chairman	Ho-Yang Management Consultant Co., Ltd. Representative: Cheng-Gang Chen	107,974,349	19.29%
Director	He-Yang Management Consulting Co., Ltd. Representative: Shu-Chen Shen		
Director	Shih-Ying Chen	4,071,445	0.73%
Director	Shu-Chen Pai	916,794	0.16%
Independent Director	Chen-Hua Hsu	0	0%
Independent Director	Kuei-Yuan Wang	0	0%
Independent Director	Ming-Tsung Hung	0	0%
Total		112,962,588	

Note: 1. The Company's total directors' shareholdings as required by law are: 17,908,628 shares; total directors' shareholdings as of April 17, 2021 were: 112,962,588 shares.

2. The Company has established an Audit Committee; therefore, there is no applicable information on the number of shares retained by supervisors.