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# SAKURA DEVELOPMENT CO.,LTD

## 2020 Annual Report

Printed April 30, 2021

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## Message to Shareholders

Dear shareholders:

Welcome to this company's 2021 shareholders meeting. I would first like to express our tremendous gratitude to all shareholders of Sakura Development for their support and concern.

Thanks to the teamwork and dedicated efforts of all employees and subcontractors, "Sakura School - Pin Xue District," "Sakura Blooming Wonderful Life," "Sakura Gallery," and "Sakura Child King 2" were handed over and entered in accounts in 2020; we look forward to completing 916 units in the projects "Sakura Kingdom - Cambridge Garden," "Sakura Heroes Association," "Sakura Heroes Society," "Sakura Giant," and "Sakura Rain" this year; Our currently under-construction projects include "Sakura Kingdom - Oxford Garden," "Sakura Kingdom - London Garden," "Sakura Just Perfect," "Hou Long Zi Lot," and "Qingshui District Shizhen North Section" in the Taichung area; "Changhua Niuqiu Subsection" in the Changhua area, and "Sakura Blossom" in the Taipei area; We also plan to begin work on 703 units in the "Taichung Dali District Beixin Section," "Changhua Zhongshan Section," "Phase I and II of the Hsinchu County Beishi Xinguo Section" projects this year.

Following the outbreak of the coronavirus pandemic in the first quarter of 2020, global economic conditions deteriorated, and national governments adopted interest rate reductions and quantitative easing policies in response. In Taiwan, the Central Bank of China adjusted the interest rate downward by 1 quarter of a percentage point, bringing it to a historic new low. During the second half of 2020, international hot money flooded into Taiwan due to its effective control of the pandemic, causing the stock market, foreign exchange market, and real estate market to rise in unison, and real estate prices set a new high.

After the overheated real estate market attracted its concern, in order to prevent excessive amounts of banks' resources from pouring into real estate, the Central Bank of China adopted a cautious policy toward real estate loans. In addition, the bill concerning registration of the actual selling price of real estate (Shijia Denglu 2.0) passed by the Legislative Yuan contained new measures, such as the prohibition of speculative "red-form resale" flipping, intended to put the real estate market on a sound footing and prevent the market's overheating. Looking ahead to 2021, the pandemic can be expected to ease as coronavirus vaccination spreads, and we look forward to the revival of the global economy. The outlook for Taiwan's real estate market remains optimistic in 2021, but owing to continued pressure from labor shortages and the rising price of raw materials, the Company still faces a number of challenges. Apart from dealing with these challenges through construction management geared to controlling costs and construction time, we are also strengthening after-sales service in order to enhance our brand value, maintain our overall competitiveness, and reward shareholders for their support and encouragement.

Chairman Chen Cheng-Gang

## I. 2020 business results

(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 that - 9 - 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.

## **II. 2021 Business Plan Summary**

(I) Operating policy

1. We provide customers with high-quality products in accordance with our business philosophy of "Persistence, Innovation, Commitment, and Diligence."
2. We offer the most superior service while upholding the spirit of sustainable service.
3. Making financial information transparent and implementing effective corporate governance.

(II) Projected sales volume and basis

1. "Sakura Rain," which is located in Taoyuan's Guishan District and comprised of 108 units, is the total sales of NT\$1 billion. The sale began in October 2020, and will be predictably completed in the fourth quarter of 2021.
2. "Sakura Blossom," which is located in Taoyuan's Zhongli District and comprised of 201 units, is the total sales of NT\$2.08 billion. The sale began in October 2020, and will be predictably completed in the first quarter of 2022.
3. "Sakura Just Perfect," which is located in Taichung's Taiping District and comprised of 178 units, is the total sales of NT\$2.17 billion. The sale began in January 2021, and will be predictably completed in the third quarter of 2022.
4. "Sakura Kingdom - London Garden," which is located in Taichung's Taiping District and comprised of 327 units, is the total sales of NT\$3.27 billion. The sale began in January 2021, and will be predictably completed in the third quarter of 2023.

(III) Major construction and sales policies

1. Product plans call for thoughtfulness, value, and practicality.

2. Implementing construction plans, ensuring project quality and cost control, and striving to achieve budgetary goals.
3. Working with highly reputable sales agents, the Company has adopted a diversified sales strategy aimed at enhancing its completed transaction percentage.
4. Emphasizing consumers' rights, the Company has been revising sales contract content in accordance with legal amendments.
5. The Company is continuing to manage its brand, and is providing customers with faster and more convenient after-sales service through online repair-request reporting systems and increases in the number of full-time maintenance personnel.

### **III. Future Development Strategy:**

- (I) Finding land with development value, and engaging in inter-regional operations in northern, central, and southern Taiwan in order to disperse risk.
- (II) Focusing on the development of our core area of building construction, continuing to cultivate the greater Taichung area, actively expanding into the northern and southern Taiwan markets, and maintaining a certain number of proposed projects in order to ensure steady profit growth.
- (III) We implement thoroughgoing self inspections internally and at subcontractors, hire real estate management companies to perform checking, and also rely on supervision by supervisory engineers and architects to ensure excellent project quality.

### **IV. Effect of the competitive, regulatory, and macroeconomic environment:**

- (I) External competitive environment:

In the current low interest rate environment, all major construction companies are searching for land, urban lots have become scarce, and the price of land has risen continuously. Along with domestic labor shortages, the steadily rising price of building materials has resulted in an increasingly tough business environment. Apart from continuing to strengthening teamwork and professionalism, the Company has also made stepping up construction management and expanding its business scope the focal points of development during the current year. In addition to extensive work in the Taichung, Taoyuan, and New Taipei areas, we have also made urban areas

including Hsinchu, Changhua, and southern Taiwan as focal areas of our future development

(II) Regulatory Environment:

The December 7, 2020 revision of the "Central Bank of China Regulations Governing the Extension of Mortgage Loans by Financial Institutions," which took effect on December 8, 2020, chiefly placed restrictions on the purchase of homes by corporate juridical persons, the purchase of a third or further home by natural persons, and the excess home loan percentage. In addition, the bill concerning registration of the actual selling price of real estate (Shijia Denglu 2.0) passed by the Legislative Yuan on December 30, 2020 contains a series of new measures intended to put the real estate market on a sound foundation, and includes requirements that the addresses of homes registered at the actual selling price must be disclosed, red-form resale is prohibited, and pre-sale housing must be reported on a case-by-case basis within 30 days after agreement signing. Apart from strengthening curbs on house flipping and the hoarding of units, the greater transparency of real estate market transaction information brought by these measures is better aligned with consumers' expectations of housing justice.

(III) Overall operating environment:

The low interest rate environment and appreciation of the NT dollar have made this a favorable time for real estate development. However, continued regulation of the market government through such government measures as selective credit controls, the integrated housing and land tax system ("fangdi heyi 2.0), and registration of the actual selling price of real estate (Shijia Denglu 2.0) has subjected the real estate market as a whole to increased policy pressure. The goal of the government's current regulatory measures is to put the real estate market on a sound footing, avoid excessive short-swing trading fluctuations in the real estate market, and promote the stable, long-term development of the real estate market long-term. Addressing short-/mid-/long-term challenges and opportunities, the Company focuses its marketing efforts on self-use and first-time customers, and provides superior products and all-round service.

## Chapter 2. Company Profile

### I. Date of Establishment: May 2, 1987

### II. Company History:

- May 1987                      Chang Tzung-hsi and associates established the Sakura Development Co., Ltd. after assembling funding of NT\$20 million.
- June 1990                    A cash capital increase of NT\$175 million, causing total capital to reach NT\$195 million.
- October 1990                The Company successively introduces the "Guizu Huaxia" 7-story elevator-equipped apartment building, "Huangjia Bieshu" 4-story luxury town houses, and the "Zuanshi Mingdian" 5-story town houses with shop fronts on Taichung's Yinghua Road.
- December 1991             Introduces the "Fuxing Jindian" 5-story town houses with shop fronts and "Mingmen Huaxia" 7-story elevator-equipped apartment building.
- March 1992                 Completes the "Guizu Huaxia," "Huangjia Bieshu," and "Zuanshi Mingdian" projects.
- December 1992             Introduces the "Sakura Xingzuan" 13-story apartment suite and shopping center from B1 to 3F, and "Sakura Huangdi" overlapping luxury homes.
- June 1993                    Introduces the "Yingcheng ABC Area," which is located on a 8,264m<sup>2</sup> site and is a multiple-use product containing shops, apartments, and suites.
- June 1993                    Completion and hand-over of the "Fuxing Jindian" and "Mingmen Huaxia" projects.
- March 1994                 As the Company's scale of operation grows increasingly large, in order to achieve sustainability and continuing growth, the Company resolves to increase capital by NT\$605 million in cash, which causes total capital to increase to NT\$800 million, to boost self-held capital and the financial structure on a sound footing.
- June 1994                    The Securities & Exchange Commission, Ministry of Finance approves the Company's promotion to a public company, which advances the Company's operations to a new level.
- December 1994             "Sakura Xingzuan" and "Sakura Huangdi" are completed and handed over.
- December 1994             Introduces the "Fengyuan Yinghuashi" project located in Taichung County's Dashe Section.

- July 1995 "Yingcheng ABC" is completed and handed over, making that part of Yinghua Road even more prosperous.
- October 1995 "Yingcheng ABC Area" (Sakura Yuandi) project introduced in June 1993 takes the "best construction quality award" in the 3rd Chinese Architectural Golden Stone Awards.
- January 1996 Conducted conversion of earnings to capital increase of NT\$100 million, causing total capital to reach NT\$900 million.
- March 1996 "Yingcheng A Area" receives the "best construction quality award" in the Architecture Golden Awards of the R.O.C.
- July 1996 Completes capital increase by recapitalization of NT\$108 million in earnings, causing capital to increase to NT\$1.008 billion.
- April 1996 "Fengyuan Yinghuashi" is completed and handed over.
- September 1996 Introduces the "Sakura Dacun" luxury town houses located in Taichung County's Daya area.
- March 1997 The Taiwan Stock Exchange's Review Committee approves the Company's stock listing application.
- June 1997 Completion of capital increase by recapitalization of earnings and employee bonuses, which increases capital to NT\$1,141,870,000.
- July 1997 Stock formally listed on the stock exchange.
- July 1997 Introduces the "Sakura European Village" community development project, which is located along Zongguan Road in Dacun, Yuanlin, occupies 42,975m<sup>2</sup>, and was developed in conjunction with the Changhua County government and the Corporate Synergy Development Center, Ministry of Economic Affairs.
- August 1997 Introduces the 14-story fiber optic-connected community "Sakura Modern Europe" located in the Fengjia Shopping District and featuring an advanced information concept design.
- September 1997 Conducts cash capital increase of NT\$400 million, giving a premium price per share of NT\$42, and causing capital to increase to NT\$1,541,870,000.
- September 1997 Introduces the Yumaowu Living Circle located on Xiaoyang Road in Changhua; this project occupies 52,893m<sup>2</sup> and creates the "Sakura Europe Holiday" leisure and vacation living community in the greater Changhua area.

- December 1997      Passes ISO9002 certification.
- February 1998      Introduces the "Sakura Century" project located on Wuquan West Road and occupies 7,646m<sup>2</sup>.
- April 1998          Conducts capital increase out of capital reserves and earnings (including employee bonuses), which increases capital to NT\$2,008,831,000.
- September 1999      Conducts capital increase out of capital reserves and earnings, which increases capital to NT\$2,209,714,100.
- March 2000          Introduces phase I of the 6,998m<sup>2</sup> "Sakura Dazhen" project in Caotun.
- November 2000      Reduction in capital and use of capital surplus to cover accumulated deficits, capital is reduced to NT\$1,104,857,050.
- October 2002        Reduction in capital and use of capital surplus to cover accumulated deficits, capital is reduced to NT\$276 million.
- October 2003        Reduction in capital and use of capital surplus to cover accumulated deficits, capital is reduced to NT\$98.55 million.
- December 2003      Holds extraordinary shareholders meeting to elect new directors and supervisors, Wu Liu-ho assumes position of chairman. Conducts cash capital increase by private placement, which increases capital to NT\$198.55 million.
- February 2004        Conducts cash capital increase by private placement, which increases capital to NT\$500 million.
- March 2006          Conducts cash capital increase by private placement, which increases capital to NT\$800 million.
- February 2007        Introduces the "Sakura LV Holiday," which is located near Qingnian High School on Dali's Zhonghu Road.
- December 2007      Reduction in capital to cover accumulated deficits and cash capital increase by private placement, capital changes to NT\$520 million.
- April 2008          Conducts cash capital increase by private placement, capital changes to NT\$1.28 billion.
- August 2008         Introduces the "European Chalet" project in Taichung's Northern District; this project consists of a shopping/residential building with 3 underground floors and 17 aboveground floors.
- March 2010          Introduces the "Sakura Caoyeji" project in the shopping district near

- China Medical University in Taichung's Northern District; this project consists of a shopping/residential building with 3 underground floors and 12 aboveground floors.
- October 2010 Conducts capital increase by earnings recapitalization, which increases capital to NT\$1,314,560,000.
  - February 2011 Introduces the "Sakura Green River" project on the Taiyuan Road Greenway in Taichung's Northern District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
  - June 2011 Introduces the "Sakura Qingchuanan" project located on Songzhu Fifth Road in Taichung's Beitun District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
  - October 2011 Conducts capital increase by earnings recapitalization, which increases capital to NT\$1,470,285,390.
  - February 2012 Introduces the "Sakura Canlan Gongxue" project located on Gongxue Road in Taichung's Southern District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
  - August 2012 Conducts capital increase by earnings recapitalization, which increases capital to NT\$1,655,541,340.
  - September 2012 Introduces the "Sakura Cunshangsen" project in Taichung's Taiping District; this project consists of a shopping/residential building with 3 underground floors and 14 aboveground floors.
  - October 2012 Introduces the "Sakura Yi-Zhan" project in Taichung's Wurih District; this project consists of a shopping/residential building with 2 underground floors and 12 aboveground floors.
  - March 2013 Introduces the "Sakura Hanshe" project in Taichung's Beitun District; this project consists of a shopping/residential building with 4 underground floors and 15 aboveground floors.
  - August 2013 Conducts capital increase of NT\$223,498,080 out of earnings and capital reserves, which increases capital to NT\$1,879,039,420.
  - October 2013 Introduces the "Sakura Chengpin" project in Yangmei, Taoyuan County; this project consists of a shopping/residential building with 3 underground floors and 14 aboveground floors.

- November 2013      Introduces the "Sakura Zhenzhan" project in Taichung's Wurih District; this project consists of a shopping/residential building with 2 underground floors and 12 aboveground floors.
- December 2013      Introduces the "Sakura Xintiandi" project in New Taipei's Linkou District; this project consists of a shopping/residential building with 2 underground floors and 7 aboveground floors.
- March 2014            Introduces the "Sakura Jiazhan" project in Taichung's Wurih District; this project consists of a shopping/residential building with 2 underground floors and 12 aboveground floors.
- April 2014            Introduces the "Sakura Puxinhui" project in Pingzhen, Taoyuan County; this project consists of a shopping/residential building with 3 underground floors and 11 aboveground floors.
- August 2014           Conducts capital increase by earnings recapitalization of NT\$507,340,640 which increases capital to NT\$2,386,380,060.
- January 2015          Introduces the "Sakura Jingzhan" project in Taichung's Wurih District; this project consists of a shopping/residential building with 2 underground floors and 12 aboveground floors.
- February 2015        Introduces the "Sakura Jiansen" project in Taichung's Beitun District; this project consists of a shopping/residential building with 2 underground floors and 12 aboveground floors.
- March 2015            Introduces the "Sakura Jingzhan" project in Taichung's Wurih District; this project consists of a shopping/residential building with 3 underground floors and 14 aboveground floors.
- July 2015             Introduces the "Sakura Shijia" project in New Taipei's Xinzhuang District; this project consists of a shopping/residential building with 4 underground floors and 15 aboveground floors.
- August 2015           Conducts capital increase by earnings recapitalization of NT\$477,276,010, which increases capital to NT\$2,863,656,070.
- September 2015      Introduces the "Sakura Blooming Wonderful Life" project in Taichung's Wurih District; this project consists of a shopping/residential building with 3 underground floors and 14 aboveground floors.
- November 2015       Introduces the "Dajia Zhuyi" project in Taichung's Southern District; this project consists of a shopping/residential building with 3 underground floors and 12 aboveground floors.



- August 2016      Introduces the "Sakura Qingmai" project in Taichung's Taiping District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- August 2016      Conducts capital increase by earnings recapitalization of NT\$572,731,210, which increases capital to NT\$3,436,387,280.
- October 2016     Introduces the "Sakura Shidai" project in Taoyuan's Pingzhen District; this project consists of a shopping/residential building with 3 underground floors and 14 aboveground floors.
- July 2017        Introduces the "Sakura Muran" project in Taichung's Beitun District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- July 2017        Introduces the "Sakura Bincheng" project in Taichung's Taiping District; this project consists of a shopping/residential building with 3 underground floors and 14 aboveground floors.
- July 2017        Introduces the "Huoli Shui'an" project in Taichung's Beitun District; this project consists of a shopping/residential building with 3 underground floors and 13 aboveground floors.
- August 2017      Conducts capital increase by earnings recapitalization of NT\$343,638,730, which increases capital to NT\$3,780,026,010.
- May 2018        Introduces the "Sakura Child King" project in Taichung's Southern District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- May 2018        Introduces the "Sakura Blossom" project in Taoyuan's Yangmei District; this project consists of a shopping/residential building with 2 underground floors and 15 aboveground floors.
- June 2018        Introduces the "Sakura Qingshangsen" project in Taichung's Taiping District; this project consists of a shopping/residential building with 2 underground floors and 15 aboveground floors.
- September 2018   Conducts capital increase by earnings recapitalization of NT\$302,402,080, which increases capital to NT\$4,082,428,090.
- September 2018   Introduces the "Sakura Dongshan No. 1" project in Taichung's Beitun District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.

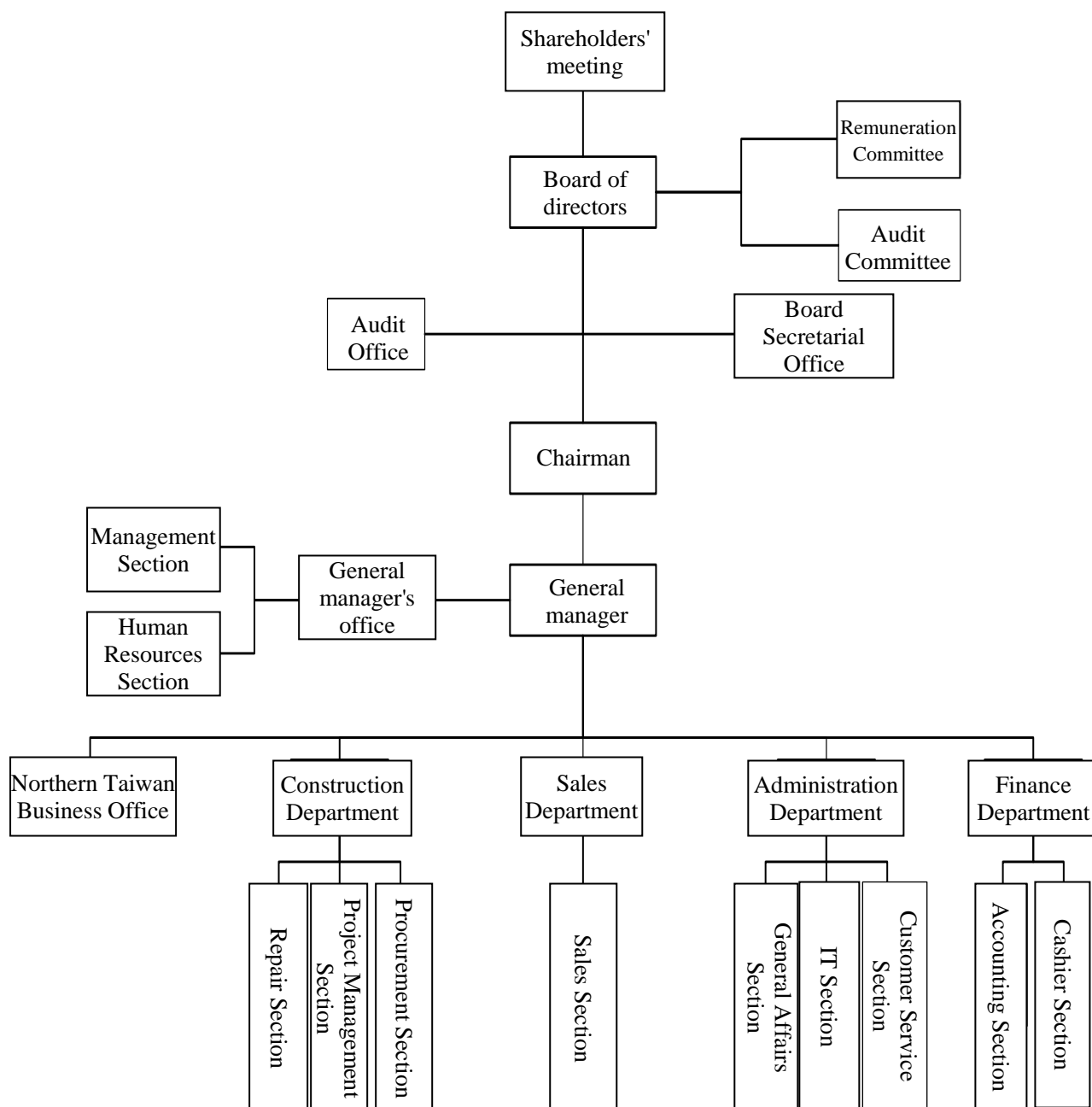
- September 2018      Issuance of first secured convertible bonds in Taiwan, NT\$200 million; Issuance of second unsecured convertible bonds in Taiwan, NT\$292 million.
- November 2018      Introduces the "Sakura School-Bo Xue District" project in New Taipei's Sanxia District; this project consists of a shopping/residential building with 2 underground floors and 13 aboveground floors.
- December 2018      Introduces the "Sakura School-Jia Xue District" project in New Taipei's Sanxia District; this project consists of a shopping/residential building with 3 underground floors and 13 aboveground floors.
- June 2019              Introduces the "Sakura School - Pin Xue District" project in New Taipei's Sanxia District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- June 2019              Introduces the "Sakura Child King 2" project in Taichung's Southern District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- August 2019           Conducts a capital increase out of capital reserves and earnings of NT\$530,715,650, which increases capital to NT\$4,613,143,740.
- August 2019           Introduces the "Sakura Blooming Wonderful Life" project in Taichung's Wurih District; this project consists of a shopping/residential building with 2 underground floors and 13 aboveground floors.
- September 2019      Introduces the "Sakura Kingdom - Cambridge Garden" project in Taichung's Taiping District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- November 2019      Conducts Taiwan's second conversion of unsecured convertible bonds to a common stock issuance of NT\$19,289,190 in new share, which increases capital to NT\$4,632,432,930.
- February 2020        Conducts Taiwan's second conversion of unsecured convertible bonds to a common stock issuance of NT\$5,453,650 in new shares, which increases capital to NT\$4,637,886,580.
- February 2020        Introduces the "Sakura Gallery" project in Hsinchu's Northern District; this project consists of a shopping/residential building with 2 underground floors and 11 aboveground floors.
- March 2020            Introduces the "Sakura Heroes Association" project in Taichung's Beitun District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.

- March 2020      Introduces the "Sakura Heroes Society" project in Taichung's Taiping District; this project consists of a shopping/residential building with 3 underground floors and 14 aboveground floors.
- April 2020      Introduces the "Sakura Giant" project in Taichung's Beitun District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- May 2020        Conducts conversion of convertible bonds to common stock issuance of NT\$19,618,700 in new shares, which increases capital to NT\$4,657,505,280.
- September 2020      Conducts capital increase by earnings recapitalization and conversion of convertible bonds to a common stock issuance of NT\$909,292,840 in new shares, which increases capital to NT\$5,566,798,120.
- October 2020      Introduces the "Sakura Rain" project in Taoyuan's Guishan District; this project consists of a shopping/residential building with 4 underground floors and 14 aboveground floors.
- October 2020      Introduces the "Sakura Blossom" project in Taoyuan's Zhongli District; this project consists of a shopping/residential building with 2 underground floors and 13 aboveground floors.
- November 2020      Conducts conversion of convertible bonds to common stock issuance of NT\$18,028,560 in new shares, which increases capital to NT\$5,584,826,680.
- January 2021      Introduces the "Sakura Just Perfect" project in Taichung's Taiping District; this project consists of a shopping/residential building with 4 underground floors and 15 aboveground floors.
- January 2021      Introduces the "Sakura Kingdom - London Garden" project in Taichung's Taiping District; this project consists of a shopping/residential building with 3 underground floors and 15 aboveground floors.
- February 2021      Conducts conversion of convertible bonds to common stock issuance of NT\$4,346,350 in new shares, which increases capital to NT\$5,589,173,030.

## Chapter 3. Corporate Governance Report

### I. Organizational system

#### (I) Organizational structure



(II) Functions of chief departments

Board Secretarial Office	<ol style="list-style-type: none"> <li>1. Business connected with board of directors.</li> <li>2. Business connected with shareholders meetings.</li> <li>3. Liaison and handling of problems of directors and shareholders</li> </ol>
Audit Office	<ol style="list-style-type: none"> <li>1. Drafting, implementation, and tracking of audit plans.</li> <li>2. Checking, assessment, and proposal of recommendations for improvement in connection with the Company's existing organizational systems, rules and regulations, plans, and policies.</li> <li>3. Drafting, follow-up, review, organization, and reporting of internal control system self-inspection plans.</li> </ol>
General manager's office	<ol style="list-style-type: none"> <li>1. Planning of the Company's operating strategies, business performance management, and integration of corporate resources.</li> <li>2. Land development, assessment, and purchase &amp; sale; contract signing, payment, and hand-over in joint land development projects.</li> <li>3. Collection and analysis of information concerning the land market, Product positioning during the new product planning stage, budgets and assessment of implementation performance, and industry development trend research and economic forecasting.</li> <li>4. Planning and finalization of corporate organizational system and departmental duties.</li> <li>5. Human resources development responsibilities, including employee salaries and benefits, recruiting, selection, promotion, evaluation, education and training, and development.</li> </ol>
Construction Department	Responsible for project construction plan and budget review tasks, project materials procurement and contracting tasks, and after-sales maintenance projects.
Sales Department	Responsible for home sales contract signing, pricing management, review of advertising budgets and literature, unsold home management, convening new community members' meetings, establishment of community committees and liaison, and handling of customer complaint cases.
Finance Department	Management and handling of the Company's financial, tax, management accounting, funds allocation, and account management tasks.
Administration Department	<ol style="list-style-type: none"> <li>1. Responsible for establishment and maintenance of computer hardware and software systems, and information security and maintenance matters.</li> <li>2. Responsibility for general affairs and fixed asset management tasks, etc.</li> <li>3. Enhancement of the Company's image and brand marketing matters.</li> </ol>
Northern Taiwan Business Office	<ol style="list-style-type: none"> <li>1. Responsible for land development, home sale management, and customer service, etc. in northern Taiwan.</li> <li>2. Responsible for project construction plan and budget review tasks, project materials procurement and contracting tasks, and after-sales maintenance projects in northern Taiwan.</li> </ol>

## II. Profiles of the directors (including independent directors), general manager, vice presidents, assistant vice presidents, and the heads of departments and branches

### (I) Information on directors: April 17, 2021

Title	Nationality or place of registration	Name	Gender	Date elected (assumed position)	Term	Date first appointed	Shareholding at time of appointment		Current shareholding		Current shareholdings of spouse and minor children		Shareholding in name of other persons		Chief experience & education	Positions currently held concurrently at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Notes (Note 1)
							No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage			Title	Name	Relationship	
Chairman	Republic of China	Ho-Yang Management Consultant CO., Ltd.	Male	2020.06.10	3	2008.04.08	90,882,508	19.48%	107,974,349	19.29%	-	-	-	-	Degree in business administration, Shih Hsin College		None	None	None	
		Representative : Chen Cheng-kang					-	-	-	-	2,124,346	0.38%	-	-						
Director	Republic of China	Ho-Yang Management Consultant CO., Ltd.	Female	2020.06.10	3	2008.04.08	90,882,508	19.48%	107,974,349	19.29%	-	-	-	-	Degree in accounting, National Taichung Institute of Technology	SAKURA DEVELOPMENT CO., LTD Manager, Finance Department	None	None	None	
		Representative : Shen Shu-Chen					89,327	0.02%	106,126	0.02%	-	-	-	-						
Director	Republic of China	Chen Shih-Ying	Male	2020.06.10	3	2010.05.01	4,100,318	0.88%	4,071,445	0.73%	-	-	-	-	Dept. of Civil Engineering, Chung Hua University	SAKURA DEVELOPMENT CO., LTD General manager	None	None	None	

Director	Republic of China	Pai Shu-Chen	Female	2020.06.10	3	2008.04.08	771,670	0.17%	916,794	0.16%	18,634	0.00%	-	-	Degree in accounting, Tamkang University	Director of Ho-Yang Management Consultant CO., Ltd., Jia Mao Development Co., Ltd., and Bao Xin Development Co., Ltd.	None	None	None	
Independent Director	Republic of China	Hsu Chen-Hua	Female	2020.06.10	3	2017.06.16	-	-	-	-	-	-	-	-	Degree in accounting, Tamkang University	Vice president in charge of HR, General Affairs, and Services Dept. at Xie You Construction Co., Ltd., member of remuneration committee at SAKURA DEVELOPMENT CO., LTD.	None	None	None	
Independent Director	Republic of China	Wang Kuei-Yuan	Male	2020.06.10	3	2017.06.16	-	-	-	-	-	-	-	-	Ph.D., business administration, National Taiwan University of Science and Technology	Associate professor, Asia University Member of the Compensation Committee, SAKURA DEVELOPMENT CO., LTD.	None	None	None	
Independent Director	Republic of China	Hung Ming-Tsung	Male	2020.06.10	3	2017.06.16	-	-	-	-	-	-	-	-	Dept. of Law, National Taiwan University	Supervisor, Rui Ying Co., Ltd.	None	None	None	

Chief shareholders of institutional shareholders: April 17, 2021

Name of institutional shareholder	Chief shareholders of institutional shareholder	Percentage
Ho-Yang Management Consultant CO., Ltd.	Lin Chen-hai	18.875%
	Tzeng Shu-chiung	31%

Information on directors (II)

April 17, 2021

April 17, 2021

Criteria  Name (Note 1)	Has at least 5 years of work experience and has the following professional qualifications		Meet the independence criterion (Note 2)												Number of other public companies in which the individual is concurrently serving as an independent director	
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate therefrom	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11		12
Representative of Ho-Yang Management Consultant CO., Ltd.: Chen Cheng-Gang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Representative of Ho-Yang Management Consultant CO., Ltd.: Shen Shu-Chen			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chen Shih-Ying			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Pai Shu-Chen			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Hsu Chen-Hua			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang Kuei-Yuan	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hung Ming-Tsung		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Number of fields may adjusted in view of the actual figures.

Note 2: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to



being elected or during their term of office"✓."

- (1) Not an employee of the Company or any of its affiliates.
- (2) A director or supervisor not at the Company or its affiliates (this restriction does not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, if not the manager in subparagraph (1) or any of the persons listed in subparagraphs (2) and (3).
- (5) Not a director, supervisor, or employee directly holding 5% or more of the outstanding shares of the Company, or ranking in the top 5 in holdings, or serving as a director or supervisor of a institutional shareholder as a designated deputy in accordance with Article 27, paragraphs 1 or 2 of the Company Act (this restriction shall not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).
- (6) Not a director, supervisor, or employee who individually holds a majority of shares with voting rights or corporate directorships (this restriction shall not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).
- (7) Not a director, supervisor, or employee of another company or organization when such a person or their spouse is the chairman, general manager, or person with equivalent duties at the Company (this restriction shall not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).
- (8) Not the director, supervisor, manager, or shareholder holding 5% or more of outstanding shares of a specific company or organization with financial or business dealings with the Company (this restriction shall not apply, however, if the specific company or organization holds 20% or more, but no more than 50% of the outstanding shares of the Company and the individual is concurrently serving as an independent director of the Company and its parent company or subsidiary, or a subsidiaries of the same parent company in accordance with this Act or the law of the country where the companies are located).
- (9) Not a sole proprietor, partner, or owner, partner, director, supervisor, manager at a company or organization, where that business, company, or organization provides audit services to the Company or an affiliate or has obtained cumulative remuneration not exceeding NT\$500,000 during the most recent two years, where such an individual is a professional in an area such as business, law, finance, or accounting, or the spouse of such an individual. However, this restriction shall not apply in the case of the member of a remuneration committee, open acquisition deliberation committee, or M&A special committee performing duties in accordance with Securities and Exchange Act or Enterprises Mergers and Acquisitions Act, etc.
- (10) Not having a marital relationship or relationship within the second degree of kinship with any other director.
- (11) Not a person specified in any of the clauses of Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as specified in Article 27 of the Company Law.

(II) Information on the general manager, vice presidents, assistant vice presidents, and department and branch heads:

April 17, 2021

Title (Note 1)	Nationality	Name	Gender	Date assuming position	Number of shares held		Spouse & minor child shareholdings		Shareholding in name of other persons		Chief experience & education (Note 2)	Positions concurrently held at present at other companies	Manager who is a spouse or relative within the second degree of kinship			Notes (Note 3)
					No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage			Title	Name	Relationship	
General manager	Republic of China	Chen Shih-Ying	Male	2009.06.17	4,071,445	0.73%	—	—	—	—	Dept. of Civil Engineering, Chung Hua University	None	None	None	None	
Manager, Finance Department	Republic of China	Shen Shu-Chen	Female	2003.12.31	106,126	0.02%	—	—	—	—	Degree in accounting, National Taichung Institute of Technology	None	None	None	None	
Manager, Administration Department	Republic of China	Chiang Yao-chun	Male	2010.09.01	221,272	0.04%	—	—	—	—	Dept. of civil engineering, China College of Business and Industry	None	None	None	None	

Note 1: Must include information on the general manager, vice presidents, assistant vice presidents, and heads of departments and branches, and must in all cases disclose information on persons who hold positions equivalent to the general manager, vice president, or assistant vice president, regardless of their titles.

Note 2: With regard to experience connected with current positions, if the individual has had a position at the auditing CPA or an affiliate during aforementioned period, the individual's title and duties for which the individual was responsible must be stated.

Note 3: If the general manager or person with equivalent duties (highest manager) is the same person as the chairman, or are spouses or relatives within the first degree of kinship, relevant information concerning the reasons, justifiability, necessity, and response measures (such as the addition of an independent directorship or requiring that a majority of directors are not concurrently employees or managers) for this must be disclosed.

### III. Remuneration to the directors, general manager, and vice presidents during the most recent year

#### (I) Individual disclosure of names and remuneration methods

##### 1. Units of directors' (including independent directors) remuneration: NT\$1,000

Title	Name	Directors' remuneration								Sum of items A, B, C, and D as a share of net profit after tax (%)		Relevant remuneration received by personnel in concurrent positions								The sum of the 7 items A, B, C, D, E, F, and G as a share of net profit after tax (%)		Has the individual received remuneration from an enterprise receiving reinvestment from the Company or its parent company (apart from subsidiaries of the Company)
		Compensation (A)		Severance pay and retirement pension (B)		Remuneration of directors (C)		Project implementation expenses (D)				Salary, bonus and allowances (E)		Severance pay and retirement pension (F)		Remuneration of employees (G)						
		The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements	The Company		All companies in financial statements		The Company	All companies in financial statements	
Cash amount	Amount in stock															Cash amount	Amount in stock					
Chairman	Ho-Yang Management Consultant CO., Ltd.	-	-	-	-	6,569	6,569	-	-	0.799	0.799	-	-	-	-	-	-	-	-	0.799	0.799	-
	Representative of Ho-Yang Management Consultant CO., Ltd.: Chen Cheng-Gang	1,781	1,781	-	-	-	-	50	50	0.223	0.223	-	-	-	-	-	-	-	-	0.223	0.223	-
Director	Representative of Ho-Yang Management Consultant CO., Ltd.: Shen Shu-Chen	-	-	-	-	-	-	50	50	0.006	0.006	1,152	1,152	-	-	302	-	302	-	0.183	0.183	-

Director	Chen Shih-Ying	-	-	-	-	1,783	1,783	50	50	0.223	0.223	4,689	4,689	-	-	1,351	-	1,351	-	0.958	0.958	-
Director	Pai Shu-Chen	-	-	-	-	1,032	1,032	50	50	0.132	0.132	-	-	-	-	-	-	-	-	0.132	0.132	-
Independent Director	Wang Kuei-Yua	360	360	-	-	-	-	65	65	0.052	0.052	-	-	-	-	-	-	-	-	0.052	0.052	-
Independent Director	Hung Ming-Tsu	360	360	-	-	-	-	50	50	0.050	0.050	-	-	-	-	-	-	-	-	0.050	0.050	-
Independent Director	Hsu Chen-Hua	360	360	-	-	-	-	70	70	0.052	0.052	-	-	-	-	-	-	-	-	0.052	0.052	-

1. Please state independent directors' remuneration policy, system, standards, structure, and explain the connection between amount of remuneration and factors such as the duties and risk assumed, and the time requirements on the independent directors:  
The Company's standards for remuneration of independent directors reflect the time the independent directors dedicate to the Company's operations and the duties and risk they assume, and also take the prevailing levels of remuneration in the industry into consideration. Regardless of whether the Company grants the independent directors a fixed percentage of profits, the independent directors shall not participate in the distribution of remuneration to directors pursuant to Article 28 of the Articles of Incorporation.
2. Apart from the amounts disclosed in the foregoing table, remuneration received by the Company's directors for services provided to all companies in financial statements (when serving as consultants and not as employees) during the most recent year: 0 °

\*The content of remuneration disclosed in the foregoing table has a different income concept than that in the Income Tax Act, which is because the purpose of this table is to disclose information, and not for assessment of taxes.

2. Remuneration of the general manager and vice presidents (individual disclosure of name and remuneration method)

Unit: NT\$1,000

Title	Name	Salary (A) (Note 1)		Severance pay and retirement pension (B)		Bonuses and allowances (C)		Remuneration of employees (D) (Note 2)				Sum of items A, B, C, and D as a share of net profit after tax (%)		Has the individual received remuneration from an enterprise receiving reinvestment from the Company or its parent company (apart from subsidiaries of the Company)
		The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements	The Company		All companies in financial statements		The Company	All companies in financial statements	
								Cash amount	Amount in stock	Cash amount	Amount in stock			
General manager	Chen Shih-Ying	3,031	3,031	-	-	1,658	1,658	1,351	0	1,351	-	0.73	0.73	-

\* Regardless of title, information concerning all persons with positions equivalent to those of general manager or vice president (such as CEO, executive director, director, etc.) must be disclosed.

\* The content of remuneration disclosed in the foregoing table has a different income concept than that in the Income Tax Act, which is because the purpose of this table is to disclose information, and not for assessment of taxes.

Note 1: Lists the salaries, differential pay, and severance pay of general manager and vice presidents during the most recent year.

Note 2: List the employees' remuneration (including remuneration in the form of stock and cash) distributed to the general manager and vice presidents during the most recent year with the approval of the board of directors; if not possible to predict, please calculate this year's planned distribution amounts on a proportional basis using the amounts actually distributed during the past year, and fill out Attached Table 1-3. Net profit after tax refers to after-tax net profit during the most recent year; When international financial statement guidelines have been adopted, net profit after tax shall refer to the net profit after tax on the entity's or individual's financial statement.

3. Names of managers receiving employees' remuneration and state of distribution:

Unit: NT\$1,000

	Title (Note 1)	Name (Note 1)	Amount in stock	Cash amount	Total	Total as a share of net profit after tax (%)
Manager	General manager	Chen Shih-Ying	-	1,653	1,653	0.20
	Manager, Finance Department	Shen Shu-Chen				

Note 1: Must disclose the individual's name and title, but may disclose information concerning the distribution of profits in summarized form.

Note 2: Lists the employees' remuneration (including remuneration in the form of stock and cash) distributed during the most recent year with the approval of the board; if not possible to predict, please calculate this year's planned distribution amounts on a proportional basis using the amounts actually distributed during the past year. Net profit after tax refers to after-tax net profit during the most recent year; When international financial statement guidelines have been adopted, net profit after tax shall refer to the net profit after tax on the entity's or individual's financial statement.

Note 3: The applicable scope of managers shall constitute the scope specified in this Commission's Letter Tai-Cai-Zheng-3-Zi No. 0920001301 of March 27, 2003, and is as follows:

- (1) General manager and persons at an equivalent level
- (2) Vice presidents and persons at an equivalent level
- (3) Assistant vice presidents and persons at an equivalent level
- (4) Executive of the finance department
- (5) Executive of the accounting department
- (6) Other persons with corporate management duties and signing rights

Note 4: If directors, the general manager, and vice presidents have collected employees' remuneration (including stock and cash), apart from filling out Attached Table 1-2, this form must also be filled out.

- (II) Provide analysis comparable to the explanation of remuneration paid to the Company's directors, supervisors, general manager, and vice presidents during the two most recent years as a share of net profit after tax on the individual financial statements and explain the Company's remuneration policy, standards and breakdown, procedures for determining remuneration, and linkage with business performance and future risk.

1. The Company's remuneration to directors, the general manager, and vice presidents during the two most recent years as a share of net profit after tax on the individual financial statements:

Title	Percentage of total remuneration as a share of net profit after tax in 2020	Percentage of total remuneration as a share of net profit after tax in 2019
Director	2.28%	1.24%
General manager and vice presidents	0.73%	0.49%

2. Remuneration policy, standards and breakdown, procedures for determining remuneration, and linkage with business performance and future risk.

- (1) The Company's remuneration to directors is set on the basis of the Articles of Incorporation and reflects the prevailing industry standards; furthermore, after review and passage by the Remuneration Committee, remuneration to directors includes directors' remuneration, salaries, and service implementation expenses. Remuneration is set on the basis of Article 28 of the Articles of Incorporation; if there is the distribution of profits, directors' remuneration shall not exceed 2% of distributed profits. Salaries include wages and differential pay. Independent directors are given fixed monthly salaries, but do not participate in the distribution of remuneration to directors as specified in Article 28 of the Articles of Incorporation.
- (2) The remuneration of the general manager and vice presidents consists of salary, bonuses, and employees' remuneration, reflects industry standards, is justifiable on the basis of individual performance, the Company's business performance, and future risk, and is implemented in accordance with the Company's "Manager Remuneration Regulations."

#### IV. State of corporate governance

##### (I) State of the board's functioning:

A total of 10 (A) meetings of the board of directors were held during 2020. The attendance of directors and supervisors was as follows:

Title	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance rate (%) [B/A] (Note 2)	Notes
Chairman	Representative of Ho-Yang Management Consultant CO., Ltd.: Chen Cheng-Gang	10	0	100%	
Director	Representative of Ho-Yang Management Consultant CO., Ltd.: Shen Shu-Chen	10	0	100%	
Director	Chen Shih-Ying	10	0	100%	
Director	Pai Shu-Chen	10	0	100%	
Independent Director	Hsu Chen-Hua	10	0	100%	
Independent Director	Wang Kuei-Yuan	9	0	90%	
Independent Director	Hung Ming-Tsung	10	0	100%	

Other details that need to be recorded in the meeting minutes:

I. When any of the following circumstances occur in connection with the functioning of the board, please state the meeting's date, period, content of motions, opinions of all independent directors, and the Company's handling of independent directors' opinions.

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:

Date of Board Meeting (period)	Content of motions	Opinions of all independent directors, and the Company's handling of independent directors' opinions.
January 21, 2020 (1st of 2020)	1. Review of the Company's 2019 employees' and directors' remuneration. 2. Review of the Company's 2019 upper managerial employees' remuneration and year-end bonuses.	Reviewed and passed by the attending independent directors
March 16, 2020 3 (2nd of 2020)	1. Reviewed the 2019 "Internal Control System Statement." 2. Reviewed the 2019 earnings distribution proposal. 3. Reviewed the "Audit Committee Organizational Rules" proposal. 4. Reviewed the "Board Rules of Procedure" proposal. 5. Reviewed the "Articles of Incorporation" proposal. 6. Reviewed the "Rules and Procedures for Shareholders' Meetings" proposal.	Reviewed and passed by the attending independent directors



	7. Reviewed the Company's 2019 capital increase by earnings recapitalization in the form of new shares proposal.	
July 6, 2020 (5th of 2020)	1. Reviewed the "Internal Control System Financing Cycle." 2. Proposed appointment of members of the 4th Remuneration Committee.	Reviewed and passed by the attending independent directors
August 10, 2020 (6th of 2020)	1. Review of the Company's proposed adjustment of salaries for the chairman and managers. 2. Review of the Company's 2019 directors remuneration distribution proposal.	Reviewed and passed by the attending independent directors
November 9, 2020 (8th of 2020)	1. Reviewed appointment of auditing CPA from BDO Taiwan and assessment of independence. 2. Review of the Company's 2021 internal audit plan proposal. 3. Reviewed the "Board Performance Assessment Regulations" proposal. 4. Reviewed the "Corporate Governance Code of Practice" proposal. 5. Reviewed the "Ethical Corporate Management Guidelines" proposal. 6. Reviewed the Company's "Procedures for Ethical Corporate Management Best Practice Principles" proposal. 7. Reviewed the "Accounting System" proposal. 8. Reviewed the proposed signing of a land and real estate advance sale contract with related parties in the "Sakura Rain" project. 9. Reviewed the "Remuneration Committee Organizational Rules" proposal.	Reviewed and passed by the attending independent directors
November 30, 2020 (9th of 2020)	1. Reviewed the proposed purchase of land in Lot 139, Xinronghe Section, Wurih District, Taichung. 2. Review of the Company's proposed acquisition of land in Lot 135, Xinronghe Section, Wurih District, Taichung from a related party.	Reviewed and passed by the attending independent directors
December 11, 2020 (10th of 2020)	1. Review of the proposed adjustment of the sales price of land in Lot 139, Xinronghe Section, Wurih District, Taichung.	Reviewed and passed by the attending independent directors

(II) Other board resolutions apart from the aforementioned matters in which the independent directors expressed objections or qualified opinions on record or in writing: The independent directors did not express objections or qualified opinions on record or in writing concerning any board resolutions.

II. With regard to directors' recusal in motions involving conflicts of interest, state the names of the directors, content of the motions, reason(s) for recusal, and participation in voting concerning such motions:

(I) With regard to discussion of the "2019 upper managerial employees' remuneration and year-end bonus" proposal at the January 21, 2020 board meeting, apart from attending directors Chen Cheng-kang, Chen Shih-ying, and Shen Shu-chen directors, who were related parties and recused themselves from discussion and voting on this motion, the remaining directors passed the motion as proposed without objection.

(II) With regard to discussion of the "Appointment of members of the 4th Remuneration

Committee" proposal at the July 6, 2020 board meeting, apart from attending directors Wang Kuei-Yuan and Hsu Chen-hua, who were related parties and recused themselves from discussion and voting on this motion, the remaining directors passed the motion as proposed without objection.

- (III) With regard to discussion of the "adjustment of salaries for the chairman and managers" proposal at the August 10, 2020 board meeting, apart from attending directors Chen Cheng-kang and Shen Shu-chen, who were related parties and recused themselves from discussion and voting on this motion, the remaining directors passed the motion as proposed without objection.
- (IV) With regard to discussion of the "review of 2019 directors remuneration distribution" proposal at the August 10, 2020 board meeting, apart from attending directors Chen Cheng-kang and Shen Shu-chen, who were representatives of the Ho-Yang Management Consultant CO., Ltd., and related parties Chen Shih-ying and Pai Shu-chen, who recused themselves from discussion and voting on this motion, the remaining directors passed the motion as proposed without objection.
- (V) With regard to discussion of the proposed signing of a land and real estate advance sale contract with related parties in the "Sakura Rain" project at the November 9, 2020 board meeting, since the related parties consisted of direct blood relatives of director Chen Cheng-kang, director Chen Cheng-kang directors recused himself from discussion and voting on this motion, and the remaining directors passed the motion as proposed without objection.
- (VI) With regard to discussion of the planned acquisition of land in Lot 135, Xinronghe Section, Wurih District, Taichung from a related party, since the related party was the chairman of Ho-Yang Management Consultant CO., Ltd., since the attending directors Chen Cheng-kang and Shen Shu-chen were representatives of He-Yang Management Consulting Co., Ltd., and director Pai Shu-chen was a director of He-Yang Management Consulting Co., Ltd., this conflict of interest induced these individuals to recuse themselves from discussion and voting on this motion, but the remaining directors passed the motion as proposed without objection.

### III. TWSE/GTSM-listed companies must disclose assessment cycles and times, assessment scope and method, and assessment content, etc. for board self- (or peer- ) assessments.

#### State of board assessment implementation:

Assessment cycle	Assessment times	Assessment scope	Assessment method	Assessment content
Implemented once each year	2020.01.01 to 2020.12.31	1. The board of directors as a whole 2. Individual directors 3. Functional committees (including the Audit Committee and Remuneration Committee)	1. Internal self-assessment of the board. 2. Directors self-assessments. 3. Audit Committee self-assessment. 4. Remuneration Committee self-assessment.	(1) Board performance assessments include the five items of degree of participation in the Company's operations, enhancement of the board decision-making quality, board composition and structure, the appointment and continuing education directors, and internal control. Board meeting performance assessment results were extremely good in 2020. (2) Directors' performance assessments include the six items of grasp of corporate objectives and missions,

					<p>knowledge of directors' duties, degree of participation in the Company's operations, management of internal relationships and communication, professional expertise and continuing education, and internal control. Directors' self-assessment results were extremely good in 2020.</p> <p>(3) Performance assessment of functional committees (including the audit and remuneration committees) includes the five items of degree of participation in the Company's operations, knowledge of the duties of functional committees, enhancement of functional committee decision-making quality, composition of functional committees and selection of members, and internal control.</p>
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IV. Assessment of the current-year and recent-year goal of strengthening the functions of the board (such as through the establishment of the Audit Committee and enhancement of information transparency, etc.) and state of implementation:

- (I) The Company has established two functional committees, namely the Audit Committee and Remuneration Committee, under the board of directors; these committees serve to assist the board in fulfilling its supervisory duties. The Audit Committee is composed entirely of independent directors. The Remuneration Committee has three members, of whom two are independent directors.
- (II) The board's operations are conducted in accordance with the "Board Rules of Procedure." In order to enhance information transparency, major board resolutions are announced on the Company website.
- (III) The January 25, 2021 board meeting approved the establishment of a corporate governance manager, who assists the board in implementing corporate governance.

Note 1: When directors or supervisors are juridical persons, the names of institutional shareholders and their representatives must be disclosed.

Note 2: (1) If any directors or supervisors resigned before the end of the year, the date of resignation must be marked in the Notes field, and their actual attendance rate (%) shall be calculated on the basis of the number of board meetings during their term and their attendance in person.

- (2) If any directors or supervisors are appointed before the end of the year, both new and old directors or supervisors must be filled in, and the dates of the directors' or supervisors' old terms, new terms, and dates of appointment or re-appointment marked in the Notes field. Actual attendance rate (%) shall be calculated on the basis of the number of board meetings during an individual's term and that person's attendance in person.

(II) State of Audit Committee operation:

The Audit Committee was convened 8 times (A) in 2020; attendance by independent directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Notes
Independent Director	Wang Kuei-Yuan	8	0	100%	Re-appointment Date of appointment: June 10, 2020
Independent Director	Hung Ming-Tsung	8	0	100%	Re-appointment Date of appointment: June 10, 2020
Independent Director	Hsu Chen-Hua	8	0	100%	Re-appointment Date of appointment: June 10, 2020

Other details that need to be recorded in the meeting minutes:

- I. When any of the following circumstances occur in connection with the Audit Committee, please state the meeting's date, period, content of motions, opinions of the Audit Committee, and the Company's handling of the Audit Committee's opinions.
- (I) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee meeting	Content of motions	Opinions and resolutions of the Audit Committee
January 21, 2020 (13th meeting of the 1st session)	Setting of a proposed base day for the Company's second domestic conversion of unsecured convertible bonds to common stock in the form of new shares during the fourth quarter of 2019.	All attending committee members passed the motion as proposed
March 16, 2020 (14th meeting of the 1st session)	<ol style="list-style-type: none"> <li>2019 financial statements.</li> <li>Issuance of the 2019 "Internal Control System Statement."</li> <li>2019 earnings distribution proposal.</li> <li>"Audit Committee Organizational Rules" revision proposal.</li> <li>"Board Rules of Procedure" revision proposal.</li> <li>"Articles of Incorporation" revision proposal.</li> <li>"Rules and Procedures for Shareholders' Meetings" revision proposal.</li> <li>Issuance of new shares through capitalization of the 2019 earnings.</li> </ol>	All attending committee members passed the motion as proposed
May 8, 2020 (15th meeting of the 1st session)	Setting of a proposed base day for the Company's second domestic conversion of unsecured convertible bonds to common stock in the form of new shares during the first quarter of 2020.	All attending committee members passed the motion as proposed

July 6, 2020 (1st meeting of the 2nd session)	Revised the internal control system financing cycle proposal.	All attending committee members passed the motion as proposed
November 9, 2020 (3rd meeting of the 2nd session)	<ol style="list-style-type: none"> <li>1. Proposed appointment of a CPA to audit the 2021 financial statements and assessment of independence.</li> <li>2. Drafting of the Company's 2021 internal audit plan.</li> <li>3. Revision and enlargement of the "Board Rules of Procedure."</li> <li>4. Revision and enlargement of the "Corporate Governance Code of Practice."</li> <li>5. Revision of the "Ethical Corporate Management Guidelines."</li> <li>6. Revision and enlargement of the Company's "Procedures for Ethical Corporate Management Best Practice Principles."</li> <li>7. Revision of the "Accounting System."</li> <li>8. The Company's proposed signing of a land and real estate advance sale contract with related parties in the "Sakura Rain" project.</li> </ol>	Opinions and resolutions of the Audit Committee
November 30, 2020 (4th meeting of the 2nd session)	<ol style="list-style-type: none"> <li>1. The Company's proposed purchase of land in Lot 139, Xinronghe Section, Wurih District, Taichung.</li> <li>2. The Company's proposed acquisition of land in Lot 135, Xinronghe Section, Wurih District, Taichung from a related party.</li> </ol>	All attending committee members passed the motion as proposed
December 11, 2020 (5th meeting of the 2nd session)	Proposed adjustment of the sales price of land in Lot 139, Xinronghe Section, Wurih District, Taichung.	All attending committee members passed the motion as proposed

(II) Any issues apart from the aforementioned matters not passed by the Audit Committee but passed by more than two-thirds of entire body of directors:  
Not applicable.

II. With regard to independent directors' recusal from conflicts of interest, state the names of the independent directors, details of the motions, reason(s) for recusal, and participation in voting: Not applicable.

III. Communication between independent directors and internal audit manager and CPA (with respect to the material matters, methods and results of the Company's business and financial status):

(I) Communication policy:

1. The independent directors must hold at least two regular meetings each year with the CPA. At these meetings, the CPA shall report to the independent directors concerning the Company's financial status, overall

state of operations, and internal control audits, and discuss and communicate concerning questions asked by the personnel in attendance.

2. The audit manager and independent directors shall hold at least one regular meeting on each quarter.

(II) Summary of communication:

1. Summary of communication between independent directors and CPA:

Date	Explanation
March 16, 2020	The CPA provided an explanation of the results of audit of the 2019 financial statements.
August 10, 2020	The CPA provided an explanation of the results of audit of the 2020 Q2 financial statements.

2. Summary of communication between independent directors and the internal audit manager:

Date	Explanation
March 16, 2020	Reported on audit implementation during the fourth quarter of 2019.
May 8, 2020	Reported on audit implementation during the first quarter of 2020.
August 10, 2020	Reported on audit implementation during the second quarter of 2020.
November 9, 2020	Reported on audit implementation during the third quarter of 2020.

Note:

- \* If any independent directors resigned before the end of the year, the date of resignation must be marked in the Notes field, and their actual attendance rate (%) shall be calculated on the basis of the number of Audit Committee meetings during their term and their attendance in person.
- \* If any independent directors are appointed before the end of the year, both new and old directors or supervisors must be filled in, and the dates of the directors' or supervisors' old terms, new terms, and dates of appointment or re-appointment marked in the Notes field. The actual attendance rate (%) shall be calculated on the basis of the number of Audit Committee meetings during an individual's term and that person's attendance in person.

(III) State of corporate governance implementation and its deviations from the Corporate Governance Best-Practice Principles for TSE/GTSM

Listed Companies and reasons for such deviations.

Assessment items	State of implementation (Note)			Deviations from Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
I. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies when drafting and disclosing its Corporate Governance Code of Practice?	V		The Company has drafted a "Corporate Governance Code of Practice," which is disclosed on the Company's website and Market Observation Post System.	No deviation from the spirit of the Code of Practice
II. Company's equity structure and shareholders equity				
(I) Does the Company have internal operating procedures for handling shareholders' suggestions, questions, disputes, and legal actions, and does it comply with such procedures?	V		(I) The Company has established a spokesperson and deputy spokesperson to handle shareholders' suggestions, questions, and disputes, etc.	No deviation from the spirit of the Code of Practice
(II) Does the Company possess a list of major shareholders controlling the Company and a list of ultimate controllers of these major shareholders?	V		(II) The Company regularly discloses directors, major shareholders holding more than 10% of the Company's outstanding shares, changes in equity, and the establishment of any pledges, which provides knowledge of major shareholders and the major shareholders' ultimate controllers.	No deviation from the spirit of the Code of Practice
(III) Has the Company established and implemented risk management and firewall mechanisms with its affiliates?	V		(III) The Company has formulated relevant control measures as part of the internal control system.	No deviation from the spirit of the Code of Practice
(IV) Does the Company have internal regulations in place to prevent its internal personnel from trading securities based on information not yet disclosed the public?	V		(IV) Governed by internal handling procedures for material information.	No deviation from the spirit of the Code of Practice
III. Composition and responsibilities of the Board of Directors				

Assessment items	State of implementation (Note)			Deviations from Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
(I) Has the Board of Directors established and implemented a diversification policy for its composition?	V		(I) The Company currently has seven directors, of whom three are women. The members of the Board of Directors constitute professionals specializing in business, law, finance, and industries connected with the Company. (Note 1)	No deviation from the spirit of the Code of Practice
(II) Apart from a Remuneration Committee and the Audit Committee established in accordance with law, has the Company established other types of functional committees on its own initiative?		V	(II) No other functional committees have currently been established.	Will be added in the future if needed
(III) Has the Company drafted Board Rules of Procedure and its assessment methods? Does it conduct regular annual performance assessments? Are the results of performance assessments reported to the board, and are such results used as a reference for determination of individual directors' salary remuneration and nomination for re-appointment?	V		(III) The Company has drafted "Board Rules of Procedure" and its assessment methods. The 2020 board meeting performance assessment was completed during the first quarter of 2021, and the results of assessment were presented to the board meeting on March 22, 2021 and disclosed in the annual report.	No deviation from the spirit of the Code of Practice
(IV) Does the Company regularly assess the auditing CPA's independence?	V		(IV) The Company conducts an annual assessment of the independence of the auditing CPA, including such aspects as financial interests, equity trading activities, monetary loans, commissions received, and rotation of CPAs. The results of the recent assessment of the auditing CPA's independence was reviewed and passed by the November 9, 2020 board meeting.	No deviation from the spirit of the Code of Practice
IV. Has the TWSE/GTSM-listed company assigned an appropriate number of competent corporate governance personnel, and directed the corporate governance manager to bear responsibility for corporate governance-related matters (including but not limited to providing directors and supervisors	V		The Company's January 25, 2021 board meeting passed designation of the manager of the Finance Department as the corporate governance manager. The corporate governance manager bears responsibility for conducting matters connected with board meetings and shareholders meetings, helping directors to assume their positions and engage in	No deviation from the spirit of the Code of Practice



Assessment items	State of implementation (Note)			Deviations from Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
information needed for the performance of their duties, assisting legal compliance by directors and supervisors, conducting matters connected with board meetings and shareholders meetings in accordance with law, and producing board meeting and shareholders meeting minutes, etc.)?			continuing education, providing directors with information needed for performance of their duties, assisting legal compliance by directors, and other matters specified in the Articles of Incorporation or contract.	
V. Has the Company established channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), established a stakeholder section of the company website, adequately responded to corporate social responsibility topics of great concern to stakeholders?	V		Depending on the business functions, all stakeholders can currently communicate with the Company via the Company's relevant service windows, including the corporate network, telephone, and fax, etc.	No deviation from the spirit of the Code of Practice
VI. Has the Company hired a professional stock agency to handle matters connected with shareholders meetings?	V		The Company has hired the agency department of Chinatrust Commercial Bank to handle matters connected with shareholders meetings.	No deviation from the spirit of the Code of Practice
VII. Information disclosure				
(I) Has the company established a website to disclose financial business and corporate governance information?	V		(I) The Company has established a website to regularly disclose its financial business and corporate governance information.	No deviation from the spirit of the Code of Practice
(II) Has the company adopted other information disclosure methods (such as establishing an English website, assigning specific personnel to bear responsibility for collection and disclosure of corporate information, institution of a spokesperson system, and posting of the proceedings of investor conferences on the Company's website)?	V		(II) The Company has established spokesperson and deputy spokesperson to speak on behalf of the Company, and has implemented a spokesperson system in order to strengthen information disclosure; investor conference information and relevant video files have been posted on the Company website.	No deviation from the spirit of the Code of Practice
(III) Has the company announced and reported its annual financial statements within two months after the end of the accounting year? Has the		V	(III) The Company announces and reports its annual financial statements, financial statements for the first, second, and third quarters, and its monthly	Minor deviations from the Code of Practice, but still in

Assessment items	State of implementation (Note)			Deviations from Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
company announced and reported financial statements for the first, second, and third quarters and its monthly operating status prior to the statutory deadlines?			operating status within the periods specified in Article 36 of the Securities and Exchange Act.	compliance with the requirements of the Securities and Exchange Act.
VIII. Does the company have any other material information aiding in understanding of its state of corporate governance implementation (including but not limited to employees' rights, employee concern, investor relations, supplier relations, stakeholders' rights, state of directors' continuing education, state of implementation of risk management policy and risk assessment standards, state of implementation of customer policies, and the Company's purchase of liability insurance for directors, etc.)?	V		<p>(I) Employees' rights and concern for employees: The Company protects employees' lawful rights in accordance with the Labor Standards Law, has established an Employee Welfare Committee to conduct various employee welfare matters, and regularly conducts employee health check-ups and occasional internal or external education and training.</p> <p>(II) Investor relations: The Company has assigned a specific person to handle shareholders' matters and regularly discloses operating information on the Market Observation Post System.</p> <p>(III) Supplier relations: The Company maintains good supply-and-demand relationships with suppliers.</p> <p>(IV) Stakeholders' rights: In keeping with their due lawful rights, stakeholders may communicate with the Company or provide their opinions at any time.</p> <p>(V) State of directors' continuing education: The Company directors already take part in classes held by such training organizations as the Securities &amp; Futures Institute and Taiwan Corporate Governance Association. Relevant information is regularly disclosed on the Market Observation Post System.</p> <p>(VI) State of implementation of risk management policy and risk assessment standards: The Company has established an internal control</p>	No deviation from the spirit of the Code of Practice

Assessment items	State of implementation (Note)			Deviations from Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
			<p>system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies." This internal control system has been effectively implemented, and is reviewed as needed in response to changes in the Company's internal and external environment, and to ensure that the system's design and implementation continue to be effective.</p> <p>(VII) State of customer policy implementation: The general manager's office and Sales Department at the Company provide customers with relevant services.</p> <p>(VIII) State of purchase of liability insurance by the company for directors: The Company has purchased liability insurance for the directors.</p>	
<p>Please describe state of improvement in accordance with the most recently announced corporate governance assessment results from the Taiwan Stock Exchange Corporation's Corporate Governance Center, and state items and measures that will be strengthened as a first priority when improvements have not yet been made.</p> <p>(I) State of improvements:</p> <ol style="list-style-type: none"> <li>1. The Company discloses in detail the Remuneration Committee's discussions and results of resolutions, and the results of the Company's handling of employees' opinions, in the annual report and on the Company website.</li> <li>2. The November 9, 2020 board meeting passed corporate governance rules, which are disclosed on the Company website (<a href="https://www.sakurad.com.tw">https://www.sakurad.com.tw</a>) and Market Observation Post System (<a href="https://mops.twse.com.tw">https://mops.twse.com.tw</a>).</li> <li>3. The November 9, 2020 board meeting passed the Board Rules of Procedure, and an assessment was completed during the first quarter of 2021. The results of this assessment were presented to the board meeting on March 22, 2021.</li> <li>4. The Company's January 25, 2021 board meeting passed a resolution assigning the manager of the Finance Department to serve concurrently as the corporate governance manager, and bear responsibility for matters relating to corporate governance.</li> </ol> <p>(II) Items and measures that will be strengthened as a first priority:</p> <ol style="list-style-type: none"> <li>1. The Company uploads an English meeting notification and meeting handbook 30 days before each shareholders meeting.</li> <li>2. The Company uploads an English-language annual report 7 days before each shareholders meeting.</li> </ol>				

Note 1: State of diversification of board:

Core diversification items  Name of director	Nationality	Gender	Concurrently an employee of the Company	Age				Tenure of independent directors			Law	Technology	Finance, accounting	Industry knowledge	Leadership decision-making	Production and marketing	Business management
				41 to 50	51 to 60	61 to 70	71 to 80	Less than 3 years	3 to 9 years	More than 9 years							
Chen Cheng-Gang	Republic of China	Male		4 persons	1 person	1 person	1 person						✓	✓	✓		✓
Shen Shu-Chen	Republic of China	Female	✓										✓	✓	✓		✓
Chen Shih-Ying	Republic of China	Male	✓											✓	✓	✓	✓
Pai Shu-Chen	Republic of China	Female											✓	✓	✓	✓	✓
Hsu Chen-Hua	Republic of China	Female							✓				✓	✓	✓	✓	✓
Wang Kuei-Yuan	Republic of China	Male							✓			✓	✓		✓		✓
Hung Ming-Tsung	Republic of China	Male							✓		✓				✓		✓

(IV) If the Company has established a Remuneration Committee, it must disclose the committee's composition, duties, and state of operation:

1. Information concerning Remuneration Committee members

Identity (Note 1)	Criteria	Has at least 5 years of work experience and the following professional qualifications?			Meet the independence criterion (Note 2)										Number of other public companies in which the committee member also serves as a remuneration committee member	Notes
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate therefrom	Has work experience in the areas of commerce, law, finance, or accounting, or area necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wang Kuei-Yuan	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Hsu Chen-Hua			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Huang Tzu-ling			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in identity as director, independent director, or other.

Note 2: Please mark "✓" in the space below the code representing each criterion if the member has been any of the following during the two years prior to being appointed or during their term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) A director or supervisor not at the Company or its affiliates (this restriction does not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, if not the manager in subparagraph (1) or any of the persons listed in subparagraphs (2) and (3).
- (5) Not a director, supervisor, or employee directly holding 5% or more of the outstanding shares of the Company, or ranking in the top 5 in holdings, or serving as a director or supervisor of a institutional shareholder as a

designated deputy in accordance with Article 27, paragraphs 1 or 2 of the Company Act (this restriction shall not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).

- (6) Not a director, supervisor, or employee who individually holds a majority of shares with voting rights or corporate directorships (this restriction shall not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).
- (7) Not a director, supervisor, or employee of another company or organization when such a person or their spouse is the chairman, general manager, or person with equivalent duties at the Company (this restriction shall not apply, however, when concurrently serving as an independent director at the Company and its parent company or subsidiary or the subsidiaries of the same parent company when such positions have been established in accordance with this Act or the law of the country where the companies are located).
- (8) Not the director, supervisor, manager, or shareholder holding 5% or more of outstanding shares of a specific company or organization with financial or business dealings with the Company (this restriction shall not apply, however, if the specific company or organization holds 20% or more, but no more than 50% of the outstanding shares of the Company and the individual is concurrently serving as an independent director of the Company and its parent company or subsidiary, or a subsidiaries of the same parent company in accordance with this Act or the law of the country where the companies are located).
- (9) Not a sole proprietor, partner, or owner, partner, director, supervisor, manager at a company or organization, where that business, company, or organization provides audit services to the Company or an affiliate or has obtained cumulative remuneration not exceeding NT\$500,000 during the most recent two years, where such an individual is a professional in an area such as business, law, finance, or accounting, or the spouse of such an individual. However, this restriction shall not apply in the case of the member of a remuneration committee, open acquisition deliberation committee, or M&A special committee performing duties in accordance with Securities and Exchange Act or Enterprises Mergers and Acquisitions Act, etc.
- (10) Not a person specified in any of the clauses of Article 30 of the Company Law.

2. Information concerning the functioning of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Terms of the current committee members: July 6, 2020 to June 9, 2023; the Remuneration Committee met 3 times (A) during the most recent year (2020).

Member qualifications and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) Note	Notes
Convenor	Hsu Chen-Hua	3	0	100%	Re-appointment Date of appointment: July 6, 2020
Member	Wang Kuei-Yuan	3	0	100%	Re-appointment Date of appointment: July 6, 2020
Member	Huang Tzu-ling	3	0	100%	Re-appointment Date of appointment: July 6, 2020

Date (period) of meetings during the most recent year, content of motions, results of resolutions, and the Company's handling of the Remuneration Committee's opinions:

Date (period)	Content of motions	Opinions of all members and handling of members' opinions
January 21, 2020 (8th meeting of the 3rd session)	1. Review of the Company's 2019 employees' and directors' remuneration appropriation proposal. 2. Review of the Company's 2019 upper managerial employees' remuneration and year-end bonus proposal.	All attending committee members passed the motion as proposed
August 10, 2020 (1st meeting of the 4th session)	1. Review of the Company's proposed adjustment of salaries for the chairman and managers. 2. Reviewed the 2019 directors remuneration distribution proposal.	All attending committee members passed the motion as proposed
November 9, 2020 (2nd meeting of the 4th session)	1. Revision of the "Remuneration Committee Organizational Rules."	All attending committee members passed the motion as proposed

Other details that need to be recorded in the meeting minutes:

- I. If the Board adopts or revises the suggestions of the Remuneration Committee, please state the board meeting date, period, content of motions, results of board resolutions, and the Company's handling of the Remuneration Committee's opinions: Not applicable.
- II. If any members of the Remuneration Committee resign before the end of the year, please state the date of the individual's resignation in the Notes field, and the attendance rate (%) should be calculated on the basis of number of Remuneration Committee meetings and the individual's attendance in person. Not applicable.

Notes:

- (1) If any members of the Remuneration Committee resign before the end of the year, please state the date of the individual's resignation in the Notes field, and the attendance rate (%) should be calculated on the basis of number of Remuneration Committee meetings and the individual's attendance in person.
- (2) If any independent directors are appointed before the end of the year, both new and old directors or supervisors must be filled in, and the dates of the directors' or supervisors' old terms, new terms, and dates of appointment or re-appointment marked in the Notes field. The actual attendance rate (%) shall be calculated on the basis of the number of Remuneration Committee meetings during an individual's term and that person's attendance in person.



(V) State of performance of social responsibilities and any deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons:

Assessment items	State of implementation (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Brief description (Note 2)	
I. Does the Company perform risk assessment of corporate operating environment, society, and corporate governance issues in accordance with the materiality principle, and has it determined risk management policies or strategies? (Note 3)	V		The Company's management conducts assessments of the risk entailed by corporate operating environment, society, and corporate governance issues in accordance with the materiality principle as needed, and will determine risk management policies as needed in the future.	No major deviations from Best Practice Principles
II. Has the Company established a dedicated (concurrent) unit to promote fulfillment of corporate social responsibilities? Has the Board authorized upper management to handle corporate social responsibility matters, and to report the state of handling to the Board?		V	The Company has not yet established a dedicated (concurrent) unit to promote fulfillment of corporate social responsibilities.	Will be established if needed in the future
III. Environmental issues				
(I) Has the Company established a suitable environmental management system reflecting its industry characteristics?	V		(I) Worksite wastes are recovered and disposed of by a professional, licensed environmental company. In addition, energy conservation/carbon emission reduction is being promoted in offices; apart from the use of an electronic form system to reduce paper use, personnel are requested to classify trash and turn off lights when not in use in order to conserve energy.	No major deviations from Best Practice Principles
(II) Has the Company striven to enhance the efficiency of its use of resources, and sought to use renewable materials with lower environmental load or impact?	V		(II) The Company places great emphasis on environmental protection, and plans to increase vertical greening. In addition, resource recovery rooms have been established in all communities. With regard to building materials, materials that have received Green Building Mark certification	No major deviations from Best Practice Principles

Assessment items	State of implementation (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Brief description (Note 2)	
(III) Has the Company assessed the potential risks and opportunities brought by climate change at present or in the future? Has the Company adopted response measures to climate issues?	V		are used for partition walls, and rainwater recovery systems are built to provide communities with landscaping irrigation water. Watery recovery facilities are established at worksites during the construction period in order to reduce water wastage and provide water to the public and for use in city water trucks. (III) As the climate continues to warm, to minimize the risk of heat exhaustion and heatstroke to construction personnel, apart from preventive measures such as adding more drinking water facilities and sunshades to rest areas, the Company is also adopting greening designs intended to reduce environmental impact during product planning.	No major deviations from Best Practice Principles
(IV) Has the Company compiled data on greenhouse gas emissions, water usage, and total weight of solid wastes during the past two-year period, and drafted energy conservation/carbon emission reduction, greenhouse gas emission reduction, water usage reduction, or solid waste management policies?	V		(IV) The Company has not compiled data on greenhouse gas emissions, water usage, and total weight of solid wastes during the past two-year period, but will take improvement steps in the future. However, with regard to management policies for energy conservation/carbon reduction, etc., a professional, licensed environmental company has been hired to recycle and dispose of worksite waste; to promote energy conservation/carbon reduction in offices, in order to conserve energy, personnel are requested to turn off lights when not in use, and use an e-form system and online facsimile system to reduce paper usage, and the Company also promotes the reuse of paper. The Company also provides personnel with environmental tableware, and has reduced the use of disposable	No major deviations from Best Practice Principles

Assessment items	State of implementation (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Brief description (Note 2)	
			tableware.	
IV. Social issues				
(I) Does the company comply with relevant human rights laws, regulations, and internationally recognized covenants, and have related management policies and procedures been determined?	V		(I) The Company's management policies and procedures are drafted in compliance with the principles of relevant laws and international human rights conventions.	No major deviations from Best Practice Principles
(II) Has the Company drafted and implemented reasonable employee welfare measures (including measures concerning compensation, vacation time, and other benefits, etc.), and appropriately base employee compensation on the Company's operating performance or results?	V		(II) The Company has drafted management regulations protecting employees' lawful rights in accordance with the Labor Standards Law, Gender Equality in Employment Act, and Employment Service Act, and has established an Employee Welfare Committee to conduct employee welfare matters. In addition, after regularly assessing employee performance on the basis of employee evaluation regulations, the Company adjusts employees' salaries.	No major deviations from Best Practice Principles
(III) Does the company provide its employees with safe and healthy workplaces, and organize training on safety and health for its employees on a regular basis?	V		(III) All worksite employees must use basic safety gear, including such personal protective equipment as safety helmets, face masks, and safety belts. The Company conducts health and safety training as needed, and provides employees with regular health checkups on an annual basis.	No major deviations from Best Practice Principles
(IV) Does the Company offer its employees effective occupational development training plans?	V		(IV) The Company provides employees with subsidies for continuing education intended to increase their professional skills and knowledge.	No major deviations from Best Practice Principles
(V) Does the Company uphold relevant laws, regulations, and international guidelines concerning the health and safety of the customers of its products and services, and has the Company drafted relevant consumer rights policies and grievance procedures?	V		(V) The Company has a dedicated unit bearing responsibility for providing after-sales service and maintaining consumers' rights. The Company upholds relevant laws and regulations with regard to the marketing and marketing of products and services in all cases, and has	No major deviations from Best Practice Principles

Assessment items	State of implementation (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Brief description (Note 2)	
(VI) Has the Company drafted a supplier management policy, and does it ask that suppliers comply with relevant environmental, occupational health and safety, and labor rights standards? What is the state of implementation?		V	(VI) drafted customer complaint handling procedures. Furthermore, an online repair request system has been established on the Company's website, and customer grievance information is disclosed in the stakeholders' area of the website. Relevant clauses concerning occupational health and safety have been added to contracts, and clauses concerning topics such as environmental protection and labor rights are being added as needed.	Will be added in the future if needed
V. Does the Company comply with internationally-accepted report production guidelines or principles when compiling non-financial information reports, such as corporate social responsibility reports? Have the foregoing reports obtained confirmatory or assurance opinions from a third-party certification unit?		V	The Company has not yet produced reports disclosing non-financial information, such as corporate social responsibility reports.	Will be added in the future if needed
VI. If the company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the principles and their implementation: The Company has not yet drafted corporate social responsibility practice principles.				
VII. Other important information to facilitate better understanding of the company's corporate social responsibility practices: Public interest: Apart from providing assistance to underprivileged groups, the Company has also sponsored various school activities. In 2020, apart from sponsoring the Children Are Us Foundation's donation of mooncakes to elementary schools in isolated areas, the Company has also donated distance education equipment for schoolchildren in isolated areas, air conditioning equipment for Lixin Junior High School, and new library books and equipment for Dongfeng Junior High School. The Company has further made donations to the Taiwan Community Care Association, donated old musical instruments to Houzong Senior High School, and provided funding for public interest activities held by clubs at National Chengchi University. The Company's donations totaled NT\$614,000.				

Note 1: If "Yes" has been checked for the state of implementation, please explain what major policies, strategies, and measures have been adopted, and describe the state of implementation; If "No" has been checked for the state of implementation, please explain the reason and describe plans for the future adoption of relevant policies, strategies, and measures.

Note 2: If the Company has compiled a corporate social responsibility report, the state of implementation item may instead note to consult the method in the corporate social

responsibility report and provide the page number.

Note 3: The materiality principle refers to whether relevant environmental, social, and corporate governance issues have a major impact on the Company's investors and other stakeholders.

(VI) State of performance of ethical management and deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons:

Assessment items	State of implementation (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
I. Establishment of ethical corporate management policies and methods				
(I) Has the Company drafted ethical management policies that have been passed by the board, and are ethical management policies, methods, and pledges from the board and upper management to actively implement such policies clearly noted in corporate rules and documents intended for external publication?	V		(I) The Company's November 9, 2020 board meeting passed the revised "Ethical Corporate Management Best Practice Principles," which are posted in the investors' area of the Company's website. The Board and management are promoting compliance with the Principles by personal example.	No deviation
(II) Has the Company established a mechanism for assessment of unethical practice risk, and does it regularly analyze and assess operating activities with relatively great unethical practice risk within the scope of its business operations? Has the Company determined preventive measures targeting at least the conduct specified in the various subparagraphs of Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" in order to prevent unethical conduct?	V		(II) While performing their duties, the Company's personnel may not directly or indirectly provides, pledge, request, or accept illicit benefits in any form, and must comply with regulations restricting and prohibiting partisan or political activities.	No deviation
(III) Does the Company clearly state operating procedures, code of conduct, punishments for violations, and a complaint system in its unethical conduct prevention plan? Has it implemented this plan, and does it perform regular review and correction of the plan?	V		(III) The Company's "Ethical Conduct Guidelines," "Ethical Corporate Management Guidelines," and "Ethical Corporate Management Best Practice Principles Operating Procedures and Code of Conduct" prohibit unethical conduct, and a violation reporting hotline and email address are provided on the Company's website.	No deviation

Assessment items	State of implementation (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
II. Implementation of ethical corporate management				
(I) Does the company evaluate credit records of its counterparties and specify good faith terms and conditions in the contracts entered into?	V		(I) The Company uniformly signs contractual terms in accordance with law in all external business activities, and specifies ethical conduct terms in its business contracts.	No deviation
(II) Has the Company established a dedicated unit subordinate to the board for promotion of ethical management? Does the Company report its ethical management policies, plans for prevention of unethical conduct, and state of supervision and implementation to the board on a regular basis (at least once each year)?	V		(II) The Company has assigned the general manager's office to bear responsibility for the drafting of ethical management policies and supervision of their implementation. Starting in 2021, the Company's ethical management policies, unethical conduct prevention plans, and state of supervision and implementation have been reported to the board on a regular basis (at least once each year).	No deviation
(III) Has the Company determined a policy for prevention of conflicts of interest, and does it provide appropriate channels for complaints? What is the state of implementation?	V		(III) In its "Ethical Conduct Guidelines," the Company specifies that directors, managers, and all employees must prevent conflicts of interest. The Company encourages employees who suspect or have discovered illegalities to report such incidents to the board, managers, internal auditors, or other appropriate personnel, and the Company will take confidentiality and protective measures to shield such whistleblowers and investigative personnel.	No deviation
(IV) Has the Company established an effective accounting system and internal control system to promote ethical management? Has the internal audit unit drafted an audit plan on the basis of unethical conduct risk assessment results, and has this plan been used to investigate compliance with the unethical conduct prevention plan, or has a CPA been hired to perform such investigation?	V		(IV) The Company has drafted an effective accounting system and internal control system; internal audit perform audit tasks in accordance with the audit plan.	No deviation

Assessment items	State of implementation (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
(V) Does the Company organize internal and external educational training periodically to help promote ethical management?	V		(V) The Company conducts ethical management education and training for new employees (approximately 0.5 hours per instruction session), and announces relevant matters from the Ethical Corporate Management Guidelines at routine conferences. The most recent announcement was from 10:00 to 10:30 on April 13, 2021.	No deviation
III. State of implementation of the Company's violation reporting system				
(I) Does the Company have a substantial reporting and reward system as well as a convenient reporting channels in place with appropriate personnel assigned to assist the party being reported on?	V		(I) The Company encourages internal and external personnel to report unethical conduct and improper behavior. In accordance with the severity of the reported behavior, the reporting personnel will be granted bonuses. The Company's website contains a reporting email address and hotline to the Board Secretarial Office.	No deviation
(II) Has the Company determined standard operating procedures for investigation of reported incidents, confidentiality mechanisms, and follow-up measures to be taken after investigations have been completed?	V		(II) 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	No deviation



Assessment items	State of implementation (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
(III) Has the Company adopted measures to prevent whistleblowers from receiving improper treatment?	V		<p>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.</p> <p>4. 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.</p> <p>5. 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.</p> <p>(III) 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.</p>	
IV. Improving Information Disclosure Does the Company disclose the content of its Ethical Corporate Management Guidelines and results of promotion on its website and via the Market Observation Post System?	V		The Company discloses the content of the Ethical Corporate Management Guidelines in the important internal regulation section of the investors' area of its website.	No deviation

Assessment items	State of implementation (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Brief description	
V. If the company has determined its own Ethical Corporate Management Guidelines on the basis of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please state any deviations in their functioning or principles: Other important information aiding understanding of the state of ethical management at the Company:				
VI. Other important information aiding understanding of the state of ethical management at the Company: The Company has announced information to all employees in the "Major Internal Information Handling Procedures," "Ethical Conduct Guidelines," "Corporate Governance Rules," "Ethical Corporate Management Guidelines," and "Ethical Corporate Management Best Practice Principles Operating Procedures and Code of Conduct" sections of its corporate website.				

(VII) If the Company has established corporate governance principles and related guidelines, the means of accessing this information should be disclosed: The Company has determined "Ethical Conduct Guidelines," "Ethical Corporate Management Guidelines," "Procedures for Ethical Corporate Management Best Practice Principles," "Corporate Governance Code of Practice," "Standard Operating Procedures of Handling Directors' Requests," "Rules and Procedures for Shareholders' Meetings," "Board Meeting Rules of Procedure," and "Handling Procedures for Important Internal Information," which are announced on the investors area of the Company's website: <https://www.sakurad.com.tw>.

(VIII) Other significant information that may improve the understanding of its corporate governance at the Company: None.

(IX) State of implementation of the internal control system:

1. Internal control system statement:

Sakurad Development Co., Ltd.

Statement on Internal Controls

Date: March 22, 2021

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2020:

- I. The Company's board and management are responsible for establishing, implementing and maintaining a proper internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our financial reporting and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
- III. We evaluate the design and operating effectiveness of the internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein referred to below as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment. 2. Risk assessment. 3. Control activities. 4. Information and communication. 5. Monitoring. Each component has its own items. Please see the Regulations for details.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the findings of such evaluation, we believe that on December 31, 2020, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness and transparency of financial reporting and compliance with applicable laws and regulations.
- VI. This Statement will be an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment or other illegality in the content made public will entail legal liability under Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Declaration has been passed by the Board in the session dated March 22, 2021, with the presence of 7 Directors under common consent of the content.

Sakura Development Co., Ltd.

Chairman: Chen Cheng-Gang

General manager: Chen Shih-Ying

2. When a CPA has been hired to audit the internal control system, the CPA's audit report must be disclosed: None.

(X) Penalties to the Company and its internal personnel during the most recent year to the date of printing of this Annual Report, the Company's punishment of internal personnel for violations of the internal control system, and chief deficiencies and state of improvement: None.

(XI) Important resolutions of the shareholders meeting and board meeting during the most recent year to the date of printing of this Annual Report:

1. Important resolutions of the shareholders meeting:

Date	Motion	State of implementation and review
June 10, 2020	<ol style="list-style-type: none"> <li>1. Acknowledgment of the 2019 earnings distribution proposal.</li> <li>2. Proposed capital increase by earnings recapitalization and issuance of new shares.</li> </ol>	<p>Distribution of cash dividends of NT\$1 and stock dividends of NT\$1.9 per share, issued on September 24, 2020.</p> <p>Approved by the Ministry of Economic Affairs on September 17, 2020; stock dividends of NT\$1.9 were issued on September 24, 2020.</p>

2. Important board resolutions:

Date	Important resolutions
January 21, 2020	<ol style="list-style-type: none"> <li>1. Passed the 2020 business plan.</li> <li>2. Approved setting of a proposed base day for the Company's second domestic conversion of unsecured convertible bonds to common stock in the form of new shares during the fourth quarter of 2019.</li> <li>3. Passed the Company's proposed appropriation of remuneration for employees and directors for 2019.</li> <li>4. Passed the Company's 2019 proposed upper managerial employees' remuneration and year-end bonuses.</li> <li>5. Acknowledgment of the Company's proposed application to Far Eastern International Bank for a line of construction financing in order to meet business needs.</li> </ol>

Date	Important resolutions
March 16, 2020	<ol style="list-style-type: none"> <li>1. Passed 2019 financial statements.</li> <li>2. Passed the 2019 "internal control system statement."</li> <li>3. Passed the 2019 earnings distribution proposal.</li> <li>4. Passed the revised "Audit Committee Organizational Rules."</li> <li>5. Passed the revised "Board Rules of Procedure."</li> <li>6. Passed the revised "Articles of Incorporation."</li> <li>7. Passed the revised "Rules and Procedures for Shareholders' Meetings."</li> <li>8. Passed the 2019 proposed capital increase by earnings recapitalization and issuance of new shares.</li> <li>9. Passed matters relating to the 2020 shareholders meeting.</li> <li>10. Passed the Company's proposal to re-appoint all directors.</li> <li>11. Passed matters relating to acceptance of lists of independent director candidates from shareholders.</li> <li>12. Passed matters relating to nomination of independent director candidates.</li> <li>13. Passed the proposed lifting of non-compete restrictions on newly-appointed directors.</li> <li>14. Passed the Company's proposed application to the Mega Bills Corp. for renewal of commercial paper issuance in order to meet business needs.</li> </ol>
May 8, 2020	<ol style="list-style-type: none"> <li>1. Passed the Company's 2020 first quarter individual financial statements.</li> <li>2. Approved Setting of a proposed base day for the Company's second domestic conversion of unsecured convertible bonds to common stock in the form of new shares during the first quarter of 2020.</li> <li>3. Passed the Company's proposed application to ETFC and the International Bills Finance Corp. for commercial paper issuance and renewal in order to meet business needs.</li> </ol>
June 10, 2020	<ol style="list-style-type: none"> <li>1. Election of Chen Cheng-kang as the Company's new chairman.</li> </ol>
July 6, 2020	<ol style="list-style-type: none"> <li>1. Passed the revised internal control system financing cycle proposal.</li> <li>2. Passed the Company's proposed ex dividends base date for the 2019 capital increase by earnings recapitalization.</li> <li>3. Passed the proposed appointment of members of the 4th Remuneration Committee.</li> </ol>

August 10, 2020	<ol style="list-style-type: none"> <li>1. Passed the Company's 2020 second quarter individual financial statements.</li> <li>2. Passed Company's proposed adjustment of salaries for the chairman and managers.</li> <li>3. Passed the 2019 directors remuneration distribution proposal.</li> <li>4. Passed the Company's proposed application to a financial institution for a line of credit in order to meet business needs.</li> <li>5. Passed the proposed new shares issuance base date for the Company's conversion of convertible bonds to common stock.</li> </ol>
September 9, 2020	<ol style="list-style-type: none"> <li>1. Passed the proposed application to financial institutions for short-term revolving credit in order to meet business needs.</li> </ol>
November 9, 2020	<ol style="list-style-type: none"> <li>1. Passed the Company's 2020 third quarter individual financial statements.</li> <li>2. Approved the proposed appointment of a CPA to audit the 2021 financial statements and assessment of independence.</li> <li>3. Passed the Company's 2021 internal audit plan proposal.</li> <li>4. Passed the proposal to revise and enlarge the "Board Performance Assessment Regulations."</li> <li>5. Passed the proposal to revise and enlarge the "Corporate Governance Code of Practice."</li> <li>6. Passed the revised "Ethical Corporate Management Guidelines."</li> <li>7. Passed the proposal to revise and enlarge the Company's "Procedures for Ethical Corporate Management Best Practice Principles."</li> <li>8. Passed the revised "Accounting System."</li> <li>9. Approved the Company's proposed signing of a land and real estate advance sale contract with related parties in the "Sakura Rain" project.</li> <li>10. Passed the revised "Remuneration Committee Organizational Rules."</li> <li>11. Passed the Company's proposed application to the Ta Ching Bills Finance Corporation for renewal of commercial paper issuance.</li> <li>12. Passed the Company's proposed application to the Far Eastern International Bank for a line of construction financing to meet business needs.</li> <li>13. Passed the proposed new shares issuance base date for the Company's conversion of convertible bonds to common stock.</li> <li>14. Passed authorization of the chairman to manage the internal audit unit.</li> </ol>
November 30, 2020	<ol style="list-style-type: none"> <li>1. Passed the Company's proposed purchase of land in Lot 139, Xinronghe Section, Wurih District, Taichung.</li> <li>2. Passed the Company's proposed acquisition of land in Lot 135, Xinronghe Section, Wurih District, Taichung from related parties.</li> </ol>
December 11, 2020	<ol style="list-style-type: none"> <li>1. Passed the proposed adjustment of the sales price of land in Lot 139, Xinronghe Section, Wurih District, Taichung.</li> </ol>

Date	Important resolutions
January 25, 2021	<ol style="list-style-type: none"> <li>1. Passed the 2021 business plan.</li> <li>2. Passed the revised "approval authority implementation regulations."</li> <li>3. Passed the revised "check management regulations."</li> <li>4. Passed the revised internal control system's "sale and payment collection cycle."</li> <li>5. Passed the Company's proposed appropriation of remuneration for employees and directors for 2020.</li> <li>6. Passed the Company's proposed establishment of a corporate governance manager.</li> <li>7. Passed the proposed 2020 employees' remuneration and year-end bonuses for upper managers.</li> <li>8. Passed the proposed new shares issuance base date for the Company's conversion of convertible bonds to common stock in the fourth quarter of 2020.</li> <li>9. Passed the Company's proposed application to a financial institution for a line of credit in order to meet business needs.</li> </ol>
March 22, 2021	<ol style="list-style-type: none"> <li>1. Passed the 2020 business report and financial report.</li> <li>2. Passed the 2020 "internal control system statement."</li> <li>3. Passed the 2020 earnings distribution proposal.</li> <li>4. Passed the revised "Articles of Incorporation."</li> <li>5. Passed the 2020 proposed capital increase by earnings recapitalization and issuance of new shares.</li> <li>6. Passed matters relating to the holding of the 2021 shareholders meeting.</li> <li>7. Passed the Company's proposed application to the Mega Bills Corp. for renewal of commercial paper issuance in order to meet business needs.</li> <li>8. Ratification of the proposed application to a financial institution for a line of credit.</li> </ol>

- (XII) Main content of recorded or written dissenting opinions from directors or supervisors on passed important resolutions by the Board of Directors during the most recent year up to the date of publication of the annual report.  
Main content: None.
- (XIII) Summary of resignation and dismissal of relevant Company personnel (including chairman, general manager, chief accounting officer, financial manager, internal audit manager, and chief R&D officer) during most recent year up to the date of publication of this Annual Report: None.

## V. Information on fees to CPAs

### Information on fees to CPAs

Name of accounting firm	Name of CPA		Audit period	Notes
BDO Taiwan	Chang Yi-chun	Teng Hsin-shan	2020/1/1-2020/12/31	None

Note: If the Company changed the CPA or accounting firm during the year, please list their audit periods individually, and explain the reason for the change in the Notes field.

Monetary units: NT\$1,000

Scale of amount \ Fee category		Audit fee	Non-audit fee	Total
1	Below NT\$2,000,000	1,280	278	1,558
2	NT\$2,000,000 to NT\$4,000,000	-	-	-
3	NT\$4,000,000 to NT\$6,000,000	-	-	-
4	NT\$6,000,000 to NT\$8,000,000	-	-	-
5	NT\$8,000,000 to NT\$10,000,000	-	-	-
6	NT\$10,000,000 or above	-	-	-

- (I) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees and the content of non-audit stock services shall be disclosed: Not applicable.
- (II) If the accounting firm was replaced and if the audit fees paid for the fiscal year in which such replacement took place were lower than those for the previous year, the reduction in the amount of audit fees and the reason(s) must be disclosed: Not applicable.
- (III) If the audit fees paid for the current year are lower than those for the previous fiscal year by 15% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) must be disclosed: Not applicable.

## VI. Information on change of CPA: None.



**VII. The names, titles, and period at the auditing accounting firm or its affiliate of the president, general manager, or any managers responsible for financial or accounting matters who have been employed by the auditing accounting firm or its affiliates during the most recent year: Not applicable.**

**VIII. Transfer of equity or changes in the pledge of equity by the directors, supervisors, managers, and shareholders holding more than 10% of shares in the most recent year to the date of printing of this Annual Report:**

(I) Changes in Shareholding of Directors, Supervisors, Presidents and Major Shareholders

Unit: Shares

Title	Name	2020		2021 up to April 17	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Director	Ho-Yang Management Consultant CO., Ltd. Representative: Chen Cheng-Gang	17,091,841	-	-	-
Director	Ho-Yang Management Consultant CO., Ltd. Representative: Shen Shu-Chen				
Shareholders holding more than 10% of outstanding shares	Ho-Yang Management Consultant CO., Ltd.				
Director & general manager	Chen Shih-Ying	771,127 (900,000)	-	- (800,000)	-
Director	Pai Shu-Chen	145,124	-	-	-
Independent Director	Hsu Chen-Hua	-	-	-	-
Independent Director	Wang Kuei-Yuan	-	-	-	-
Independent Director	Hung Ming-Tsung	-	-	-	-
Financial accounting manager	Shen Shu-Chen	16,799	-	-	-
Major shareholder	Lin Chen-hai	19,845,895 (2,346,000)	-	- (297,000)	-

Major shareholder	Tzeng Shu-chiung	19,626,157	-	-	-
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Note 1: Those shareholders holding more than 10% of the Company's outstanding shares must be noted as major shareholders, and must be listed separately.

Note 2: The following form must be filled out when the counterparties in equity transfers or equity pledges are related parties.

(II) Equity transfer information: Not applicable.

(III) Equity pledge information: Not applicable.

**IX. Any of the top 10 shareholders by their holdings who are related parties or spouses, or relatives within the second degree of kinship, and their mutual relationships**

April 17, 2021

Name (Note 1)	Shareholder		Spouse & minor child shareholdings		Combination of shares by nominee arrangement		Titles, Names and Relationships of Top 10 Shareholders with Relationships, Spousal Relationships, or Kinship within the Second Degree (Note 3)		Notes
	No. of Shares	Percentage	No. of Shares	Shareholding(%)	No. of Shares	Percentage	Name	Relationship	
Tzeng Shu-chiung	123,984,396	22.15%	123,608,548	22.09%	-	-	Lin Chen-hai	Spouse	
Lin Chen-hai	123,608,548	22.09%	123,984,396	22.15%	-	-	Tzeng Shu-chiung	Spouse	
CEO of Ho-Yang Management Consultant CO., Ltd.: Lin Chen-hai	107,974,349	19.29%	-	-	-	-	-	-	
Representative of Ho-Yang Management Consultant CO., Ltd.: Chen Cheng-Gang	-	-	2,124,346	0.38%	-	-	-	-	
Representative of Ho-Yang Management Consultant CO., Ltd.: Shen Shu-Chen	106,126	0.02%	-	-	-	-	-	-	
CEO of Jin Jue Development Co., Ltd.: Hsieh Yin-lien	18,978,338	3.39%	-	-	-	-	-	-	
CEO of Jin Lin International Co., Ltd.: Tzeng Tsung-lin	18,239,166	3.26%	-	-	-	-	-	-	
	3,456,741	0.62%	3,741,108	0.67%	-	-	Tzeng-li Chin-yao	Spouse	
Hsieh Yin-lien	10,665,473	1.91%	35,960	0.00%	-	-	Hsiao Tse-yin	Spouse	
Jing Du Investment Co.,	9,700,547	1.73%	-	-	-	-	-	-	

Ltd. Responsible person: Hsieh Hsiu-wen	1,318,302	0.24%	-	-	-	-	-	-	
Lai Fu-min	8,913,101	1.59%	-	-	-	-	-	-	
Chen Ming-sheng	5,000,503	0.89%	-	-	-	-	-	-	
Li Hsiang-chin	4,292,925	0.77%	-	-	-	-	-	-	

Note 1: The top 10 shareholders must all be listed; the names of any institutional shareholders and their representatives must both be listed.

Note 2: Calculation of shareholdings shall be based on the percentage of shares held in the person's own name, by the person's spouse, and in the name of other persons.

Note 3: The mutual relationships between the shareholders listed above, including institutional and natural person shareholders must be disclosed in accordance with the Guidelines Governing the Preparation of Financial Reports by Issuers.

**X. The Shareholding of the Company, Director, Supervisor and the Business that is Controlled by the Company Directly or Indirectly on the Invested Company : None.**

## Chapter 4. Information on Fund-raising

### I. Capital & Shares

#### (I) Source of capital stock

Unit: NT\$: Shares

Month/ Year	Issue price	Authorized capital		Paid-in capital		Notes		
		No. of Shares	Amount	No. of Shares	Amount	Source of capital stock	Capital increased by assets other than cash	Other
March 1987	10	2,000,000	20,000,000	2,000,000	20,000,000	Founded in	—	Note 1
June 1990	10	19,500,000	195,000,000	19,500,000	195,000,000	Cash capital increase of 175,000,000	—	Note 2
July 1994	10	80,000,000	800,000,000	80,000,000	800,000,000	Cash capital increase of 605,000,000	—	Note 3
January 1996	10	90,000,000	900,000,000	90,000,000	900,000,000	Capital increase by earnings recapitalization of 100,000,000	—	Note 4
July 1996	10	100,800,000	1,008,000,000	100,800,000	1,008,000,000	Capital increase by earnings recapitalization of 108,000,000	—	Note 5
June 1997	10	154,348,000	1,543,480,000	114,187,000	1,141,870,000	Capital increase by recapitalization of earnings and employee bonuses of 133, 870,000	—	Note 6
September 1997	10	154,348,000	1,543,480,000	154,187,000	1,541,870,000	Cash capital increase of 400,000,000	—	Note 7
March 1998	10	440,000,000	4,400,000,000	200,883,100	2,008,831,000	Capital increase by recapitalization of earnings and employee bonuses of 235,680,500 Capital increase out of capital reserves 231,280,500	—	Note 8
August 1999	10	440,000,000	4,400,000,000	220,971,410	2,209,714,100	Capital increase by earnings recapitalization of 100,441,550 Capital increase out of capital reserves 100,441,550	—	Note 9
November 2000	10	440,000,000	4,400,000,000	110,485,705	1,104,857,050	Capital reduction of 1,104,857,050	—	Note 10
October 2002	10	310,000,000	3,100,000,000	27,600,000	276,000,000	Capital reduction of 828,857,050	—	Note 11
September 2003	10	310,000,000	3,100,000,000	9,855,000	98,550,000	Capital reduction of 177,450,000	—	Note 12
December 2003	5	310,000,000	3,100,000,000	19,855,000	198,550,000	Cash capital increase by private placement of 100,000,000	—	Note 13
February 2004	5	310,000,000	3,100,000,000	50,000,000	500,000,000	Cash capital increase by private placement of 301,450,000	—	Note 14

Month/ Year	Issue price	Authorized capital		Paid-in capital		Notes		
		No. of Shares	Amount	No. of Shares	Amount	Source of capital stock	Capital increased by assets other than cash	Other
March 2006	2.41	310,000,000	3,100,000,000	80,000,000	800,000,000	Cash capital increase by private placement of 300,000,000	—	Note 15
January 2008	11.83	310,000,000	3,100,000,000	52,000,000	520,000,000	Capital reduction of 580,000,000 Cash capital increase by private placement of 300,000,000	—	Note 16
April 2008	12	310,000,000	3,100,000,000	128,000,000	1,280,000,000	Cash capital increase by private placement of 760,000,000	—	Note 17
October 2010	10	310,000,000	3,100,000,000	131,456,000	1,314,560,000	Capital increase by earnings recapitalization of 34,560,000	—	Note 18
October 2011	10	310,000,000	3,100,000,000	147,028,539	1,470,285,390	Capital increase by earnings recapitalization of 153,803,520 Capital increase by recapitalization of employee bonuses of 1,921,870	—	Note 19
August 2012	10	310,000,000	3,100,000,000	165,554,134	1,655,541,340	Capital increase by earnings recapitalization of 185,255,950	—	Note 20
August 2013	10	310,000,000	3,100,000,000	187,903,942	1,879,039,420	Capital increase by earnings recapitalization of 115,887,890 Capital increase out of capital reserves 107,610,190	—	Note 21
August 2014	10	310,000,000	3,100,000,000	238,638,006	2,386,380,060	Capital increase by earnings recapitalization of 507,340,640	—	Note 22
August 2015	10	310,000,000	3,100,000,000	286,365,607	2,863,656,070	Capital increase by earnings recapitalization of 477,276,010	—	Note 23
August 2016	10	420,000,000	4,200,000,000	343,638,728	3,436,387,280	Capital increase by earnings recapitalization of 572,731,210	—	Note 24
August 2017	10	420,000,000	4,200,000,000	378,002,601	3,780,026,010	Capital increase by earnings recapitalization of 343,638,730	—	Note 25
September 2018	10	420,000,000	4,200,000,000	408,242,809	4,082,428,090	Capital increase by earnings recapitalization of 302,402,080	—	Note 26

Month/ Year	Issue price	Authorized capital		Paid-in capital		Notes		
		No. of Shares	Amount	No. of Shares	Amount	Source of capital stock	Capital increased by assets other than cash	Other
August 2019	10	600,000,000	6,000,000,000	461,314,374	4,613,143,740	Capital increase by earnings recapitalization of 489,891,370 Capital increase out of capital reserves 40,824,280	—	Note 27
November 2019	10	600,000,000	6,000,000,000	463,243,293	4,632,432,930	Conversion of convertible bonds to capital of 19,289,190	—	Note 28
February 2020	10	600,000,000	6,000,000,000	463,788,658	4,637,886,580	Conversion of convertible bonds to capital of 5,453,650	—	Note 29
May 2020	10	600,000,000	6,000,000,000	465,750,528	4,657,505,280	Conversion of convertible bonds to capital of 19,618,700	—	Note 30
September 2020	10	600,000,000	6,000,000,000	556,679,812	5,566,798,120	Conversion of convertible bonds to capital of 28,094,390 Capital increase by earnings recapitalization of 881,198,450	—	Note 31
November 2020	10	600,000,000	6,000,000,000	558,482,668	5,584,826,680	Conversion of convertible bonds to capital of 18,028,560	—	Note 32
February 2021	10	600,000,000	6,000,000,000	558,917,303	5,589,173,030	Conversion of convertible bonds to capital of 4,346,350	—	Note 33
March 2021	10	600,000,000	6,000,000,000	559,609,031	5,596,090,310	Conversion of convertible bonds to capital of 6,917,280	—	Note 34
April 2021	10	600,000,000	6,000,000,000	559,644,633	5,596,446,330	Conversion of convertible bonds to capital of 356,020	—	Note 35

Shareholding type	Authorized capital			Notes
	Outstanding shares (on the market)	Un-issued shares	Total	
Common shares	559,644,633	40,355,367	600,000,000	—

Note: Please note whether the shares constitute listed or OTC traded stock (please note if the stock is subject to restricted stock exchange or OTC trading).

Information for shelf registration: None

Note 1: Approved in Letter Jian-3-Bing-Zi No. 181943 of May 2, 1987

Note 2: Approved in Letter Jing-(79)-Shang No. 118301 of August 31, 1990.

Note 3: Approved in Letter (83) Tai-Cai-Zheng-(1) No. 19078 of June 7, 1994.

Note 4: Approved in Letter (84) Tai-Cai-Zheng-(1) No. 62302 of December 1, 1995.

Note 5: Approved in Letter (85) Tai-Cai-Zheng-(1) No. 41477 of July 2, 1996.

Note 6: Approved in Letter (86) Tai-Cai-Zheng-(1) No. 36166 of May 6, 1997.

Note 7: Approved in Letter (86) Tai-Cai-Zheng-(1) No. 70260 of September 26, 1997.

Note 8: Approved in Letter (87) Tai-Cai-Zheng-(1) No. 28336 of March 24, 1998.

Note 9: Approved in Letter (88) Tai-Cai-Zheng-(1) No. 73001 of August 7, 1999.

Note 10: Approved in Letter (89) Tai-Cai-Zheng-(1) No. 86993 of November 17, 2000.

Note 11: Approved in Letter Tai-Cai-Zheng-Yi-Zi No. 0910153135 of October 22, 2002.

Note 12: Approved in Letter Tai-Cai-Zheng-Yi-Zi No. 0920132313 of September 24, 2003.

Note 13: Approved in Letter Jing-Shou-Zhong-Zi No. 09331526090 of January 12, 2004.

Note 14: Approved in Letter Jing-Shou-Shang-Zi No. 09301050900 of March 25, 2004.

Note 15: Approved in Letter Jing-Shou-Shang-Zi No. 09501069030 of April 21, 2006.

Note 16: Approved in Letter Jing-Shou-Shang-Zi No. 09701014560 of January 18, 2008.

Note 17: Approved in Letter Jing-Shou-Shang-Zi No. 09701097450 of April 24, 2008.

Note 18: Approved in Letter Jing-Shou-Shang-Zi No. 09901220220 of October 1, 2010.

Note 19: Approved in Letter Jing-Shou-Shang-Zi No. 10001240520 of October 20, 2011.

Note 20: Approved in Letter Jing-Shou-Shang-Zi No. 10101165340 of August 13, 2012.

Note 21: Approved in Letter Jing-Shou-Shang-Zi No. 10201167520 of August 19, 2013.

Note 22: Approved in Letter Jing-Shou-Shang-Zi No. 10301169870 of August 18, 2014.

Note 23: Approved in Letter Jing-Shou-Shang-Zi No. 10401173320 of August 21, 2015.

Note 24: Approved in Letter Jing-Shou-Shang-Zi No. 10501215790 of August 31, 2016.

Note 25: Approved in Letter Jing-Shou-Shang-Zi No. 10601121870 of August 28, 2017.

Note 26: Approved in Letter Jing-Shou-Shang-Zi No. 10701121710 of September 27, 2018.

Note 27: Approved in Letter Jing-Shou-Shang-Zi No. 10801116980 of August 29, 2019.

Note 28: Approved in Letter Jing-Shou-Shang-Zi No. 10801169850 of November 28, 2019.

Note 29: Approved in Letter Jing-Shou-Shang-Zi No. 10901019630 of February 26, 2020.

Note 30: Approved in Letter Jing-Shou-Shang-Zi No. 10901082840 of May 22, 2020.

Note 31: Approved in Letter Jing-Shou-Shang-Zi No. 10901170310 of September 17, 2020.

Note 32: Approved in Letter Jing-Shou-Shang-Zi No. 10901217690 of November 27, 2020.

Note 33: Approved in Letter Jing-Shou-Shang-Zi No. 11001021300 of February 23, 2021.

Note 34: Change registration has not yet been performed for conversions already performed from January to March of 2021.

Note 35: Change registration has not yet been performed for the conversion already performed on April 17, 2021.



(II) Shareholder structure

April 17, 2021

Shareholder structure Quantity	Governmental agencies	Financial institutions	Other legal entities	Foreign institutions & natural persons	Domestic natural persons	Total
No. of shareholders	1	5	40	32	8,395	8,473
Number of shares held	23	5,923,797	163,461,821	3,154,976	387,104,016	559,644,633
Percentage (%)	0.00%	1.06%	29.21%	0.56%	69.17%	100.00%

(III) Shareholding distribution status

Common shares

April 17, 2021

Class of shareholding	No. of shareholders	Number of shares held	Percentage
1 to 999	4171	683,982	0.12%
1,000 to 5,000	2767	5,709,985	1.02%
5,001 to 10,000	572	4,229,385	0.76%
10,001 to 15,000	223	2,771,522	0.50%
15,001 to 20,000	129	2,301,254	0.41%
20,001 to 30,000	142	3,489,149	0.62%
30,001 to 40,000	96	3,366,496	0.60%
40,001 to 50,000	71	3,194,882	0.57%
50,001 to 100,000	129	8,974,174	1.60%
100,001 to 200,000	73	10,404,168	1.86%
200,001 to 400,000	31	7,904,595	1.41%
400,001 to 600,000	18	8,186,901	1.46%
600,001 to 800,000	4	2,702,974	0.48%
800,001 to 1,000,000	9	8,067,579	1.44%
Over 1,000,001	38	487,657,587	87.15%
Total	8,473	559,644,633	100.00%

Note: Preferred stock not yet issued by the Company.

(IV) Names of major shareholders:

Shareholders with over 5% of equity or in the top 10 by equity percentage

April 17, 2021

Shares Name of major shareholder	Number of shares held	Percentage
Tzeng Shu-chiung	123,984,396	22.15%
Lin Chen-hai	123,608,548	22.09%
Ho-Yang Management Consultant CO., Ltd.	107,974,349	19.29%
Jin Jue Development Co., Ltd.	18,978,338	3.39%
Jin Lin International Co., Ltd.	18,239,166	3.26%
Hsieh Yin-lien	10,665,473	1.91%
Jing Du Investment Co., Ltd.	9,700,547	1.73%
Lai Fu-min	8,913,101	1.59%
Chen Ming-sheng	5,000,503	0.89%
Li Hsiang-chin	4,292,925	0.77%

(V) Market price, net value, earnings, and capital bonus per share during the most recent two years

Unit: 1,000 shares; NT\$

Year		2019	2020	Current year to March 31, 2021
Item	Market price			
	per share			
(Note 1)	Highest	30.90	37.20	33.65
	Lowest	26.65	28.80	29.95
	Average	28.98	31.87	31.42
Net value per share	Before distribution	15.60	13.90	Note 8
	After distribution	14.60	Note 2	-
EPS (Note 3)	Weighted average shares	461,800	555,333	Note 8
	EPS after tax	3.22	1.48	Note 8
	Weighted average shares (adjusted retroactively)	548,649	Note 2	-
	Earnings per share (adjusted retroactively)	2.71	Note 2	-
Dividend per share	Cash dividends	0.99	0.2 (Note 2)	-

	Stock dividend	Surplus earnings	1.88	1.4 (Note 2)	-
		Capital surplus	-	-	-
	Accumulated undistributed dividends (Note 4)		-	-	-
Return on investment	PE ratio (Note 5)		9.00	21.53	-
	Price-dividend ratio (Note 6)		28.98	159.35	-
	Cash dividend yield rate (Note 7)		0.0345	0.0063	-

\* In the case of stock dividends from capital increase out of capital reserves or earnings, the information must be disclosed after retroactive adjustment of market price and cash dividends in accordance with the number of issued shares.

Note 1: List the highest and lowest market price for common stock during each year, and calculation the average market price for each year using trading value and volume for that year.

Note 2: The decision of the Company's March 22, 2021 board meeting to convert cash distribution from earnings in 2020 to capital increase in the form of new shares will be presented for approval at the shareholders meeting on June 15, 2021. Relevant information can be queried via the Market Observation Post System after the meeting has been held.

Note 3: If it is necessary to perform retroactive adjustment due to stock grants, please list EPS before and after adjustment.

Note 4: If equity security issuance terms specify that stock dividends not issued during the current year may accumulate until they can be issued in a year with earnings, in which case cumulative unpaid stock dividends to the current year must be disclosed.

Note 5: Price-earnings (P/E) ratio = Average market price / Earnings per share

Note 6: Price-dividend (P/D) ratio = Average market price / Cash dividends per share

Note 7: Cash dividend yield rate = Cash dividend per share / Average market price

Note 8: As of the printing date of the annual report, the CPA had not yet issued audited financial information up to March 31, 2021.

(VI) The Company's stock dividend policy and state of implementation:

1. Stock dividend policy:

- (1) According to Article 28-1 of the Company's Articles of Incorporation, if the Company has earnings after the close of the accounting year, apart from paying taxes in full in accordance with law, the Company shall first make good losses from previous years, and then allocate 10% of the

balance to a statutory reserve, and special reserve or reversal special reserve according to statute and when required; if earnings remain, an amount of earnings including the amount of undistributed earnings from previous years may be distributed. The board shall draft a distribution motion, and distribution shall be implemented after approval by the shareholders meeting.

The Company is in a capital-intensive industry. Since there will be major investment and financial improvement plans during the next few years, it is difficult to determine the Company's growth stage. Accordingly, the Company shall distribute at least 10% of earnings in the form of cash dividends during the annual distribution of earnings; however, stock dividends may be issued instead when cash dividends per share would be less than NT\$0.1.

(2) With regard to the Company's stock dividend policy, the Company shall distribute at least 40% of distributable earnings in the form of shareholders dividends each year.

2. Planned current year dividend distribution proposal to the shareholders meeting:

The 2020 earnings distribution proposal has already been passed by the March 22, 2021 board meeting, and calls for the distribution of stock dividends of NT\$1.4 per share, totaling NT\$782,484,220, with a face value of NT\$10 per share. A total of 78,248,422 new shares and cash dividends of NT\$0.2 per share, totaling NT\$111,783,461, will consequently be distributed.

Accordingly, after approval by a resolution of the shareholders meeting on June 15, 2021, the board shall set a base date for distribution of stock and dividends.

(VII) Effect of stock grants to be proposed in the current shareholders' meeting on Company's business performance and earnings per share: None.

(VIII) Remuneration of employees and directors:

1. Percentages or ranges of remuneration of employees and directors under the Articles of Incorporation:

Article 28 of the Articles of Incorporation: 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.

2. Basis for estimating the amount of remuneration of employees and directors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period: 2020 employees' remuneration is estimated to be NT\$5,357,747, and directors' remuneration is estimated to be NT\$9,384,113. These estimated amounts have been obtained by multiplying net profit before tax and before the subtraction of remuneration to employees and directors by the employees' and directors' remuneration percentages specified in the Company's Articles of Incorporation. However, if a decision of the board subsequently causes the actual distributed amounts to differ from the estimated amounts, the difference shall be stated as the board meeting's annual loss or gain.

3. Remuneration proposals passed by the board of directors:

(1) Amount of employees' remuneration and directors' remuneration distributed in the form of cash or stock: If there are any differences from the estimated amount for the recognized expense year, the differences, their reasons for their existence, and their state of resolution must be disclosed:

The January 25, 2021 board meeting passed the cash distribution of employees' remuneration totaling NT\$5,357,747 and directors' remuneration totaling 9,384,113, which is consistent with the recognized amounts on 2020 financial statements.

(2) Amount of employees' remuneration distributed in the form of stock and share of the sum of net profit after tax and total employees' remuneration

on consolidated or individual financial statements for the period: No employees' remuneration is currently to be distributed as stock.

4. Actual distribution of employees' and directors' remuneration during the previous year:

Unit: NT\$1,000

2019	Actual distributed amount	Amount determined by the board
Employees' remuneration	8,437	8,437
Directors' remuneration	15,463	15,463

Difference from the estimated amount for the recognized expense year:

None

(IX) Buyback of the Company's stock: Not applicable.

## II. Information on corporate bonds:

2021.04.17

Categories of corporate bonds	First secured convertible domestic corporate bonds	Second unsecured convertible domestic corporate bonds
Date of issue	September 3, 2018	September 4, 2018
Face value	NT\$100,000	NT\$100,000
Issue and transaction location	Republic of China	Republic of China
Issue price	NT\$103.6	NT\$100.5
Total amount	NT\$200,000,000	NT\$292,000,000
Coupon rate	0%	0%
Term	5 years, maturity date: September 3, 2023	5 years, maturity date: September 4, 2023
Guaranteeing organization	Taiwan Cooperative Bank Co., Ltd.	None
Trustee	JihSun International Commercial Bank Co., Ltd.	JihSun International Commercial Bank Co., Ltd.
Underwriting organization	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Securities Co., Ltd.
Attesting attorney	Shen Chih-cheng, attorney	Shen Chih-cheng, attorney
Attesting CPA	BDO Taiwan Wang Mu-fan, Teng Hsin-shan, CPA	BDO Taiwan Wang Mu-fan, Teng Hsin-shan, CPA
Redemption method	The Company shall repay bondholders' convertible bonds in cash at a rate of 100.75% of face value upon maturity, except in the case of the following: the bond holder converts his/her bonds into the Company's ordinary shares in accordance with Article 10 of these Guidelines or the Company repurchases the bond in advance in accordance with Article 18 of this Guidelines, or the Company repurchases cancelled stocks from the business location of a stock exchange.	The Company shall repay the bond holders' converted corporate bond in cash upon maturity according to the face value of the bond, except in the case of the following: the bond holder converts his/her bonds into the Company's ordinary shares in accordance with Article 10 of these Guidelines or exercises his/her right to sell in accordance with Article 19 of these Guidelines, or the Company repurchases the bond in advance in accordance with Article 18 of these Guidelines, or the Company repurchases cancelled stocks from the business location of a stock exchange.
Outstanding principal balance	NT\$152,200,000	NT\$74,500,000
Redemption or early repayment terms	In accordance with Article 18 of the convertible bonds issuance and conversion regulations	In accordance with Article 18 of the convertible bonds issuance and conversion regulations
Restrictive clauses	Please refer to the Company's issuance and conversion regulations	Please refer to the Company's issuance and conversion regulations
Name of credit rating institution, rating date, outcome of corporate bond rating	None	None

Additional rights	Value of common shares, depository receipts, or other securities that are converted (exchanged or subscribed) as of the date the annual report is printed	An application had been made for NT\$47,800,000 in convertible bonds as of April 17, 2021	An application had been made for NT\$217,500,000 in convertible bonds as of April 17, 2021
	Issuance and conversion (swapping or subscription) regulations	Please refer to the Company's issuance and conversion regulations	Please refer to the Company's issuance and conversion regulations
Possible dilution of equity and impact on existing shareholders equity		This issuance of convertible bonds has a term of 5 years, and creditors' request for conversion will be at different times. This will have a delaying effect on dilution of equity, and the impact of dilution will be small. Dilution will not have a major impact on existing shareholders equity.	This issuance of convertible bonds has a term of 5 years, and creditors' request for conversion will be at different times. This will have a delaying effect on dilution of equity, and the impact of dilution will be small. Dilution will not have a major impact on existing shareholders equity.
Name of swap target custodial institution		N/A	N/A

Note 1: State of corporate bonds including corporate bonds being offered through public and private placement. The current public offering of bonds refers to bonds already approved by this authority; The current private offering of bonds refers to bonds already approved by the board meeting.

Note 2: Number of fields may adjusted in view of the actual instances.

Note 3: Fill in any foreign corporate bonds.

Note 4: If there is a restriction on distribution cash dividends, external investment, or request to maintain a certain asset ratio, etc.

Note 5: Should be explicitly marked if a private offering.

Note 6: In the case of convertible bonds, exchangeable corporate bond, summary reporting issuance corporate bonds, or bonds with warrant, information on the convertible bonds, exchangeable corporate bonds, summary reporting issuance corporate bonds, or bonds with warrant, must be disclosed in tabular format.



### Information on convertible bonds

Categories of corporate bonds		First secured convertible domestic corporate bonds			
Year		2018	2019	2020	Current year to April 17, 2021
Item					
Market value of convertible corporate bond	Highest	109.00	112.00	139.00	146.00
	Lowest	102.25	103.00	108.50	132.00
	Average	107.10	107.71	120.60	137.69
Conversion price		31.61 2018/09/13	27.97 2019/08/13	22.87 2020/08/25	22.87
Issuance (implementation) date and conversion price at the time of issuance		Date of issue: September 3, 2018 Conversion price at time of issuance: 35.94			
Methods of fulfilling conversion obligations		Issuance of new shares			

Categories of corporate bonds		Second unsecured convertible domestic corporate bonds			
Year		2018	2019	2020	Current year to April 17, 2021
Item					
Market value of convertible corporate bond	Highest	99.50	107.70	142.40	149.50
	Lowest	91.05	91.30	106.00	135.80
	Average	95.48	102.05	116.76	138.95
Conversion price		30.87 2018/09/13	27.32 2019/08/13	22.34 2020/08/25	22.34
Issuance (implementation) date and conversion price at the time of issuance		Date of issue: September 4, 2018 Conversion price at time of issuance: 35.10			
Methods of fulfilling conversion obligations		Issuance of new shares			

**III. Information on preferred shares: Not applicable.**

**IV. Information on overseas depository receipts: Not applicable.**

**V. Information on employee stock options and restricted stock awards: Not applicable.**

**VI. Information on merger and acquisition or acceptance of shares**

**assigned by other companies for issuing new shares: Not applicable.**

**VII. Financing Plans and Implementation: Completed during the third quarter of 2018**

## **Chapter 5. Business Activities**

### **I. Content of business**

#### **(I) Business Scope:**

##### **1. Main content:**

- A. F111090 wholesale of building materials.
- B. F113010 wholesale of machinery.
- C. H701010 Residence and building development and leasing.
- D. H701020 industrial plant development and leasing.
- E. H701030 Funeral facility development and leasing.
- F. H701040 Specialized field construction and development
- G. H701050 Public Works Construction and Investment
- H. H701060 New County and Community Construction and Investment
- I. H701070 Land Levy and Delimit
- J. H701080 Reconstruction within the renewal area
- K. H702010 Construction management
- L. H703090 Real Estate Commerce
- M. H703100 Real Estate Rental and Leasing
- N. I102010 Investment Consulting
- O. I503010 landscape and interior designing.
- P. F401010 International Trade
- Q. ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval.

##### **2. Proportion of business:**

The Company is mainly involved in the leasing and selling of multi-family residential buildings built by contracted construction companies, and chiefly targets the domestic market, which accounts for 100% of the Company's operating revenue.

##### **3. Current products: Residential buildings include units and shops.**

##### **4. Future Products and Services Currently Being Planned**

Construction chiefly consists of residential buildings needed by first-time home buyers and persons who wish to move to a new home. These buildings feature user-friendly, environmental designs, and the residential environment has excellent amenities and leisure features.

## (II) Industry Overview

### 1. Current state of the industry and future development

- (1) The current appreciation of the NT dollar and the current low interest rate environment in Taiwan has ensured plentiful funds in the market, and demand for funds for the purchase of real estate has reached a high level. Apart from gradually expanding the owner dwelling effect through inelastic self-use demand and rent to own, the abundance of funds is also reflected in the demand for land.
- (2) Due to increased disposable incomes and reduction in household size, multiple arrangements, smaller homes, and low overall price products remain the market mainstream.
- (3) The aging of construction industry workers, the industry's severe shortage of labor, and increasing difficulty of land acquisition have caused construction costs to steadily rise.

### 2. Connection with upstream, midstream, and downstream segments of the industry

The Company is in the development industry. In the building materials and construction industry chain, development companies play a coordinating and integrating role. Upstream: Chiefly consists of land and construction -related material suppliers. Midstream: After acquiring land, development companies must perform planning and design, hire a specialized construction company, perform sale, and hand over the completed buildings. Downstream: Includes the sales industry, real estate brokerage industry, financial industry, property management, homebuyers, and decorating industry

### 3. Product Trends and Competition

- (1) Multiple arrangements, smaller units, and low overall price remain the market's mainstream trends, and mainstream products in the northern Taiwan market have shrunk significantly from 66-130m<sup>2</sup> to 55-115m<sup>2</sup>. Since the rise in unit prices is restrained by overall prices, the increasing price of real estate has taken the form of smaller home size; The central Taiwan market is dominated by two-bedroom homes and products under 100m<sup>2</sup> in size, and the trend toward smaller home size has been continuing. This trend has even forced branded construction companies formerly specializing in large luxury units to capitulate to the wishes of the market.
- (2) Owner-use homebuyers have become the preeminent source of market

demand, but their buying power has been limited by the down payment problem. As a consequence, pre-sold units with low down payment requirements are best able to meet customers' needs.

- (3) With regard to owner-use home buyers, price is not the most important deciding factor. Instead, factors such as location, environment, product planning, building materials, and brand must often meet requirements before a purchase is made. As a consequence, the Company will strive to boost product competitiveness and brand reputation as it confronts a growing number of new competitors in the future.

### (III) Technology and R&D Overview

The Company chiefly engages in real estate investment and development, and contracts construction projects to qualified builders. As a consequence, the Company has not established a dedicated production technology and R&D department. The Company collaborates with prominent architects and sales teams when conducting product design. With regard to project construction, the Company has worked hard to improve the earthquake resistance of buildings, and strives to provide customers with outstanding, high-quality user-friendly products.

### (IV) Short and Long Term Business Development Plans

#### 1. Short-term Business Development Plans

- (1) Sales projects in the Taichung area: "Sakura Just Perfect," "Sakura Kingdom - London Garden."
- (2) Sales projects in the Taoyuan area: "Sakura Rain," "Sakura Blossom."

#### 2. Long-term Business Development Plans

- (1) The Company relies on professional land development personnel to locate areas with development potential in northern, central, and southern Taiwan, and selects development targets on the basis of the professional recommendations of architects and the sales team.
- (2) Strengthening construction management and after-sales service quality, enhancing the Company's brand image.
- (3) Responding to the smart, green building trend, the Company is establishing energy-efficient, low-carbon communities

## II. Overview of market, supply, and demand:

### (I) Market analysis:

#### 1. Chief product sale areas:

Most of the residential buildings built by the company in recent years have been located in the Greater Taichung area, and some products have also been in the Taoyuan area. Looking ahead to the future, the Company hopes to actively develop projects in northern Taiwan, the Changhua area, and southern Taiwan.

#### 2. Market share and future market supply and demand and growth:

##### (1) Market share:

A.The Company's market share has been calculated on the basis of the Company's completed units from 2016 to 2020 and the number of units in the Taichung area issued use licenses:

Year	Project name	Number of units	Taichung City Number of units issued use licenses	Market share
2016	Sakura Blooming Wonderful Life	297	12,593	2.36%
2017	Dajia Zhuyi	111	12,173	2.92%
	Sakura Qingmai	245		
2018	Sakura Bincheng	150	13,208	3.78%
	Sakura Huoli Shuian	175		
	Sakura Muran	174		
2019	Sakura Child King	230	13,869	4.30%
	Sakura Qingshangsen	279		
	Sakura Dongshan No. 1	88		
2020	Sakura Child King 2	208	18,097	1.46%
	Sakura Blooming Wonderful Life	56		

B.The Company's market share has been calculated on the basis of the Company's completed units from 2016 to 2020 and the number of units in northern Taiwan issued use licenses:

Year	Project name	Number of units	Area	Number of units issued use licenses	Market share
2016	Sakura Shidai	82	Taoyuan City	19,275	0.43%
2018	Sakura Blossom	233	Taoyuan City	12,006	1.94%
	Sakura School - Bo Xue District	37	New Taipei City	22,722	0.33%
	Sakura School - Jia Xue District	38			
2019	Sakura School - Pin Xue District	72	New Taipei City	21,048	0.34%
2020	Sakura Gallery	61	Hsinchu City	14,220	0.43%

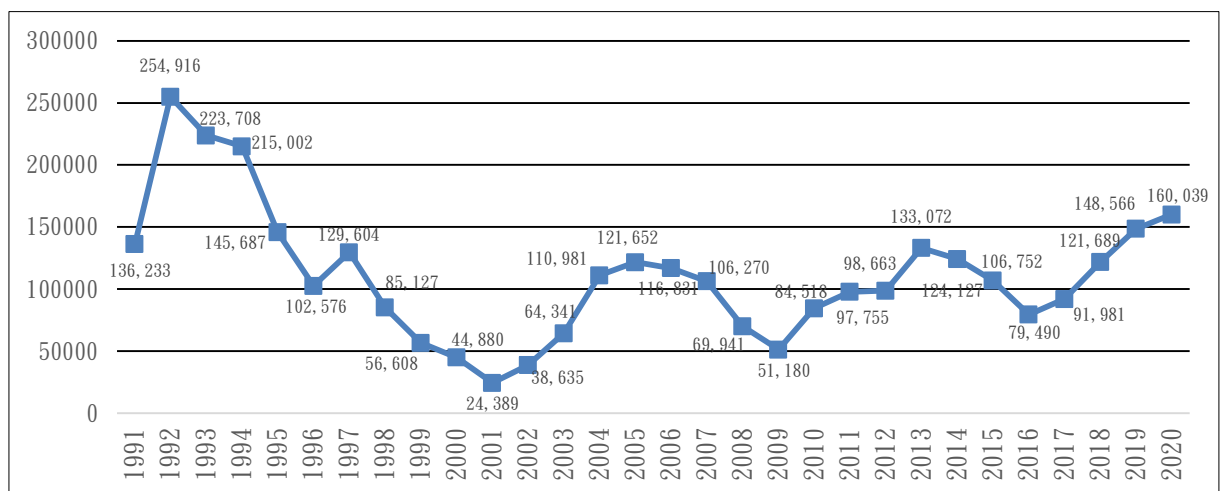
## (2) Future Market Supply and Demand

### A. Supply side:

According to statistics from the Department of Statistics, Ministry of the Interior, the number of residential construction licenses issued has risen for four years in a row, and the number of licenses issued in 2020 was more than twice that issued in the low year of 2016, which indicates a growing supply of units. However, most supply consists of pre-sold units, and there is little selling pressure.

### Number of units issued residential construction licenses, 1991-2020

Unit: Building numbers the basic unit for calculation of units.



### B. Demand side:

Buying interest in the real estate market has increased significantly during the past three years, and investment, property acquisition, first

home, and home change demand has continued to rise. As a result, we have great confidence in the market as a whole. The current real estate market policies have caused a major slowdown in demand for investment, and the market has shifted to inelastic demand. The Company has spent many years cultivating the Greater Taichung area. Due to three advantages—an influx of new residents, industrial upgrading, and transportation infrastructure development, the Taichung area offers great development potential. As of the end of 2020, Taichung had a total population of over 2.82 million, and Taichung's population growth was the second fastest of Taiwan's six major cities. This has led to a sustained high level of real estate transactions in the area, which reveals that the local real estate market still has plentiful demand.

3. Competitive niche, favorable and unfavorable factors, and response measures:
  - (1) Advantageous factors:
    - A. The low interest rate environment has ensured that real estate continues to be an excellent asset acquisition target.
    - B. While its effective purchasing power has not increased, land in the Company's inventory includes many places with good transportation conditions, excellent amenities, or significant development potential. Since projects in these areas would be suitable for target customers' purchasing power, future home sales are certain.
    - C. Since the Company's products are well-positioned to satisfy market demand, sale will proceed smoothly, ensuring the rapid turnover of funds.
    - D. Compared with other projects in the same areas, the Company's brand and quality possess good competitiveness.
    - E. The Company possesses an outstanding management team and sound financial management.
  - (2) Unfavorable factors:
    - A. Construction companies from other parts of Taiwan continue to enter the market and are willing to pay high prices for land. As a result, land prices are skyrocketing.
    - B. High-end branded construction companies have been rushing into the



mid-size and small luxury home market, resulting in a high level of overlapping supply and demand.

C. Rising construction costs have constricted profit margins.

(3) Response measures:

A. Continued strengthening of brand services, maintaining good word-of-mouth.

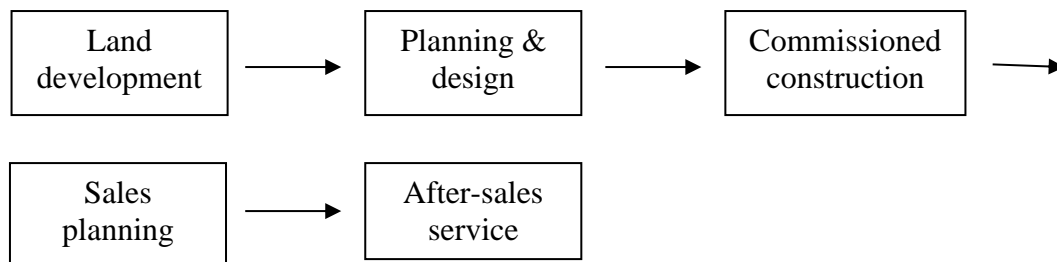
B. Maintaining a high level of construction quality and strengthening worksite safety.

C. Expanding land development in other counties and cities, with an eye toward producing competitively-priced products in areas possessing good transportation conditions and full living amenities.

D. Closely monitoring changes in the market's demand structure, and performing correct product positioning.

(II) Important Applications and Manufacturing Processes of Major Products:

1. The Company's chief product consists of the construction of general multi-family residential buildings.
2. Chief product production processes:



(III) Supply Status of Main Materials:

1. Land:

The Company's professional development personnel pay constant attention to market information, and actively search for suitable areas for development. The Company is currently chiefly targeting the central Taiwan market, and is ensuring a supply of products by purchasing land or establishing co-construction arrangements with landlords in view of actual demand.

2. Construction projects

The Company collaborates with outstanding construction companies, and has drafted rigorous construction regulations, enabling it to effectively control project progress and quality in all cases.

3. Materials:

Materials such as rebar, concrete, and brick are purchased from long-term suppliers at bulk-purchase pricing, and sources of materials are stable.

(IV) Names of customers who contributed to more than 10% of total purchase (or sales) amount in one of the most recent two years and the corresponding purchase (or sales) amounts and percentages, as well as reasons for changes:

1. Detailed breakdown of customers who contributed to more than 10% of total purchase amount during the most recent two years

The Company chiefly sells units to members of the general public, and has no customers contributing more than 10% to annual sales.

2. Detailed breakdown of vendors that provided more than 10% of total purchased supplies during the most recent two years:

Information on chief suppliers during the most recent two years:

Unit: NT\$1,000

Item	2019				2020				Year to the previous quarter (Note 2)			
	Name	Amount	As a share of net purchases during year (%)	Relationship with issuer	Name	Amount	As a share of net purchases during year (%)	Relationship with issuer	Name	Amount	As a share of net purchases during year to the previous quarter (%)	Relationship with issuer
1	Hejia Investment Co., Ltd.	1,308,357	23.04	Related party	Jiang Jie Co., Ltd.	1,156,878	15.69	None	As of the printing date of the annual report, the CPA had not yet issued audited financial information up to March 31, 2021.			
2	Bureau of High Speed Rail, Ministry of Transportation and Communications	698,687	12.30	None	A	1,080,000	14.65	None				
3	Other	3,672,573	64.66	None	Other	5,136,109	69.66	None				
	Net purchase	5,679,617	100.00		Net purchase	7,372,987	100.00					

Note 1, List the names of suppliers providing more than 10% of total supply value during the most recent two years, and their supply payment amounts and percentages. However, in the case of suppliers whose names may not be disclosed in accordance with contractual requirements or transaction counterparties consisting of individuals who are not related parties, code names may be used in place of names.

Note 2, If, to the date of printing of the annual report, any listed companies or companies whose stock is traded at securities dealers premises

have any CPA-attested or –audited financial information from the most recent period, such information must also be disclosed.

Note 3, Reasons for changes: Due to the characteristics of its industry, the Company has no fixed suppliers or sources of land available for purchase.

(V) Production Volumes and Values Table for the Most Recent Two Years

Unit: NT\$1,000

Annual production volume and value Chief products	2019		2020	
	Quantity produced	Value produced	Quantity produced (Note 1)	Value produced (Note 2)
Units	905	5,303,533	397	2,641,584
Total	905	5,303,533	397	2,641,584

Note 1: Production quantity refers to the number of completed projects during the year.

Note 2: Value produced refers to the total cost of projects completed during the year.

(VI) Sales Volumes and Values for the Most Recent Two Years

Unit: NT\$1,000

Quantity and value of sales Chief products	Year	2019		2020	
		Quantity of sales (Note 1)	Value of sales	Quantity of sales (Note 1)	Value of sales
Rent		-	872	-	2,491
Units		907	7,430,242	461	4,604,387
Other		-	-	-	9,614
Total		907	7,431,114	461	4,616,492

Note 1: Sales quantity refers to the number of units transferred during the year.

**III. Number of employees, average years of service, average age, and distribution of educational level during the last 2 years to the date this report was printed**

Year		2019	2020	Current fiscal year up to April 30, 2021
Number of employees	Staff	48 persons	51 persons	55 persons
	Total	48 persons	51 persons	55 persons
Average age		37.00 years	34.94 years	36.77 years
Average years of service		5.94	5.03	4.87
Distribution of educational level	Ph.D.	0.00%	0.00%	0.00%
	Masters	16.67%	17.65%	12.73%
	Bachelor's	83.33%	82.35%	85.45%
	Senior high school	0.00%	0.00%	1.82%

	Below senior high school	0.00%	0.00%	0.00%
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#### **IV. Information on environmental protection expenditures**

The Company commissions construction firms to complete projects under contract, and such contractors bear responsibility for worksite environment maintenance and waste disposal under all circumstances, while the Company bears responsibility for supervision. To prevent falling rocks and sand, and suppress blowing dust, protective nets are currently set up on all sides of under-construction projects; efforts are also made to minimize noise and vibration during construction, professional vendors are hired to classify and remove construction waste, and supervisory personnel are assigned to monitor vendors' implementation. No major environmental protection capital expenditures are therefore expected in the future.

#### **V. Labor-management Relations**

- (I) The Company's employee welfare measures, continuing education, training, retirement system, and date of implementation, as well as any labor-management agreements or measures to protect employees' rights:
  1. Employee benefit measures:
    - (1) In order to encourage morale, boost working efficiency, promote employee loyalty, and establish a stable working environment, the Company established the "Sakura Development Co., Ltd. Employee Welfare Committee" in September 1995. The Employee Welfare Committee promotes various employee welfare measures, such as birthday parties, Dragon Boat Festival activities, Mid-autumn Festival bonuses, and birthday gift coupons, and also provides subsidies to employee clubs. The Company encourages employees to establish clubs, and establish and strengthen their friendships through participation in leisure and recreational activities. The Company also hospital care subsidies to employees and direct relatives.
    - (2) Childbirth, wedding/funeral, moving, and sickness/injury subsidies.
    - (3) Continuing education and uniform expense subsidies.
    - (4) Year-end bonuses.
    - (5) Employee home purchase discounts.
    - (6) We conduct overseas trips for employees on an annual basis.

(7) We are concerned about employees' health, and hold annual employee health checkups.

Other employee welfare measures are conducted in accordance with the Labor Standards Act.

2. Employees' continuing education and training system and state of implementation:

To enhance our employees' professional knowledge and skills, we conduct internal and external education and training in accordance with "Employee Education and Training Regulations." Employees received 197 hours of training in 2020, and training expenditures totaled NT\$60,000.

3. Retirement system and state of implementation:

Those employees who joined the Company prior to July 1, 2005 have chosen to participate in the new retirement system in accordance with the Labor Pension Act. At present, all employees are enrolled in the new system. In accordance with the Labor Pension Act, the Company contributes 6% of wages to retirement pensions on a monthly basis, and has established individual retirement pension accounts at the Bureau of Labor Insurance.

4. State of labor-management agreements and measures to protect employees' rights:

The Company's relevant labor-management relation measures are uniformly conducted in accordance with law. The state of implementation is excellent, and no disputes have occurred.

(II) List any losses sustained as a result of labor disputes during the most recent year to the date of printing of this Annual Report, and disclose estimated current and future costs incurred as a result of such disputes, and response measures:

1. Losses sustained as a result of labor-management disputes: The Company's labor-management have been harmonious, there have been no labor-management disputes, and there consequently have been no losses attributable to labor-management disputes.

2. Estimated current and future costs incurred as a result of such disputes, and response measures: To ensure labor-management harmony, the Company places great emphasis on employee welfare, provides an excellent working environment, and maintains convenient channels for communication. As a consequence, no losses have been incurred as a result of labor-management disputes, and no such losses are foreseen in the future.

## VI. Important contracts as of the printing date of the annual report:

Contract type	Parties	Commencement date/expiration date	Main businesses	Restrictive clauses
Construction project contracting	Guo Cheng Construction Co., Ltd.	2019.02.26	Contracting of structural project at Lot 236-2, Yuxian Section, Taiping District, Taichung City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2019.02.26	Contracting of structural project at Lot 65, Yuxian Section, Taiping District, Taichung City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2019.03.12	Contracting of structural project at four lots including Lot 26, Wenbei Section, Beitun District, Taichung City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2019.04.25	Contracting of structural project at two lots including Lot 179, Taishun Section, Beitun District, Taichung City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2019.08.25	Contracting of structural project at two lots including Lot 249, Shanjie Section, Guishan District, Taoyuan City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2020.01.03	Contracting of structural project at Lot 105, Yuxian Section, Taiping District, Taichung City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2020.02.11	Contracting of structural project at Lot 200, Qingping Section, Zhongli District, Taoyuan City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2020.05.29	Contracting of structural project at five lots including Lot 220-2, Houlong Subsection, Western District, Taichung City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2021.01.04	Contracting of structural project at Lot 227, Yuxian Section, Taiping District, Taichung City	None
Construction project contracting	Guo Cheng Construction Co., Ltd.	2021.02.18	Contracting of structural project at Lot 223-2, Niuqiu Subsection, Changhua City	None



Contract type	Parties	Commencement date/expiration date	Main businesses	Restrictive clauses
Construction project contracting	Guo Cheng Construction Co., Ltd.	2021.04.23	Contracting of structural project at five lots including Lot 45, Shizhen North Section, Qingshui District, Taichung City	None
Loan contract	North Taichung branch, Taiwan Cooperative Bank	2017.06.27-2021.12.31	"Taishun Section Phase II" construction land and under-construction project	None
Loan contract	Central Taichung branch, Mega International Commercial Bank	2017.09.08-2021.09.08	"Yuxian Section Phase VI" mid-term secured loan	None
Loan contract	Far Eastern International Bank	2018.03.19-2023.03.19	"Houlong Subsection" construction land and under-construction project	None
Loan contract	Shizheng branch, Chinatrust Commercial Bank	2018.05.17-2023.05.17	"Wenbei Section" construction land and under-construction project	None
Loan contract	Changhua branch, Bank of Taiwan	2019.05.28-2023.05.24	"Niuchou Subsection" construction land and under-construction project	None
Loan contract	Far Eastern International Bank	2019.06.12-2023.06.12	"Qingping Section" construction land and under-construction project	None
Loan contract	Zhonggang branch, Shin Kong Bank	2019.06.26-2023.06.03	"Zhongshan Section" construction land	None
Loan contract	Taichung branch, Agricultural	2019.09.17-2023.09.10	"Shizhen North Section" construction land	None

Contract type	Parties	Commencement date/expiration date	Main businesses	Restrictive clauses
	Bank of Taiwan			
Loan contract	Shizheng branch, Chinatrust Commercial Bank	2019.10.07-2024.10.28	"Yuxian Section Phase VIII" construction land	None
Loan contract	Jiancheng branch, Taiwan Cooperative Bank	2020.01.17-2023.12.31	"Beixin Section" construction land and under-construction project	None
Loan contract	Taichung subsidiary, International Bills Finance Corp.	2020.06.08-2021.06.07	"Yuxian Section Phase VII" construction land and under-construction project	None
Loan contract	Beitun branch, Taiwan Cooperative Bank	2020.08.20-2021.08.20	"Dongguang Section" construction land	None
Loan contract	Taichung branch, First Commercial Bank	2020.09.11-2024.10.07	"Toujia Section Phase I & II" construction land	None
Loan contract	Central Taichung branch, Taiwan Cooperative Bank	2020.09.21-2021.09.22	Short-term working funds loans	None
Loan contract	Hsinchu branch, Agricultural Bank of Taiwan	2020.09.28-2025.09.28	"Xinguo Section Phase I" construction land and under-construction project	None

Contract type	Parties	Commencement date/expiration date	Main businesses	Restrictive clauses
Loan contract	Hsinchu branch, Agricultural Bank of Taiwan	2020.11.25-2024.11.25	"Xinguo Section Phase II" construction land and under-construction project	None
Loan contract	Taishin Bank	2021.01.05-2025.01.05	"Xinguo Section Phase III" construction land and under-construction project	None
Loan contract	Taichung branch, Agricultural Bank of Taiwan	2021.03.15-2026.03.15	"Xinronghe Section Phase III" construction land and under-construction project	None
Loan contract	Wuquan branch, Taiwan Cooperative Bank	2021.03.23-2024.12.31	"Xinronghe Section Phase II" construction land and under-construction project	None
Loan contract	Huilong branch, Taiwan Cooperative Bank	2021.03.29-2024.06.30	"Touchongxi Section Phase II" construction land	None
Loan contract	Taichung branch, Ta Ching Bills Finance Corporation	2021.04.07-2022.04.06	"Yuxian Section Phase V, Zhiyong Section" construction land and under-construction project	None
Loan contract	Bills department, Mega Bills Corp.	2021.04.08-2022.04.07	"Yuxian Section Phase III, Phase IV, Shanjie Section" construction land and under-construction project	None

## Chapter 6. Financial overview

### I. Condensed balance sheet, comprehensive income statement, name of CPA, and audit opinions during the last five years

#### (I) Condensed Individual Balance Sheet

Unit: NT\$1,000

Item \ Year		Financial information for the most recent five years (Note 1)					Financial information for current year to March 31, 2021
		2016	2017	2018	2019	2020	
Current assets		8,789,695	11,019,852	12,435,454	13,533,527	18,034,512	As of the printing date of the annual report, the CPA had not yet issued audited financial information up to March 31, 2021.
Real estate, plants, and equipment		62,874	60,171	57,185	54,345	52,222	
Intangible assets		-	-	-	178	400	
Other assets		28,018	28,516	63,185	65,160	55,711	
Total assets		8,880,587	11,108,539	12,555,824	13,653,210	18,142,845	
Current liabilities	Before distribution	2,350,262	3,888,657	5,436,673	4,647,033	6,801,651	
	After distribution	2,900,084	4,455,661	5,518,322	5,110,822	Note 2	
Non-current liabilities		1,105,834	1,358,420	1,357,407	1,772,977	3,574,033	
Total liabilities	Before distribution	3,456,096	5,247,077	6,794,080	6,420,010	10,375,684	
	After distribution	4,005,918	5,814,081	6,875,729	6,883,799	Note 2	
Owner's equity attributable to parent company		5,424,491	5,861,462	5,761,744	7,233,200	7,767,161	
Share capital		3,436,387	3,780,026	4,082,428	4,637,887	5,589,173	
Capital reserves		49,903	49,918	66,910	65,943	171,465	
Retained earnings	Before distribution	1,938,201	2,031,518	1,612,406	2,529,370	2,006,523	
	After distribution	1,388,379	1,464,514	1,530,757	2,065,581	Note 2	
Other Equity		-	-	-	-	-	
Treasury Stock		-	-	-	-	-	
Non-controlling Interests		-	-	-	-	-	
Total equity	Before distribution	5,424,491	5,861,462	5,761,744	7,233,200	7,767,161	
	After distribution	4,874,669	5,294,458	5,680,095	6,769,411	Note 2	

Note 1: Financial information for the most recent five years has been checked and attested by the CPA.

Note 2: The shareholders meeting has not yet made a resolution concerning the 2020 distribution of earnings.

## (II) Condensed Individual and Consolidated Income Statement

Unit: NT\$1,000

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information for current year to March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	3,342,989	4,181,348	3,792,103	7,431,114	4,616,492	As of the printing date of the annual report, the CPA had not yet issued audited financial information up to March 31, 2021.
Gross operating profit	1,281,820	1,364,238	870,151	2,136,555	1,507,817	
Operating income	1,040,221	1,098,131	529,015	1,651,707	1,051,119	
Non-operating revenue and expenses	33,470	(8,574)	(12,320)	(18,173)	(18,463)	
Net profit before tax	1,073,691	1,089,557	516,695	1,633,534	1,032,656	
Net profit from continuing operations	976,215	986,778	450,294	1,488,505	822,140	
Losses from discontinued units	-	-	-	-	-	
Current period net profit (loss)	976,215	986,778	450,294	1,488,505	822,140	
Current period other comprehensive income (net amount after tax)	976,215	986,778	450,294	1,488,505	822,140	
Current period total comprehensive income	976,215	986,778	450,294	1,488,505	822,140	
Net profit attributable to the parent company's owner	976,215	986,778	450,294	1,488,505	822,140	
Net income belonging to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to the parent company's owner	976,215	986,778	450,294	1,488,505	822,140	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
EPS	2.58	2.42	0.98	2.71	1.48	

Note 1: Financial information for the most recent five years has been checked and attested by the CPA.

(III) Name of attesting CPA name and audit opinions for the most recent five years

Year	Name of accounting firm	Name of CPA	CPA's audit opinion
2016	BDO Taiwan	Tao Hung-wen, Wang Mu-fan	No qualified opinion
2017	BDO Taiwan	Wang Mu-fan, Teng Hsin-shan,	No qualified opinion
2018	BDO Taiwan	Chang Yi-chun, Teng Hsin-shan	No qualified opinion
2019	BDO Taiwan	Chang Yi-chun, Teng Hsin-shan	No qualified opinion
2020	BDO Taiwan	Chang Yi-chun, Teng Hsin-shan	No qualified opinion

## II. Financial Analysis of the last five years.

### (I) Financial analysis

Analysis item		Financial analysis for the last five years (Note 1)					Current year to March 31, 2021
		2016	2017	2018	2019	2020	
Financial Structure %	Ratio of liabilities to assets	38.92	47.23	54.11	47.02	57.19	As of the printing date of the annual report, the CPA had not yet issued audited financial information up to March 31, 2021.
	Long-term funds as a share of real estate, plant, and equipment	10,386.37	11,998.94	12,449.33	16,572.23	21,717.27	
Solvency %	Current Ratio	373.99	283.38	228.73	291.23	265.15	
	Quick Ratio	44.50	9.57	13.2	30.89	24.39	
	Interest Protection Multiples	16.04	16.31	5.56	16.09	10.88	
Operating ability	Receivables turnover (times)	152.38	238.13	615.70	103.53	53.66	
	Average collection period	2.39	1.53	0.59	3.52	6.80	
	Inventory turnover (times)	0.27	0.31	0.26	0.44	0.22	
	Payables turnover (times)	6.45	8.35	8.5	13.51	6.52	
	Average days in sales	1,351.85	1,177.41	1,403.84	829.54	1,659.09	
	Real estate, plant, and equipment turnover rate (times)	53.17	69.49	66.31	136.74	88.40	
	Total assets turnover (times)	0.38	0.38	0.30	0.54	0.25	
Profitability	ROA (%)	11.14	9.87	3.81	11.38	5.18	
	ROE (%)	19.16	17.49	7.75	22.91	10.96	
	Pre-tax profit to paid-in capital ratio (%)	31.24	28.82	12.66	35.22	18.48	
	Profit ratio (%)	29.20	23.60	11.87	20.03	17.81	
	EPS (NT\$)	2.58	2.42	0.98	2.71	1.48	
Cash Flow	Cash flow ratio (%)	34.22	Note 2	Note 2	32.20	Note 2	
	Cash flow adequacy ratio (%)	16.15	10.31	9.38	30.69	21.72	
	Cash reinvestment ratio (%)	7.49	Note 2	Note 2	15.69	Note 2	
Leverage	Operational Leverage	1.00	1.00	1.01	1.00	1.00	
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	

	<p>Please explain the reasons for changes in financial ratios during the most recent five years (analysis is not required in the case of changes of less than 20%)</p> <ol style="list-style-type: none"> <li>1. Ratio of liabilities to assets: This was chiefly attributable to newly-purchased land and project expenditures in 2020, which caused inventory to increase to NT\$4,264,312,000, and bank financing has been obtained for the new purchase of land. This has caused long- and short-term borrowing to increase, and resulted in an increased ratio of liabilities to assets.</li> <li>2. Reduction in Quick ratio: This was chiefly attributable to increased current liabilities in 2020.</li> <li>3. Increase in long-term funds as a share of real estate, plant, and equipment: This was chiefly attributable to increased total equity.</li> <li>4. Interest protection multiples, reduction in net profit before tax as a share of paid-in capital: This was chiefly attributable to the fact that net profit before tax in 2020 was NT\$600,878,000 less than in 2019.</li> <li>5. Reduction in receivables turnover and increased collection period: This was chiefly attributable to the reduction in 2020 operating income compared with 2019.</li> <li>6. Reduction in inventory turnover and increase in days in sales: This was chiefly attributable to the reduced sales costs in 2020.</li> <li>7. Reduction in payables turnover: This was chiefly attributable to increased inventory in 2020.</li> <li>8. Reduction in real estate, plant, and equipment and total asset turnover: This was chiefly attributable to the reduction in operating income.</li> <li>9. Reduction in ROA, ROE, EPS: This was chiefly attributable to the reduction in net profit after tax compared with the previous year.</li> <li>10. Cash flow adequacy ratio: This was chiefly attributable to the reduction in net cash flow from operating activities.</li> </ol>
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Note 1: Financial information for the most recent five years has been checked and attested by the CPA.

Note 2: If net cash flow from operating activities is an outflow, it does not need to be calculated.

Note 3: Calculation formulas for financial ratios are listed below:

#### 1. Financial Structure

(1) Ratio of liabilities to assets = total liabilities / total assets.

(2) Ratio of long-term funds to real estate, plant, and equipment = (Total equity + Non-current liabilities) / net amount of real estate, plant, and equipment

#### 2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick = (Current assets - Inventories - Prepaid expenses) / Current liabilities

(3) Interest Protection Multiples = PBIT / Interest expenses for this period

#### 3. Operating ability

(1) Receivables (including accounts receivable and bills receivable due to operations) turnover rate = net sales / average balance of receivables during period (including the accounts receivable and bills receivable due to operations).

(2) Average collection period = 365 / receivables turnover.

(3) Inventory turnover = cost of sales / average inventory

(4) Payables (including accounts payable and bills payable due to operations) turnover rate = sales costs / average balance of payables (including accounts payable and bills payable due to operations).

(5) Average days in sales = 365 / inventory turnover rate.

(6) Real estate, plant, and equipment turnover rate = net sales / average net value of real estate, plant, and equipment.

(7) Total assets turnover rate = net sales / average total assets.

#### 4. Profitability

(1) ROA = [profit/loss after tax + interest expenses x (1 - tax rate)] / average total assets.

(2) ROE = profit/loss after tax / average total equity.

(3) Net profit rate = profit/loss after tax / net sales.



(4)  $\text{EPS} = (\text{profit/loss attributable to parent company's owner} - \text{preferred stock dividends}) / \text{weighted average issued shares}$ .

5. Cash Flow

(1)  $\text{Cash flow ratio} = \text{net cash flow from operating activities flow} / \text{current liabilities}$ .

(2)  $\text{Net cash flow adequacy ratio} = \text{net cash flow from operating activities during most recent five years} / (\text{capital expenditures} + \text{increase in inventory value} + \text{cash dividends}) \text{ during most recent five years}$ .

(3)  $\text{Cash reinvestment ratio} = (\text{net cash flow from operating activities flow} - \text{cash dividends}) / (\text{gross value of real estate, plant, and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$ .

6. Leverage:

(1)  $\text{Operating leverage} = (\text{net operating income} - \text{variable operating costs and expenses}) / \text{operating profit}$ .

(2)  $\text{Financial leverage} = \text{operating profit} / (\text{operating profit} - \text{interest expenses})$ .

### **III. Financial statement audit reports of the Audit Committee for the most recent year**

#### **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

## **IV. Annual financial reports for the most recent year**

### **Independent Auditors' 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.*



(English Translation of Financial Statements and Report Originally Issued in Chinese)

## 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		<u>18,034,512</u>	<u>99.40</u>	<u>13,533,527</u>	<u>99.12</u>	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		<u>6,801,651</u>	<u>37.49</u>	<u>4,647,033</u>	<u>34.04</u>
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		<u>108,333</u>	<u>0.60</u>	<u>119,683</u>	<u>0.88</u>		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		<u>3,574,033</u>	<u>19.70</u>	<u>1,772,977</u>	<u>12.98</u>
							2xxx	Total liabilities		<u>10,375,684</u>	<u>57.19</u>	<u>6,420,010</u>	<u>47.02</u>
								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		<u>7,767,161</u>	<u>42.81</u>	<u>7,233,200</u>	<u>52.98</u>
1xxx	Total assets		<u>\$18,142,845</u>	<u>100.00</u>	<u>\$13,653,210</u>	<u>100.00</u>		Total liabilities and equity		<u>\$18,142,845</u>	<u>100.00</u>	<u>\$13,653,210</u>	<u>100.00</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 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	<b>Operating revenue</b>	4. 6(18).7	\$4,616,492	100.00	\$7,431,114	100.00
5000	<b>Operating costs</b>		(3,108,675)	(67.34)	(5,294,559)	(71.25)
5900	<b>Operating margin</b>		1,507,817	32.66	2,136,555	28.75
5950	<b>Net operating margin</b>		1,507,817	32.66	2,136,555	28.75
	<b>Operating expenses</b>	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	<b>Total operating expenses</b>		(456,698)	(9.89)	(484,848)	(6.52)
6900	<b>Net operating income</b>		1,051,119	22.77	1,651,707	22.23
	<b>Non-operating income and expenses</b>	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	<b>Total non-operating income and expenses</b>		(18,463)	(0.40)	(18,173)	(0.25)
7900	<b>Profit before income tax</b>		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	<b>Profit for the period</b>		822,140	17.81	1,488,505	20.03
8500	<b>Total comprehensive income for the period</b>		\$822,140	17.81	\$1,488,505	20.03
	<b>Earnings per share (in dollars):</b>	4. 6(23)				
9750	<b>Basic earnings per share</b>		\$1.48		\$2.71	
9850	<b>Diluted earnings per share</b>		\$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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**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	\$4,632,433	\$5,454	\$65,943	\$610,626	\$1,918,744	\$7,233,200
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	\$5,584,827	\$4,346	\$171,465	\$759,477	\$1,247,046	\$7,767,161

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  
NOTES TO FINANCIAL STATEMENTS

Period: 2019 and 2020

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

**1. History and Organization**

Sakura Development Co., Ltd. (the “Company”) was incorporated on 2 May, 1987 in accordance with the Company Act of The Republic of China. The Company primarily engages in the business of construction of public housing, selling and leasing of residential and commercial buildings, gardening and consulting of real estate investment. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in July 1997.

**2. Approval date and procedures of the financial statements**

The financial statements were authorized for issuance by the Board of Directors on March 22, 2021.

**3. New standards, amendments and interpretations adopted**

- (1) Effect of the adoption of new issuances of or amendments to the “International Financial Reporting Standards” (IFRSs) as endorsed by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective Date announced by the International Accounting Standards Board (IASB)
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020( Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC, but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective Date announced by the International Accounting Standards Board (IASB)
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform—Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

- (3) IFRSs issued by the IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by the IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date announced by the International Accounting Standards Board (IASB)
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### **4. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **(1) Statement of compliance**

The individual financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### **(2) Basis of preparation**

- A. This individual financial statement was prepared based on historical cost except for financial assets and liabilities at fair value through profit and loss.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the individual financial statements are disclosed in Note 5.

##### **(3) Classification of current and non-current assets and liabilities**

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within 12 months from the end of the financial reporting period;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the financial reporting period.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(4) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(5) Financial instruments

A. Financial assets

All regular way purchases or sales of financial asset are recognized and derecognized on a trade date basis.

Accounts and notes receivable

Accounts and notes receivable entitle the Company the legal right to receive consideration in exchange for transferred goods or rendered services.

The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

Impairment on financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information which includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.



#### Derecognition of financial assets

- (a) The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expired.
- (b) The Company derecognizes a financial asset when one of the following conditions is met:
  - i. The contractual rights to receive the cash flows from the financial asset expired.
  - ii. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
  - iii. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

#### B. Financial liabilities and equity instruments

##### Borrowings

Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

##### Notes and accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

Convertible bonds payable (compound financial instruments)

Convertible bonds issued by the Company contains conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- (a) The embedded call options and put options are recognised initially at net fair value as "financial assets or financial liabilities at fair value through profit or loss". They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as "gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss".
- (b) The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "finance costs" over the period of circulation using the effective interest method.
- (c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in "capital surplus—share options" at the residual amount of total issuance price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including "bonds payable" and "financial assets or financial liabilities at fair value through profit or loss") shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and "capital surplus—share options".

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognised in profit or loss.

### C. Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### (6) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition, and capitalization of interest. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realizable value is estimated as follows:

#### A. Construction site

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

#### B. Construction in progress

Net realizable value is the estimated selling price (prevailing market condition) in the ordinary course of business, less the estimated costs and selling expenses needed to complete.

### C. Real estate for sales

Net realizable value is the estimated selling price (refer to the market condition estimated by authority) in the ordinary course of business, less the estimated selling cost and expenses need to sell the real estate.

### (7) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in gain or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~25 years
Office equipment	3~8 years
Other equipment	3~5 years
Leasehold improvements	3 yeas

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(8) Leasing agreement – Right-of-use assets/lease liabilities

The Company as a lessee

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
  - (b) Variable lease payments that depend on an index or a rate;
  - (c) Amounts expected to be payable by the lessee under residual value guarantees;
  - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
  - (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and
  - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

The Company as a lessor

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(9) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs relating to the borrowing of funds.

(10) Investment properties

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets.

(11) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

#### Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 years).

#### (12) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(13) Provisions

Provisions (including warranties, decommissioning, restructuring, onerous contracts, and contingent liabilities from business combinations, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(14) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employee's subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.



D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(15) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(16) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria are applied for revenue recognition:

A. Land development and sale of real estate

The Company develops land and sells residential properties. Revenue is recognized when control over the properties has been transferred to customer. The properties have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. The consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral usually not exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

B. Incremental costs of obtaining a contract

The Company recognises an asset (shown as 'other non-current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Company expects to recover those costs. The recognised asset is amortised on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates.

In subsequent periods, the Company recognises an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Company expects to receive less the costs that have not been recognised as expenses.

C. Rental income

Rental income is recognized as revenue over time in accordance with term of the lease. Depreciation and direct costs attribute to investment property is recognized in operating costs.

D. Interest income

Interest income from financial assets measured at amortised cost (including loans and receivables) is calculated by applying effective interest method and recognized in profit or loss.

(17) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(18) Earnings per share

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as remuneration of employees and employee stock options.

(19) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## **5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty**

The preparation of these individual financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

### **(1) Critical judgements in applying the Company's accounting policies**

None.

### **(2) Critical accounting estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

#### **A. Income taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2020, the deferred income tax assets that the Company has recognized, please refer to Note 6 (22) for more details.

## B. Valuation of inventory

The Company must use the judgment and estimate to determine the net realizable value of the inventory at the balance sheet date, as the inventories are measured at the lower of the cost and the net realizable value. The Company assesses the amount of inventory at the balance sheet date due to market changes or no market sales value and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in the specific period in the future, so it may cause significant changes. Please refer to Note 6 (3) for more details.

## 6. Explanation of significant accounts

### (1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$356	\$653
Petty cash	40	30
Cash in banks	155,096	644,233
Total	<u>\$155,492</u>	<u>\$644,916</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Please refer to note 12 for the disclosure of the Company's financial assets and liabilities interest risk and sensitivity analysis.

### (2) Notes and accounts receivables

	December 31, 2020	December 31, 2019
Notes receivables	\$174	\$18,601
Allowance for doubtful notes receivables	-	-
Total	<u>\$174</u>	<u>\$18,601</u>
Accounts receivables	\$32,183	\$107,874
Installment accounts receivables	33	13,189
Allowance for doubtful accounts receivables	-	-
Total	<u>\$32,216</u>	<u>\$121,063</u>

A. The ageing analysis of accounts receivable and notes receivable which were past due but not impaired is as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivables	Notes receivables	Accounts receivables	Notes receivables
Not past due	\$32,216	\$174	\$121,063	\$18,601
Up to 180 days	-	-	-	-
181 to 365days	-	-	-	-
Over 1 year	-	-	-	-
Total	<u>\$32,216</u>	<u>\$174</u>	<u>\$121,063</u>	<u>\$18,601</u>

The above ageing analysis was based on past due date.

- B. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount is the carrying amount. Please refer to note 12 (2) for credit risk information.

(3) Inventories

- A. The detail of inventories as below:

	December 31, 2020	December 31, 2019
Buildings and lands held for sale	\$102,590	\$550,943
Lands held for construction	1,940,632	-
Construction-in-progress	14,116,893	11,113,361
Land held for building bulk transfer	143,862	53,787
Prepayment for land purchased	55,470	377,044
Total	<u>\$16,359,447</u>	<u>\$12,095,135</u>

- B. Partial of inventories had been pledged as collateral for bank borrowings, please refer to note 8.

- C. Supplement disclosure for significant construction projects as below:

Construction projects	Lands of Construction – in - progress	Building of Construction – in - progress
Wen Bei Section	\$833,974	\$503,420
Tai Shun Section 2 <sup>nd</sup> phase	258,509	204,527
Yu Xian Section 3 <sup>rd</sup> phase	442,110	607,014
Yu Xian Section 4 <sup>th</sup> phase	416,984	304,315
Yu Xian Section 5 <sup>th</sup> phase	300,631	306,650
Yu Xian Section 6 <sup>th</sup> phase	835,367	86,113
Yu Xian Section 7 <sup>th</sup> phase	627,394	59,232
Hou Long Zi Section	433,334	217,244
Shan Jie Section	316,201	202,505
Niu Chou Zi Section	511,673	27,094
Zhong Shan Section	601,834	3,158
Shi Zhen Bei Section	478,267	10,058
Qing Ping Section	699,049	119,966
Yu Xian Section 8 <sup>th</sup> phase	1,309,727	16,493
Bei Xin Section	1,362,414	14,461
Xin Guo Section 1 <sup>st</sup> phase	396,895	2,127
Xin Guo Section 2 <sup>nd</sup> phase	43,767	64
Xin Guo Section 3 <sup>rd</sup> phase	177,423	9,013
Tou Jia Section 1 <sup>st</sup> phase	338,210	1,320
Dong Guang Section	1,036,745	1,528
Zhi Yong Section 1 <sup>st</sup> phase	-	83
Total	<u>\$11,420,508</u>	<u>\$2,696,385</u>

D. The total interest capitalizes of the inventories mentioned above was found to be 91,683 thousand and 97,907 thousand, and the interest rate of capitalized loan for inventories were 0.36%~1.93% and 0.72%~2.15% for the years ended December 31, 2020 and 2019, respectively.

E. The cost of inventories recognized as expenses (including the loss or gain of inventory price falling or reversal) amounts to were both 0 for the yearss ended December 31, 2020 and 2019, respectively.

(4) Prepayments

	December 31, 2020	December 31, 2019
Prepaid rents	\$129	\$-
Other prepaid expenses	3,732	2,835
Prepayment for purchases	1,071	-
Over paid VAT	11,515	-
Total	<u>\$16,447</u>	<u>\$2,835</u>

(5) Other current financial assets

	December 31, 2020	December 31, 2019
Other restricted asstes	<u>\$1,125,013</u>	<u>\$481,662</u>

A. Other restricted assets are pre-selling real estate escrow payments which deposits in specified bank accounts in accordance with relevant laws and regulations published by the Ministry of the Interior. The pre-selling real estate escrow payments are deposited in specified bank accounts. The financial institutions provides pre-selling real estate value trust and price return guarantee. Please refer to note 8 for details.

B. For the years ended December 31, 2020 and 2019, the Company had signed drawdown request on escrow specified account with financial institutions. The drawn down amount shall not be exceeded the 50% of pre-selling real estate consideration paid by customers. As of 31 December 2020, the accounts did not be used. Please refer to note 9 for details.

(6) Other current assets

	December 31, 2020	December 31, 2019
Incremental cost of obtaining the contract (deferred marketing expenses)	\$304,504	\$144,178
Temporary payments	38,555	23,823
PSayment on behalf of others	2,664	1,314
Toal	<u>\$345,723</u>	<u>\$169,315</u>

The cost occurred for the acquisition of the customer's contract is the incremental cost of the contract. The incremental cost of the contract fulfills its obligation when the house hand over the the customers, and the incremental cost of the contract is amortized. Please refer to note 6 (18) for details.

(7) Property, plant and equipment

	Lands and land improvements	Buildings	Office equipment	Lease improvement	Other equipment	Total
<b>Cost:</b>						
Balance on January 1, 2020	\$31,885	\$26,288	\$2,956	\$2,646	\$2,498	\$66,273
Additions	-	-	-	-	747	747
Disposals	-	-	(22)	-	(117)	(139)
Balance on December 31, 2020	<u>\$31,885</u>	<u>\$26,288</u>	<u>\$2,934</u>	<u>\$2,646</u>	<u>\$3,128</u>	<u>\$66,881</u>
Balance on January 1, 2019	\$31,885	\$26,288	\$2,956	\$2,646	\$2,517	\$66,292
Additions	-	-	-	-	84	84
Disposals	-	-	-	-	(103)	(103)
Balance on December 31, 2019	<u>\$31,885</u>	<u>\$26,288</u>	<u>\$2,956</u>	<u>\$2,646</u>	<u>\$2,498</u>	<u>\$66,273</u>
<b>Depreciation and impairment:</b>						
Balance on January 1, 2020	\$-	\$6,327	\$2,386	\$1,633	\$1,582	\$11,928
Depreciation	-	1,723	199	529	419	2,870
Disposals	-	-	(22)	-	(117)	(139)
Balance on December 31, 2020	<u>\$-</u>	<u>\$8,050</u>	<u>\$2,563</u>	<u>\$2,162</u>	<u>\$1,884</u>	<u>\$14,659</u>
Balance on January 1, 2019	\$-	\$4,604	\$2,097	\$1,104	\$1,302	\$9,107
Depreciation	-	1,723	289	529	383	2,924
Disposals	-	-	-	-	(103)	(103)
Balance on December 31, 2019	<u>\$-</u>	<u>\$6,327</u>	<u>\$2,386</u>	<u>\$1,633</u>	<u>\$1,582</u>	<u>\$11,928</u>
<b>Carrying amounts:</b>						
Balance on December 31, 2020	<u>\$31,885</u>	<u>\$18,238</u>	<u>\$371</u>	<u>\$484</u>	<u>\$1,244</u>	<u>\$52,222</u>
Balance on December 31, 2019	<u>\$31,885</u>	<u>\$19,961</u>	<u>\$570</u>	<u>\$1,013</u>	<u>\$916</u>	<u>\$54,345</u>

A. As of December 31, 2020 and 2019, property, plant and equipment were not impaired. Impairment assessment was based on external independent appraiser's assessment report.

B. Partial of property, plant and equipment were pledged as collateral of convertible bonds. Please refer to note 8.

(8) Lease – as a lessee

A. The Company leases various assets including office, parking space and other equipment. Rental contract are typically made for periods of 1 to 5 years. Lease terms are negotiated on individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

B. The carrying amount of right-of-use assets and depreciation charged are as follows:



	December 31, 2020	December 31, 2019
Carrying amount of right-of-use assets		
Buildings	\$1,344	\$2,811
	Year ended 2020	Year ended 2019
Addition of right-of-use assets	\$-	\$-
Depreciation of right-of-use assets		
Buildings	\$1,467	\$1,466

### C. Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount of lease liability		
Current	\$1,374	\$1,467
Non-current	-	1,374
Total	\$1,374	\$2,841

(a) For the years ended December 31, 2020 and 2019, there were unissuance, repurchase or repayment of lease liabilities.

(b) The information on profit and loss accounts relating to lease contracts is as follows:

Item	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense on lease liabilities	\$47	\$79
Expense on short-term lease contracts	\$456	\$263
Expense on leases of low-value assets	\$31	\$29

(c) For the year ended December 31, 2020 and 2019, the total cash outflow for leases were \$1,514 thousands and \$1,515 thousands, respectively.

(d) Leases for copy machine and parking spaces were less than 12 months, the Company had elected not to recognize right-of-use assets and lease liabilities for these short-term leases.

### (9) Investment property

	Other assets	Total
<b>Cost:</b>		
Balance on January 1, 2020	\$47,898	\$47,898
Additions	-	-
Reclassifications	-	-
Balance on December 31, 2020	\$47,898	\$47,898
Balance on January 1, 2019	\$47,898	\$47,898
Additions	-	-
Reclassifications	-	-
Balance on December 31, 2019	\$47,898	\$47,898

	Other assets	Total
<b>Depreciation and impairment:</b>		
Balance on January 1, 2020	\$24,478	\$24,478
Depreciation	-	-
Reclassifications	-	-
Balance on December 31, 2020	<u>\$24,478</u>	<u>\$24,478</u>
Balance on January 1, 2019	\$24,478	\$24,478
Depreciation	-	-
Reclassifications	-	-
Balance on December 31, 2019	<u>\$24,478</u>	<u>\$24,478</u>
<b>Carrying amount</b>		
Balance on December 31, 2020	<u>\$23,420</u>	<u>\$23,420</u>
Balance on December 31, 2019	<u>\$23,420</u>	<u>\$23,420</u>

- A. As of December 31, 2020 and 2019, the accumulated impairment loss on investment property were both \$24,478 thousand. Impairment assessment was based on external independent appraiser's assessment report.
- B. The investment properties held by the Company were not measured at fair value. The fair value information were only for disclosure purpose. As of December 31, 2020 and 2019, based on the external independent appraiser's report, the fair value of investment properties held by the Company were \$34,733 thousands and \$33,573 thousands. The investment property located at Hui Lai Cuo Section and Yunlin Bei Gang Section was appraised by sales comparison approach and land development analysis method. For the investment property located at Da Cun Section, the fair value was appraised by sales comparison approach and cost approach.
- C. The details of other assets and impairment were as below:

Other assets	December 31, 2020	December 31, 2019
Da Cun Section (farming and grazing land)	\$44,298	\$44,298
Hui Lai Cuo Section	2,340	2,340
Yunlin Bei Gang Section	1,260	1,260
Total	<u>\$47,898</u>	<u>\$47,898</u>
Impairment	December 31, 2020	December 31, 2019
Da Cun Section (farming and grazing land)	\$23,570	\$23,570
Hui Lai Cuo Section	93	93
Yunlin Bei Gang Section	815	815
Total	<u>\$24,478</u>	<u>\$24,478</u>

Due to the restriction of regulations and laws, the legal ownership of farming and grazing land located at Da Cun Section was registered under other person's name. The legal ownership of the land will be transferred to the Company once the regulations and laws amended. To ensure the Company's right on the land, the first mortgage of the land was designated to the Company. The trustee also entered into an agreement of consent of unconditional transferring of the land to the Company.

(10) Short-term borrowings

	December 31, 2020	December 31, 2019
Secured loans	\$1,084,600	\$1,014,600
Credit loans	370,000	-
Total	\$1,454,600	\$1,014,600
Range of interest rates	1.30%~1.69%	1.50%~1.95%

Construction-in-progress were pledged as collateral for the short-term borrowings, please refer to note 8 for more details.

(11) Short-term notes payables

	December 31, 2020	December 31, 2019
Notes payables	\$2,354,800	\$508,900
Discount of notes payables	(1,649)	(931)
Total	\$2,353,151	\$507,969
Range of interest rates	0.360%~1.102%	0.720%~1.550%

A. For the years ended December 31, 2020 and 2019, the Company has issued short-term notes payables amounting to \$2,787,100 thousands and \$1,605,900 thousands. The repayment were amounting to \$941,200 thousands and \$2,462,000 thousands.

B. Lands held for construction were pledged as collateral for the short-term notes payable, please refer to note 8 for more details.

(12) Bonds payables

	December 31, 2020	December 31, 2019
First domestic secured convertible bonds	\$200,000	\$200,000
Discount on bonds payable-unamortized amount	(641)	(1,141)
Accumulated convertible amount	(45,600)	-
Subtotal	153,759	198,859
Less: current portion	-	-
Domestic secured convertible bonds	153,759	198,859
Second domestic unsecured convertible bonds	292,000	292,000
Discount on bonds payable-unamortized amount	(3,039)	(10,516)
Accumulated convertible amount	(203,400)	(67,600)
Subtotal	85,561	213,884
Less: current portion	-	-
Domestic unsecured convertible bonds	85,561	213,884
Total	\$239,320	\$412,743

A. In September 2018, the Company issued a secured 5-year convertible bond with zero interest for \$207,200 thousands with the following conditions:

- (a) The conversion price was \$35.94 per share, when it comes to adjusting conversion price of subsidiary' s common share, it should adhere to the Company' s conversion rules. The conversion price change with formula within issuance details. The secured convertible bond does not have reset feature.
  - (b) At any time within three months after the issuance date till 40 days before maturity date, the subsidiary would repurchase the bond at the face value if the close of the subsidiary's ordinary share price exceeded 130% of the bond's conversion price for successive 30 days, or the outstanding value of the bond was lower than 10% of the total issuance value.
  - (c) Unless the bond has been redeemed before maturity and cancelled or converted, the bond will be redeemed by the Company on the maturity date at 100.75% of the principal amount of the bond (the real yield is 0.15%).
- B. In September 2018, the Company issued a unsecured 5-year convertible bond with zero interest for \$293,460 thousands with the following conditions:
- (a) The conversion price was \$35.10 per share, when it comes to adjusting conversion price of subsidiary' s common share, it should adhere to the Company' s conversion rules. The conversion price change with formula within issuance details. The unsecured convertible bond does not have reset feature.
  - (b) At any time within three months after the issuance date till 40 days before maturity date, the subsidiary would repurchase the bond at the face value if the close of the subsidiary's ordinary share price exceeded 130% of the bond's conversion price for successive 30 days, or the outstanding value of the bond was lower than 10% of the total issuance value.
  - (c) The bondholders can execute put options after three years from the issuance date, the redemption value is 101.5075% of the bonds value (the real yield is 0.50%).
  - (d) Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bond will be redeemed by the Company on the maturity date of the principal amount of the bond.
- C. Partial of property, plant and equipment was pledged as collateral of convertible bonds. Please refer to note 8.

(13) Long-term borrowings

A. The detail of long-term borrowings as below:

Nature	Lender	Contract term	December 31 2020	December 31 2019
Secured	Taiwan Cooperative Bank, Jhongcyuan Branch	106.06- 109.11	\$-	\$447,000
Secured	Taiwan Cooperative Bank, Bei Taichung Branch	106.09- 110.12	196,000	166,000
Secured	Taiwan Cooperative Bank, Jian Cheng Branch	109.01- 112.12	945,000	-
Secured	Land Bank of Taiwan, Bei Taichung Branch	106.05- 111.05	-	200,000
Secured	Land Bank of Taiwan, Bei Taichung Branch	108.09- 111.05	-	90,000
Secured	CTBC Bank, Nantun Branch	107.05- 112.05	510,000	510,000
Secured	CTBC Bank, Shizheng Branch	108.10- 113.10	910,000	654,177
Secured	Bank of Taiwan, Changhua Branch	108.05- 112.05	354,000	120,000
Secured	Agriculture Bank of Taiwan, Taichung Branch	108.09- 112.09	280,000	280,000
Secured	Agriculture Bank of Taiwan, Xinzhu Branch	109.09- 114.09	275,000	-
Secured	Agriculture Bank of Taiwan, Xinzhu Branch	109.11- 113.11	3,000	-
Secured	First Commercial Bank, Taichung Branch	109.10- 113.10	267,000	-
Secured	Far Eastern International Bank	108.08- 112.03	300,000	300,000
Current portion			(706,000)	(1,413,000)
Total			<u>\$3,334,000</u>	<u>\$1,354,177</u>
Interest rate			<u>1.35%-1.93%</u>	<u>1.50%-2.15%</u>

B. Interest was paid monthly, the principal of borrowings will be repaid at the earlier of due date or the completion date of construction-in-progress.

C. Construction-in-progress had been pledged as collateral for long-term bank borrowings, please refer to note 8 for details.

(14) Pensions

A. Defined benefits plan

In accordance with Labor Pension Act, all employees chose to apply defined contribution plan. The old employee retirement plan is no longer applicable.

B. Defined contribution plan

- (a) From July 1, 1995, The defined contribution plan of the Company's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Company makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.
- (b) For the year ended December 31, 2020 and 2019, the pension expenses related to defined contribution plan amounted to \$1,626 thousand and \$1,460 thousand, respectively.

(15) Capital stock and capital increase

- A. As of December 31, 2020 and 2019, total value of authorized ordinary shares were both \$6,000,000 thousands, with par value of \$10 per share. Total authorized ordinary shares were both 600,000 thousands shares. The paid-in capital were \$5,584,827 thousand and \$4,632,433 thousand, respectively. Common stocks outstanding were 558,483 thousands shares and 463,243 thousands shares, respectively.

B. The details of capital increasing as below:

Base date of capital increase	Nature	Increased amount	Shares (thousands shares)	Number of competent authority's approval
August 29, 2019	Stock dividends	\$489,892	48,989	Jing-Shou-Shang No.10801116980
August 29, 2019	Capital surplus transferred to common stock	\$40,824	4,082	Jing-Shou-Shang No.10801116980
November 28, 2019	Conversion of convertible bonds	\$19,289	1,929	Jing-Shou-Shang No.10801169850
February 26, 2020	Conversion of convertible bonds	\$5,454	545	Jing-Shou-Shang No.10901019630
May 22, 2020	Conversion of convertible bonds	\$19,618	1,962	Jing-Shou-Shang No.10901082840
September 17, 2020	Stock dividends	\$881,198	88,120	Jing-Shou-Shang No.10901170310
September 17, 2020	Conversion of convertible bonds	\$28,095	2,810	Jing-Shou-Shang No.10901170310
November 27, 2020	Conversion of convertible bonds	\$18,029	1,803	Jing-Shou-Shang No.10901217690

C. For the year ended December 31, 2020, the convertible bonds holders exercised the convert option, the Company issuance 7,009 thousands new shares which was increased paid-in capital amounting to \$70,088 thousands. Among the 4,346 thousands shares had not performed registration and accounted on “Bond conversion entitlement certificates”. In addition, capital surplus - premium from convertible bond were increased amounting to \$111,909 thousands and capital surplus – convertible bond option were written-off amounting to \$6,414 thousands.

(16) Capital surplus

	December 31 2020	December 31 2019
A premium issuance of common shares for cash	\$9,079	\$9,079
Conversion premium of convertible bonds	154,223	42,314
Other (Unclaimed cash dividends)	116	89
Convertible bonds options (note 6(12))	8,047	14,461
Total	<u>\$171,465</u>	<u>\$65,943</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(17) Retained earnings

A. Legal reserve

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

B. Unappropriated retained earnings-

According to Article 28-1 of the Company’s Articles of Incorporation, the provisions regarding surplus appropriation is described below:

After paying the income taxes, the Company's net earnings should first be used to offset the prior years' deficits. Of the remaining balance, 10% is to be appropriated as legal reserve, which in accordance with the regulations of the competent authority or reversal appropriated retained earnings. And then any remaining profit, together with any undistributed retained earnings, shall be distributed as shareholders' dividends proposed by the Board of Directors to be submitted to the stockholders' meeting for approval.

#### C. Dividend policy

The dividend policy of the Company is determined based on Article 28-1 of the Company's Articles of Incorporation. The company operates in a capital-intensive industry and projects for material investment and financial improvement plans in the coming years, which growth period could not be identified yet. The cash dividends should not be less than 10% of the total dividends. In the event cash dividend per share is below \$0.1, all dividends may be distributed in stock dividend.

#### D. Earnings distribution

- (a) For the years ended December 31, 2019 and 2018, the details of earnings distribution and dividends per share were resolved by the shareholder's meeting on June 10, 2020 and June 8, 2019, were as follows:

	Appropriation of earnings		Dividend per share	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Legal reserve	\$148,851	\$45,029		
Cash dividend	463,789	81,649	\$0.99	\$0.2
Stock dividend	881,198	489,892	1.88	1.5

- (b) The appropriation of 2020 earnings had been proposed by the Board of Directors on March 22, 2021, is distributed as follows:

	For the years ended December 31, 2020	
	Proposal of appropriation of earnings	Dividends per share (dollar)
Legal reserve	\$82,214	
Cash dividend	111,784	\$0.2
Stock dividend	782,484	1.4
Total	\$976,482	

The appropriation of 2020 earnings shall be resolved by the shareholder's meeting held on June 15, 2021.

- (c) For details of employee bonus and remuneration to directors and supervisors, please referred to note 6 (21)



(18) Operating revenue

	For the years ended December 31, 2020	For the years ended December 31, 2019
Revenue from contracts with customers		
Sales of buildings and land	\$4,604,387	\$7,430,242
Rental revenue	2,491	872
Other operating income	9,614	-
Total	<u>\$4,616,492</u>	<u>\$7,431,114</u>

A. Revenue from contracts with customers

	For the years ended December 31, 2020	For the years ended December 31, 2019
Disaggregation of revenue		
Sales of buildings and land		
Construction revenue- Bin Cheng	\$-	\$62,434
Construction revenue- Mu Ran	-	115,591
Construction revenue- Huo Li Shui An	-	498,409
Construction revenue- Sakura Bo	-	1,451,762
Construction revenue- Dong Shan No.1	-	836,286
Construction revenue- Bo Xue Qu	-	324,993
Construction revenue- Hai Zi Wang	366,176	1,700,122
Construction revenue- Qun Ying Hui	428,077	2,043,916
Construction revenue- Jia Xue Qu	-	396,729
Construction revenue- Pin Xue Qu	670,545	-
Construction revenue- Zhui Zhan	689,654	-
Construction revenue- Sakura Yi	563,924	-
Construction revenue- Hai Zi Wang 2	1,886,011	-
Rental revenue	2,491	872
Other operating income	9,614	-
Total	<u>\$4,616,492</u>	<u>\$7,431,114</u>
Revenue recognition point:		
Revenue transferred at a point in time	\$4,614,001	\$7,430,242
Products and services transferred over time	2,491	872
Total	<u>\$4,616,492</u>	<u>\$7,431,114</u>

B. Contract balance

	December 31 2020	December 31 2019
Contract liabilities-current	<u>\$1,118,952</u>	<u>\$620,448</u>

(a) Significant changes of contract liabilities

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2020 and 2019.

(b) Contract liability balance at the beginning of the period and the amount of revenue recognized

The amount of revenue recognized for the years ended December 31, 2020 and 2019. that was included in the contract liability balance at the beginning of the period were \$466,119 thousand and \$436,481 thousand, respectively.

(c) Assets recognized from the revenue from contracts with customers

	December 31, 2020	December 31, 2019
Incremental costs of obtaining a contract	\$304,504	\$144,178

The amortized amount of the incremental cost of the Company's acquisition of the contract as of December 31, 2020 and 2019 were \$122,252 thousand and \$199,073 thousand.

(19) Non-operating income and expenses

A. Interest incomes

	For the years ended December 31, 2020	For the years ended December 31, 2019
Interest incomes -bank deposit	\$446	\$586
Interest incomes-other	115	46
Total	\$561	\$632

B. Other incomes

	For the years ended December 31, 2020	For the years ended December 31, 2019
Other incomes-others	\$888	\$583

C. Other profits and losses

	For the years ended December 31, 2020	For the years ended December 31, 2019
Gain on financial assets at fair value through profit or loss	\$670	\$4,018
Other losses(including compensation)	(1,624)	(812)
Total	\$(954)	\$3,206

#### D. Financial cost

	For the years ended December 31, 2020	For the years ended December 31, 2019
Interest expense :		
Interest of bank borrowings	\$93,014	\$97,907
Interest of bonds payable	2,040	3,765
Interest on lease liability	47	79
Others	15,540	18,750
Subtotal	110,641	120,501
Less: assets capitalization	(91,683)	(97,907)
Total financial cost	\$18,958	\$22,594

#### (20) Amortization and operating lease expenses from comprehensive income statements

	For the years ended December 31, 2020	For the years ended December 31, 2019
Under selling expenses:		
Minimum lease payment recognized as operating lease expense	\$21	\$17
Under Administrative Expenses:		
Minimum lease payment recognized as operating lease expense	\$466	\$275

#### (21) Employee benefit expenses

Summary of employee benefit expenses, depreciation and amortization by function of expense was as follows :

Function Nature	For the years ended December 31, 2020			For the years ended December 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$21,050	\$21,517	\$42,567	\$22,845	\$18,197	\$41,042
Labor and medical insurance premiums	1,714	1,841	3,555	1,772	1,312	3,084
Pension expenses	881	745	1,626	902	558	1,460
Remuneration to Director	-	12,555	12,555	-	18,506	18,506
Other employee benefit expenses	804	4,473	5,277	824	6,287	7,111
Depreciation	-	4,337	4,337	-	4,390	4,390
Amortization	-	205	205	-	89	89

A. The employees of the Company were 54 and 49 for the years ended 2020 and 2019, respectively, both number of directors who have not served as employees is 4.

- B. The average employees' benefit expense were \$1,061 thousands and \$1,171 thousands for the years ended December 31, 2020 and 2019, respectively. And the average employees' payroll expense were \$851 thousands and \$912 thousands for the years ended December 31, 2020 and 2019, respectively. The fluctuation rate was (6.69)%.
- C. Company's Compensation Policy: Apart from base salary, the Company may reward employees with incentives to appropriately stimulate the morale and retain distinguished employees according to the operating conditions. The annual increase is determined by the ranking and merits of employees with the proposal of adjustments and amount of salary. Additionally, according to Article 23-1 of the Company's Articles of Incorporation, the compensation for Company directors is determined by their involvement and value of contribution to corporate operations and participation, with reference to peer standards. The Board of Directors is authorized to determine such compensation at the meeting. The compensation for directors and salary for managers shall be proposed by the Salary Committee and submitted to the Board of Directors with suggestions for approval.
- D. According to the Company's Articles of Incorporation, the Company shall reserve at least 0.5% and no more than 2% of annual net profit, if any, for employee compensation and director compensation respectively. However, if the company has earnings after the close of the fiscal year, it shall set aside the sum for accumulated losses. The determination of distribution ratio for employee compensation and director compensation and the distribution of stock or cash for employee compensation shall be resolved by the Board of Directors, with two-third of directors attending the meeting and the consent of the majority of attending directors. The resolution shall be reported to the Shareholder's Meeting.
- E. For the years ended December 31, 2020 and 2019, the Company estimated the amount of employee compensation are \$5,358 thousands and \$8,437 thousands respectively; the estimated amount of director compensation are \$9,384 thousands and \$15,463 thousands respectively. The foregoing amounts are an estimation based on the profit before tax before deducting compensations of the current year distributed to employees and directors, multiplied by the appropriation percentage of employee and director compensation specified in the Company's Articles of Incorporation. The said amounts are also recognized as the inventory costs and operating expenses for the years ended December 31, 2020 and 2019 respectively. However, any discretion between the actual distributed amount and estimated amount as resolved by the Board of Director Meetings shall be recognized as the annual loss of the Board of Director meeting.

F. The amounts for the year ended December 31, 2019 employee compensation and director compensation resolved by the Board of Directors are in conformity with the amounts recognized in the 2019 financial report. As of December 31, 2020, the distribution for employee compensation and director compensation from the previous year has been realized.

G. Information regarding employee and director remuneration resolved by the board of directors and reported in the shareholder meeting can be found on “Market Observation Post System”.

(22) Income tax

A. Components of income tax expenses:

(a) Income tax recognized as current profit and loss

	For the years ended December 31, 2020	For the years ended December 31, 2019
<b>Current income tax expenses:</b>		
Income tax from current income	\$209,405	\$138,334
Land value increment tax	373	6,794
Overvalued income tax for the preceding year	496	-
<b>Surtax on undistributed earnings</b>	-	-
<b>Deferred income tax expenses:</b>		
Generation and reversal of temporary difference	-	-
Written-off of deferred tax assets (prior reversed written-off)	242	(99)
<b>Income tax expenses</b>	<u>\$210,516</u>	<u>\$145,029</u>

(b) Income tax recognized as other comprehensive income : None.

B. Amount of deferred income tax assets/liabilities from temporary difference were as follows:

	For the years ended December 31, 2020				
	January 1	Recognition into loss (gain)	Recognition into other comprehensive loss (gain)	Recognition into equity	December 31
Deferred Income Tax Assets					
Recognition of warranty provision	\$318	\$(235)	\$-	\$-	\$83
Allowance of doubtful debts overruns the limit of tax law	1,613	(6)	-	-	1,607
Others	40	(1)	-	-	39
<b>Total</b>	<u>\$1,971</u>	<u>\$(242)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,729</u>

	For the years ended December 31, 2019				December 31
	January 1	Recognition into loss (gain)	Recognition into other comprehensive loss (gain)	Recognition into equity	
Deferred Income Tax Assets					
Recognition of warranty provision	\$213	\$105	\$-	\$-	\$318
Allowance of doubtful debts overruns the limit of tax law	1,618	(5)	-	-	1,613
Others	41	(1)	-	-	40
Total	<u>\$1,872</u>	<u>\$99</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,971</u>

C. As of December 31, 2020 and 2019, current tax liabilities were \$209,889 thousands and \$113,683 thousands, respectively, which were the estimation of corporate income tax payable to the national treasury.

D. The Company's income tax return had been assessed and approved by the tax authorities till 2018.

(23) Earnings per share

	For the years ended December 31, 2020	For the years ended December 31, 2019
Basic earnings per share		
Net income attributable to common shareholders of the Company	\$822,140	\$1,488,505
Weighted average outstanding common shares	<u>555,333</u>	<u>548,649</u>
Basic earnings per share (unit: NTD)	<u>\$1.48</u>	<u>\$2.71</u>
Diluted earnings per share		
Net income attributable to common shareholders of the Company	\$822,140	\$1,488,505
Dilutive effect of potential common shares - convertible bonds	1,632	3,012
Net income attributable to common share holders of the Company	<u>\$823,772</u>	<u>\$1,491,517</u>
Weighted average outstanding common shares	<u>555,333</u>	<u>548,649</u>
Dilutive effect of potential common shares		
Effects of employee remuneration	195	293
Effects of Conversion of convertible bonds	12,037	17,353
Weighted average outstanding common shares	<u>567,565</u>	<u>566,295</u>
Diluted earnings per share (unit: NTD)	<u>\$1.45</u>	<u>\$2.63</u>

The number of weighted average outstanding shares in 2019 was 461,800,000 shares. For comparison purpose, the number of outstanding shares of 2019 has been adjusted retrospectively due to the stock dividends in September 2019.

## 7. Related party transactions

### (1) Names and relations of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Shi-Ying Chen	Main management
Hejia Investment Co., Ltd.,	Other related parties(The legal representative of the Company is a shareholder of the Company with over 10% of the shareholding)
Chen-Hai Lin	Other related parties (Shareholders with 10% shareholding or more)

### (2) Significant transactions between the Company and related parties

#### A. Revenue

	<u>For the years ended December 31, 2020</u>	<u>For the years ended December 31, 2019</u>
Main management	<u>\$30,545</u>	<u>\$-</u>

The above transaction is subject to the general terms of sale (i.e. market prevailing price), and there is no significant transaction price or transaction term differences from the transaction with non-related parties.

#### B. Construction-in-progress

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	<u>\$279,530</u>	<u>\$1,308,357</u>

In cooperation with the Company's construction plan in Wuri District of Taichung City, the Company signed a contract with other related parties –Lin,Chen-Hai, in December 2020, to purchase the lands held for the construction site situated in Land. No. 135, Xin-Rong-He Section, Wuri District of Taichung City. The total contract price is \$279,530 thousand. According to the contract, the amount of \$251,577 thousand has been paid with the land transferred on December 31, 2020. Up to the date of this report, all remaining payment has been paid in full (recognized as inventory – Construction - in - progress).

In cooperation with the Company's construction plan in Taiping District of Taichung City, the Company signed a contract with other related parties – Hejia Investment Co., Ltd., in September 2019, to purchase the land held for construction site situated in Land No. 181, Yuxiang Section, Taiping District of Taichung City. The total contract price is \$1,308,357 thousand and the payment has been paid in full (recognized as inventory – Construction-in-progress).

### C. Payables to related parties

Item	Relationship with the company	December 31, 2020	December 31, 2019
Accounts payable from related parties	Other related parties	\$27,953	\$-

No collateral was provided for the outstanding payables to relate parties.

### (3) Compensation of key management staff

Key management compensation comprised as below:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Salary and other short-term employee benefits	\$20,089	\$27,226

## 8. Pledged assets

The Company provides the following assets as collaterals for borrowings, short-term notes payables and convertible bonds.

	December 31 2020	December 31 2019
Construction-in-progress	\$13,601,698	\$10,413,785
Property, plant and equipment - land	31,885	31,885
Property, plant and equipment - buildings	18,238	19,961
Other financial assets - current	1,125,013	481,662
Total	\$14,776,834	\$10,947,293

Pledged assets are presented at book value.

## 9. Major contingent liabilities and unrecognized contractual commitments

- (1) The carrying amount of the farming and grazing land located at Da Cun Section was \$20,728 thousand, the carring amount was the original cost less impairment. Due to the restriction of law, the land was registered under other person's name. To ensure the Compnay's right on the land, the first mortgage of the land was designated to the Company. The both parties also entered into an agreement of consent of unconditional transferring of the land to the Company. In addition, partial of the lands were expropriated in 2005 and the compensation for expropriation was \$1,900 thousand, which was recognized under other receivables. Due to the financial problems of the third person, the expropriation compensation was restricted by the bank. The Company has started pressing for payment and recognize allowance for the doubtful debts.



- (2) The unrecovered guarantee notes issued by the Company from the purchase of lands held for construction and bank financing is described below:

	December 31 2020	December 31 2019
Guarantee notes submitted	\$6,403,626	\$5,270,600

- (3) As of December 31, 2020, the total contract price of the construction contracts signed by the Company and non-related parties was \$1,770,332 thousand, and the total amount of \$741,647 thousand was not paid
- (4) The Company signed the contract for drawing from specified escrow account with financial institutions in 2019 and 2020. The contract stated that if the Company fails to fulfill the contract with customer and the customer requests the financial institution for performance of guarantee responsibility, the financial institution shall exercise the right of set-off and deduct the balance of the deposits in the specified escrow account for advanced payment, after returning the principal and interests deposited in the specified escrow account. The financial institution may claim for compensation for the insufficient fund with accrued interest from the Company. As of December 31, 2020, the financial institution has not drawn from the aforementioned specified account. Please refer to Note 6(5) for the description on “Other current financial assets”.

**10. Losses from major disasters:** None.

**11. Subsequent events:** None.

**12. Others**

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The company adjusts the company's loan amount according to the construction progress and the funds required for operation.

(2) Financial instrument

A. Types of financial instrument

<u>Financial assets</u>	<u>December 31 2020</u>	<u>December 31 2019</u>
Financial assets at amortised cost		
Cash and cash equivalents (excluding cash on hand and petty cash)	\$155,096	\$644,233
Notes receivables, net	174	18,601
Account receivables, net	32,216	121,063
Other current financial assets	1,125,013	481,662
Refundable deposits	29,218	36,958
Total	<u>\$1,341,717</u>	<u>\$1,302,517</u>
 <u>Financial liabilities</u>	 <u>December 31 2020</u>	 <u>December 31 2019</u>
Financial liabilities at fair value through profit or loss	\$251	\$1,041
Financial liabilities at amortised cost		
Short-term borrowings	\$1,454,600	\$1,014,600
Short-term bills payables	2,353,151	507,969
Notes payables	7,633	1,437
Accounts payables(including related parties)	502,458	441,790
Other payables	427,765	482,936
Bonds payable	239,320	412,743
Long-term borrowings (including Current portion of long-term borrowings)	4,040,000	2,767,177
Deposits received	462	3,642
Total	<u>\$9,025,389</u>	<u>\$5,632,294</u>
Lease liabilities (including cuurent and non-current portion)	<u>\$1,374</u>	<u>\$2,841</u>

B. Risk management policy

- (a) The Company's ctivities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Cash flow and fair value risk of interest rate

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.

The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,046 thousand and \$749 thousand respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

### (b) Credit risk management

Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury department in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Therefore, there is no significant credit risk for these counterparties.

The Company complies with the management of credit risks. The delinquent payment for the payment agreed in the contract past a certain number of days shall be deemed as a breach of contract.

The Company has adopted the following assumptions mentioned in IFRS 9 to provide the basis for identifying significant increase in the credit risk of financial instruments held after initial recognition:

- i. A financial asset is considered to have exhibited significant increase in credit risk after initial recognition when contractual payment (according to the terms and nature of the underlying contract) becomes more than 30 days past due up to 1 year.
- ii. A counterparty is considered to be in default when contractual payment is reclassified into overdue receivables for non-recoverability.

The Company distinguishes accounts from customers by geographic location, and uses a simplified, matrix-based approach to estimate expected credit loss.

For the account receivables in breach of contract, the Company shall recognize allowance of loss for the amount of financial assets that could not be recovered with reasonable expectation after all collection procedures were performed. However, the Company shall continue the legal procedures of collection to preserve the creditor's rights.

All notes receivables and accounts receivables adopt a simplified approach to estimate the expected credit loss, namely using the expected credit from the duration to measure the loss. For measurement purposes, such notes receivables and accounts receivables shall be grouped according to the characteristics of common credit risks by product categories and customer evaluation, in addition to incorporating the measurement in the forward-looking information. The expected credit loss for the notes receivables and accounts receivables of the Company as of December 31, 2020 is analyzed below:

December 31, 2020	Current	Overdue				Total
		Within 30 days	31-60 days	61-90 days	91 days and above	
Expected losses	-%	-%	-%	-%	-%	-%
Total book value	\$32,390	\$-	\$-	\$-	\$-	\$32,390
Loss provisions	\$-	\$-	\$-	\$-	\$-	\$-

December 31, 2019	Current	Overdue				Total
		Within 30 days	31-60 days	61-90 days	91 days and above	
Expected losses	-%	-%	-%	-%	-%	-%
Total book value	\$139,664	\$-	\$-	\$-	\$-	\$139,664
Loss provisions	\$-	\$-	\$-	\$-	\$-	\$-

The Company belongs to the construction industry and sells products by collecting down payments on the real estates in advance. The buyer pays for the remaining payment of real estate through a mortgage from the bank. Based on experience, there is no expected credit loss from notes receivables and accounts receivables.

Change of loss provisions on receivables:

	2020	2019
Opening balance	\$-	\$-
Recognize impairment loss from accounts receivables	-	-
Written-off unrecoverable debts	-	-
Closing balance	\$-	\$-

#### (c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and above	Total
December 31, 2020					
Short-term borrowings	\$1,454,600	\$-	\$-	\$-	\$1,454,600
Short-term notes payables	2,353,151	-	-	-	2,353,151
Financial liabilities at fair value through profit or loss- non-current	-	251	-	-	251
Accounts payables (included other payables)	937,856	-	-	-	937,856
Lease liabilities (including current and non-current portion)	1,374	-	-	-	1,374
Bonds payable	-	239,320	-	-	239,320
Long-term borrowings (including portions due within 1 year or 1 business cycle)	706,000	1,879,000	1,455,000	-	4,040,000

Accompanying Footnotes (Cont'd) of SAKURA DEVELOPMENT Co., Ltd.  
(Expressed in thousand of New Taiwan dollars, unless otherwise stated in Footnotes)

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and above	Total
December 31, 2019					
Short-term borrowings	\$1,014,600	\$-	\$-	\$-	\$1,014,600
Short-term notes payables	507,969	-	-	-	507,969
Financial liabilities at fair value through profit or loss- non-current	-	-	1,041	-	1,041
Accounts payables (included other payables)	926,163	-	-	-	926,163
Lease liabilities (including current and non-current portion)	1,467	1,374	-	-	2,841
Bonds payable	-	-	412,743	-	412,743
Long-term borrowings (including portions due within 1 year or 1 business cycle)	737,000	676,000	1,354,177	-	2,767,177

The Company has not expected earlier occurrence of the cash flow analyzed on the due date or any significant difference from the actual amount.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

(a) Except for the items listed below, the carrying amounts of other accounts including cash and cash equivalents, notes receivable, accounts receivable, other current financial assets, Short-term borrowings, short-term notes payable, notes payable, accounts payable and other payables are approximate to their fair values.

	Book value	Fair value		
		Level 1	Level 2	Level 3
December 31, 2020				
Financial liabilities :				
Bonds payable	\$239,320	\$-	\$249,371	\$-
Long-term borrowings				
(including portions due within 1 year or 1 business cycle)	4,040,000	-	4,040,000	-
Total	<u>\$4,279,320</u>	<u>\$-</u>	<u>\$4,289,371</u>	<u>\$-</u>
December 31, 2019				
Financial liabilities :				
Bonds payable	\$412,743	\$-	\$422,698	\$-
Long-term borrowings				
(including portions due within 1 year or 1 business cycle)	2,767,177	-	2,767,177	-
Total	<u>\$3,179,920</u>	<u>\$-</u>	<u>\$3,189,875</u>	<u>\$-</u>

(b) The methods and assumptions of fair value estimate are as follows:

- i. Long-term borrowing (including current portion) values the fair value based on the book value shown on the balance sheets. The Company adopts floating rate for long-term borrowing which were adjusted in accordance with market conditions. Moreover, the Company does not impose special borrowing criteria on the mortgage contract, hence the borrowing rate of the Company should be similar to the market interest rate. The present discounted value of expected cash flow is estimated for the fair value, which is equivalent to the book value.
- ii. Bonds payable : They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative	<u>\$-</u>	<u>\$251</u>	<u>\$-</u>	<u>\$251</u>
December 31, 2019				
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative	<u>\$-</u>	<u>\$1,041</u>	<u>\$-</u>	<u>\$1,041</u>

E. The methods and assumptions the Company used to measure fair value are as follows:

- (a) Instruments using market quotation as fair value input (i.e. level 2), distinguished by characteristics:

Financial instrument category	Valuation Technique and Input
Derivative -Call options and put options of Convertible bonds	Evaluate using Binomial Tree for Convertible Bond Pricing Model, according to the conversion price volatility, non-risk interest rate, risk discount rate, and residual maturity periods.

- (b) The output of the valuation model is an approximation of estimation. However, the valuation technology may not reflect all relevant factors of the financial instruments and non-financial instruments held by the Company. Hence, the estimation of the valuation model will be adjusted appropriately according to the additional parameters. For example, model risks or liquidity risks. According to the management policy of the Company's fair value valuation model and relevant control procedures, management believes that it is applicable and necessary to adjust valuation in order to fairly express the fair value of the financial instrument and non-financial instrument in separate balance sheets. The price information and parameters used in the valuation process must be deliberately evaluated and appropriately adjusted according to the current market conditions.

F. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

#### (4) Effect of COVID-19

The evaluations show that the Company's ability to continue as a going concern, impairment of asset, and financing risk is not impacted by the COVID-19 pandemic.

### 13. Supplementary Disclosures

- (1) Information relating to significant transactions and Supplementary disclosure regarding investee companies

Serial No.	Item	Attachments
A	Financing provided	None
B	Endorsements and guarantees provided:	None
C	Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures)	None



Serial No.	Item	Attachments
D	Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital	None
E	Acquisition of real estate properties at costs of at least \$300 million or 20% of the paid-in capital:	Table 1
F	Disposal of real estate properties at prices of at least \$300 million or 20% of the paid-in capital:	None
G	Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital	None
H	Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital	None
I	Trading in derivative instruments undertaken during the reporting period	None
J	Intercompany relationships and significant intercompany transactions	None

(2) Investments in the Mainland

Serial No.	Item	Attachments
A	Information on investments in mainland China	None
B	Significant transactions, either directly or indirectly through a third area, with investee companies in China	None

(3) Major shareholders information: Table 2

**14. Segment Information**

The Company primarily engages in the business of construction of public housing, selling and leasing of residential and commercial buildings. There is only one reportable segment. The decision-maker of the company assesses performance and allocation resources in a overall perspective. The Company has only one reportable segment, the segment profit and loss and financial position is identical with comprehensive income statement and balance sheet, please refer to comprehensive income statement and balance sheet.

Accompanying Footnotes (Cont'd) of SAKURA DEVELOPMENT Co., Ltd.  
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Table 1 - Acquisition of real estate properties at costs of at least \$300 million or 20% of the paid-in capital:

Type of Property	Transaction date	Transaction amount	Status of payment	Counterparty	Nature of Relationship	Where Counterparty is a Related Party, Details of Prior Transaction				Price Reference	Purpose of Acquisition	Other
						Former Holder of Property	Former Holder	Transfer Date	Amount			
Dong Guang Section No.123 and other 11 properties, Beitun Dist, Taichung city	23 June, 2020	\$695,138	Paid in accordance with contract	Tangbao Enterprise Co., Ltd and other 6 person	Non related parties	-	-	-	-	Negotiated with seller and refer to appraisal report issued by external appraisers.	For construction and operating purpose.	None
Tou Jia Section No.310 and other 2 properties, Tanzi Dist, Taichung city	27 June ,2020	334,262	Paid in accordance with contract	Jian,Yong-Kun	Non related parties	-	-	-	-	Negotiated with seller and refer to appraisal report issued by external appraisers.	For construction and operating purpose.	None
Xin Rong He Section No.139, Wuri Dist, Taichung city	11 December, 2020	1,156,878	Paid in accordance with contract	Fabulous Global Holding Co., Ltd	Non related parties	-	-	-	-	Negotiated with seller and refer to appraisal report issued by external appraisers.	For construction and operating purpose.	None

Accompanying Footnotes (Cont'd) of SAKURA DEVELOPMENT Co., Ltd.  
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Table 2 - Major shareholders information

Major shareholder name	Number of shares	Ownership (%)
Shu-Chiung Tseng	123,984,396	22.18%
Chen-Hai Lin	123,905,548	22.16%
Ho-Yang Management Consultant Co., Ltd	107,974,349	19.31%

Note 1: This table is calculated by Taiwan Depository & Clearing Corporation, using total number of ordinary shares and preferred shares held by the shareholders who have completed the company's non-physical registration and delivery (including treasury shares) is more than 5% on the last business day at the end of each quarter. As for the share capital recorded in the company's financial report and the number of shares which the company has completed the non-physical registration and delivery, may be different from computational basis.

Note 2: Above information if belongs to shareholders delivering the shares to the trust, will be disclosed by the principal individual account of the trustee opened the trust account. As for shareholders who handle the declaration of insider equity holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, etc. Please refer to the information on the MOPS for insider equity declaration.

**V. CPA audited individual financial statements covering the most recent year:**  
**Not applicable.**

**VI. If there were any solvency issues of the Company and its affiliates during the most recent year and to the date of printing, specify in detail its effect on the financial status of the Company:** Not applicable.

## **Chapter 7. Review and analysis of financial status and financial performance and risk items**

**I. Financial Condition:** Main reasons and impact of any material change in the company's assets, liabilities, or equity during the past two fiscal years, and explanation of future response plans in the case of any changes with material impact

Unit: NT\$1,000

Year Item	2020	2019	Variance		
			Amount	%	
Current assets	18,034,512	13,533,527	4,500,985	33.26	Note 1
Non-current assets	108,333	119,683	(11,350)	(9.48)	
Total assets	18,142,845	13,653,210	4,489,635	32.88	Note 1
Current liabilities	6,801,651	4,647,033	2,154,618	46.37	Note 2
Non-current liabilities	3,574,033	1,772,977	1,801,056	101.58	Note 3
Total liabilities	10,375,684	6,420,010	3,955,674	61.61	Note 3
Share capital	5,589,173	4,637,887	951,286	20.51	Note 4
Capital reserves	171,465	65,943	105,522	160.02	Note 5
Retained earnings	2,006,523	2,529,370	(522,847)	(20.67)	Note 6
Total shareholders equity	7,767,161	7,233,200	533,961	7.38	

(I) Analysis and explanation of increases or decreases exceeding 20% during the most recent two years:

Note 1. Increase in current assets and total assets: Due to the increase in inventory attributable to new purchase of land and project expenditures during the current period.

Note 2. Increase in current liabilities: Due to an increase in payable short-term bills and contract liabilities.

Note 3. Increased non-current liabilities and total liabilities: Due to increased loans for the new purchase of land during the current period.

Note 4. Increase in capital stock Due to capital increase by earnings recapitalization and increased exercise of conversion rights by holders of convertible bonds.

Note 5. Increase in capital reserves: Due to increased premium of conversion of convertible bonds to common stock.

Note 6. Reduced retained earnings: This was chiefly attributable to the reduction in net profit in 2020 compared with the previous year.

(II) The foregoing changes had no material impact on the Company's financial status, and major operating content had no major changes or change plans.

**II. Financial performance:** Main reasons for the major changes to operating income, net operating profit and Net PBIT over the last two years, expected volume of sales and its basis, and response plans to address the possible impact on the Company's future financial operations.

Unit: NT\$1,000

Item \ Year	2020	2019	Amount of increase (decrease)	Ratio of change %	
Total operating revenue	4,618,315	7,433,218	(2,814,903)	(37.87)	Note 1
Subtract: Sales returns and allowances	1,823	2,104	(281)	(13.36)	
Net operating revenues	4,616,492	7,431,114	(2,814,622)	(37.88)	Note 1
Operating costs	3,108,675	5,294,559	(2,185,884)	(41.29)	Note 1
Gross operating profit	1,507,817	2,136,555	(628,738)	(29.43)	Note 1
Operating expenses	456,698	484,848	(28,150)	(5.81)	
Operating net profit (loss)	1,051,119	1,651,707	(600,588)	(36.36)	Note 1
Non-operating revenue and expenses	(18,463)	(18,173)	(290)	1.60	

Net profit (loss) before tax of departments with continued operation	1,032,656	1,633,534	(600,878)	(36.78)	Note 1
Income tax expenses	210,516	145,029	65,487	45.15	Note 2
After-tax net profit (loss) for the current period	822,140	1,488,505	(666,365)	(44.77)	Note 1

(I) Analysis and explanation of increases or decreases exceeding 20% during the most recent two years:

Note 1.Reduction in operating income, operating costs, gross operating profit, net operating profit, net profit before tax, and net profit after tax: Because the number of recognized income-generating units in 2020 was fewer than in 2019 by 446 units, operating income and operating costs were lower than in 2019.

Note 2.Increased income tax expenses: This was chiefly due to the fact that most recognized land income in 2019 was from land exempt from tax under the old system, and the four projects completed in 2020 were all on taxable land under the new system.

(II) The reasons for the foregoing changes had no material impact on the Company's financial status, and major operating content had no major changes or change plans.

### III. Cash flow:

(I) Analysis and explanation of changes in cash flow during the most recent year

Analysis of liquidity during the most recent two years:

Item \ Year	2020	2019	Ratio of increase (decrease) %
Cash flow ratio (%)	-	32.20	(100%)
Cash flow adequacy ratio (%)	21.72	30.69	(29.23%)
Cash reinvestment ratio (%)	-	15.69	(100%)

Note: Does not need to be calculated if cash flow from operating activities was a net outflow.

(II) Remedial plan for insufficient liquidity: None.

(III) Analysis of cash liquidity during the coming year

Unit: NT\$1,000

Cash balance at beginning of period (1)	Expected net cash flow (outflow) from operating activities throughout year (2)	Expected cash flow (outflow) throughout year (3)	Expected cash balance (shortfall) (1)+(2)+(3)	Remedial measures to be taken for expected cash shortfall	
				Investment plans	Financing plans
156,152	(1,923,393)	1,863,017	95,776	—	—

**IV. Effect of major capital expenditures on financial operations during most recent year: None.**

**V. Investment Policy, Main Causes for Profits or Losses for the most recent year, Improvement Plans and Investment Plans for the Coming Year: None.**

**VI. Risk items in the most recent year to the date of printing of this Annual Report requiring analysis and assessment include the following items:**

- (I) Effects of Changes in Interest Rate and Exchange Rate and Inflation on the Company's Finance, and Future Response Measures The Company's working capital is chiefly derived from bank loans. The interest rate is currently 1.55%-1.93%, and there is little chance that the interest rate will be raised in the future. In addition, the Company has good credit, and will be able to continue to obtain highly preferential interest rates from banks, which will reduce operating costs. The Company chiefly obtains stocking from domestic vendors, and the domestic public constitutes the chief sales targets. Because costs and profit are mutually varying, exchange rate fluctuations and domestic inflation will not have excessive impact on the Company's production.
- (II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives: Currently the Company does not possess any high-risk or highly leveraged investments; and does not engage in the trading of derivatives; With regard to funds loans, third-party matters, and endorsement guarantees, the Company has drafted funds loan, third-party matter, and endorsement guarantee operating procedures in accordance with the competent authority's regulations.
- (III) Future Research and Development Projects and expected R&D budget: None.
- (IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: The Company pays constant attention to relevant policy and law information and announcements, and complies with implementation. The impact on the Company's financial business is not great.
- (V) Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales: Technology changes and industry changes during the most recent year had no impact on the Company's financial business.
- (VI) The Impact of Changes in Corporate Image on the Corporate Risk Management, and the Company's Response Measures: None.
- (VII) Expected Benefits from, Risk Relating to and Response to Merger and Acquisition Plans: None.
- (VIII) Expected Benefits from, Risk Relating to and Response to Factory Expansion Plans:



None.

- (IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Sales Concentration: The Company's purchasing chiefly consists of the acquisition of land and contracting of projects to builders, and there is consequently no excessive concentration of purchasing; Since sales targets consist of members of the general public, there is no excessive concentration of sales.
- (X) Effects of, Risks Relating to and Response to Large Share Transfer or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholding of over 10%: None.
- (XI) Effects of, Risks Relating to and Response to Changes in Control over the Company's Management: Not applicable.
- (XII) In the case of any litigation or non-contentious matters, please list any major litigation, non-contentious matters, or administrative suits, including both those with confirmed decisions and still proceeding, involving the Company and the Company's directors, supervisors, general manager, actual responsible persons, major shareholders holding more than 10% of the Company's outstanding shares; when the results of such cases may have a major impact on shareholders equity or stock prices, the matter at issue, target amount, date of start of litigation, chief parties involved, and the state of handling of the case of the printing date of the annual report must be disclosed: Not applicable.
- (XIII) Other Major Risks and Response Measures: There were no other major risks as of the printing date of the annual report.

**VII.Other material matters: None.**

## **Chapter 8. Special Disclosures**

- I. Information on affiliates: There are no affiliates.**
- II. Private placement of securities in the most recent year to the date of printing of this Annual Report: Not applicable.**
- III. Shares in the Company Held or Disposed by Subsidiaries in the most recent year to the date of printing of this Annual Report:**

**The Company has no subsidiaries, so this item is not applicable.**
- IV. Other necessary explanations: None**
- V. Matters that significantly affected shareholders equity or the stock price of the Company as specified in Subparagraph 2, Paragraph 3 of Article 36 of the Security soon Exchange Act during the most recent year to the date of printing of this Annual Report: Not applicable.**

# SAKURA DEVELOPMENT CO., LTD

Chairman: Chen  
Cheng-Gang