

Stock code: 2515



**BES Engineering Corporation
Shareholders' Regular Meeting 2023**

MEETING AGENDA HANDBOOK

Time: 9:00 am, June 7 (Wednesday), 2023

Venue: 2F, No. 327, Sec. 1, Tiding Blvd., Neihu District, Taipei City (LILY
Conference)

Shareholders' meeting will be held: Physical shareholders meeting

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BES Engineering Corporation
Agenda of Shareholders' Regular Meeting 2023

- I. Reporting the Attending Shares**
- II. Announcing the Commencement of the Meeting by the Chairperson**
- III. Chairperson's Speech**
- IV. Company Reports**
- V. Ratifications**
- VI. Discussion Motions.**
- VII. Election Motions.**
- VIII. Other Motions.**
- IX. Extempore Motions.**
- X. Adjournment**

BES Engineering Corporation

Agenda of Shareholders' Regular Meeting 2023

Time: 9:00 am, June 7 (Wednesday), 2023

Venue: 2F, No. 327, Sec. 1, Tiding Blvd., Neihu District, Taipei City (LILY Conference)

Meeting Procedure

I. Reporting the Attending Shares

II. Announcing the Commencement of the Meeting by the Chairperson

III. Chairperson's Speech

IV. Company Reports

(I) The 2022 business report.

(II) The audited report of the settled books by the Audit Committee.

(III) The status report of the 2022 remuneration distributed to employees and directors.

(IV) The report for loaning funds to others and endorsement/guarantee.

(V) The reports of acquisition or disposal of assets.

(VI) The reports of impaired assets.

V. Ratifications:

(I) Ratification to the settled books of 2022.

(II) Ratification to the profit distribution for 2022.

VI. Discussion Motions.

(I) Amendment of some provisions in the "Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee".

VII. Election Motions: Electing the directors and independent directors for 27th term.

VIII. Other Motions: Proposal of releasing the directors from the competition restrictions.

IX. Extempore Motions.

X. Adjournment.

IV. Company Reports

- (I) The 2022 business report
Please review the annual business report, 2022.
Description: the business report of the Company, 2022, please refer to Attachment 1 of the manual (Page 11~14).
- (II) The audited report of the settled books by the Audit Committee.
Please review the 2022 audited report of the settled books by the Audit Committee.
Description: the audited report of the settled books by the Audit Committee, please refer to Attachment 2 of the manual (Page 15).
- (III) The status report of the 2022 remuneration distributed to employees and directors.
1. Pursuant to Article 28, the Company's Charter, shall there be profit before tax, and no accumulative losses to be make up, no less than 2% shall be contributed as the employee's remuneration and less than 2% shall be contributed as the directors' remuneration. The preceding pre-paid ratio, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders, and it shall be reported in the shareholders' meeting. The preceding employee compensation can be paid in stock or in cash.
 2. After accountants' audit for 2022, the profit before tax, net of employees and directors' remuneration is NT\$1,047,925,281. As passed with the resolutions of the 27nd meeting of the board of directors, 26th Round, 2% would be distributed as the employees' remuneration as NT\$ 20,958,506, and 2% as directors' remuneration as NT\$20,958,505. The aforesaid remuneration would be made in cash, and the Chairman is fully authorized to decide the distribution method.
- (IV) The reports of loaning funds to others and endorsement/ guarantee
1. Implemented pursuant to the "Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee"
 2. Loaning of Funds:
 - (1) Up to December 31, 2022, there was one company for loaning of funds to others provided by the Company: According to the resolution of 8th meeting of the 26th term of board of directors of the Company on June 10, 2021: to cope with the business expansion of BES Vietnam LLC, the Company extended the loan of US\$1,050 thousand to BES Vietnam LLC, and the actual drawing amount was US\$1,050 thousand. The aforementioned loan has been repaid in full and the case was closed on April 1, 2022. Due to the Company's execution of merger with subsidiary BES Machinery Co., Ltd., the Company generally assumed the loan and the creditor's right of BES Machinery Co., Ltd. on HRDD Logistics Co., Ltd. for an amount of NT\$21,550 thousand on March 25, 2022. The aforementioned loan has not yet been repaid upon the deadline of September 3, 2022. After assessing HRDD Logistics Co., Ltd.'s operating performance and the possibility of collecting the receivables, the Corporation set

aside an allowance for bad debt for the receivables and interest receivables from HRDD Logistics Co., Ltd., totaling NT\$22,628 thousand, at the end of September 2022. HRDD Logistics Co., Ltd. signed and negotiated with the Company for the Borrowing Return Supplementary Agreement on October 14, 2022. Up to December 31, 2022, the loaning of funds provided by the Company to the external was NT\$21,550 thousand.

(2) Up to December 31, 2022, there were a total of 2 companies to which the subsidiaries provided loaning of funds: Chung Kung Safeguarding and Security Corp. provided loaning of funds to others at a balance of NT\$30,000 thousand, and such balance included the loaning of funds to BES Consultant Corporation for an amount of NT\$15,000 thousand and loaning of funds to Chung Kung Management and Maintenance of Apartment Co., Ltd., and up to December 31, there was no actual drawing amount. The loaning of funds provided by Cinemark-Core Pacific, Ltd. to Cinema 7 Theater Co., Ltd. was of the balance of NT\$30,000 thousand, and up to December 31, 2022, the actual drawing amount was NT\$4,000 thousand.

3. External Endorsement/Guarantee

(1) Up to the deadline of December 31, 2022, the Company has not provided any external endorsements and guarantees.

(2) Regarding the subsidiary Cinemark-Core Pacific, Ltd., the board of directors' meetings held in April and October 2021 and August and September 2022 approved that based on the criteria of a company with more than 50% of voting shares directly or indirectly held by the Company, for the theater renovation and sound working capital loan applied by Cinema 7 Theater Co., Ltd., endorsement/guarantee was provided for an amount of NT\$16,415 thousand applied with Taishin D.A. Finance Co., Ltd., an amount of NT\$20,000 thousand with E.SUN Bank (providing certificate of deposit of RMB 5,000 thousand for setting of pledge) and an amount of NT\$57,885 thousand with Taishin International Bank (providing certificate of deposit of RMB 11,000 thousand for setting of pledge). Up to December 31, 2022, the actual drawing amount for such endorsement/guarantee was NT\$74,507 thousand.

(3) The meeting of the Board of Director in December 2022 passed that the subsidiaries, Core Pacific Consulting (Changshu) Co., Ltd. and Hua Cheng Consulting (Changshu) Co., Ltd. applied NT\$ 550,000,000 from Taipei Branch, the Bank of East Asia, Limited, for their business needs. The subsidiaries provided the RMB certificate of deposit, as a collateral for the financing facility of the Company from Suzhou Branch, the Bank of East Asia (China), Limited for a standby L/C of the amount of 142,000,000 RMB for two years. The guaranteed amount complies with the Guidelines of Loaning of Funds and Making of Endorsements/ Guarantees. As of December 31, 2022, the actual drafted amount by both companies is NT\$520,000 thousand.

(4) The meeting of the Board of Director in July 2022 passed that the subsidiary, Chung Kung Safeguarding & Security Corporation to be the joint guarantor for

the companies it has directly and indirectly held more than 50% of voting rights, BES Consultant Corporation and BES Apartment Maintenance and Management, for the joint financing facility of NT\$ 50,000 thousand from the Shanghai Commercial & Savings Bank, Ltd. The endorsement/guarantee amount complies with the Guidelines of Loaning of Funds and Making of Endorsements/ Guarantees. As of December 31, 2022, the actual drawing amount for the endorsements/guarantees provided the two companies to BES Consultant Corporation was NT\$2,000 thousand.

(V) The reports of acquisition or disposal of assets.

None

(VI) The reports of impaired assets.

None

V. Ratifications:

(1) Proposal 1 (proposed by the board of directors)

Subject: Please ratify the settled books of 2022.

Description:

- I. The Company's 2022 financial statements and the consolidated financial statements have been audited by Accountant Yao-Lin Huang and Shih-Chieh Chou of Deloitte. One copy of the business report, the financial statements and the consolidated financial statements are attached as the Attachment 1 (page 11~14), Attachment 3 (page 16~27), and Attachment 4 (page 28~38) of the Manual.
- II. The case was passed by the Audit Committee on March 10, 2023, written report was issued and passed with the resolutions of the 27th meeting of the board of directors, 26th Round.
- III. Please ratify.

Resolution:

(2) Proposal 2 (proposed by the board of directors)

Subject: Please ratify the profit distribution for 2022.

Description:

- I. After the company's 2022 individual financial statements were checked by accountants, the net profit after tax was NT\$ 821,314,951. The accumulated undistributed surplus in the previous period was NT\$ 3,265,983,743, The net profit after tax for the current period plus items other than the net profit for the current period is NT\$ 839,378,434, After deducting the statutory surplus reserve of NT\$ 83,937,843, The total surplus available for distribution in 2022 is NT\$ 4,021,424,334. According to the dividend policy of Article 28 of the company's articles of association, at least 20% must be allocated as shareholder dividends. It is proposed to distribute shareholder dividends of NT\$ 805,253,307.
- II. The paid-up capital of the Company is NT\$15,308,998,220 for 1,530,899,822 shares. The dividends to shareholders distributed as above mentioned are made in cash for NT\$ 805,253,307. The dividends to shareholders are approximately NT\$ 0.526 per share (or 20.02% of the distributable profit, consistent to the Company's Charter).
- III. For income tax, based on Article 66-9, when calculating the undistributed profit taxable for the 5% of profit-seeking enterprise income tax, the recent year's profit shall be distributed first.
- IV. According to Item 11 of Article 6 of the Organizational Rules of the Audit Committee of the Company, This case has been reviewed and approved by the Audit Committee and the Board of Directors, It is submitted to the 2023 shareholders meeting for recognition.
- V. The cash dividends are calculated proportionally rounding to NT\$; the sum of these cash dividends under NT\$ will be included in the Employee Benefit Committee.
- VI. Upon the passage of the shareholders' meeting, the board of directors is authorized to determine the ex-dividend base day and the issuance day for the cash dividends.

VII. For the table of profit distribution, please refer to Attachment 5 (page 39) of the Manual.

Resolution:

VI. Discussion Motions.

(1) Proposal 1 (proposed by the board of directors)

Subject: Amendment of some provisions in the “Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee,” please vote

Description:

- I. To cope with the Company’s business development, the “Procedures for Loaning of Funds and Making of Endorsements/Guarantees” of the Company are amended according to Article 3 of the current “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.
- II. Amending the “Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee,” and please refer to Attachment 6 (page 40~41) for the comparison table of the amendments.

Resolution:

VII. Election Motions.

(1) Proposal 1 (proposed by the board of directors)

Subject: Electing the directors and independent directors for the 27th term, please vote.

Description:

- I. The term of the Company’s directors and independent directors for 26th Round will be ended on June 23, 2023. It is intended to, pursuant to provisions related to election in the Company’s Charter Article 16 and the Company Act Article 195 and Article 198, to elect nine seats of the Company’s directors (three independent directors included) for the 27th Round. The term is from the adjournment of the shareholders’ meeting on June 7, 2023 to June 7, 2026, for three years; the directors may be re-elected.
- II. Pursuant to Article 22 of the Company’s Charter, the Audit Committee comprises of all three independent directors. If the Audit Committee is opted pursuant to laws, no supervisor is required ; Therefore, there will be no further election of supervisors at the shareholders’ meeting this year . The Audit Committee is established from the new independent directors are elected and becomes effective.
- III. There will be nine new directors of the Company (three independent directors included) for the 27th Round. Pursuant to Article 16, the Company’s Charter, elections of the Company’s directors shall be conducted in accordance with the candidate nomination system as the procedures set out in Article 192-1 of the Company Act, elected from the announced list of candidates. The Company’s board of directors has reviewed the list of candidates (independent directors included) on March 13, 2023. Please refer to Attachment 7 (page 42~43) of the Manual.

Resolution:

VIII. Other Motions.

(1) Proposal 1 (proposed by the board of directors)

Subject: Releasing the directors from the competition restrictions, please vote.

Description:

- I. Pursuant to Article 209, the Company Act, “A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval,” it is proposed to the Shareholders’ Meeting’s approval to release the directors and the representatives of the juristic-person directors of the Company, 27th term from the competition restrictions.
- II. To enable the directors and the representatives of the juristic-person directors of the Company may successfully promote the Company’s business, it is intended to release the directors and the representatives of the juristic-person directors of the Company who concur company and firms, position related the competition restrictions from such restrictions, pursuant to Paragraph 1, Article 209, the Company Act.

Description is as follows:

Title	Name of Directors	The concurred company and firms, position related the competition restrictions.	The address of a mainland company holding a part-time job
Representative of Juris	China Petrochemical Development Corporation	Director of BES Twin Towers Development Co., Ltd	Not applicable
		Director of Ding Yue Development Co., Ltd.	
Representative of Juris	Chen, Rui-Long	Independent Director of Inventec Corporation	
		Independent Director of Formosa Chemicals & Fibre Corporation	
		Director of Asia Cement Corporation	
		Director of Tatung Co., Ltd.	
		Directors of HannStar Board Co., Ltd.	
Representative of Juris	Bai, Jun-Nan	Vice Chairperson of China Petrochemical Development Corporation (CPDC)	
Representative of Juris	Chen, Wen-Ke	Architect of Tian-He Construction Co., Ltd.	
Independent director	Ko, Shu-Jen	Independent Director of Rich Development Construction Co., Ltd	
Independent director	Chang Fan	Chairperson of Han Shiang Development Co., Ltd	
		Vice Chairperson of Eastern Broadcasting Co., Ltd	
Independent director	Liu, Deng-Cheng	Independent Director of Ascent Development Co., Ltd	

Resolution:

IX. Extempore Motions

X. Adjournment

Three. Attachment

Attachment I. The 2022 business report

BES Engineering Corporation The 2022 business report

One. Operation Policy

Based on the corporate vision of “Build Sustainable Environment, Construct Great Residential Housing, Deep-rooted in International Market”, Company upholds corporate mission of “Physical Economic Development Promoter”. Over the past year, due to the COVID-19 pandemic, the global finance was under severe impact. To face the tough challenges, the management team of BES Engineering Inc. (the “Company”) continued to uphold the philosophy of revolution, innovation and sustainable operation. In addition, on December 28, 2022, the Company has established the four main profit centers of “public construction”, “private construction”, “real estate business” and “overseas business”. through relevant industrial chain vertical integration with horizontal links among business operators, resources have been integrated to achieve the maximum profit benefits, thereby triggering the continuous growth and improvement dynamics. In addition, through the active integration with new technologies, understanding of ESG trend, increase in technology level and digital transformation, the Company is able to achieve long-term growth and development.

Two. Operating Performance

In 2022, the consolidated operating revenue was NT\$15.093 billion, a decrease of NT\$2.104 billion from the consolidated operating revenue of NT\$17.197 billion in 2021; where the construction revenue decreased by NT\$1.087 billion, the business and other operating revenue decreased by NT\$1.017 billion. The decrease in the construction operating revenue was mainly due to that most of the newly contracted construction projects in 2021 and 2022 were under the planning and design stage, such that the revenue for the construction projects completed in 2021 could not be made up adequately. The decrease in the business and other operating revenue was mainly due to the real estate sales revenue being recognized by BES Yuncui in 2022 decreased by NT\$985 million from 2021. The 2022 consolidated gross profit was NT\$1.378 billion, an increase of NT\$1.038 billion from 2021, which was mainly due to the recognition of the construction loss of NT\$960 million in 2021. The 2021 consolidated operating expense was NT\$602 million, a decrease of NT\$97 million from 2021. The 2022 consolidated net operating profit was NT\$776 million, an increase of NT\$1.135 billion from 2021. The 2022 consolidated non-operating income was NT\$225 million, a decrease of NT\$2.612 billion from 2021. The 2022 consolidated net income after tax was NT\$805 billion, a decrease of NT\$1.875 billion from the 2021 consolidated net income after tax of NT\$2.662 billion. The 2022 earnings per share was NT\$0.54, a decrease of NT\$1.21 from the 2021 earnings per share of Core Pacific City NT\$1.75. The difference between the non-operating profit or loss and the income after tax of the two periods was mainly due to the recognition of the non-operating gain from the disposal of the real property of Core Pacific City for NT\$3.594 billion.

I. Construction completed in 2022

- (1) The public housing turnkey project on the Hebing High School Base in Neihu District of

Taipei City.

- (2) Hua-Nan DingPo Science and Technology Building construction project & Hua-Nan Information Technology Building new construction project.
- (3) Construction project of Yulong City's main body (phase 1).
- (4) The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport.
- (5) The comprehensive facility reinforcement project in Taoyuan International Airport.

II. Awarded tender projects in 2022

- (1) Zengwen Reservoir discharge channel and expansion with sludge extraction project, Hsinchu Science Park (Baoshan Land) Phase 2 expansion - First tender project.
- (2) Kaohsiung New Town Phase 2 development zone (cooperating with Science Park) development project section expropriation public works (2 zones).
- (3) Niazui Lake purification field new construction turnkey project (continued).
- (4) Hsinchu Science Park (Baoshan land) Phase 2 expansion - Second tender project.
- (5) Sun Ba Power Phase 2 administrative zone general construction turnkey project.
- (6) Taipei City West Gateway Taipei Main Station Specialized Zone C1/D1 (East Block) land development project.
- (7) Sun Ba Phase 2 solar photovoltaic equipment and detention basin turnkey project.

Three. Business Plan and Outlook

Due to the impacts of the worldwide COVID-19 pandemic and the Russo-Ukrainian War, global raw materials have been in shortage such that international prices have increased significantly. To overcome the economic difficulties, countries around the globe have adopted the relaxed currency policy with increased printing of bills, leading to severe global inflation. Consequently, the U.S. Federal Reserve System (Fed) adopts the continuous increase in interest rate to suppress inflation, and the government in Taiwan also follows such trend with the increase in the interest rate, causing an increase in financing interest rate. As a result, the construction and development industry originally suffering from the shortage of labor and materials needs to further face the tough challenge of an increase in construction costs.

As house prices continue to surge in Taiwan, the government has implemented numerous real estate hype prevention policies and actions, including the Integrated Housing and Land Tax and Land Value 2.0, an increase in land tax and land value increment tax, construction financing control, the Equalization of Land Rights Act to prevent the exchange of pre-sale house contracts, construction commencement within 18 months after acquisition of land, etc., causing the postponement of project release, the shift of seller's market to buyer's market and the overall exception for the decrease in future house prices. In view of the above, the year 2023 is expected to be a year of destocking and slow market growth. Since construction costs cannot be predicted, a lot of constructors have adopted the "build first and sale after" policy to ensure the stability of cash flows.

I. Public construction business: Continue to seize opportunities for major construction projects released by the government, including:

- 1 Railway construction projects: Projects include, such as, Taipei metropolitan area MRT system circular line northern section and southern section as well as surrounding land development projects, Wanda Zhonghe Line, Taoyuan railway underground project.
2. Water environment construction projects: Projects include, such as, Shimen Reservoir

connection to Hsinchu pipeline link project, Taichung Port outport area expansion project, etc.

3. City and village construction plans: Improvement of road quality (highway system, etc.).
4. Green energy constructions: Renovation and new construction plans of various power plants, etc.

II. Private construction business:

BES Metaverse is expected to complete the upper steel construction during 2023 Q4. For the construction of the Mingsheng Community Urban Renewal Project Phase 3 “Bi Yen Court” started in May 2020, the steel construction has been completed during the end of 2022. For the Mingsheng Community Urban Renewal Project Phase 4 “Ming Sen Garden”, the demolition of old building has been started in December 2022. In the future, the Company will focus on the development goal of improvement construction quality reputation and engineering technologies. In addition, the Company will engage in the contract works of self-construction projects via the cost addition method and the external contract works of private construction projects.

III. Real estate business:

To cope with the real estate development trend for next year, the development business still focuses on the urban renewal development as the main business, in order to reduce the risk of large capital expenditure before development. In addition, for tender project type of development, based on the consideration of bank financing policy tightening and significant increase in own financing fund during early stage, the Company adopts the strategy of engaging in cooperative alliance or joint development with other operators in the construction industry. Accordingly, it is able to achieve the advantages of combining with other operators in the same industry, greater effective resources and professional complementation can be achieved, in order to diversify the development risk and to satisfy market development needs, which will be set as the annual operation policy.

In 2023, for the new industrial zone projects of West I Zone Phase 1 and Lunwei Metal Zone Phase 3, sales strategy will be adopted according to the current condition of each zone and flexible adjustments will also be made according to the cooperating companies’ needs. For potential customers of large area of land, customized method is adopted to satisfy their land use demands. For small and medium enterprises, the Company releases small area sections to provide flexible plant construction for diverse industrial business operators and also actively visits returning Taiwanese manufacturers and unregistered factories under government’s guidance. We expect that the business invitation and fund recovery for the Changbin Industrial Park will be beneficial to the Company.

In addition to the Changbin Lunwei West I Zone Phase 2 and Lunwei Metal Surface Treatment Professional Zone Phase 1, Lunwei Environmental Protection Land and other road and public construction projects, the Company mainly cooperates with construction for projects that have been set for land lease and sale and projects with urgent and safety protection needs along with the use of the lease or sales income and fund provided by the proprietors to cover expenses to ensure stable fund source in priority.

IV. Overseas business:

Since 2021, due to the original government being taken over by military power, Myanmar has faced an economic recession. In addition to the international economic sanction, a lot of large government tender projects have been suspended completely. In 2022, Vietnam government implemented real estate development control and investigation, causing the real estate market to decline, and the local bank industry also cooperated the policy to tighten their loan policies. Accordingly, a lot of publicly listed real estate developers suffered from falling of stock price and shortage of working capital. Furthermore, under the impact of COVID-19 pandemic, Vietnam government restrictively permits the application of expert visa. Under the ruling of the military government, the Myanmar adopted strict entry access control, and direct contact could not be made directly, such that the negotiation and information collection difficulty increased.

In 2023, the Overseas Business Department will re-organize the potential cases in the surrounding areas of popular cities of Ho Chi Minh and Hanoi in Vietnam, and will also review the completeness of legal documents before the negotiation with landlords. In addition, the Company will further adjust the strategic direction to engage in cooperation with local influential developers, such that the acquisition of large land development projects in Vietnam can be promoted through collaboration with local constructors. In addition, the Company will also establish new office location at Hanoi, in order to facilitate the large land development at the northern area of Vietnam.

Looking into the year of 2023, in addition to the continuous stable development of public construction business, active expansion of private construction projects and strengthening of real estate business, the Company will also seek overseas business actively. As for internal operation management, the Company will synchronously launch operation procedure modularization, improve team technology, and implement rigorous quality control, in order to carefully evaluate and maintain flexible model to cope with the challenging market and environment, thereby creating higher value, fulfilling corporate social responsibility, and providing return to all shareholders for their long-term care and support.

Attachment No. II.

The Audit Report from the Audit Committee

BES Engineering Corporation Audit Report by Audit Committee

The business report, parent company only financial statements FOR 2022, consolidated financial statements, and the proposal of profit distribution prepared by the Board of Directors have been delegated to CPAs from Deloitte Taiwan, Mr. Yao-Lin Huang and Mr. Shih-Chieh Chou; the documents are reviewed with the audit report.

The abovementioned business report, parent company only financial statements, consolidated financial statements, and the proposal of profit distribution have been audited by the Audit Committee, and found no inconsistency with Article 14 of the Securities Exchange Act and Article 219 of the Company Act.

Please review

To

the AGM of BES Engineering Corporation

Audit Committee, BES Engineering Corporation

Independent Directors: Ko, Shu-Jen

Independent Directors: Lu, He-Yi

Independent Directors: Chang, Fan

March 13, 2023

Attachment No. III.

Independent Accountant’s Audit Report and the 2022 Financial Statements

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
BES Engineering Corporation

Opinion

We have audited the accompanying consolidated financial statements of BES Engineering Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated 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 (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Accuracy of Construction Revenue Recognized

The Group operates in the construction industry and is mainly engaged in the construction of roads, bridges, wharfs and multi-storey residential buildings and office complexes. The Group calculates construction revenue based on the estimated percentage of completion and the total price of the construction project. As estimates are required to be made with reference to internal and external documents during the calculation of the percentage of completion of construction, the calculation of the percentage of completion is considered complex. In addition, the Group's construction revenue amount for the year ended December 31, 2022 is material, hence, the accuracy of recognition of construction revenue was deemed as a key audit matter for the year ended December 31, 2022. Refer to Note 4 to the accompanying consolidated financial statements for the relevant accounting policies and Table 1 following the notes to the consolidated financial statements for the financial information of the construction projects.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We understood and tested the design and operating effectiveness of the internal controls related to the estimation of the percentage of completion and the accuracy of construction revenue recognized.
2. We evaluated whether the accounting policies on the estimation of the percentage of completion were consistently applied.
3. We performed tests of the details of incomplete construction projects at the end of the year to confirm the accuracy of construction revenue recognized.
4. We obtained confirmations of approval of the owners after the reporting period and confirmed that no material adjustments were made after the reporting period.

Net Realizable Value of Real Estate Inventory

The Group is mainly engaged in the construction of buildings and transacting of real estate. As stated in Note 12, the carrying amount of buildings and land held for sale in the consolidated balance sheets as of December 31, 2022 is material. As real estate inventory is stated at the lower of cost and net realizable value, and the net realizable value of real estate inventory may be affected by changes in the market price of real estate and its assessment involves management's subjective judgment and accounting estimates, the net realizable value of real estate inventory was deemed as a key audit matter for the year ended December 31, 2022. Refer to Note 5 to the accompanying consolidated financial statements for the relevant accounting judgments and key sources of estimation uncertainty.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We evaluated whether the accounting policies on the valuation of real estate inventory were consistently applied.
2. We obtained the information on the calculation of the net realizable value and impairment assessment of the above-mentioned real estate inventory and reviewed whether the assessment results were reasonable.

Other Matter

We have also audited the parent company only financial statements of BES Engineering Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the Standards on Auditing of 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 consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements for the year ended December 31, 2022 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.

The engagement partners on the audits resulting in this independent auditors' report are Yao-Lin Huang and Shih-Chieh Chou.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 15)	\$ 4,189,543	9	\$ 2,995,422	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 34)	4,142	-	2,380,206	5
Financial assets at fair value through other comprehensive income - current (Notes 4, 8, and 35)	1,214,472	3	1,081,055	2
Financial assets at amortized cost - current (Notes 4, 9, 24 and 35)	3,941,197	9	4,692,740	10
Contract assets - current (Notes 15, 24, 26 and Table 1)	2,498,541	6	2,459,043	5
Notes receivable and trade receivables, net (Notes 4, 10, 26 and 34)	95,484	-	97,661	-
Construction receivables (Notes 4, 10, 15, 24, 26 and 34)	2,603,165	6	2,286,738	5
Accounts receivable on the development of industrial districts (Notes 4, 11, 24 and 35)	2,898,047	6	6,077,203	13
Inventories (Notes 4, and 24)	255,222	1	188,496	-
Buildings and land held for sale, net (Notes 4, 5, 12, 24 and 35)	11,831,311	26	11,850,421	25
Construction in progress (Notes 4, 12, 24 and 35)	4,962,958	11	3,113,718	7
Refundable deposits on construction contracts (Note 24)	142,162	-	158,801	-
Other current assets (Notes 15 and 34)	1,353,584	3	1,373,137	3
Total current assets	<u>35,989,828</u>	<u>80</u>	<u>38,754,641</u>	<u>81</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8, 34 and 35)	1,913,173	4	1,734,715	4
Financial assets at amortized cost - non-current (Notes 4, 9 and 35)	631,962	1	4,291	-
Investments accounted for using the equity method (Notes 4 and 14)	1,591,585	4	1,638,812	3
Property, plant and equipment, net (Notes 4, 16 and 35)	3,089,497	7	3,210,072	7
Right-of-use assets (Notes 4, 17 and 34)	234,288	1	227,925	-
Investment properties, net (Notes 4, 18 and 35)	1,113,221	2	1,029,029	2
Deferred tax assets (Notes 4 and 28)	470,398	1	597,279	1
Refundable deposits (Notes 15 and 34)	42,984	-	70,215	-
Prepayments for investments	-	-	770,870	2
Net defined benefit assets (Notes 4 and 23)	5,260	-	-	-
Other non-current assets	57,700	-	50,314	-
Total non-current assets	<u>9,150,068</u>	<u>20</u>	<u>9,333,522</u>	<u>19</u>
TOTAL	<u>\$ 45,139,896</u>	<u>100</u>	<u>\$ 48,088,163</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 35)	\$ 4,714,000	11	\$ 3,045,113	6
Short-term bills payable (Notes 19 and 35)	1,050,051	2	2,531,971	5
Contract liabilities - current (Notes 15, 24, 26, 34 and Table 1)	2,181,474	5	2,764,252	6
Notes payable (Note 24)	3,354	-	8,343	-
Trade payables (Notes 15, 20 and 24)	4,292,669	10	4,613,161	10
Accrued expenses (Notes 15 and 34)	631,633	1	461,736	1
Accounts payable for the development of industrial districts (Notes 4, 21 and 24)	18,363	-	1,981,683	4
Current tax liabilities (Note 4)	80,492	-	20,778	-
Provisions - current (Notes 4, 22 and 24)	492,541	1	461,341	1
Lease liabilities - current (Notes 4, 17 and 34)	71,090	-	66,025	-
Current portion of long-term borrowings (Notes 19 and 35)	57,057	-	746,870	1
Guarantee deposits on construction contracts (Note 24)	575,472	1	477,569	1
Other current liabilities (Notes 15 and 34)	283,519	1	293,233	1
Total current liabilities	<u>14,451,715</u>	<u>32</u>	<u>17,472,075</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 35)	5,744,160	13	5,313,000	11
Provisions - non-current (Notes 4 and 22)	971,846	2	984,074	2
Deferred tax liabilities (Notes 4 and 28)	1,090,365	3	1,115,149	2
Lease liabilities - non-current (Notes 4, 17 and 34)	174,117	-	172,469	1
Net defined benefit liabilities - non-current (Notes 4 and 23)	-	-	73,822	-
Guarantee deposits received (Note 34)	31,469	-	28,828	-
Total non-current liabilities	<u>8,011,957</u>	<u>18</u>	<u>7,687,342</u>	<u>16</u>
Total liabilities	<u>22,463,672</u>	<u>50</u>	<u>25,159,417</u>	<u>52</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	15,308,998	34	15,308,998	32
Capital surplus	74,648	-	73,884	-
Retained earnings				
Legal reserve	1,116,990	2	821,206	2
Special reserve	2,475,958	6	2,475,958	5
Unappropriated earnings	4,105,362	9	4,379,268	9
Total retained earnings	7,698,310	17	7,676,432	16
Other equity	(477,143)	(1)	(223,791)	-
Total equity attributable to owners of the Corporation	22,604,813	50	22,835,523	48
NON-CONTROLLING INTERESTS	71,411	-	93,223	-
Total equity	<u>22,676,224</u>	<u>50</u>	<u>22,928,746</u>	<u>48</u>
TOTAL	<u>\$ 45,139,896</u>	<u>100</u>	<u>\$ 48,088,163</u>	<u>100</u>

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

BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 15, 26 and 34)				
Construction revenue	\$ 13,473,803	89	\$ 14,560,049	85
Other operating revenue	<u>1,619,569</u>	<u>11</u>	<u>2,636,636</u>	<u>15</u>
Total operating revenue	<u>15,093,372</u>	<u>100</u>	<u>17,196,685</u>	<u>100</u>
OPERATING COSTS (Notes 4, 15, 23, 27 and 34)				
Construction costs	12,218,854	81	14,471,086	84
Other operating costs	<u>1,496,696</u>	<u>10</u>	<u>2,385,713</u>	<u>14</u>
Total operating costs	<u>13,715,550</u>	<u>91</u>	<u>16,856,799</u>	<u>98</u>
GROSS PROFIT	<u>1,377,822</u>	<u>9</u>	<u>339,886</u>	<u>2</u>
OPERATING EXPENSES (Notes 23, 27 and 34)				
Selling and marketing expenses	99,005	1	133,836	1
General and administrative expenses	471,805	3	537,719	3
Research and development expenses	30,838	-	27,113	-
Expected credit losses (gains) (Note 10)	<u>159</u>	<u>-</u>	<u>(163)</u>	<u>-</u>
Total operating expenses	<u>601,807</u>	<u>4</u>	<u>698,505</u>	<u>4</u>
PROFIT (LOSS) FROM OPERATIONS	<u>776,015</u>	<u>5</u>	<u>(358,619)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4, 15, 27 and 34)	444,073	3	71,703	-
Other income (Notes 4, 23, 27, 30 and 34)	2,546,351	17	76,560	1
Other gains and losses (Notes 7, 27, 34 and 37)	(2,538,818)	(17)	2,842,626	17
Finance costs (Notes 4, 12, 27 and 34)	(183,839)	(2)	(150,282)	(1)
Expected credit losses (Note 34)	(22,628)	-	-	-
Share of profit or loss of associates	<u>(20,046)</u>	<u>-</u>	<u>(3,519)</u>	<u>-</u>
Total non-operating income and expenses	<u>225,093</u>	<u>1</u>	<u>2,837,088</u>	<u>17</u>
PROFIT BEFORE INCOME TAX	1,001,108	6	2,478,469	15
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 28)	<u>195,952</u>	<u>1</u>	<u>(183,707)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>805,156</u>	<u>5</u>	<u>2,662,176</u>	<u>16</u>

(Continued)

BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 23, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	17,285	-	(241)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(368,753)	(2)	257,778	1
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(35,092)	-	14,095	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(3,457)	-	48	-
	<u>(390,017)</u>	<u>(2)</u>	<u>271,680</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	147,985	1	(12,698)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	7,911	-	(19,945)	-
	<u>155,896</u>	<u>1</u>	<u>(32,643)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(234,121)</u>	<u>(1)</u>	<u>239,037</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 571,035</u>	<u>4</u>	<u>\$ 2,901,213</u>	<u>17</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 821,315	5	\$ 2,676,758	15
Non-controlling interests	<u>(16,159)</u>	<u>-</u>	<u>(14,582)</u>	<u>-</u>
	<u>\$ 805,156</u>	<u>5</u>	<u>\$ 2,662,176</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 586,580	4	\$ 2,915,641	17
Non-controlling interests	<u>(15,545)</u>	<u>-</u>	<u>(14,428)</u>	<u>-</u>
	<u>\$ 571,035</u>	<u>4</u>	<u>\$ 2,901,213</u>	<u>17</u>

(Continued)

BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$0.54</u>		<u>\$1.75</u>	
Diluted	<u>\$0.54</u>		<u>\$1.74</u>	

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

(Concluded)

BES ENGINEERING CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation (Notes 4 and 25)											Non-controlling Interests (Notes 25 and 31)	Total Equity
	Share Capital Issued and Outstanding		Capital Surplus	Retained Earnings				Exchange Differences on Translation of Foreign Operations	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Total		
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Total	Total			
BALANCE, JANUARY 1, 2021	1,530,899	\$ 15,308,998	\$ 73,833	\$ 759,714	\$ 2,788,570	\$ 1,839,615	\$ 5,387,899	\$ (303,569)	\$ (159,337)	\$ (462,906)	\$ 20,307,824	\$ 107,718	\$ 20,415,542
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	(312,612)	312,612	-	-	-	-	-	-	-
Appropriation of the 2020 earnings													
Legal reserve	-	-	-	61,492	-	(61,492)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(356,700)	(356,700)	-	-	-	(356,700)	-	(356,700)
Total	-	-	-	61,492	-	(418,192)	(356,700)	-	-	-	(356,700)	-	(356,700)
Donations from shareholders	-	-	38	-	-	-	-	-	-	-	38	-	38
Changes from investments in associates accounted for using the equity method	-	-	-	-	-	(31,293)	(31,293)	-	-	-	(31,293)	-	(31,293)
Actual acquisition of interests in subsidiaries	-	-	13	-	-	-	-	-	-	-	13	(67)	(54)
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	-	2,676,758	2,676,758	-	-	-	2,676,758	(14,582)	2,662,176
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(232)	(232)	(32,483)	271,598	239,115	238,883	154	239,037
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	2,676,526	2,676,526	(32,483)	271,598	239,115	2,915,641	(14,428)	2,901,213
BALANCE, DECEMBER 31, 2021	1,530,899	15,308,998	73,884	821,206	2,475,958	4,379,268	7,676,432	(336,052)	112,261	(223,791)	22,835,523	93,223	22,928,746
Appropriation of the 2021 earnings													
Legal reserve	-	-	-	295,784	-	(295,784)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(817,500)	(817,500)	-	-	-	(817,500)	-	(817,500)
Total	-	-	-	295,784	-	(1,113,284)	(817,500)	-	-	-	(817,500)	-	(817,500)
Actual acquisition of interests in subsidiaries	-	-	745	-	-	-	-	(285)	(269)	(554)	191	(4,754)	(4,563)
Changes in percentage of ownership interests in subsidiaries	-	-	19	-	-	-	-	-	-	-	19	(983)	(964)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(530)	(530)
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	-	821,315	821,315	-	-	-	821,315	(16,159)	805,156
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	13,434	13,434	155,544	(403,713)	(248,169)	(234,735)	614	(234,121)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	834,749	834,749	155,544	(403,713)	(248,169)	586,580	(15,545)	571,035
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	4,629	4,629	-	(4,629)	(4,629)	-	-	-
BALANCE, DECEMBER 31, 2022	1,530,899	\$ 15,308,998	\$ 74,648	\$ 1,116,990	\$ 2,475,958	\$ 4,105,362	\$ 7,698,310	\$ (180,793)	\$ (296,350)	\$ (477,143)	\$ 22,604,813	\$ 71,411	\$ 22,676,224

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

BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,001,108	\$ 2,478,469
Adjustments for:		
Depreciation expense	160,142	160,707
Expected credit loss (reversal)	22,787	(163)
Net loss on fair value changes of financial assets at fair value through profit or loss	2,348,504	8,350
Finance costs	183,839	150,282
Interest income	(444,073)	(71,703)
Dividend income	(2,454,916)	(12,533)
Share of profit or loss of associates	20,046	3,519
Loss on disposal of property, plant and equipment	2,839	458
Gain on disposal of associates	-	(2,849,350)
Reversal of impairment losses on financial assets	-	(775,507)
Loss (gain) on lease modification	8	(2,903)
Compensation loss (reversal)	(13,844)	665,623
Changes in operating assets and liabilities		
Notes receivable and trade receivables	2,018	(12,863)
Contract assets	(39,498)	814,847
Construction receivables	(316,427)	(1,031,921)
Accounts receivable on the development of industrial districts	3,179,156	917,839
Inventories	(66,726)	(174,425)
Construction in progress	(1,975,449)	(1,398,319)
Buildings and land held for sale	197,957	951,654
Other current assets	(3,782)	(248,058)
Notes payable	(4,989)	6,066
Contract liabilities	(582,778)	515,331
Trade payables	(320,492)	265,346
Accrued expenses	169,897	74,941
Accounts payable for the development of industrial districts	(1,963,320)	38,656
Provisions	32,816	(54,133)
Net defined benefit liabilities	(61,797)	(36,865)
Other current liabilities	(16,274)	(36,467)
Cash generated from (used in) operations	(943,248)	346,878
Interest received	444,048	70,781
Interest paid	(229,735)	(174,594)
Income tax paid	(36,866)	(46,055)
Net cash generated from (used in) operating activities	<u>(765,801)</u>	<u>197,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(868,218)

(Continued)

BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from disposal of financial assets at fair value through other comprehensive income	8,506	1,937
Cash returns from capital reduction of financial assets at fair value through other comprehensive income	81,736	-
Proceeds from disposal (purchase) of financial assets at amortized cost	123,872	(1,060,157)
Purchase of financial assets at fair value through profit and loss	-	(582,172)
Proceeds from disposal of financial assets at fair value through profit and loss	27,560	592,909
Cash returns from capital reduction of financial assets at fair value through profit and loss	-	1,532,692
Payments for property, plant and equipment	(44,189)	(63,104)
Proceeds from disposal of property, plant and equipment	758	204
Decrease (increase) in refundable deposits	43,870	(44,517)
Increase in other assets	(7,386)	(30,571)
Decrease in prepayments for equipment	-	3,133
Increase in prepayments for investments	-	(770,870)
Dividends received	<u>2,454,916</u>	<u>12,533</u>
Net cash generated from (used in) investing activities	<u>2,689,643</u>	<u>(1,276,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,668,887	214,930
Proceeds from (repayment of) short-term bills payable	(1,481,920)	200,726
Proceeds from (repayment of) long-term borrowings	(258,653)	1,322,061
Increase in guarantee deposits received	100,544	36,303
Repayment of the principal portion of lease liabilities	(78,872)	(69,882)
Cash dividends distributed	(817,500)	(356,700)
Acquisition of additional interests in subsidiaries	(5,527)	(54)
Dividends paid to non-controlling interests	(530)	-
Donations from shareholders	<u>-</u>	<u>38</u>
Net cash generated from (used in) financing activities	<u>(873,571)</u>	<u>1,347,422</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>143,850</u>	<u>(10,539)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,194,121	257,692
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,995,422</u>	<u>2,447,681</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,189,543</u>	<u>\$ 2,705,373</u>

(Continued)

BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2022 and 2021:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 4,189,543	\$ 2,995,422
Bank overdrafts	<u>-</u>	<u>(290,049)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 4,189,543</u>	<u>\$ 2,705,373</u>

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

(Concluded)

Appendix No. IV.

The Audited and Certified Unconsolidated Financial Statements of the Recent Year by Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
BES Engineering Corporation

Opinion

We have audited the accompanying financial statements of BES Engineering Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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 Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the Corporation's financial statements for the year ended December 31, 2022 are stated as follows:

Accuracy of Construction Revenue Recognized

The Corporation operates in the construction industry and is mainly engaged in the construction of roads, bridges, wharfs and multi-storey residential buildings and office complexes. The Corporation calculates construction revenue based on the estimated percentage of completion and the total price of the construction project. As estimates are required to be made with reference to internal and external documents during the calculation of the percentage of completion of construction, the calculation of the percentage of completion is considered complex. In addition, the Corporation's construction revenue amount for the year ended December 31, 2022 is material, hence, the accuracy of recognition of construction revenue was deemed as a key audit matter for the year ended December 31, 2022. Refer to Note 4 to the accompanying financial statements for the relevant accounting policies and Table 1 following the notes to the financial statements for the financial information of the construction projects.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We understood and tested the design and operating effectiveness of the internal controls related to the estimation of the percentage of completion and the accuracy of construction revenue recognized.
2. We evaluated whether the accounting policies on the estimation of the percentage of completion were consistently applied.
3. We performed tests of the details of incomplete construction projects at the end of the year to confirm the accuracy of construction revenue recognized.
4. We obtained confirmations of approval of the owners after the reporting period and confirmed that no material adjustments were made after the reporting period.

Net Realizable Value of Real Estate Inventory

The Corporation is mainly engaged in the construction of buildings and transacting of real estate. As stated in Note 12, the carrying amount of buildings and land held for sale in the balance sheets as of December 31, 2022 is material. As real estate inventory is stated at the lower of cost and net realizable value, and the net realizable value of real estate inventory may be affected by changes in the market price of real estate and its assessment involves management's subjective judgment and accounting estimates, the net realizable value of real estate inventory was deemed as a key audit matter for the year ended December 31, 2022. Refer to Note 5 to the accompanying financial statements for the relevant accounting judgments and key sources of estimation uncertainty.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We evaluated whether the accounting policies on the valuation of real estate inventory were consistently applied.
2. We obtained the information on the calculation of the net realizable value and impairment assessment of the above-mentioned real estate inventory and reviewed whether the assessment results were reasonable.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation'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 the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgement 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 Corporation'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 Corporation'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 Corporation 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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 financial statements for the year ended December 31, 2022 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.

The engagement partners on the audits resulting in this independent auditors' report are Yao-Lin Huang and Shih-Chieh Chou.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

BES ENGINEERING CORPORATION

BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4, 6 and 14)	\$ 2,447,556	5	\$ 1,530,676	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	4,142	-	2,359,315	5
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	893,093	2	664,330	2
Financial assets at amortized cost - current (Notes 4, 9, 23 and 32)	3,797,966	9	3,936,565	8
Contract assets - current (Notes 14, 23, 25 and Table 1)	2,498,541	6	2,459,043	5
Construction receivables (Notes 4, 10, 14, 23, 25 and 31)	2,603,165	6	2,286,738	5
Accounts receivable on the development of industrial districts (Notes 4, 11, 23 and 32)	2,898,047	6	6,077,203	13
Inventories (Notes 4 and 23)	254,843	1	175,179	-
Buildings and land held for sale, net (Notes 4, 5, 12, 23 and 32)	11,829,468	27	11,848,760	25
Construction in progress (Notes 4, 12, 23 and 32)	4,962,958	11	3,113,718	7
Refundable deposits on construction contracts (Note 23)	142,162	-	158,801	-
Other current assets (Notes 14 and 31)	1,309,265	3	1,205,111	3
Total current assets	<u>33,641,206</u>	<u>76</u>	<u>35,815,439</u>	<u>76</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8, 31 and 32)	1,913,173	4	1,562,314	4
Investments accounted for using the equity method (Notes 4 and 13)	4,448,482	10	4,538,937	10
Property, plant and equipment, net (Notes 4, 15 and 32)	3,035,216	7	2,416,388	5
Right-of-use assets (Notes 4, 16 and 31)	117,139	-	80,757	-
Investment properties, net (Notes 4, 17 and 32)	868,843	2	1,005,711	2
Deferred tax assets (Notes 4 and 27)	416,410	1	536,752	1
Refundable deposits (Notes 14 and 31)	39,713	-	61,302	-
Prepayments for investments	-	-	770,870	2
Other non-current assets	35,763	-	46,151	-
Total non-current assets	<u>10,874,739</u>	<u>24</u>	<u>11,019,182</u>	<u>24</u>
TOTAL	<u>\$ 44,515,945</u>	<u>100</u>	<u>\$ 46,834,621</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 32)	\$ 4,603,000	10	\$ 2,688,049	6
Short-term bills payable (Notes 18 and 32)	1,050,051	3	2,531,971	5
Contract liabilities - current (Notes 14, 23, 25, 31 and Table 1)	2,160,262	5	2,734,378	6
Notes payable (Note 23)	3,008	-	7,167	-
Trade payables (Notes 14, 19, 23 and 31)	4,288,029	10	4,531,620	10
Accrued expenses (Notes 14 and 31)	551,180	1	371,470	1
Accounts payable for the development of industrial districts (Notes 4, 20 and 23)	18,363	-	1,981,683	4
Current tax liabilities (Note 4)	69,950	-	-	-
Provisions - current (Notes 4, 21 and 23)	492,541	1	461,341	1
Lease liabilities - current (Notes 4, 16 and 31)	42,178	-	31,467	-
Current portion of long-term borrowings (Notes 18 and 32)	37,948	-	670,000	1
Guarantee deposits on construction contracts (Note 23)	575,472	1	477,569	1
Other current liabilities (Notes 14 and 31)	183,075	1	194,456	-
Total current liabilities	<u>14,075,057</u>	<u>32</u>	<u>16,681,171</u>	<u>35</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 32)	5,734,094	13	5,147,316	11
Provisions - non-current (Notes 4 and 21)	971,846	2	984,074	2
Deferred tax liabilities (Notes 4 and 27)	1,016,744	2	1,035,383	3
Lease liabilities - non-current (Notes 4, 16 and 31)	76,728	-	50,664	-
Net defined benefit liabilities - non-current (Notes 4 and 22)	8,617	-	80,665	-
Guarantee deposits received (Note 31)	28,046	-	19,825	-
Total non-current liabilities	<u>7,836,075</u>	<u>17</u>	<u>7,317,927</u>	<u>16</u>
Total liabilities	<u>21,911,132</u>	<u>49</u>	<u>23,999,098</u>	<u>51</u>
EQUITY				
Ordinary shares	15,308,998	35	15,308,998	33
Capital surplus	74,648	-	73,884	-
Retained earnings				
Legal reserve	1,116,990	2	821,206	2
Special reserve	2,475,958	6	2,475,958	5
Unappropriated earnings	4,105,362	9	4,379,268	9
Total retained earnings	<u>7,698,310</u>	<u>17</u>	<u>7,676,432</u>	<u>16</u>
Other equity	(477,143)	(1)	(223,791)	-
Total equity	<u>22,604,813</u>	<u>51</u>	<u>22,835,523</u>	<u>49</u>
TOTAL	<u>\$ 44,515,945</u>	<u>100</u>	<u>\$ 46,834,621</u>	<u>100</u>

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

BES ENGINEERING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 14, 25 and 31)				
Construction revenue	\$ 13,473,803	97	\$ 14,560,049	92
Other operating revenue	<u>409,634</u>	<u>3</u>	<u>1,263,696</u>	<u>8</u>
Total operating revenue	<u>13,883,437</u>	<u>100</u>	<u>15,823,745</u>	<u>100</u>
OPERATING COSTS (Notes 4, 14, 22, 26 and 31)				
Construction costs	12,448,464	90	14,742,490	93
Other operating costs	<u>218,678</u>	<u>1</u>	<u>1,009,314</u>	<u>6</u>
Total operating costs	<u>12,667,142</u>	<u>91</u>	<u>15,751,804</u>	<u>99</u>
GROSS PROFIT	<u>1,216,295</u>	<u>9</u>	<u>71,941</u>	<u>1</u>
OPERATING EXPENSES (Notes 22, 26 and 31)				
Selling and marketing expenses	86,510	1	113,600	1
General and administrative expenses	279,109	2	309,944	2
Research and development expenses	<u>30,838</u>	<u>-</u>	<u>27,113</u>	<u>-</u>
Total operating expenses	<u>396,457</u>	<u>3</u>	<u>450,657</u>	<u>3</u>
PROFIT (LOSS) FROM OPERATIONS	<u>819,838</u>	<u>6</u>	<u>(378,716)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4, 14, 26 and 31)	40,350	-	48,624	-
Other income (Notes 4, 26 and 31)	2,520,195	18	75,280	1
Other gains and losses (Notes 7, 26, 31 and 34)	(2,522,010)	(18)	2,792,209	18
Finance costs (Notes 4, 12, 26 and 31)	(175,776)	(1)	(133,440)	(1)
Expected credit losses (Note 31)	(22,628)	-	-	-
Share of profit or loss of subsidiaries and associates (Notes 4 and 13)	<u>346,039</u>	<u>2</u>	<u>73,082</u>	<u>-</u>
Total non-operating income and expenses	<u>186,170</u>	<u>1</u>	<u>2,855,755</u>	<u>18</u>
PROFIT BEFORE INCOME TAX	1,006,008	7	2,477,039	16
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 27)	<u>184,693</u>	<u>1</u>	<u>(199,719)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>821,315</u>	<u>6</u>	<u>2,676,758</u>	<u>17</u>

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 22, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	15,763	-	(1,327)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(260,952)	(2)	191,441	1
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(141,937)	(1)	80,987	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>(3,153)</u>	<u>-</u>	<u>265</u>	<u>-</u>
	(390,279)	(3)	271,366	1
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>155,544</u>	<u>1</u>	<u>(32,483)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(234,735)</u>	<u>(2)</u>	<u>238,883</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 586,580</u>	<u>4</u>	<u>\$ 2,915,641</u>	<u>18</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 0.54</u>		<u>\$ 1.75</u>	
Diluted	<u>\$ 0.54</u>		<u>\$ 1.74</u>	

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

(Concluded)

BES ENGINEERING CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Share Capital Issued and Outstanding (Notes 4 and 24)		Retained Earnings (Note 24)				Other Equity (Notes 4 and 24)			Total Equity	
	Number of Shares (In thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Total
BALANCE, JANUARY 1, 2021	1,530,899	\$ 15,308,998	\$ 73,833	\$ 759,714	\$ 2,788,570	\$ 1,839,615	\$ 5,387,899	\$ (303,569)	\$ (159,337)	\$ (462,906)	\$ 20,307,824
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	(312,612)	312,612	-	-	-	-	-
Appropriation of the 2020 earnings											
Legal reserve	-	-	-	61,492	-	(61,492)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(356,700)	(356,700)	-	-	-	(356,700)
Total	-	-	-	61,492	-	(418,192)	(356,700)	-	-	-	(356,700)
Donations from shareholders	-	-	38	-	-	-	-	-	-	-	38
Changes from investments in associates accounted for using the equity method	-	-	-	-	-	(31,293)	(31,293)	-	-	-	(31,293)
Actual acquisition of interests in subsidiaries	-	-	13	-	-	-	-	-	-	-	13
Net profit for the year ended December 31, 2021	-	-	-	-	-	2,676,758	2,676,758	-	-	-	2,676,758
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(232)	(232)	(32,483)	271,598	239,115	238,883
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	2,676,526	2,676,526	(32,483)	271,598	239,115	2,915,641
BALANCE, DECEMBER 31, 2021	1,530,899	15,308,998	73,884	821,206	2,475,958	4,379,268	7,676,432	(336,052)	112,261	(223,791)	22,835,523
Appropriation of the 2021 earnings											
Legal reserve	-	-	-	295,784	-	(295,784)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(817,500)	(817,500)	-	-	-	(817,500)
Total	-	-	-	295,784	-	(1,113,284)	(817,500)	-	-	-	(817,500)
Actual acquisition of interests in subsidiaries	-	-	745	-	-	-	-	(285)	(269)	(554)	191
Changes in percentage of ownership interests in subsidiaries	-	-	19	-	-	-	-	-	-	-	19
Net profit for the year ended December 31, 2022	-	-	-	-	-	821,315	821,315	-	-	-	821,315
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	13,434	13,434	155,544	(403,713)	(248,169)	(234,735)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	834,749	834,749	155,544	(403,713)	(248,169)	586,580
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	4,629	4,629	-	(4,629)	(4,629)	-
BALANCE, DECEMBER 31, 2022	1,530,899	\$ 15,308,998	\$ 74,648	\$ 1,116,990	\$ 2,475,958	\$ 4,105,362	\$ 7,698,310	\$ (180,793)	\$ (296,350)	\$ (477,143)	\$ 22,604,813

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

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,006,008	\$ 2,477,039
Adjustments for:		
Depreciation expenses	90,430	72,431
Expected credit losses	22,628	-
Net loss on fair value changes of financial assets at fair value through profit or loss	2,333,852	30,852
Finance costs	175,776	133,440
Interest income	(40,350)	(48,624)
Dividend income	(2,427,807)	(10,201)
Share of profit or loss of subsidiaries and associates	(346,039)	(73,082)
Loss on disposal of property, plant and equipment	839	564
Gain on disposal of associates	-	(2,849,350)
Reversal of impairment losses on financial assets	-	(775,507)
Gain on lease modification	(85)	(27)
Compensation loss (reversal)	(13,721)	668,746
Changes in operating assets and liabilities		
Construction receivables	(306,426)	(1,031,921)
Contract assets	(39,498)	814,847
Accounts receivable on the development of industrial districts	3,179,156	917,839
Construction in progress	(1,975,449)	(1,398,319)
Buildings and land held for sale	197,957	951,654
Inventories	(68,381)	(175,003)
Other current assets	(96,655)	(217,750)
Notes payable	(5,549)	7,167
Trade payables	(254,903)	223,300
Contract liabilities	(574,116)	509,166
Accrued expenses	170,328	77,124
Accounts payable for the development of industrial districts	(1,963,320)	38,656
Provisions	32,693	(57,256)
Net defined benefit liabilities	(61,737)	(37,032)
Other current liabilities	(15,026)	(22,889)
Cash generated from (used in) operations	(979,395)	225,864
Interest received	40,325	47,702
Interest paid	(221,672)	(157,752)
Income tax refund (paid)	(30,329)	3,281
Net cash generated from (used in) operating activities	<u>(1,191,071)</u>	<u>119,095</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(829,124)
Proceeds from disposal of financial assets at fair value through other comprehensive income	8,506	-

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Cash returns from capital reduction of financial assets at fair value through other comprehensive income	81,736	-
Purchase of financial assets at amortized cost	-	(1,023,727)
Proceeds from disposal of financial assets at amortized cost	150,466	-
Purchase of financial assets at fair value through profit or loss	-	(8,032)
Proceeds from disposal of financial assets at fair value through profit or loss	21,321	3,069
Cash returns from capital reduction of financial assets at fair value through profit and loss	-	1,523,099
Acquisition of the investment accounted for using the equity method	-	(751,302)
Increase in prepayments for investments	-	(770,870)
Payments for property, plant and equipment	(40,367)	(17,283)
Proceeds from disposal of property, plant and equipment	193	9
Decrease (increase) in refundable deposits	38,916	(36,781)
Net cash inflow on acquisition of subsidiary	189,386	-
Decrease (increase) in other assets	10,570	(33,902)
Dividends received from subsidiaries and associates	57,570	6,000
Dividends received from others	<u>2,427,807</u>	<u>10,201</u>
Net cash generated from (used in) investing activities	<u>2,946,104</u>	<u>(1,928,643)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,674,951	110,200
Proceeds from (repayments of) short-term bills payable	(1,481,920)	236,726
Proceeds from (repayments of) long-term borrowings	(242,137)	1,417,694
Increase in guarantee deposits received	72,436	40,824
Cash dividends distributed	(817,500)	(356,700)
Repayment of the principal portion of lease liabilities	(39,420)	(33,732)
Acquisition of additional interests in subsidiaries	<u>(4,563)</u>	<u>(54)</u>
Net cash generated from (used in) financing activities	<u>(838,153)</u>	<u>1,414,958</u>
NET INCREASE (DECREASE) IN CASH	916,880	(394,590)
CASH AT THE BEGINNING OF THE YEAR	<u>1,530,676</u>	<u>1,635,217</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,447,556</u>	<u>\$ 1,240,627</u>

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2022 and 2021:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash in the balance sheets	\$ 2,447,556	\$ 1,530,676
Bank overdrafts	<u>-</u>	<u>(290,049)</u>
Cash in the statements of cash flows	<u>\$ 2,447,556</u>	<u>\$ 1,240,627</u>

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

(Concluded)

Appendix No. V.

The Certified Public Accountants' Audit Report and Allocation of Earnings, 2022 of BES Engineering Corporation

BES Engineering Corporation Allocation of Earnings of 2022

Unite: NT\$

Item	Amount	
	Subtotal	Total
Undistributed balance at the beginning of the term		3,265,983,743
Current profit after tax	821,314,951	
Remeasurement of the defined benefit plan accounted for under retained earnings	13,434,505	
The retained earnings are adjusted by applying investments using the Equity Method	4,628,978	
The current net income after tax, plus the items other than the current net income that are included in the undistributed earnings for the current year		839,378,434
Set aside 10% legal reserve provision		(83,937,843)
Current Distributable Profits		4,021,424,334
Dividends to shareholders.	(805,253,307)	
Undistributed profit at the end of period		3,216,171,027
<p>Note1 : If in the future, the changes of laws and regulations or of the approval from the competent authorities, or the changes of common shares affects the outstanding shares, and thus the dividend yield changes accordingly, it is intended to have the Shareholders' Meeting to authorize the Chairman for adjustment.</p> <p>Note2 : Once the Shareholders' Meeting resolve to pass the proposal of cash dividends, it is intended to authorize the BOD to determine the base date of ex-dividend.</p> <p>Note3 : The cash dividends are calculated proportionally rounding to NT\$; the sum of these cash dividends under NT\$ will be included in the Employee Benefit Committee.</p>		

Appendix No. VI.

The Comparison Table of the “Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee” before and after Amendments

Amended Provisions	Current Provisions	Description
<p>4.2.1 Loaning Funds</p> <p>The standards and the amounts for the total amount of the loaning funds and the respective limits are as follows:</p> <p>(I) The total amount of the loaning funds shall not exceed 40 percent of the Company's net worth.</p> <p>(II) Standards of Announcement and Report. The limit of funds loaned to a single company or entity:</p> <p>A. For these ones with business relationships, the limit is 4% of the Company's net worth, and not to exceed the amount generated from the business in the latest year with the Company.</p> <p>(III) The total amount of loaning of funds provided by the Company to overseas companies with 100% of voting shares directly and indirectly by the Company shall not be restricted by the limits described in 4.2.1 (I) and (II). The amount of loaning of funds provided to one single company shall not exceed 20% of the net worth of the Company and the accumulated total loans shall not exceed 60% of the net worth of the Company. The maximum period of loan is two years, and one extension is acceptable; provided that the extension period shall be limited to a maximum of one year.</p>	<p>4.2.1 Loaning Funds</p> <p>The standards and the amounts for the total amount of the loaning funds and the respective limits are as follows:</p> <p>(I) The total amount of the loaning funds shall not exceed 40 percent of the Company's net worth.</p> <p>(II) Standards of Announcement and Report. The limit of funds loaned to a single company or entity:</p> <p>B. For these ones with business relationships, the limit is 4% of the Company's net worth, and not to exceed the amount generated from the business in the latest year with the Company</p>	<p>According to the provisions of the current “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the restriction on the loaning of funds to overseas companies with 100% of voting shares held by the Company is relaxed, and the regulation for the loaning of funds provided by the Company to overseas companies with 100% of voting shares directly and indirectly by the Company is explicitly specified.</p>

Amended Provisions	Current Provisions	Description
<p>4.5.3 The "certain monetary limit" mentioned in the preceding paragraph, unless the provision of 4.2.1 (III) is complied, for authorization of loans extended by the Company or any subsidiary to any single entity, it shall not exceed 4% of the net worth on the most current financial statements of the Company; or for a subsidiary, it shall not exceed 10% of the net worth on the most current financial statements of the subsidiary.</p>	<p>4.5.3 The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any subsidiary to any single entity, in case of the Company, it shall not exceed 4% of the net worth on the most current financial statements of the Company; in case of a subsidiary, 10% of the net worth on the most current financial statements of the subsidiary.0</p>	<p>According to the amendment of 4.2.1, the exception clause for compliance of 4.2.1 (III) is further specified.</p>

Appendix No. VII.

The Candidate List of the Directors and Independent Directors for the 27th term

General Shareholder's Meeting, June 7, 2023

Pursuant to the Charter of the Company, the election of the nine seats of the directors (including three seats of the independent directors) adopts the candidate nomination system; the list of candidates has been reviewed and approved by the Board's meeting on March 13, 2023, and is detailed as follows:

Seats	Candidate: Director Independent director	Name	Shares held as of the date for suspension of share transfer for a shareholders meeting	Experience (Education)
1	Director	Yang Jen Industrial Co., Ltd. Representative: Chou, Chih-Ming	Juristic person: 466,000 Representative: 0	Bachelor, Department of Accounting, and Statistics, National Chung Hsing University Chairperson and General Manager of BES Engineering Co., Ltd
2	Director	Tian-Jing Investment Corporation Representative: Pai, Chun-Nan	Juristic person: 12,179,632 Representative: 0	PhD, Department of Laws, Chinese Culture University Vice Chairperson of China Petrochemical Development Co., Ltd
3	Director	Tian-Jing Investment Corporation Representative: Chen, Wen-Ke	Juristic person: 12,179,632 Representative:	Bachelor, Department of Architecture, National Cheng Kung University Architect of Tian-He Construction Co., Ltd
4	Director	China Petrochemical Development Corporation Representative: Chen, Jui-Lung	Juristic person: 164,348,449 Representative: 0	Bachelor, Department of Economics, National Chung Hsing University Chairperson of China Petrochemical Development Corporation (CPDC)
5	Director	Fu Xing Costume Co., Ltd. Representative: Tsai, Chao-Lun	Juristic person: 218,991 Representative: 56,641	MBA, University of Wisconsin, U.S.A. Chairman of Formostar Garment Co. Ltd
6	Director	Chang Li Co., Ltd. Representative: Liou, Liang-Hai	Juristic person: 1,500,000 Representative: 0	Master, National Taipei University Chairperson of Chao Feng Financial Advisory Services Co. Ltd.
7	Independent Director	Ko, Shu-Jen	0	PhD. of Management, Business School, SMC University, Switzerland Adjunct Professor, Shih Hsin University

				Chairperson of Chinese IPTV Channel Association
8	Independent Director	Chang Fan	0	PhD., Institute of Land Economics, National Cheng Chi University Former Commissioner of Urban & Rural Development Department, New Taipei City Professor, Takming University of Science and Technology Vice Chairman, Eastern Broadcasting Co., Ltd. Chairperson of HanXiang Development Co., Ltd
9	Independent Director	Liu, Deng-Cheng	0	Master, International Business, National Taiwan University Chairperson of Taiwan Financial Holdings Co., Ltd and Bank of Taiwan Chairperson of Hua Nan Financial Holdings Co., Ltd and Hua Nan Bank Chairperson of National Credit Card Center of R.O.C Independent Director of Ascent Development Co., Ltd

Four. Appendices

Appendices No. I.

Articles of Incorporation of BES Engineering Corporation

Articles of Incorporation

Chapter One General Provisions

Article I These Articles of Incorporation, present to the provisions governing company limited by shares as set forth under the Company Act, is duly incorporated in the full name of BES Engineering Corporation (hereinafter referred to as the Company)

Article II The Company shall engage in the business lines as enumerated below:

1. B601010 On land clay and stone quarrying
2. C803990 Other Petroleum and Charcoal Manufacturing (prefabricated asphalt concrete)
3. C901040 Prefabricated asphalt concrete
4. C901050 Cement and concrete mixing manufacturing
5. CA02010 Metal architectural components manufacturing
6. E101011 Synthesis construction
7. E401010 Dredge engineering
8. E402010 Ballast and mud construction on sea
9. E501011 Water pipe construction & installation
10. E502010 Fuel pipeline installation.
11. E599010 Pipe lines construction & installation.
12. E601010 Electric appliance construction
13. E603010 Cables & wire construction and installation.
14. E603020 Elevator construction & installation.
15. E603040 Firefighting equipment's construction & installation.
16. E603050 Cybernation equipment construction
17. E603080 Traffic signals construction & installation.
18. E603090 Illumination equipment's construction & installation
19. E604010 Machinery installation construction & installation.
20. F111090 Wholesale of building materials
21. F301010 Department stores
22. F301020 Supermarkets
23. F399010 Convenience stores
24. G801010 Warehousing and storage
25. H701010 Building & high-rise construction development, leasehold and sales.
26. H701020 Industrial factory buildings lease construction and development
27. H701040 Specialized field construction and development
28. H701050 Public works construction and investment
29. New townships and communities development
30. H701070 Agency services for zone expropriation and urban land readjustment.
31. H701080 Reconstruction within the renewal area
32. H702010 Construction management services.
33. H703090 Real estate commerce
34. H703100 Real estate rental and leasing
35. H703110 Senior citizens' development
36. H705010 Agency custodian services for state properties not for public use.

37. I103060 Management consulting services
38. I503010 Landscape and interior designing
39. J101030 Waste disposal
40. J101040 Waste treatment
41. J101050 Sanitary and pollution controlling services
42. J101060 Wastewater (sewage) treatment
43. J101080 Waste recycling
44. J101990 Other environmental protection construction services
45. JA01010 Automotive repair and maintenance
46. JB01010 Conference & exhibition services
47. JE01010 Rental and leasing business
48. E602011 Frozen and air-conditioning engineering
49. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article II ~ 1 The Company may, as resolved in its Board of Directors, serve as a shareholder of limited responsibility for another company while the aggregate total amount of investment is free of the restriction set forth under Article 13 of the Company Act that bans an excess of 40% of the paid-in capital.

Article III The Company is headquartered in Taipei City and may set up offices or branches elsewhere in response to substantial need in business operation.

Chapter Two Shares

Article IV The Company has total capital amounting to Thirty Billion New Taiwan Dollars, divided into three billion common shares at NT\$10 par value. The Board of Directors is authorized with plenipotentiary power to issue the unissued ones in installments.

Article V The aggregate total of registered share certificates held by all directors shall be pursuant to the provisions promulgated by the competent authority in charge of share certificates management, if any.

Article VI The Company's share certificates shall be the registered ones in all cases and shall be duly signed and sealed by the minimum of three directors and duly authenticated by the competent authorities or the institution for issuance & registry accredited thereby before issuance. For the shares issued, the Company is exempted from printing the share certificates but shall apply to the Taiwan Depository & Clearing Authority for registration.

Article VII Transfer of stock ownership shall be discontinued within sixty (60) days prior to a shareholders' regular meeting, within thirty (30) days prior to a special shareholders meeting and within five (5) days prior to another base day scheduled for allocation of dividend, bonus or other interests

Article VIII The Company shall manage the equity affairs exactly in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies".

Chapter Three Shareholders' meeting

Article IX The shareholders' meeting of the Company is in two categories, i.e., the shareholders' regular meeting, and special shareholders meeting. The former is convened within six months from closing of each fiscal year and the latter may be

duly called whenever necessary.

- Article X The notices to a shareholders' meeting shall be served to all shareholders thirty (30) days in advance of a Shanghai City and fifteen (15) days in advance of a special shareholders meeting. The notices shall expressly bear the date, time, venue and cause(s) or subject(s) of the meeting`.
- Article XI A shareholder who is unavailable to participate in a shareholders' meeting shall issue a power of attorney (proxy) in the format as printed by the Company wherewith the principal shall sign and affix seal, expressly indicate the scope of the bestowed power and submit it to the Company to commission a proxy to participate in the shareholders' meeting on his or her behalf. Except for a trust enterprise or a stock agency approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.
- Article XII A shareholders' meeting shall be chaired by the chairman if convened by the Board of Directors. Where the chairman is on leave or unable to exercise his duty, the vice chairman shall act as his substitute. Where the vice chairman is on leave or unable to exercise his duty as well, the chairman shall appoint one director to act as the substitute. Where the chairman does not appoint a substitute, one director shall be elected from among themselves to act as the substitute. Where a shareholders' meeting is convened by a convener beyond the Board of Directors, that same convener shall chair the meeting. Where there are two or more conveners, one shall be elected from among themselves to chair the meeting.
- Article XIII Unless otherwise provided for in the Company Act, decisions in the shareholders' meeting shall be resolved by over one half majority vote in the meeting which is attended by shareholders who represent over one half majority of the total issued shares
- Article XIV Unless otherwise provided for in the Company Act, the Company's shareholders hold one voting right for each share they hold, provided, that the Company is not entitled to voting right for the shares held by itself under the Company Act.
- Article XV The minutes of the shareholders' meeting shall be signed and affixed seal by the chairperson and shall be served to all shareholders in a means as set forth under the Company Act. The minutes mentioned in the preceding Paragraph may be served by means of a public announcement and shall be archived permanently. The sign-in book and the written proxies shall be archived for one year minimum. In the event that a shareholder lodges litigation in accordance with Article 189 of the Company Act, nevertheless, such same shall be archived until after the litigation is concluded.
- Article XV~I For the liability for indemnity according to law by a director for the duty exercised during his or her tenure of office, the Company may purchase insurance for such director to minimize and disseminate the potential risk toward the Company and shareholders in case of a unlawful behavior conducted by a director.

Chapter Four Board of Directors

- Article XVI The Company has seven-nine directors, to be elected by the shareholders' meeting from candidates with disposing capacity. Among the aforementioned total number of directorship seats, the number of independent directors as defined under Article

14~2 of the Securities and Exchange Act shall not be below the minimum of two and shall not be less than one-fifth of the total number of directorship seats.

The Company's directors shall be elected under candidates nomination system from the list of candidates promulgated by the Company. The candidates for independent directors and candidates for directors shall be nominated respectively and shall be elected in a same package, with the numbers of the successfully elected ones to be counted respectively.

The nomination and relevant specifications for candidates of independent directors and for directors shall be duly handled in accordance with the Company Act, Securities and Exchange Act and laws and ordinances concerned.

Article XVII The Company's directors hold a three-year tenure of office and are eligible for reelection. In the event that the tenure of office for directors as resolved in the shareholders' meeting is less than three years, the decision so resolved shall prevail.

Article XVIII The directors shall organize Board of Directors and shall have one chairman and one vice chairman, to be elected from among directors themselves. The chairman shall take overall charge of significant affairs and routine business affairs internally and represent the Company externally. The responsibilities and powers of the Board of Directors shall be duly determined based on laws and ordinances concerned, these Articles of Incorporation and decisions resolved in the shareholders' meeting.

Article XIX The board of directors shall convene a board of directors meeting on a quarterly basis as the minimum. Notices of a board of directors meeting shall be served to all directors seven (7) days in advance of the meeting. A board of directors meeting may be, nevertheless, convened at any time in case of an emergency. The board of directors meeting shall be convened and chaired by the chairman in all events. Where the chairman is on leave or unable to exercise his duty, the vice chairman shall act as his substitute. Where the vice chairman is on leave or unable to exercise his duty as well, the chairman shall appoint one director to act as the substitute. Where the chairman does not appoint a substitute, one director shall be elected from among themselves to act as the substitute. Notices to a board of directors meeting may be served by means of FAX, e-mail and the like.

Article XX Where a board of directors meeting is convened, a director who is unavailable to attend the meeting in person may commission another director to act as his or her proxy to exercise voting right on his or her behalf. Each director may only serve as a proxy only for another director.

Article XXI Unless otherwise provided for in the Company Act, a board of directors meeting shall not be convened until up to the quorum of being attended by directors representing one half majority of the total number of directors and a decision shall not be resolved unless consented by one half majority of the participating directors. The minutes of a board of directors meeting shall be signed or affixed seal by the chairperson.

Article XXI~I The Company's directors may bill traffic allowances in the amount which shall be determined by the Board of Directors with reference to the levels of similar company(ies).

Chapter Five Audit Committee

Article XXII The Company shall set the Audit Committee in accordance with Article 14~4 of

Securities and Exchange Act. The Audit Committee shall be organized by all independent directors. The members of the Audit Committee shall duly exercise responsibilities and powers of supervisors in accordance with the Company Act, Securities and Exchange Act and other laws and ordinances concerned.

Article XXIII (Deleted)

Article XXIV (Deleted)

Article XXV (Deleted)

Chapter Six Managerial officers

Article XXVI The Company sets one Chief Executive Officer (CEO) to map out and execute duties in accordance with the policies fixed by the Board of Directors and the instructions from the chairman. The Company has one general manager to take overall charge of the Company's business operation, and has a certain number of vice general manager(s), assistant managers. Both the vice general manager(s) and assistant managers shall be duly appointed and discharged by the Board of Directors.

Chapter Seven Accounting

Article XXVII The Company's fiscal year is starting from January 1 until December 31 of every calendar year. Upon end of every fiscal year, the Company shall conduct annual final account settlement. After completion of the annual final account settlement, the Board of Directors shall duly work out the following documents in accordance with the Company Act to be audited by the Audit Committee thirty (30) days prior to the shareholders' regular meeting. In turn, the Audit Committee shall issue audit report and submit it to the shareholders' regular meeting for acknowledgement.

I. Business report.

II. Financial statements

III. Surplus earnings distribution or loss make-up proposal.

Article XXVIII In a fiscal year while the Company makes a profit, the Company shall first set aside 2% minimum as the remuneration to employees and 2% maximum as the remuneration to directors. Where the Company remains in cumulative loss, the sum required to make good the loss shall be first withheld. The aforementioned ratios of appropriation shall be resolved in the Board of Directors with one half majority vote cast by the participating directors who make up a two-thirds majority of the total number of directorship seat and shall be reported to the shareholders' meeting. The aforementioned remuneration to employees may be granted in either share certificates or in cash.

Article XXVIII-1 With consideration of future business need and need for working capital amidst the long-term financial planning, the Company adopts a dividend policy to grant dividend in both cash and stocks. From the profit shown after final account settlement, the Company shall allocate profit in the order as enumerated below:

I. The sum required to pay profit-seeking enterprise income tax payable according to law.

II. The sum to make good previous loss, if any.

III. The sum to set aside 10% for legal reserve.

IV. The sum to appropriate or reverse special reserve according to law or in response to need in business operation.

The balance after deducting the aforementioned sums added with the unappropriated retained earnings accumulated in the preceding year, if any, shall have a minimum of 20% as bonus to shareholders. For the ratio to allocate the aforementioned earnings for allocation and the ratio to be allocated in cash, the Board of Directors may pose suggestion based on the actual profitability and working capital status of the year and submit the same to the shareholders' meeting for resolution. The aforementioned bonus to shareholders may be, nevertheless, allocated by means of stock dividend or cash dividend. Among them, the cash dividend shall not be less than 10% of the aggregate total dividend. Where the cash dividend is lower than NT\$0.1, nevertheless, it shall not be allocated in cash but in stock instead.

Chapter Eight Guarantee

Article XXIX In response to the need in business operation, the Company may grant guarantee exactly in accordance with the Operational Procedures for Endorsements/Guarantees of the Company and after being resolved in the Board of Directors.

Chapter Nine Supplementary provisions

Article XXX The organizational rules of the Company's Board of Directors and the Company's organizational regulations shall be enacted separately.

Article XXXI Matters not specified in these Articles of Incorporation, if any, shall be duly handled in accordance with Company Act.

These Articles of Incorporation were duly enacted on September 5, 1970 and were put into implementation on the date when approved for registration and were duly amended on November 4, 1970 as the 1st amendment; December 12, 1972 as the 2nd amendment; February 14, 1975 as the 3rd amendment; April 9, 1976 as the 4th amendment, August 20, 1976 as the 5th amendment; June 28, 1977 as the 6th amendment; June 8, 1979 as the 7th amendment; April 26, 1982 as the 8th amendment; October 28, 1982 as the 9th amendment; May 15, 1986 as the 10th amendment; September 15, 1987 as the 11th amendment; May 31, 1988 as the 12th amendment; May 29, 1989 as the 13th amendment; May 30, 1990 as the 14th amendment; December 26, 1991 as the 15th amendment; June 19, 1992 as the 16th amendment; December 3, 1992 as the 17th amendment; June 29, 1993 as the 18th amendment; July 21, 1994 as the 19th amendment; November 20, 1995 as the 20th amendment; December 30, 1996 as the 21st amendment; April 23, 1998 as the 22nd amendment; June 14, 1999 as the 23rd amendment; June 5, 2000 as the 24th amendment; June 18, 2002 as the 25th amendment; June 30, 2003 as the 26th amendment; June 20, 2006 as the 27th amendment; June 21, 2007 as the 28th amendment; June 19, 2009 as the 29th amendment; June 17, 2010 as the 30th amendment; June 17, 2010 as the 31st amendment; June 5, 2012 as the 32nd amendment; June 18, 2015 as the 33rd amendment; June 17, 2016 as the 34th amendment and June 21, 2017 as the 35th amendment.

Appendices No. II.

Rules of Procedures Governing Shareholders' Meeting of BES Engineering Corporation

Duly resolved in the shareholders' meeting on
December 26, 1991

Further resolved in the shareholders' meeting on April
23, 1998

Further resolved in the shareholders' meeting on June
18, 2002

Amended under Letter (2002)-Dong-Fa-91000142-11
dated July 19, 2002

Further resolved in the shareholders' meeting on June 5,
2012

- I. The Company's shareholders' meeting shall be duly convened exactly in accordance with these Rules unless otherwise specified in laws and ordinances concerned and in the Articles of Incorporation.
- II. The term "shareholder or shareholders" as set forth herein denotes a shareholder himself or herself and a proxy authorized by a shareholder to participate in a shareholders' meeting.
- III. A participating shareholder shall present his or her sign-in card to receive the participation voucher as the proof to participate in a shareholders' meeting. The number of shares represented by the participating shareholders shall be counted based on the sign-in cards or the number of shares entered into the electronic means.
- IV. The participation and voting acts by shareholders shall be counted based on the number of shares.
- V. A shareholders' meeting shall be duly convened at a venue where the Company is headquartered or a venue convenient to shareholders to participate in the meeting. A shareholders' meeting shall commence at a timepoint not earlier than 9:00 a.m. or later than 3:00 p.m.
- VI. A shareholders' meeting shall be chaired by the chairman if convened by the chairman. Where the chairman is on leave or unable to exercise responsibilities and powers, the vice chairman shall act as the substitute. Where the vice chairman is on leave or unable to exercise responsibilities and powers as well, the chairman shall appoint one director to act as the substitute. Where the chairman does not appoint a substitute, one shall be elected from among the directors themselves to act as the substitute.
Where a shareholders' meeting is convened by a convener beyond the Board of Directors, the meeting shall be chaired by that convener. Where there are two or more conveners, one shall be elected from among themselves to chair the meeting.
- VII. The Company may assign a commissioned Attorney(s)-at-Law, Certified Public Accountant(s) or relevant personnel to participate in a shareholders' meeting as a non-voting (guest) participant.
- VIII. The entire process of a shareholders' meeting shall be audio recorded or videotaped which shall be archived for one year minimum.
- IX. The chairperson shall promulgate commencement of the shareholders' meeting when the specified time is up. Where the meeting is attended by participating shareholders representing less than one half majority of the Company's total outstanding shares, nevertheless, the chairperson may promulgate a postponement of the meeting within the maximum limit of twice postponements and the aggregate total period accumulated in the postponement shall not exceed one hour. Where the shareholders' meeting is attended by

participating shareholders representing less than one-third of the Company's total outstanding shares, a tentative decision may be resolved in accordance with Paragraph 1, Article 175 of the Company Act. On a special issue stipulated under the Company Act, nevertheless, the decision so resolved shall be duly conducted in accordance with the Company Act.

Where that same shareholders' meeting is attended by shareholders representing one half majority of the Company's total outstanding shares, the chairperson may pose the tentative resolution into the shareholders' meeting for official resolution in accordance with Article 174 of the Company Act.

- X. Where a shareholders' meeting is convened by the Board of Directors, the agenda shall be stipulated by the Board of Directors. The entire meeting shall be convened exactly in accordance with the specified agenda which shall not be changed unless duly resolved by the shareholders' meeting.

Where a shareholders' meeting is convened by a convener beyond the Board of Directors, the provision set forth under the preceding Paragraph is *mutatis mutandis* applicable. The chairperson shall not announce adjournment of the meeting until the agenda scheduled under the two preceding Paragraph ((including extraordinary (unscheduled) motions) is concluded unless duly resolved.

After a shareholders' meeting is adjourned, the shareholders shall not continue the meeting at the same venue or at a new venue.

- XI. Before a speech, a shareholder who intends to speak up shall first fill up the speech note, expressing the main point of the speech, shareholder account number (or the code of the participation certificate) and name of account holder so that the chairperson may set the order to speak up.

A shareholder who submits a speech note but does not speak up is deemed as having not spoken up. In case of a discrepancy between the contents on the speech note and the contents actually spoken, the contents actually spoken shall prevail.

Where a shareholder speaks up, other shareholder(s) shall not speak to interfere with unless consented by the speaking shareholder and the chairperson. The chairperson shall stop the act in case of violation.

- XII. On a same motion, a shareholder shall not speak more than twice and each speech shall not exceed five minutes maximum unless consented by the chairperson.

Where a shareholder who speaks in violation of the provision set forth under the preceding Paragraph or who speaks beyond the scope of the agenda, the chairperson may stop his or her speech.

- XIII. Where a juristic person is commissioned to participate in a special shareholders meeting, that juristic person may only assign one person to participate in the meeting.

Where a juristic person shareholder assigns two or more people to participate in a shareholders' meeting, only one among them may be appointed to speak on a same motion.

- XIV. After a participating shareholder completes his or her speech, the chairperson shall reply in person or through a relevant person designated.

- XV. Where a motion is discussed up to the extent for resolution, the chairperson may promulgate discontinuance from discussion and put the issue into the voting process.

- XVI. For the resolution process, the ballot scrutinizer(s) and counter(s) shall be designated by the chairperson and shall only be designated among shareholders.

Unless otherwise provided for in the Company Act or the Articles of Incorporation, decisions in the shareholders' meeting shall be resolved by over one half majority of the voting right in the meeting. An issue which proves to have no objection in response to the inquiry by the chairperson is deemed to have been duly resolved in the validity same as an

issue duly resolved through voting process.

The outcome of the voting shall be reported on-the-spot and recorded into the minutes.

- XVII. Where a same motion is backed with an amendment or a substitution, the chairperson shall consolidate them all into the original motion to fix the order of voting. Where a same motion is resolved, other motion(s) shall be deemed to have been vetoed and shall no longer be brought into voting process.
- XVIII. During progress of a meeting, the chairperson may promulgate a recess as appropriate.
- XIX. The chairperson shall command the picketers or security guards to help maintain the order of the venue. When the picketers or security guards are present to help maintain the order of the venue, they shall wear the armbands reading “picketers”.
- XX. These Rules shall be put into implementation after being resolved in the shareholders’ meeting. This same provision is applicable *mutatis mutandis* to an event of amendment.

Appendices No. III.

The Regulations for Electing Directors, BES Engineering Corp.

Approved by the Shareholders' Meeting on December 26, 1991
Approved by the Shareholders' Meeting on June 18, 2002
Amended by the Letter (91)Dong-Fa 91000142-11 on July 19, 2002
Approved by the Shareholders' Meeting on June 19, 2013
Approved by the Shareholders' Meeting on June 21, 2017

- I. The election of the Company's directors shall comply with the Regulations; for anything not specified in the Regulations, the Company Act and other related laws and regulations shall be applied.
- II. Elections of the Company's directors shall be conducted in accordance with the candidate nomination system as the procedures set out in Article 192-1 of the Company Act, with the cumulative voting method. The name of the voter may be substituted as the number of attendance card printed on the ballot. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
The directors and independent directors shall be nominated separately but elected simultaneously. The elected seats are counted separately.
- III. The Company's directors shall be elected from the competent people by the shareholders' meetings. The number of directors will be as specified in the Company's Charter, based on the statistic results from the e-voting platform and the ballots, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- IV. Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel.
- V. The ballots shall be prepared and sealed by the Company, and numbered pursuant to the attendance card number with the numbers of rights.
- VI. Voters shall fill in the name of the candidate in the column of "Candidate" and specify the shareholder account number; if the candidate is not a shareholder, the uniform number shall be specified. However, when the candidate is a juristic-person, in the column of Candidate, the name of the juristic-person shall be filled, or both the names of the juristic-person and its representative.
- VII. A ballot is invalid under any of the following circumstances:
 - (1) The ballot is not placed in the ballot box.
 - (2) The ballot was not prepared by the board of directors.
 - (3) A blank ballot is placed in the ballot box.
 - (4) The candidate whose name is entered in the ballot is a shareholder, but the candidate's

account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.

(5) Other words or marks are entered in addition to the candidate's account name (name) or shareholder account number (or identity card number) and the number of voting rights allotted.

(6) The writing is illegible to be identify.

(7) Any of the entered candidate's account name (name) or shareholder account number (or identity card number) and the number of voting rights allotted is altered.

(8) The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

(9) Two or more candidates are entered on the same ballot.

VIII. The ballots shall be prepared and sealed by the Company, and numbered pursuant to the attendance card number with the numbers of rights. The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation shall be announced by the chair on the site.

IX. The board of directors of the Company shall issue notifications to the persons elected as directors.

IV. Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. These Regulations, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

Appendices No. V.

The Managerial Procedure for Loaning Funds to Others and Endorsement, BES Engineering Corp.

2003.06.30 Approved by the Shareholder's Meeting
Issued with Letter (92)Chung-Gong-Ri-Zi No.
020011-2 on July 10, 2003

2006.06.20 Approved by the Shareholder's Meeting
2009.06.19 Approved by the Shareholder's Meeting
2010.06.17 Approved by the Shareholder's Meeting
2012.06.05 Approved by the Shareholder's Meeting
2013.06.19 Approved by the Shareholder's Meeting
2017.06.21 Approved by the Shareholder's Meeting
2020.06.23 Approved by the Shareholder's Meeting

- 1.0 Purpose: to accommodate the operating needs, reducing the operating risks, while strengthen the management of the loaning funds to others and endorsement/guarantee to others, the Managerial Procedures are established.
- 2.0 Legal Basis: The Procedure is established pursuant to the Securities and Exchange Act, and other regulations by the Financial Supervisory Commission.
- 3.0 Scope:
 - 3.1 Loaning fund: Any fund loaned to others by the Company due to the business actions or operating needs.
 - 3.2 Endorsement/guarantee:
 - 3.2.1 Financing endorsements/guarantees
 - (I) Bill discount financing.
 - (II) Endorsement or guarantee made to meet the financing needs of another company.
 - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
 - 3.2.2 Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
 - 3.2.3 Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
 - 3.3 Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.
- 4.0 Description of the Operation
 - 4.1 Counterparties
 - 4.1.1 Nature of
 - (I) The companies or entities have direct business relationships with the Company
 - (II) Where an inter-company or inter-firm short-term financing facility is necessary
 - (III) Any overseas company in which the Company holds directly or indirectly, 100% of the voting shares.
 - 4.1.2 Endorsement
 - (I) The companies have direct business relationships with the Company
 - (II) Companies to which the Company holding more than 50% voting rights directly or indirectly.
 - (III) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
 - (IV) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the public company. Provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly,

100% of the voting shares.

- (V) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding four paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

4.2 Limit Determination

4.2.1 Loaning Funds

The standards and the amounts for the total amount of the loaning funds and the respective limits are as follows:

- (I) The total amount of the loaning funds shall not exceed 40 percent of the Company's net worth.
- (II) The limit of funds loaned to a single company or entity:
- A. For these ones with business relationships, the limit is 4% of the Company's net worth, and not to exceed the amount generated from the business in the latest year with the Company.
- B. For these one with short-term financing needs, the limit is 4% of the Company's net worth.

4.2.2 Endorsement/Guarantee

The standards and the amounts for the total amount of the endorsement/guarantee and the respective limits are as follows:

- (I) The total amount of the endorsement/guarantee may be provided by the Company and the subsidiaries, shall not reach three times of the net worth of the Company in the latest financial statements.
- (II) The limit of the endorsement/guarantee provided by the Company and the subsidiaries to one single enterprise shall not exceed 2.5 times the net worth of the Company in the latest financial statements.
- (III) The endorsement resulted from a business relationship, shall not exceed the amount generated from such relationship.
- (IV) The limits authorized to the Chairman is determined by the board of directors.

4.3 Procedure of Application

4.3.1 Loaning funds: when borrowing, the borrower shall issue a letter to describe the borrowed amount, term, and reason, with the financial statements and other financial information for the review by the Company.

4.3.2 Endorsement/guarantee: for the endorsement/guarantee provided by the Company, the requester shall issue a letter to describe the type of endorsement/guarantee, amount, with the financial statements and other financial information for the review by the Company.

4.4 Procedure of Review

4.4.1 Loaning funds: the department in charge and the Finance Department shall review the provided information based on the following procedure. The review outcomes shall be submitted for ratification. Once the General Manager and the Chairman approve, the application is presented to the board of directors for resolution.

The necessity and reasonableness of loaning funds to others.

(I) Credit check and risk evaluation of the counterparties.

(II) The impacts to the operating risks, financial position, shareholders' interests.

(III) Whether obtain any collateral, and the evaluated value of such collateral.

4.4.2 Endorsement/guarantee: the department in charge and the Finance Department shall review the provided information based on the following procedure. The review outcomes shall be submitted for ratification. Once the General Manager and the Chairman approve, the application is presented to the board of directors for resolution.

(I) The necessity and reasonableness of endorsement/guarantee

(II) Credit check and risk evaluation of the counterparties

(III) The impacts to the operating risks, financial position, shareholders' interests.

(IV) Whether obtain any collateral, and the evaluated value of such collateral.

(V) For circumstances in which an entity for which the Company or any subsidiary makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed, other than complying with the previous paragraphs. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under this paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

4.5 Procedure of Resolution

4.5.1 Loaning funds: The Financial Department shall submit the evaluation outcomes set out in 4.4.1 to the board of directors for resolutions, but not authorize anyone else to decide.

4.5.2 Loans of funds between the Company and the subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

4.5.3 The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any subsidiary to any single entity, in case of the Company, it shall not exceed 4% of the net worth on the most current financial statements of the Company; in case of a subsidiary, 10% of the net worth on the most current financial statements of the subsidiary.

4.5.4 Endorsement/guarantee: The Finance Department shall submit the evaluation outcomes set out in 4.4.2 to the board of directors for resolutions; the board of directors may authorize the Chairman to determine within the limits set out in 4.2.2 (4), and then report to the latest board of directors' meeting for ratification.

4.5.5 Before making any endorsement/guarantee pursuant to 4.1.2 (4), a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution. Provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly,

100% of the voting shares.

4.5.6 The Managerial Procedure for Loaning Funds to Others and Endorsement shall be approved by the Audit Committee and resolved by the board of directors, before submitted to the shareholders' meeting for approval. Shall there be any dissent of any director which is recorded or via written statement, such dissent shall be also sent to the Audit Committee and the shareholders' meeting for discussion. The same applies to the amendment.

4.5.7 Managerial Procedures for Loaning Funds to Others and Endorsement/Guarantee, the procedures or amended procedures shall require the approval of one-half or more of all audit committee members; If the approval of one-half or more of all audit committee members is not obtained, the approval by two-thirds or more of all directors is deemed valid, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the "all directors" in the preceding paragraphs shall be counted as the actual number of persons currently holding those positions.

4.6 Approval of Loaning of Funds

4.6.1 Upon the approval, the person in charge of the Finance Department shall inform the borrower, to specify the conditions of the loan, including the limit, term, rate, collateral, and the joint guarantor. The counterparty shall sign the contract before the deadline and complete any required process.

4.6.2 To secure the debt obligation, the borrower shall provide the promissory note with the same amount to the Company. The note will be presented to the bank by the date of the note upon repayment.

4.7 Contract Signing for Loaning of Funds

The contract of loaning of funds shall be consistent with the approved conditions of the loan. After the borrower and the joint guarantor(s) signed the contract of loan, the person in charge of the Finance Department shall complete the identity verification.

4.8 Setting up the Rights of Collaterals

If collaterals are required for loaning of funds or endorsement/guarantee pursuant to 4.4.1 and 4.4.2, a pledge or mortgage must be set up to secure the rights of the Company

4.9 Insurance

4.9.1 Among collaterals, except for lands and exchangeable securities, fire insurance is required for all collaterals; ships and vehicle must be fully insured. As the principle, the coverage shall not be less than the pledge value of the collateral. The Company shall be named as the beneficiary on the policy. The name of the underlying object, quantity, place of storage, terms of insurance, and the insurance approval must be consistent to the conditions of loan required by the Company.

4.9.2 The person in charge shall notify the counterparty of loaning of funds or endorsement/guarantee renew the insurance before expiry.

4.10 Disbursement, Term, and Interest Rate for Loaning of Funds

4.10.1 The disbursement is only made when the loaning of fund is approved, the contract is signed by the counterparty and submit the promissory notes, and the registration of collateral pledge/mortgage is done.

4.10.2 Term and Interest Rate

(I) The loaning of funds principally is for short-term financing, and the maximum term is one year. To extend the term, a new application must be made to the

Company.

- (II) The interest rate for loaning of funds shall not be lower than the maximum rate of short-term borrowing provided to the Company by financial institutions. The interests are accrued monthly, and the repayment of interest is tracked by the Finance Department.

4.11 Seals for Endorsement/Guarantee

- 4.11.1 The seal specifically used for endorsement/guarantee shall be the company seal registered with MOEA.
- 4.11.2 The seal must be maintained by the specified person approved by the board of directors, and the seal may only be made or for issuing notes pursuant to the procedure.
- 4.11.3 If guaranteeing an overseas company, the guarantee letter issued by the Company must be signed by the authorized person of the board of directors.

4.12 Matters to be recorded in the memorandum book: The Finance Department shall prepare a memorandum book for its fund-loaning and endorsement/ guarantee activities and record the information in detail.

4.12.1 Information to be recorded in the fund-loaning memorandum book:

- (I) Borrower
- (II) Amount
- (III) Date of approval by the board of directors
- (IV) Lending/borrowing date
- (V) Matters to be carefully evaluated under 4.4 Evaluation Procedure and 4.5 Resolution Procedure.

4.12.2 Information to be recorded in the endorsement/guarantee memorandum book:

- (I) Counterparty
- (II) Amount
- (III) Date of approval by the board of directors or determination by the Chairman
- (IV) Date of endorsement/guarantee
- (V) Matters to be carefully evaluated under 4.4 Evaluation Procedure and 4.5 Resolution Procedure.

4.13 Sorting and Maintaining the Loaning of Funds and Endorsement/Guarantee

Upon the disbursement of loans, or sealing/issuing notes for endorsement/ guarantee, the relevant contract, promissory notes, the documents of collateral, insurance policy, and correspondences shall be sorted in order and maintained properly.

- 4.14 The Finance Department shall actively track the expired loans or endorsements/guarantees to check if they are closed and written off. If any mortgage or collateral is provided for a repaid loan, the registration shall be canceled, or the pledge must be returned.
- 4.15 The Finance Department shall frequently check the financial position, business, and credit conditions of the borrowers of loans. If any collateral is provided, the value of such collateral must be paid attention to; shall there be any material change of such value, the board of director must be notified as a reference. The loans are not repaid or extended when expire, the provided collaterals will be disposed and claimed pursuant to laws.

4.16 Internal Audit

- 4.16.1 The internal auditors shall audit the Operational Procedures for Loaning Funds to Others/Endorsement/Guarantee and the implementation thereof no less frequently than quarterly and prepare written records accordingly.

4.16.2 The internal auditors shall promptly notify all the Audit Committee in writing of any material violation found.

4.17 Amount exceeded

4.17.1 Loaning of funds: If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of these Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

4.17.2 Endorsement/Guarantee: Where the Company needs to exceed the limits set out in the Procedures to satisfy its business requirements, and where the conditions set out in the Procedures are complied with, the following decision-making procedure must be followed:

(I) With the approval from the board of directors, half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee.

(II) submit the same to the shareholders' meeting for ratification after the fact.

(III) If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.

(IV) Shall there be any independent director established, the aforementioned (1) When the board of directors discusses, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.

If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, a public company shall adopt rectification plans and submit the rectification plans to all the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

4.18 The Controlling Procedures to the Subsidiaries

4.18.1 Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Operational Procedures for Loaning Funds to Others in compliance with the Regulations, and it shall comply with the Procedures when loaning funds. However, the net worth shall be based on the concerned subsidiary's net worth.

4.18.2 Subsidiaries shall prepare the details of the loaning funds to others, or endorsement/guarantees to others in the previous month, before the 5th day of each month; or the next day of the date of occurrence, as set out in 4.19, and sent to the Finance Department of the Company.

4.18.3 Subsidiaries' internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

4.18.4 The internal auditors of the Company shall review the self-check reports from subsidiaries, to understand the Operational Procedures for Loaning Funds to Others and the implementation thereof. Shall there be any defect, the defect shall be followed for the improvement, and the tracking report shall be prepared to be presented to the

General Manager and the Chairman.

4.19 Announcement and Report: means to enter the reporting website assigned by the Financial Supervisory Commission.

The “date of occurrence” in the Regulations means the date of contract signing, date of payment, dates of boards of directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.

4.19.1 General Announcement and Report

- (I) Deadline of announcement and report: before the 10th day of each month.
- (II) Content of the announcement and report: The Company and the subsidiaries’ balance of the loaning funds and the endorsement/ guarantee of the previous month.

4.19.2 Special Announcement and Report

- (I) Deadline of announcement and report: within two days from the day of the “date of occurrence”
- (II) Standards of Announcement and Report

A. Loaning of Funds

1. The total balance of loans to others by the Company and the subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of loans by the Company and the subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.
3. The amount of new loans of funds by the Company or the subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

B. Endorsement/Guarantee

1. The total balance of endorsements/guarantees by the Company and the subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by t the Company and the subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and the subsidiaries for a single enterprise reaches NT\$10 millions or more and the total amount of all endorsements/guarantees for, carrying value of equity method investment and balance of loans to such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof

that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

4.20 Penalty for Breach: In case any manager or person-in-charge breach the Procedures, such persons will be penalized pursuant to the Regulations of Award/Penalty for Employees.

4.21 Disclosing the Information of the Financial Statements

4.21.1 Nature of

(I) It shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts.

(II) It shall adequately disclose relevant information in its financial reports

(III) It shall provide certified public accountants with relevant information for implementation of necessary auditing procedures.

4.21.2 Maximum limit of

(I) It shall evaluate or record the contingent loss for endorsements/guarantees

(II) It shall adequately disclose relevant information in its financial reports

(III) It shall provide certified public accountants with relevant information for implementation of necessary auditing procedures.

4.21.3 For the foreign companies specified in Article 165-1, Securities and Exchange Act (hereafter "foreign companies"), loaning of funds to others, endorsing others, or providing guarantee shall be proceeded pursuant to the Procedure.

The foreign companies without seals may be waived from the regulations of 4.11.

The net worth of the foreign companies calculated pursuant to the Procedure, refers to the owner's equity attributed to the parent company in the balance sheet.

For the financial reports of the public-listed company prepared according to the IFRS, the net worth referred in the standards, is the owner's equity attributed to the parent company in the balance sheet set out in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.22 The Procedure, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

Appendices No. V.

Table of the Shareholding Status of the Company's Directors

Base date of the data: Book closure day for the shareholders' meeting: April 9, 2023

Position titles	Names	Number of shares currently held	Shareholding ratio
Chairman	Yang Jen Industrial Co., Ltd.	466,000	0.0304%
	Statutory representative: Chou, Chi-Ming	0	0.0000%
Director	China Petrochemical Development Corporation	164,348,449	10.7354%
	Statutory representative: Chen, Jui-Lung	0	0.0000%
Director	Fu Xing Costume Co., Ltd.	218,991	0.0143%
	Statutory representative: Tsai, Chao-Lun	56,641	0.0037%
Director	Tian Jin Investment Co., Ltd.	12,179,632	0.7956%
	Statutory representative: Chen, Wen-Ke	0	0.0000%
Director	Tian Jin Investment Co., Ltd.	12,179,632	0.7956%
	Statutory representative: Pai, Chun-Nan	0	0.0000%
Director	Chang Li Co., Ltd.	1,500,000	0.0980%
	Statutory representative: Liu, Liang-Hai	0	0.0000%
Director (Total without representative)		178,713,072	11.6740%
The principal of the independent director	Lu, He-Yi	60,000	0.0020%
The principal of the independent director	Ko, Shu-Jen	0	0.0000%
The principal of the independent director	Chang, Fan	0	0.0000%
Total independent director		60,000	0.0039%
Aggregate total of shares held by all directors		178,773,072	11.6776%

Notes: 1. The shareholding ratios under this Table are duly calculated as of the book closure day of the shareholders' regular meeting of the current year, i.e., April 9, 2023 at the total issued and outstanding shares in the number of 1,530,899,822 shares.

2. Pursuant to the requirements set forth under Paragraph 2, Article 26 of Securities and Exchange Act; Paragraph 6, Article 2 of Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the minimum number of shares to be held by all directors of the Company shall be 36,741,595 shares.

3. Where the Company has duly set Audit Committee, there is no supervisor in the Company.