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# **Delpha Construction Co., Ltd.**

## **Agenda of 2021 General Shareholders' Meeting**

Time: 9:00 am, June 23 (Wednesday), 2021

Venue: B1, No. 28, Lane 420, Section 5, Chenggong Road, Neihu District,  
Taipei City

I. Call meeting to order

II. Chairman's speech

III. Management Presentations

1. 2020 Business Report.
2. Audit Committee's Inspection Report on the 2020 Final Accounts.

IV. Matters for Recognition

1. Business Report and Financial Statements of the 2020.
2. Proposal for Loss make-up of 2020.

V. Discussion Items

1. Amendment to the Operational Procedures for Articles of Incorporation
2. Amendment to the Operational Procedures for Asset Acquisition and Disposal
3. Proposal for Conducting the Private Placement of Common Shares

VI. Election Matters

By-Election for the Seat of an Independent Director

VII. Questions and Motions

VIII. Adjournment

### **III. Matters to Be Reported**

#### **1. 2020 Standalone Business Condition Report**

In 2020, no cases were completed and accounted for the Company. The main income source of the Company was the rental income of assets and individual case housing income of Reading Green Life. Annual consolidated operating income is NT\$ 87,376,799, and the loss per share is NT\$0.32. The Urban Green, completely sold out in 2017, started construction in February 2010 and is expected to be accounted for in the fourth quarter of 2022. Wuchang Street-Central One, completely sold out, started construction in March 2010 and is expected to be accounted for in the first quarter of 2023. The joint construction of Xin Bi Section, located on Taoyuan Metro A10, is planned to start in April 2021, and is expected to be accounted for in the first quarter of 2023. The joint construction of Le Jie Section case A, located in Taoyuan Metro A7, is planned to start in April 2021, and is expected to be accounted for in the third quarter of 2023. The self-built construction of Xin Zhan Section, located in Shalu Station in Taichung, is planned to start in the fourth quarter of 2021, and expects to be accounted for in the third quarter of 2023. Qing Pu Section and Taoyuan Metro A7 are expected to be under planning in the second quarter of 2021. In addition, the urban renewal case located on Huanisheng Section was submitted in April 2020, and was submitted again by self-adjustment in March 2021. The urban renewal case located on Taiyuan Road, by Huachien Development Co., Ltd. was submitted in June 2020. Both of the two cases adopted renewal plans and right transfer was submitted for reviewing. Besides continuing developing appropriate lands in Greater Taipei, the Company is ambitious in developing lands in the metropolitan aggressively.

Thank you for your support.

The Company's 2020 business condition and 2021 business plan are as follows:

**A. 2020 Business Report**

2020 Business Plan Implementation Results

**Parent company**

Unit: NTD \$ 1,000

Case	2020	2019	Difference compared to the previous year	Remarks
Operating revenue	79,624	3,069	76,555	growth rate: 2,494.46%
Profit(Loss) before tax	(88,637)	(68,696)	(19,941)	

**Consolidated**

Unit: NTD \$ 1,000

Case	2020	2019	Difference compared to the previous year	Remarks
Operating revenue	87,377	10,170	77,207	growth rate: 759.16%
Profit(Loss) before tax	(94,660)	(73,849)	(20,811)	

**B. 2020 Annual Operating Income Details**

**Parent company**

Unit: NTD \$ 1,000

Individual Case	Amount	Remarks
Shitan Section case A (Huyue Tianqin)	78,804	Housing and land Income
Terminal Case	91	Rental income
Rongxing Section Case	31	Rental income
Reading the European Case	36	Rental income
Shulin Case	34	Rental income
Huaisheng Section Case	601	Rental income
Shitan Section case A (Huyue Tianqin)	27	Rental income
Total	79,624	

**Consolidated**

Unit: NTD \$ 1,000

Individual Case	Amount	Remarks
Shitan Section case A (Huyue Tianqin)	78,804	Housing and land Income
Terminal Case	91	Rental income
Rongxing Section Case	31	Rental income
Reading the European Case	7	Rental income
Shulin Case	34	Rental income
Huaisheng Section Case	601	Rental income
Shitan Section case A (Huyue Tianqin)	27	Rental income
Taiyuan Road Case	7,782	Rental income
Total	87,377	

**C. Budget implementation condition**

According to Regulations Governing the Publication of Financial Forecasts of Public Companies, the company doesn't need to publish its 2020 financial forecast.

**D. Financial Revenue and expenditure and Profitability Analysis****Parent company**

Item	2020	2019	
Financial structure %	Debt to assets ratio	19.69	25.34
	Long-term funds to property, plant and equipment ratio	10,776.19	5,440.05
Solvency %	Current ratio	479.14	355.44
	Quick ratio	139.32	44.62
	Times interest earned ratio (times)	(5.63)	(4.26)
Profitability %	Return on Assets	(1.45)	(1.49)
	Return on Equity	(1.94)	(2.16)

	Ratio of pre-tax net profit to paid-in capital	(1.70)	(2.54)
	Net profit (loss) rate	(112.59)	(2,238.38)
	Earnings per share (NT\$)	(0.32)	(0.25)

This year's operating income is higher than last year, but operating costs and other losses are higher than last year as well. Therefore, earnings per share is lower.

### Consolidated

Item		2020	2019
Financial structure %	Debt to assets ratio	25.84	34.53
	Long-term funds to property, plant and equipment ratio	5,438.74	2,853.47
Solvency %	Current ratio	379.90	282.31
	Quick ratio	94.45	28.30
	Times interest earned ratio (times)	(2.73)	(1.77)
Profitability %	Return on Assets	(1.18)	(1.11)
	Return on equity	(1.96)	(2.19)
	Ratio of pre-tax net profit to paid-in capital	(1.82)	(2.73)
	Net profit (loss) rate	(109.49)	(740.35)
	Earnings per share (NT\$)	(0.32)	(0.25)

This year's operating income is higher than last year, but operating costs and other losses are higher than last year as well. Therefore, earnings per share is lower.

## E. Overview of the 2020 Business Plans

### A. Business Strategy

From land development to design and construction, the Company has constantly been upholding the spirit of "cultivating spaces and caring for earth", and has always been pursuing the goals of "providing high-quality and diversified construction and living spaces, caring about the social environment, and helping to create a gorgeously neat dwelling and urban life landscape". We also take an honest and responsible attitude to meet the public's and house buyers' needs toward the living environment and space. In order to enhance our competitive and operating advantages, we strive to achieve the following four goals:

- (1) To enhance corporate governance, and strengthen the operation structure
- (2) To participate in public construction, and develop high-quality land
- (3) To grasp market trends and formulate strategies and responding measures accordingly.
- (4) To effectively integrate resources and improve competitiveness.

### B. Business Goals

This year, the Company will focus on:

- (1) Applying for the six building permits for "Taoyuan Xi Bi Section", "Taoyuan Qing Xi Section", "Taoyuan Le Je Section", "Xi Zhan Section Taichung Shalu Station and planning for commissioning and sales onsite.
- (2) Committing on the construction of the projects "The Urban Green" and "Wuchang Street-Central One" that are completely sold out.

### C. Important Production and Sale Policies

Production Strategies:

Our Company is committed to the construction of high-quality and intelligent houses and business buildings.

The production strategies are:

- (1) Operating areas: The prime districts of Greater Taiwan.
- (2) Development methods:
  - a. We are going to keep developing and rolling out new projects of the lands with well-developed infrastructure in Greater Taiwan by means of joint construction or purchase.
  - b. During the period that the government is striving to promote urban renewals, we will actively participate in the lucrative urban renewal and reconstruction cases of perilous or old buildings in

Greater Taipei.

- (3) Product type: high-tech business buildings and high-class residential buildings, shops.

Sale strategies:

- i. Commissioned sale:

Choosing excellent sales agencies to cooperate with, so as to allow the Company to focus on development, planning and construction.

- ii. Sale by the Company itself:

Regardless of cooperating with distributors, agencies, or selling on our own, in the circumstances of buyer's market, we will actively take the initiative to take the lead and strive to make a satisfactory deal.

F. Company's Future Development Strategies, and the Influences of External Competitive Circumstances, Regulation Circumstances and Overall Operation Circumstances:

- A. The acquisition and integration of the lands in Greater Taipei areas have become increasingly difficult, the costs of lands and construction have also risen, and the lack of labor, all of which have obstructed the promotion and development of the construction projects.
- B. The government has indeed been vigorously promoting urban renewal cases, but our development schedules have always been delayed for lack of supporting regulations.
- C. The government has successively implemented such policies as "actual-price registration 2.0", "raising the standard housing price", "restricting mortgage" and "combining real-estate taxes on house and land". Although it narrows down the development of construction investors, it brings a positive impact on industrial development and trading order.
- D. The Covid-19 severely affected the economy in almost all countries in 2020. Many index suffered from economic slump. However, the Federal Reserve System of Governors in the United States promotes unlimited QE. While countries are eager to decrease interest rates, the performance of the stock market and housing market are outstanding. The expectation on economic growth is at 2.38% in Taiwan. Taiwan, one of the few to have positive economic growth, is only 0.58% less compared to 2.96% in 2019. Even so, Taiwan still has declining economic growth for three consecutive years in 2020. It is expected that economic growth will be back to 4.3% in 2021. Although the prospect seems positive, the industry is wary about the government's interference as the policy is going to cool off the housing market. Regarding registering the actual selling price of actual-price

registration 2.0 approved on Dec 30<sup>th</sup> , 2020, the prepaid houses, the same as existing houses, are requested to be registered in the actual selling price of the real estate system 30 days after signing the contract. With this, investors will not be interested in buying, but self-occupation customers will be the target customers of the housing market in 2021.

Chairman:

General Manager:

Comptroller:

## **2. Audit Committee's Inspection Report on the 2020 Final Accounts**

Explanation:

1. The Company's 2020 final accounting report and parent Company only and consolidated financial statements have been audited by certified accountants Chen, Kuang-Hui and Yao, Yu-Lin of Shine Wing Taiwan. The annual business report and loss make-up proposal have also been verified and an inspection report has been issued by the Audit Committee.
2. The Audit Committee convener reads the inspection report.

### **Audit Committee's inspection Report**

**The Board of Directors delivered the Company's 2020 business report, financial statements (including consolidated and parent company statements) and loss make-up proposal to our accounting firm. Among the documents, the financial statements have been audited by Shine Wing Taiwan and an audit report has been issued accordingly. The Committee has completed the verification of the above-mentioned 2020 business report, financial statements (including consolidated and parent company statements) and loss make-up proposal, and is of the opinion that there were no discrepancies contained therein. A statement is therefore announced as above in accordance with the provisions of Article 14-4 of the Securities Exchange Act and Article 219 of the Company Law for your review and verification.**

**To 2021 General Shareholders' Meeting of Delpha Construction Co., Ltd.**

**Audit Committee Convener: Wang, Mu-Fan  
March 30<sup>th</sup>, 2021**

## **IV. Matters for Recognition:**

### **A. Adoption of the 2020 Business Report and Financial Statements.**

**(proposed by the Board of Directors)**

Explanation:

The Company's 2020 final accounting report, and parent company and consolidated financial statements have been audited by certified accountants Chen, Kuang-Hui and Yao, Yu-Lin of Shine Wing Taiwan. The Audit Committee has also verified annual business report and Loss make-up proposal, and is of the opinion that there were no discrepancies contained therein. For your adoption.

Resolution:

## Independent Auditors' Report

Delpha Construction Co., Ltd.

### Opinion

We have audited the accompanying parent company only balance sheets of Delpha Construction Co., Ltd. (the "Company") as of December 31, 2020 and 2019, and the related parent company only financial statements of comprehensive income, changes in equity and cash flows for the years then ended and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations 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 generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the **Independent auditor's responsibilities for the audit of the parent company only financial statements** section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certificate Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

## **Independent Auditors' Report (Continued)**

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. We determined the key audit matters should be communicated in our audit report are as follows:

### **Evaluation of inventories**

Please refer to Note 4(12) to the parent company only financial statements for the accounting policies of evaluation of inventories; refer to Note 5(2) to the parent company only financial statements for the accounting estimates and assumptions of the evaluation of inventories; and please refer to Note 6(6) to the parent company only financial statements for the details description of inventories account.

The inventory is an important asset of the Company's operation, which accounts for 64% of the total Company's assets. The accounting treatment for inventory evaluation is in accordance with the International Accounting Standard 2 "Inventories". The financial statements will not present fairly if the assessment of net unrealized value of inventories is inappropriate. Therefore, we considered the evaluation of inventories as one of the key audit matters for the year.

Our audit procedures included, but not limited to, by referencing to the total transaction price registered in the Ministry of the Interior's real estate transaction database, the average selling price converted into the net realized value of the lands and buildings for sale to assess whether there is a significant difference. And to obtain the valuation report issued by the appraiser or by referencing to the present value of land announced by the Ministry of the Interior to assess whether there is a significant difference between the construction land and the construction in progress;

## **Independent Auditors' Report (Continued)**

and for the valuation report issued by the appraiser, to assess the rationality of the basic assumptions and expert qualifications such as the percentage of factor adjustment, the direct and indirect costs of the development period, the integrated capital interest rates, etc.

### **Responsibilities of management and those charged with governance for the parent company only financial statements**

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

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

Those charges with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

## **Independent Auditors' Report (Continued)**

### **Independent auditor's responsibilities for the audit of the parent company only financial statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only parent 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **Independent Auditors' Report (Continued)**

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the footnote disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Company's investee companies accounted for under equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of audit of the Company's investee companies. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding 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 relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditors' Report (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our 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.

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Chen, Kuang- Hui

Yao, Yu-Lin

For and on behalf of ShineWing CPAs

March 30, 2021

Taipei, Taiwan

Republic of China

### Notice to Readers

The accompanying financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the parent only financial statements are the responsibility of the management, ShineWing CPAs cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**Delpha Construction Co., Ltd.**  
**Parent company only balance sheets**

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

<b>Assets</b>	Notes	December 31,			
		2020	%	2019	%
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 1,834,819	24	\$ 101,078	3
Financial assets at fair value through profit or loss	6.(2)	-	-	58,249	1
Notes receivable, net	6.(4)	90	-	18	-
Other receivables	6.(5)	39,998	-	39,438	1
Current income tax assets		413	-	360	-
Inventories	6.(6) and 8	4,875,120	64	3,100,417	74
Prepayments		215,909	3	148,070	4
Other financial assets	6.(7) and 8	211,021	3	267,194	6
Other current assets		950	-	-	-
		7,178,320	94	3,714,824	89
<i>Non-current assets</i>					
Financial assets at fair value through other comprehensive income or loss	6.(3)	2,898	-	3,759	-
Investments accounted for under equity method	6.(8)	347,836	4	356,278	9
Property, plant and equipment	6.(9) and 8	57,139	1	57,435	1
Right-of-use asset	6.(10)	-	-	606	-
Refundable deposits	7	60,717	1	31,167	1
Net defined benefit assets - non-current	6.(16)	3,119	-	-	-
Other non-current assets		5,552	-	5,552	-
		477,261	6	454,797	11
<b>Total assets</b>		\$ 7,655,581	100	\$ 4,169,621	100

(Continued on next page)

**Delpha Construction Co., Ltd.**  
**Parent company only balance sheets**

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

<b>Liabilities and equity</b>	Notes	December 31,			
		2020	%	2019	%
<i>Current liabilities</i>					
Short-term borrowings	6.(13) and 8	\$ 915,000	12	\$ 282,000	7
Contract liabilities	6.(22)	342,486	5	187,130	5
Notes payable	6.(14)	1,723	-	-	-
Accounts payable	6.(14)	48,217	1	20,486	-
Accounts payables - related parties	6.(14) and 7	94,571	1	-	-
Other payables		8,802	-	14,627	-
Provisions for liabilities	6.(17)	761	-	644	-
Current lease liabilities		-	-	600	-
Receipts in advances	7	26,446	-	26,387	1
Long-term borrowings - current portion	6.(15) and 8	60,000	1	513,000	12
Other current liabilities		170	-	257	-
		<u>1,498,176</u>	<u>20</u>	<u>1,045,131</u>	<u>25</u>
<i>Non-current liabilities</i>					
Net defined benefit liabilities - non-current	6.(16)	-	-	2,147	-
Guarantee deposits		9,269	-	9,305	-
		<u>9,269</u>	<u>-</u>	<u>11,452</u>	<u>-</u>
<b>Total liabilities</b>		<u>1,507,445</u>	<u>20</u>	<u>1,056,583</u>	<u>25</u>
<i>Equity</i>					
Common stock	6.(19)	5,207,525	68	2,707,525	65
Capital surplus	6.(20)	658,613	8	9,141	-
Retained earnings:	6.(21)				
Legal reserve		237,247	3	237,247	6
Special reserve		3,789	-	24,199	1
Unappropriated earnings		40,402	1	138,715	3
Other equity interest		560	-	( 3,789 )	-
<b>Total equity</b>		<u>6,148,136</u>	<u>80</u>	<u>3,113,038</u>	<u>75</u>
<b>Total liabilities and equity</b>		<u>\$ 7,655,581</u>	<u>100</u>	<u>\$ 4,169,621</u>	<u>100</u>

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

**Delpha Construction Co., Ltd.**  
**Parent company only statement of comprehensive income**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2020	%	2019	%
<b>Revenue</b>	6.(22) and 7	\$ 79,624	100	\$ 3,069	100
<b>Cost of revenue</b>	6.(6)	( 61,950 )	( 78 )	( 1,905 )	( 62 )
<b>Gross profit</b>		<u>17,674</u>	<u>22</u>	<u>1,164</u>	<u>38</u>
<b>Operating expenses</b>					
Selling expenses	6.(25)	( 2,618 )	( 3 )	( 1,883 )	( 61 )
General & administrative expenses	6.(25)	( 77,601 )	( 97 )	( 65,587 )	( 2,137 )
		( 80,219 )	( 100 )	( 67,470 )	( 2,198 )
<b>Loss from operations</b>		( 62,545 )	( 78 )	( 66,306 )	( 2,160 )
<b>Non-operating income and expenses</b>					
Other income	6.(23)	4,851	6	8,589	280
Other gains and losses	6.(24)	( 17,298 )	( 22 )	6,767	220
Finance costs	6.(27)	( 5,203 )	( 6 )	( 8,052 )	( 262 )
Share of loss of subsidiaries, affiliates and joint ventures accounted for under equity method		( 8,442 )	( 11 )	( 9,694 )	( 316 )
		( 26,092 )	( 33 )	( 2,390 )	( 78 )
<b>Loss before income tax</b>		( 88,637 )	( 111 )	( 68,696 )	( 2,238 )
<b>Income tax expense</b>	6.(28)	( 1,008 )	( 1 )	-	-
<b>Net loss for the year</b>		( 89,645 )	( 112 )	( 68,696 )	( 2,238 )
<b>Other comprehensive income</b>					
Component of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		111	-	1,666	54
Unrealized profit on valuation of investments in equity instruments at fair value through other comprehensive income		986	1	1,334	43
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
<b>Total other comprehensive income for the year</b>		<u>1,097</u>	<u>1</u>	<u>3,000</u>	<u>97</u>
<b>Total comprehensive loss for the year</b>		( \$ 88,548 )	( 111 )	( \$ 65,696 )	( 2,141 )
<b>Earnings per share (In New Taiwan dollars)</b>					
Basic earnings per share	6.(29)	( \$ 0.32 )		( \$ 0.25 )	

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

**Delpha Construction Co., Ltd.**  
**Parent company only statement of changes in equity**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity interest		Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gain (loss) of financial assets at fair value through other comprehensive income	Treasury stock	
Balance, January 1, 2019	\$ 2,707,525	\$ 11,381	\$ 234,560	\$ 18,758	\$ 305,262	(\$ 5,322)	(\$ 27,761)	\$ 3,244,403
Appropriation of prior year's earnings:								
Special capital reserve	-	-	-	5,441	( 5,441 )	-	-	-
Legal reserve	-	-	2,687	-	( 2,687 )	-	-	-
Cash dividends	-	-	-	-	( 81,225 )	-	-	( 81,225 )
Expired and unclaimed dividend transfer to legal reserve	-	50	-	-	-	-	-	50
Disposal of the Company's shares deemed as treasury stock transaction by a subsidiary	-	( 2,290 )	-	-	( 9,965 )	-	27,761	15,506
Changes in ownership interests of subsidiaries	-	-	-	-	( 199 )	199	-	-
	2,707,525	9,141	237,247	24,199	205,745	( 5,123 )	-	3,178,734
Net loss for the year	-	-	-	-	( 68,696 )	-	-	( 68,696 )
Other comprehensive income for the year	-	-	-	-	1,666	1,334	-	3,000
Total other comprehensive income (loss) for the year	-	-	-	-	( 67,030 )	1,334	-	( 65,696 )
Balance, December 31, 2019	2,707,525	9,141	237,247	24,199	138,715	( 3,789 )	-	3,113,038
Appropriation of prior year's earnings:								
Reversal of special capital reserve	-	-	-	( 20,410 )	20,410	-	-	-
Cash dividends	-	-	-	-	( 27,075 )	-	-	( 27,075 )
Expired and unclaimed dividend transfer to legal reserve	-	38	-	-	-	-	-	38
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 2,114 )	3,363	-	1,249
Capital injection by cash	2,500,000	649,433	-	-	-	-	-	3,149,433
Other	-	1	-	-	-	-	-	1
	5,207,525	658,613	237,247	3,789	129,936	( 426 )	-	6,236,684
Net loss for the year	-	-	-	-	( 89,645 )	-	-	( 89,645 )
Other comprehensive income for the year	-	-	-	-	111	986	-	1,097
Total other comprehensive income (loss) for the year	-	-	-	-	( 89,534 )	986	-	( 88,548 )
Balance, December 31, 2020	\$ 5,207,525	\$ 658,613	\$ 237,247	\$ 3,789	\$ 40,402	\$ 560	\$ -	\$ 6,148,136

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

**Delpha Construction Co., Ltd.**  
**Parent company only statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2020	2019
<b>Cash flows from operating activities</b>		
Loss before income tax for the year	( \$ 88,637 )	( \$ 68,696 )
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	2,192	2,721
Gain from lease modification	- (	1 )
Interest income	( 1,323 )	( 4,652 )
Dividend income	( 8 )	-
Net loss (gain) on financial assets at fair value through profit or loss	8,372 (	5,901 )
Interest expense	5,203	8,052
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	8,442	9,694
Loss on disposal of property, plant and equipment	17	-
Loss (gain) on foreign exchange, net	4,448 (	1,018 )
Loss on disposal of investments	-	133
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	49,877 (	2,869 )
(Increase) decrease in notes receivable	( 72 )	36
(Increase) decrease in other receivables	( 625 )	2
Increase in inventories	( 1,765,079 )	( 52,185 )
Increase in prepayments	( 67,839 )	( 94,412 )
Decrease (increase) in other financial assets	56,173 (	64,146 )
Increase in other current assets	( 950 )	-
Increase in contract liabilities	155,356	185,130
Increase (decrease) in notes payable	1,723 (	209 )
Increase in accounts payable	27,731	129
Increase in accounts payable - related parties	94,571	-
(Decrease) increase in other payables	( 6,245 )	3,307
Increase in provisions for liabilities	117	22
Increase (decrease) in receipts in advances	59 (	51 )
(Decrease) increase in other current liabilities	( 87 )	8
Decrease in receipt in net defined benefit liabilities	( 5,155 )	( 6,569 )
<b>Cash used in operations</b>	( 1,521,739 )	( 91,475 )
Interest received	1,437	5,138
Interest paid	( 14,403 )	( 14,152 )
Dividend received	8	-
Income taxes paid (including land value increment tax)	( 1,061 )	( 267 )
<b>Net cash used in operating activities</b>	( 1,535,758 )	( 100,756 )

(Continued on next page)

**Delpha Construction Co., Ltd.**  
**Parent company only statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

	For the year ended December 31,	
	2020	2019
<b>Cash flows from investing activities</b>		
Refund of capital from financial assets at fair value through other comprehensive income after capital liquidation	1,200	-
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,847	1,975
Acquisition of property, plant and equipment	( 1,307 )	( 208 )
Increase in refundable deposits	( 29,550 )	( 17,916 )
Increase in other non-current assets	-	( 3,822 )
<b>Net cash used in investing activities</b>	<u>( 27,810 )</u>	<u>( 19,971 )</u>
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	633,000	282,000
Decrease in short-term notes and bills payable	-	( 319,983 )
Increase in long-term borrowings	60,000	-
Repayment of long-term borrowings	( 513,000 )	-
Payments of lease liability	( 604 )	( 1,082 )
Decrease in guarantee deposits	( 36 )	-
Expired and unclaimed dividend transfer to legal reserve	38	50
Capital injection by cash	3,149,433	-
Payment of cash dividends	( 27,075 )	( 81,225 )
Disgorgement	1	-
<b>Net cash generated from (used in) financing activities</b>	<u>3,301,757</u>	<u>( 120,240 )</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>( 4,448 )</u>	<u>1,018</u>
<b>Increase (decrease) in cash and cash equivalents</b>	1,733,741	( 239,949 )
<b>Cash and cash equivalents at beginning of year</b>	<u>101,078</u>	<u>341,027</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,834,819</u>	<u>\$ 101,078</u>

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

**Delpha Construction Co., Ltd. and Subsidiaries**  
**Letter of Representation**

For the year ended December 31, 2020 (from January 1, 2020 to December 31, 2020), pursuant to “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the entities that are required to be included in the consolidated financial statements of affiliates, are the same entities required to be included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Delpha Construction Co., Ltd.

Cheng, Ssu-Tsung

Chairman

March 30, 2021

## Independent Auditors' Report

Delpha Construction Co., Ltd.

### Opinion

We have audited the accompanying consolidated balance sheets of Delpha Construction Co., Ltd. (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the **Independent auditors' responsibilities for the audit of the consolidated financial statements** section of our report. We are independent of the Group in accordance with the Code of professional Ethics for Certificate Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

## **Independent Auditors' Report (Continued)**

### **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, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. We determined the key audit matters should be communicated in our audit report are as follows:

### **Evaluation of inventories**

Please refer to Note 4(13) to the consolidated financial statements for the accounting policies of evaluation of inventories; refer to Note 5(2) to the consolidated financial statements for the accounting estimates and assumptions of the evaluation of inventories; and please refer to Note 6(6) to the consolidated financial statements for the details description of inventories accounts.

The inventory is an important asset of the Group's operation, which accounts for 71% of the total Group's assets. The accounting treatment for inventory evaluation is in accordance with the International Accounting Standard 2 "Inventories". The financial statements will not present fairly if the assessment of net unrealized value of inventories are inappropriate. Therefore, we considered the evaluation of inventories as one of the key audit matters for the year.

Our audit procedures included, but are not limited to, by referencing to the total transaction price registered in the Ministry of the Interior's real estate transaction database, the average selling price converted into the net realized value of the lands and buildings for sale to assess whether there is a significant difference. And to obtain the valuation report issued by the appraiser or by referencing to the present value of land announced by the Ministry of the Interior to assess whether there is a significant difference between the construction land and the construction in progress; and for the valuation report issued by the appraiser, to assess the

## **Independent Auditors' Report (Continued)**

rationality of the basic assumptions and expert qualifications such as the percentage of factor adjustment, the direct and indirect costs of the development period, the integrated capital interest rates etc.

### **Other matters**

We have audited the parent only financial statements of Delpha Construction Co., Ltd. for the year ended December 31, 2020 and 2019 on which we have issued an unqualified 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 Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 charges with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

## **Independent Auditors' Report (Continued)**

### **Independent 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 generally accepted auditing standards, we exercise professional judgment 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 risks of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls 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 controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **Independent Auditors' Report (Continued)**

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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Group's investee companies accounted for under equity method to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of audit of the Group's investee companies. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding 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 relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditors' Report (Continued)

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, 2020 and are therefore the key audit matters. We describe these matters in our 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.

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Chen, Kuang-Hui

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Yao, Yu-Lin

For and on behalf of ShineWing CPAs

March 30, 2021

Taipei, Taiwan

Republic of China

### Notice to Readers

The accompanying consolidated financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, ShineWing CPAs cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated balance sheets**

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

<b>Assets</b>	<u>Notes</u>	December 31,			
		2020	%	2019	%
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 1,842,842	21	\$ 132,046	3
Financial assets at fair value through profit or loss	6.(2)	-	-	58,249	1
Notes receivable, net	6.(4)	1,647	-	2,465	-
Accounts receivable, net	6.(4)	6	-	6	-
Other receivables	6.(5)	40,008	-	39,438	1
Current income tax assets		413	-	360	-
Inventories	6.(6) and 8	6,121,039	71	4,337,552	84
Prepayments		215,913	3	148,080	3
Other financial assets	6.(7) and 8	211,021	3	267,194	5
Other current assets		950	-	-	-
		8,433,839	98	4,985,390	97
<i>Non-current assets</i>					
Financial assets at fair value through other comprehensive income	6.(3)	2,898	-	3,769	-
Property, plant and equipment	6.(8) and 8	117,874	1	118,586	2
Right-of-use asset	6.(9)	6,571	-	4,969	-
Refundable deposits	7	61,013	1	31,463	1
Net defined benefit assets - non-current	6.(15)	3,119	-	-	-
Other non-current assets		5,552	-	5,552	-
		197,027	2	164,339	3
<b>Total assets</b>		<b>\$ 8,630,866</b>	<b>100</b>	<b>\$ 5,149,729</b>	<b>100</b>

(Continued on next page)

**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated balance sheets**

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

<b>Liabilities and equity</b>	Notes	December 31,			
		2020	%	2019	%
<i>Current liabilities</i>					
Short-term borrowings	6.(12) and 8	\$ 915,000	11	\$ 282,000	6
Contract liabilities	6.(22)	342,486	4	187,130	4
Notes payable	6.(13)	1,723	-	-	-
Accounts payable	6.(13)	48,217	1	20,486	-
Accounts payable – related parties	6.(13) and 7	94,571	1	-	-
Other payables		10,480	-	16,549	-
Provisions for liabilities	6.(16)	761	-	644	-
Current lease liabilities		6,599	-	4,974	-
Receipts in advances	7	28,079	-	28,958	1
Long-term borrowings - current portion	6.(14) and 8	771,900	9	1,224,900	24
Other current liabilities		187	-	277	-
		<u>2,220,003</u>	<u>26</u>	<u>1,765,918</u>	<u>35</u>
<i>Non-current liabilities</i>					
Net defined benefit liabilities - non-current	6.(15)	-	-	2,147	-
Guarantee deposits		10,305	-	10,181	-
		<u>10,305</u>	<u>-</u>	<u>12,328</u>	<u>-</u>
<b>Total liabilities</b>		<u>2,230,308</u>	<u>26</u>	<u>1,778,246</u>	<u>35</u>
<i>Equity attributable to shareholders of the parent</i>					
Common stock	6.(18)	5,207,525	60	2,707,525	52
Capital surplus	6.(19)	658,613	8	9,141	-
Retained earnings:	6.(20)				
Legal reserve		237,247	3	237,247	5
Special reserve		3,789	-	24,199	-
Unappropriated earnings		40,402	-	138,715	3
Other equity interest		560	-	( 3,789 )	-
		<u>6,148,136</u>	<u>71</u>	<u>3,113,038</u>	<u>60</u>
Non-controlling interest	6.(21)	252,422	3	258,445	5
<b>Total equity</b>		<u>6,400,558</u>	<u>74</u>	<u>3,371,483</u>	<u>65</u>
<b>Total liabilities and equity</b>		<u>\$ 8,630,866</u>	<u>100</u>	<u>\$ 5,149,729</u>	<u>100</u>

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

**Delpha Construction Co., Ltd. and Subsidiaries**  
**Consolidated statement of comprehensive income**  
For the years ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2020	%	2019	%
<b>Revenue</b>	6.(22) and 7	\$ 87,377	100	\$ 10,170	100
<b>Cost of revenue</b>	6.(6)	( 61,950 )	( 71 )	( 1,905 )	( 19 )
<b>Gross profit</b>		25,427	29	8,265	81
<b>Operating expenses</b>					
Selling expenses	6.(25)	( 2,618 )	( 3 )	( 1,883 )	( 18 )
General & administrative expenses	6.(25)	( 86,752 )	( 99 )	( 74,333 )	( 731 )
		( 89,370 )	( 102 )	( 76,216 )	( 749 )
<b>Loss from operations</b>		( 63,943 )	( 73 )	( 67,951 )	( 668 )
<b>Non-operating income and expenses</b>					
Other income	6.(23)	4,857	6	9,224	91
Other gains and losses	6.(24)	( 17,274 )	( 20 )	7,568	74
Finance costs	6.(27)	( 18,300 )	( 21 )	( 22,690 )	( 223 )
		( 30,717 )	( 35 )	( 5,898 )	( 58 )
<b>Loss before income tax</b>		( 94,660 )	( 108 )	( 73,849 )	( 726 )
<b>Income tax expense</b>	6.(28)	( 1,008 )	( 1 )	( 1,445 )	( 14 )
<b>Net loss for the year</b>		( 95,668 )	( 109 )	( 75,294 )	( 740 )
<b>Other comprehensive income</b>					
Component of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		111	-	1,666	16
Unrealized profit on valuation of investments in equity instruments at fair value through other comprehensive income		986	1	1,337	13
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
<b>Total other comprehensive income for the year</b>		1,097	1	3,003	29
<b>Total comprehensive loss for the year</b>		(\$ 94,571 )	( 108 )	(\$ 72,291 )	( 711 )
<b>Net loss attributable to</b>					
Shareholders of the parent		(\$ 89,645 )	( 102 )	(\$ 68,696 )	( 675 )
Non-controlling interest		( 6,023 )	( 7 )	( 6,598 )	( 65 )
		(\$ 95,668 )	( 109 )	(\$ 75,294 )	( 740 )
<b>Total comprehensive loss attributable to</b>					
Shareholders of the parent		(\$ 88,548 )	( 101 )	(\$ 65,696 )	( 646 )
Non-controlling interest		( 6,023 )	( 7 )	( 6,595 )	( 65 )
		(\$ 94,571 )	( 108 )	(\$ 72,291 )	( 711 )
<b>Earnings per share (In New Taiwan dollars)</b>	6.(29)				
Basic earnings per share		(\$ 0.32 )		(\$ 0.25 )	

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

**Delpha Construction Co., Ltd. and Subsidiaries**  
**Consolidated statement of changes in equity**  
For the years ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent										
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings	Other equity interest Unrealized gain (loss) of financial assets at fair value through other comprehensive income	Treasury stock	Total	Non-controlling interest	Total equity
Balance, January 1, 2019	\$ 2,707,525	\$ 11,381	\$ 234,560	\$ 18,758	\$ 305,262		( \$ 5,322 )	( \$ 27,761 )	\$ 3,244,403	\$ 248,736	\$ 3,493,139
Appropriation of prior year's earnings:											
Special capital reserve	-	-	-	5,441	( 5,441 )		-	-	-	-	-
Legal reserve	-	-	2,687	-	( 2,687 )		-	-	-	-	-
Cash dividends	-	-	-	-	( 81,225 )		-	-	( 81,225 )	-	( 81,225 )
Expired and unclaimed dividend transfer to legal reserve	-	50	-	-	-		-	-	50	-	50
Disposal of the Company's shares deemed as treasury stock transaction by a subsidiary	-	( 2,290 )	-	-	( 9,965 )		-	27,761	15,506	-	15,506
Changes in ownership interests of subsidiaries	-	-	-	-	( 199 )		199	-	-	( 398 )	( 398 )
Other	-	-	-	-	-		-	-	-	16,702	16,702
	<u>2,707,525</u>	<u>9,141</u>	<u>237,247</u>	<u>24,199</u>	<u>205,745</u>		<u>( 5,123 )</u>	<u>-</u>	<u>3,178,734</u>	<u>265,040</u>	<u>3,443,774</u>
Net loss for the year	-	-	-	-	( 68,696 )		-	-	( 68,696 )	( 6,598 )	( 75,294 )
Other comprehensive income for the year	-	-	-	-	1,666		1,334	-	3,000	3	3,003
Total other comprehensive income (loss) for the year	-	-	-	-	( 67,030 )		1,334	-	( 65,696 )	( 6,595 )	( 72,291 )
Balance, December 31, 2019	2,707,525	9,141	237,247	24,199	138,715		( 3,789 )	-	3,113,038	258,445	3,371,483
Appropriation of prior year's earnings:											
Reversal of special capital reserve	-	-	-	( 20,410 )	20,410		-	-	-	-	-
Cash dividends	-	-	-	-	( 27,075 )		-	-	( 27,075 )	-	( 27,075 )
Expired and unclaimed dividend transfer to legal reserve	-	38	-	-	-		-	-	38	-	38
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 2,114 )		3,363	-	1,249	-	1,249
Capital injection by cash	2,500,000	649,433	-	-	-		-	-	3,149,433	-	3,149,433
Other	-	1	-	-	-		-	-	1	-	1
	<u>5,207,525</u>	<u>658,613</u>	<u>237,247</u>	<u>3,789</u>	<u>129,936</u>		<u>( 426 )</u>	<u>-</u>	<u>6,236,684</u>	<u>258,445</u>	<u>6,495,129</u>
Net loss for the year	-	-	-	-	( 89,645 )		-	-	( 89,645 )	( 6,023 )	( 95,668 )
Other comprehensive income for the year	-	-	-	-	111		986	-	1,097	-	1,097
Total other comprehensive income (loss) for the year	-	-	-	-	( 89,534 )		986	-	( 88,548 )	( 6,023 )	( 94,571 )
Balance, December 31, 2020	<u>\$ 5,207,525</u>	<u>\$ 658,613</u>	<u>\$ 237,247</u>	<u>\$ 3,789</u>	<u>\$ 40,402</u>		<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 6,148,136</u>	<u>\$ 252,422</u>	<u>\$ 6,400,558</u>

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

**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2020	2019
<b>Cash flows from operating activities</b>		
Loss before income tax for the year	(\$ 94,660)	(\$ 73,849)
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	4,572	3,842
Interest income	( 1,329 )	( 5,176 )
Dividend revenue	( 8 )	( 79 )
Net loss (gain) on financial assets at fair value through profit or loss	8,372	( 6,772 )
Interest expense	18,300	22,690
Loss on disposal of property, plant and equipment	17	-
Gain arising from lease modification	( 24 )	( 1 )
Loss (gain) on foreign exchange, net	4,448	( 948 )
Loss on disposal of investments	-	133
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	49,877	( 1,998 )
Decrease (increase) in notes receivable	818	( 819 )
Decrease in accounts receivable	-	5
(Increase) decrease in other receivables	( 625 )	3,832
Increase in inventories	( 1,773,863 )	( 52,185 )
Increase in prepayments	( 67,833 )	( 94,335 )
Decrease (increase) in other financial assets	56,173	( 64,146 )
Increase in other current assets	( 950 )	-
Increase in contract liabilities	155,356	185,130
Increase (decrease) in notes payable	1,723	( 209 )
Increase in accounts payable	27,731	129
Increase in accounts payable – related parties	94,571	-
(Decrease) increase in other payables	( 6,288 )	3,357
Increase in provisions for liabilities	117	22
(Decrease) increase in receipts in advances	( 879 )	1,007
(Decrease) increase in other current liabilities	( 90 )	23
Decrease in receipt in net defined benefit liabilities	( 5,155 )	( 6,569 )
<b>Cash used in operations</b>	( 1,529,629 )	( 86,916 )
Interest received	1,443	5,782
Interest paid	( 27,584 )	( 28,767 )
Dividend received	8	79
Income taxes paid (including land value increment tax)	( 1,061 )	( 267 )
<b>Net cash used in operating activities</b>	( 1,556,823 )	( 110,089 )

(Continued on next page)

**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

	For the year ended December 31,	
	2020	2019
<b>Cash flows from investing activities</b>		
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,847	1,975
Refund of capital from financial assets at fair value through other comprehensive income after capital liquidation	1,200	-
Loss on disposal of subsidiary	-	( 8,724 )
Acquisition of property, plant and equipment	( 1,307 )	( 208 )
Increase in refundable deposits	( 29,550 )	( 18,206 )
Increase in other non-current assets	-	( 3,822 )
<b>Net cash used in investing activities</b>	( 27,810 )	( 28,985 )
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	633,000	282,000
Decrease in short-term notes and bills payable	-	( 319,983 )
Increase in long-term borrowings	60,000	-
Repayment of long-term borrowings	( 513,000 )	( 13,881 )
Payment of lease liability	( 2,644 )	( 1,808 )
Increase in guarantee deposits	124	84
Expired and unclaimed dividend transfer to legal reserve	38	50
Capital injection by cash	3,149,433	-
Payment of cash dividends	( 27,075 )	( 81,225 )
Disgorgement	1	-
Disposal of treasury stock	-	32,289
<b>Net cash generated from (used in) financing activities</b>	3,299,877	( 102,474 )
<b>Effect of exchange rate changes on cash and cash equivalents</b>	( 4,448 )	948
<b>Increase (decrease) in cash and cash equivalents</b>	1,710,796	( 240,600 )
<b>Cash and cash equivalents at beginning of year</b>	132,046	372,646
<b>Cash and cash equivalents at end of year</b>	\$ 1,842,842	\$ 132,046

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

**B. Proposal for Loss make-up proposal of 2020.**

**(proposed by the Board of Directors).**

Explanation:

The Company's 2020 net loss after tax is NT\$ 89,644,403. Therefore, we plan to not to distribute dividend, and the loss make-up proposal is attached. For your adoption.

**Delpha Construction Co., Ltd.**

**2020**

**Statement of Loss make-up proposal**

Unit: NT \$

Items	Amount	Note
Retained earnings at the opening of the period	132,049,734	
Plus : Remeasurements of defined benefit liability	110,720	
Deduction: : Disposal of equity instruments at fair value through other comprehensive income	(2,113,561)	
Increase: Reverse and provide special reserve according to law	3,788,883	
Deduction: Net loss after tax for the year	(89,644,403)	
Distributable surplus	44,191,373	
Retained earnings at the end of the period	44,191,373	

Chairman:

General Manager:

Comptroller:

## V. Discussion Items

- Propose to discuss the amendment of the Articles of Incorporation.  
(Proposed by Board of Directors)

### Explanation:

Propose to amend the capital amount in Article 7 and allotment of employee remuneration in Article 28 of the Articles of Incorporation,

The articles before and after the amendment are shown below:

	After Revision		Before Revision	Explanation
Article 7	The total capital amount of the Company shall be <b><u>12 billion (NT\$12,000,000,000)</u></b> , at a par value of ten New Taiwan Dollars (NT\$10) per share. The Board is authorized to issue unissued shares separately depends on operation of the Company. Part of the shares shall be preferred stock.	Article 7	The total capital amount of the Company shall be <b><u>Five Billion, Three Hundred and Thirty-Six Million, One Hundred and Thirty-Five Thousand, Nine Hundred and Twenty Dollars New Taiwan Dollars (NT\$5,336,135,920)</u></b> , at a par value of ten New Taiwan Dollars (NT\$10) per share. The Board is authorized to issue unissued shares separately depend on operation of the Company. Part of the shares shall be preferred stock.	For capitals request, propose to increase the total capital amount of the Company
Article 28	When the Company allocates the profit of the current year, if any, no less than <b><u>0.5%</u></b> of the profit shall be set aside as employees' remuneration and no less than 2% of the profit shall be set aside as directors' remuneration. However, when there is accumulated loss, the profits shall be used to offset accumulated loss first. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration and directors'	Article 28	When the Company allocates the profit of the current year, if any, no less than <b><u>1.5%</u></b> of the profit shall be set aside as employees' remuneration and no less than 2% of the profit shall be set aside as directors' remuneration. However, when there is accumulated loss, the profits shall be used to offset accumulated loss first. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration and directors'	Adjust the ratio of the allotment for the employees' remuneration

	<p>remuneration in the preceding paragraph distributed in the form of shares or in cash; and in addition, thereto a report of such distribution shall be submitted to the shareholders' meeting.</p> <p>The profit of the current year as below paragraph shall be Pre-Tax Income which is before deduct from employees' remuneration and directors' remuneration.</p> <p>Directors' remuneration is in the form of cash.</p> <p>The employees who are paid for remuneration of stocks or cash, the issuance of the object contains a certain condition for the subsidiary and certain condition is decided by the Board of Directors.</p>		<p>remuneration in the preceding paragraph distributed in the form of shares or in cash; and in addition, thereto a report of such distribution shall be submitted to the shareholders' meeting.</p> <p>The profit of the current year as below paragraph shall be Pre-Tax Income which is before deduct from employees' remuneration and directors' remuneration.</p> <p>Directors' remuneration is in the form of cash.</p> <p>The employees who are paid for remuneration of stocks or cash, the issuance of the object contains a certain condition for the subsidiary and certain condition is decided by the Board of Directors.</p>	
Article 32	<p>This Articles of Incorporation was drawn up on October 7<sup>th</sup>, 1960. (The rest is omitted.)</p> <p><b><u>Forty-second amendment shall take effect as of June 23<sup>rd</sup>, 2021.</u></b></p>	Article 28	<p>This Articles of Incorporation was drawn up on October 7<sup>th</sup>, 1960. (The rest is omitted.)</p>	Add the date of revision.

Resolution :

2. Propose to discuss the amendment of the Company’s “Procedures for Asset Acquisition and Disposal”.  
(Proposed by Board of Directors)

Explanation:

Propose to amend the Procedures for Asset Acquisition and Disposal in Article 4 in order to process the acquisition or disposal of securities, real estate, equipment, or right-of-use assets in practical.

The articles before and after the amendment are shown below:

	After Revision		Before Revision	Explanation
Article 4	<p>Operational procedure</p> <p>(1) Credit limit and hierarchy</p> <p>1. Securities</p> <p>The Chairman is authorized to <b><u>conduct transactions within a single transaction amount not exceeding Article 7 in the Operating Procedures.</u></b> If the transaction amount reaches the standard of article 5, it shall be approved by the Audit Committee and submitted to the Board of Directors for approval.</p> <p>2. <b><u>Real Estate, Equipment, or Right-of-use Assets</u></b></p> <p><b><u>The acquisition or disposal of securities, real estate, equipment, or right-of-use assets under NT\$ 500 million needs to be approved by the Chairman. If over NT\$ 500 million, it shall be either approved by the Audit committee and submitted to the Board of Directors for approval, or shall be</u></b></p>	Article 4	<p>Operational procedure</p> <p>(1) Credit limit and hierarchy</p> <p>1. Securities</p> <p>The Chairman is authorized to <b><u>conduct transactions within a single transaction of a single security with the account balance of NT \$ 15 million. If the authorized amount is exceeded,</u></b> it shall be approved by the Audit Committee and submitted to the Board of Directors for approval.</p>	To process the acquisition or disposal of securities, real estate, equipment, or right-of-use assets in practical

**approved by the Audit Committee and submitted to the Board of Directors to authorize the Chairman to conduct in a certain area, period and amount. The amount is restricted to NT\$ 10 billion.**

**3. Derivative Transactions.**

**(1) Hedging Operation**

In accordance with the change of revenue and risk exposure, a single transaction should be limited to 1 million US dollars, where as accumulation limit of the day is 4 million US dollars. The chairman is authorized to approve transaction, while transaction amount over the limit shall be approved by the Audit Committee and resolved by the Board of Directors.

**(2) Non-hedging operation**

To avert risk, single or accumulative transactions that are below 1 million US dollars, include common dollar, shall be approved by the president, whereas transactions above 1 million dollars shall be approved by the Audit Committee and resolved by the Board of Directors.

**(3) In collaborate with the competent bank supervision, the authorized trader shall inform the bank.**

**2. Derivative Transactions.**

**(1) Hedging Operation**

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To avert risk, single or accumulative transactions that are below 1 million US dollars, include common dollar, shall be approved by the president, whereas transactions above 1 million dollars shall be approved by the Audit Committee and resolved by the Board of Directors.

**(3) In collaborate with the competent bank supervision, the authorized trader shall inform the bank.**

	<p>(4) The derivatives transaction under mentioned authorization shall be submitting to the latest board meeting.</p> <p><b>4.</b> Operation with stakeholder Relevant information shall be prepared in regulation of Chapter 2 of this procedure, be approved by the Audit Committee, and approved by the Board of Directors.</p> <p><b>5.</b> Merger, Spin-off, Acquisition, or Share Transfer Relevant procedure and information shall be prepared in compliance of the regulation of Chapter 4 of this procedure. Merger, Spin-off, Acquisition shall be resolved by the shareholders meeting, where other laws provide otherwise, such regulation shall govern. Share Transfer shall be resolved by the Board of Directors.</p> <p><b>6.</b> Other Internal control system and authorization hierarchy shall be complied. If the transaction amount reaches the standard of article 5, it shall be approved by the Audit Committee and submitted to the Board of Directors for approval. If situation as stipulated in the Company Act article 185 shall occurred, resolution shall be reached by the shareholders meeting.</p>		<p>(4) The derivatives transaction under mentioned authorization shall be submitting to the latest board meeting.</p> <p>3. Operation with stakeholder Relevant information shall be prepared in regulation of Chapter 2 of this procedure, be approved by the Audit Committee, and approved by the Board of Directors.</p> <p>4. Merger, Spin-off, Acquisition, or Share Transfer Relevant procedure and information shall be prepared in compliance of the regulation of Chapter 4 of this procedure. Merger, Spin-off, Acquisition shall be resolved by the shareholders meeting, where other laws provide otherwise, such regulation shall govern. Share Transfer shall be resolved by the Board of Directors.</p> <p>5. Other Internal control system and authorization hierarchy shall be complied. If the transaction amount reaches the standard of article 5, it shall be approved by the Audit Committee and submitted to the Board of Directors for approval. If situation as stipulated in the Company Act article 185 shall occurred, resolution shall be reached by the shareholders meeting.</p>	
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	<p>(B) Operational unit and trading procedure</p> <p>Our company's acquisition and disposal of assets shall be operated by competent units. Once received authorization, agreements and relative transaction shall be executed by the relative operational units under the regulation of internal control system. Transaction with stakeholders, derivatives and merger, spin-off, acquisition and share transfer shall be executed in compliance of Chapter 2 to 4 in this procedure.</p>		<p>(B) Operational unit and trading procedure</p> <p>The company's acquisition and disposal of assets shall be operated by competent units. Once received authorization, agreements and relative transaction shall be executed by the relative operational units under the regulation of internal control system. Transaction with stakeholders, derivatives and merger, spin-off, acquisition and share transfer shall be executed in compliance of Chapter 2 to 4 in this procedure.</p>	
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Resolution :

### 3. Propose to conduct the private placement of ordinary shares

#### (Proposed by the Board of Directors)

##### Explanation

- 1 · For increasing working capital, repaying the bank loans and supporting multi projects of long-term development, the Board of Directors proposes to conduct a private placement of common shares issued up to 200,000 thousand shares with par value of NT\$ 10 on the basis of Article 43-6 of Securities and Exchange Act. Up to the capital market investment condition, the Board of Directors shall be authorized to process once to three closings within a year from the date of the resolution of shareholders meeting.
- 2 · The explanations of private placement according to Article 43-6 of the Securities and Exchange Act are as below:
  - (1) Pricing basis of private placement and its reasonableness

- A. The subscription price for common shares of this private placement shall be no less than 80% of the reference price. The reference price is according to the higher price following the below two calculations.
    - I. The simple arithmetic average of the closing price of the common shares of the Company for either the first, third, or fifth business day immediately prior to the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
    - II. The simple arithmetic average of the closing price of the common shares of the Company 30 business days prior to the price determination date, after adjustment of stock dividends, cash dividends, or capital reduction.
  - B. Under the principles as previously stated and according to Article 43-6 of the Securities and Exchange Act and Directives for Public Companies Conducting Private Placements of Securities, the actual date of the price determination and price setting are proposed to authorize the Board of Directors to determine depending on the status of specific persons contacted and market conditions in the future.
  - C. The actual price setting per share of the privately placed will refer to the Company's operating performance, future development, non-resale in three years after delivery, and current share value, the price setting shall be reasonable under the Directives for Public Companies Conducting Private Placements of Securities and current regulations. If the price per share might possibly be lower than the par value of the shares, which possibly causes capital reduction or an increase in accumulated loss, the Company will compensate according to future operation performance and set a price per share according to the regulations of the government supervisory agency. It shall have no effect on the shareholders' equity.
- (2) The method for selecting the specific persons:
- A. The placees for private placement shall meet the qualifications for special persons listed in Article 43-6 of the Securities and Exchange Act and the Explanation (91)Tai Cai Zheng Yi No. 0910003455 in June 13<sup>th</sup>, 2002 by the Financial Supervisory Commission about the regulation of the specific persons. The related background information check is proposed to be reviewed by the Board of Directors.
  - B. The specific persons list, method to decide, the purpose and their relationship with the Company
 

The Placees of the private placement are restricted to specific persons following Article 43-6 of the Securities and Exchange Act. The Placees are not confirmed so far, but it will be better if the placees are internal or related parties that have a certain understanding of the operation system of the Company. Such persons can invest

requested capitals in a short time to make the private placement more successful and support necessary capitals to strengthen the business system and competence. Thus, the reference list of the placees that are internal or related parties (include details of the relationship between them and the Company) is as below:

Placee	Relationship
Yan, Ming-Hung	Director
Tseng, Ping-Joung	Director
Yeh, Chien-Wei	Independent Director
Wang, Mu-Fan	Independent Director
Wu, Yu-Guo	Manager
Guo, Ming-Zhen	Spouse of the manager
Lee, Jun-Xian	Manager
Wang, Chen Kang	Manager
Chien, Lin-Chin	Manager
Sing-Suei, Wu	Manager
Chia Chun Investment Co., Ltd.	Majority shareholder
Hong Yi Investment Co., Ltd	Related party
Da Shuo Investment Co., Ltd.	Related party

II. The placees are juristic persons; name top 10 shareholders of the corporation and their relationship with the Company

The placees belong to a corporation	Major shareholder's name and their holding ratio		Relationship
Chia Chun Investment Co., Ltd.	Lin, Yi-Zhan	96%	Immediate family of substantive beneficial ownership
	Lin, Chia-Hung	1%	Substantive related party
	Lin, Qi-Bai	1%	N.A
	Bai, Shu-Zhen	1%	N.A
	Peng, Shu-Ying	1%	N.A
Hong Yi Investment Co., Ltd.	Cheng, Ssu-Tsung	100%	Chairman
Da Shuo Investment Co., Ltd.	Su, Pei-Dei	85.84%	Immediate family of the director of the representative of the juristic person
	Lin, Jian-Yu	3.88%	The director of the representative of the juristic person

	Lin, Yuan Yi	3.88%	Second degree relative of the director or the representative of the juristic person
	Lin, Heng Yi	3.88%	Second degree relative of the director or the representative of the juristic person
	Lin, Wen-Liang	1.00%	Immediate family of the director or the representative of the juristic person
	Lin, Wei Pang	0.32%	Third degree relative of the director or the representative of the juristic person
	LIN, Po-Fong	0.32%	Third degree relative of the director or the representative of the juristic person
	Lin, Hsing Hsiung	0.32%	Third degree relative of the director or the representative of the juristic person
	Lin, Zhao Xiang	0.32%	Third degree relative of the director or the representative of the juristic person
	Lu, Ruan Miao	0.24%	N.A.

(3) The necessity of the Private Placement:

A. The reason for not using public offering :

The Company evaluates the factors related to the efficiency of capital collection, convenience, cost and stable shareholders' structure; and decides to issue common shares by placing privately.

B. The quota of private placement:

Issuing common shares up to 200,000 thousand shares by private placement, and shall be conduct once to three closings within a year after being approved by the shareholders meeting.

C. The capital usage and the expectation of the benefits by private placement:

Times	Shares	Usage	Benefits
First	70,000 thousand shares	To increase working capital, repay bank loans	Have more methods and flexibility in

Second	70,000 thousand shares	and support multi projects in long term development	collecting capitals and to strengthen the financial structure, and lower the capital cost. By this, it can enlarge the operation scale and enhance competence to improve shareholders' equity
Third	60,000 thousand shares		
Regarding the amounts of shares from one to three times, it depends on individual closings, and may collect unissued shares previously and/or combine the following shares to be issued partially or all at once. The total amount to be issued shall be up to 200,000 thousand shares.			

(4) Significant change on managerial control within the previous year from the resolution of the Board of Directors of private placement to the private placement of securities issued within a year:

Due to the by-election of directors in the shareholders meeting on June 23<sup>rd</sup>, 2020, the directors were changed up to 1/3 ratio. It caused a significant change in managerial control within a year before the resolution of the Board of Directors on private placements. Thus, the Company shall engage a securities underwriter to provide an assessment opinion on the necessity and reasonableness for conducting the private placement (refer to page #)

- 3 · The rights and obligations of these new common shares privately placed are the same as outstanding common shares in principle. However, according to the regulation of the Securities and Exchange Act, the shares of the private placement have a condition of non-resale within three years upon delivery except for certain circumstances stated in Article 43-8 of the Securities and Exchange Act. After three years upon the private placement of shares delivery, the Company authorizes the Board of Directors to apply for the shares qualified approval by TWSE for the public offering depending on the operating performance at that time. Meanwhile, the Company will declare to the Financial Supervisory Commission to trade in the public offering.
- 4 · To conduct the private placement, it is proposed that the Chairman be fully authorized to represent the Company to sign and discuss contracts and documents regarding this private placement, and handle all matters related to the issue.

5 · To conduct the private placement (including actual price, actual price determined date, shares to issue each closing, capital collecting amount, issued terms, projects, possible benefits and related matters; except the ratio of price setting on the basis of the reference price), it is proposed that the Board of Directors be authorized to adjust and handle the private placement on the basis of the market situation under the principle and tolerance of the explanation of the private placement. Besides, in the future, if there will be any change in regulation, request by government authorities or adjustment from the objective point of view of the housing market, it is proposed that the Board of Directors be authorized to handle following related regulations in full authority.

# Delpha Construction Co., Ltd.

An assessment opinion on the necessity and reasonableness  
for conducting the private placement

Client : Delpha Construction Co., Ltd

Receiver : Delpha Construction Co., Ltd

Purpose : For Delpha Construction Co., Ltd only

For conducting the private placement of common shares in 2021

Report type : an assessment opinion on the necessity and reasonableness

Assessed by Grand Future Security

Date: 2021/04/07

Delpha Construction Co., Ltd  
An Assessment Opinion on the Necessity and Reasonableness of  
Conducting Private Placement of Ordinary Shares for 2021

1. Introduction:

Delpha Construction Co., Ltd (the Company) proposes a private placement of common shares (the Private Placement) in 2021 on the basis of Article 43-6 of the Securities and Exchange Act. The Company proposes to conduct the Private Placement of up to 200,000 thousand shares after the resolution of the Board on April 15<sup>th</sup>, 2021. The discussion includes the placees list, the method, the purposes, necessity and expectations, etc. The Private Placement is expected to be conducted in 1-3 closings within a year after the resolution of the regular shareholders meeting on June 23<sup>rd</sup>, 2021.

According to the Directives for Public Companies Conducting Private Placements of Securities, if there is a significant change in managerial control within the 1 year period immediately preceding the day on which the Board of Directors resolves the matter on private placement, or if there will be a significant change in managerial control after the introduction of a strategic investor through private placement, the company shall engage a securities underwriter to provide an assessment opinion on the necessity and reasonableness for conducting the private placement, and shall state the opinion in the notice to convene the shareholders' meeting to serve as a reference for the shareholders to decide whether to agree. The Company announced the election of the overall directors on June 23<sup>rd</sup>, 2020 on MOPS and had a significant change in managerial control after the election. Therefore, the Company asked Grand Future Security to provide an assessment opinion.

2. Underwriter's assessment opinion

2.1 Legitimacy assessment

The Company has a loss NT\$ 95,688,000 after tax on auditing and certification of financial statements by a CPA. Therefore, the Company has no restriction on conducting a private placement of securities according to Article 3 of the Directives for Public Companies Conducting Private Placements of Securities. Further, the Company's private placement price per share will not be lower than 80% of the reference price by the resolution of the Board on April 15<sup>th</sup>, 2021. The placees are specific persons on the basis of Article 43-6 of the Securities and Exchange Act and the Directives for Public Companies Conducting Private Placements of Securities. The related background information of the placees will be disclosed on the shareholders' meeting notice. After the assessment, the Private Placement shall be legal.

2.2 A brief summary regarding the Company and its financial situation

### 2.2.1 The Company Summary

Delpha Construction Co., Ltd was established in Dec 28<sup>th</sup>, 1950. The paid-in capital is NT\$ 5,207,524,660 on the date of the assessment opinion. The Company is in the real estate development industry, mainly commissions construction suppliers to build business buildings for rent or sale, and commissions construction suppliers to build public housing to rent or sell. To fulfill the customers' needs, Delpha's products are mainly smart offices and houses.

### 2.2.2 Financial Situation

The Condensed Balance Sheet (consolidated) and **Condensed Income Statement (Consolidated)** in the latest 2 years are shown as below

#### Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

Item / Year	2019	2020
Current assets	4,985,390	8,433,839
Non-current Assets	164,339	197,027
Total assets	5,149,729	8,630,866
Current liabilities	1,765,918	2,220,003
Non-current liabilities	12,328	10,305
Total liabilities	1,778,246	2,230,308
Capital stock	2,707,525	5,207,525
Capital reserve	9,141	658,613
Retained earnings	400,161	281,438
Other equity	(3,789)	560
Equity attributable to owner of the parent company	3,113,038	6,148,136
Non-controlling interests	258,445	252,422
Total equity	3,371,483	6,400,558

Source: Auditing and certification of financial statements by a CPA.

#### Condensed Income Statement (Consolidated)

Unit: NT\$1,000

Item / Year	2019	2020
Operating income	10,170	87,377
Gross profit/loss	8,265	25,427
Operating profit/loss	(67,951)	(63,943)
Non-operating income and expense	(5,898)	(30,717)
Net profit (loss) before tax	(73,849)	(94,660)

Net profit (loss) of the current period	(75,294)	(95,668)
EPS	(0.25)	(0.32)

Source: Auditing and attestation of financial statements by a CPA

### 3. The assessment opinion on the necessity and reasonableness of conducting private placement

#### 3.1 The Assessment on Necessity

According to the information on MOPS, the Company announced the overall directors' election on June 23<sup>rd</sup>, 2020, and director's replacement ratio up to 6/7. It shows a significant change in managerial control. In the past, the projects were mainly in Taipei City. The new operation team, that is in the construction industry for years, proactively plans on purchasing lands and promoting projects. The new operation team has obtained a number of lands in Taoyuan and Taichung successively to expand the operation scale of the Company.

The real estate development industry is a highly capital-intensive industry that involves long term construction. Companies need to invest a huge amount of capital on each stage from purchasing land to property completion. The consumers only need to prepare 10% of the price upon signing the contract, and the rest is not paid until bank loans are released for property completion. The liquid capital is requested for the necessary preparation activities. The Company needs a huge amount of capital to support projects at hand, and promote future projects, and for the operation costs as well. To avoid high interest costs to affect the profits and enhance competitiveness, capital is required for multiple aspects such as operation running, debt redemption, and long-term development. Considering the request of capitals in a short time compared to last time, the operating results and performance are not yet obviously improved. If conducting capital increases on the public market, the external shareholders may be not interested in, and the Company faces difficulties and uncertainty on capital gaining in a short time. To have a flexible strategy on collecting capitals, the board meeting approves the private placement of ordinary shares to stable long-term capital and financial flexibility. Above all, evaluating the time efficiency, the cost of releasing shares, and financial and operating situation of the Company, the Private Placement is found to be of necessity.

#### 3.2 The Assessment on Reasonableness

The security underwriters evaluate the reasonableness in three aspects

##### 3.2.1 Reasonableness on the procedure of the Private Placement

From checking the proposal of the board meeting that includes the discussion, the price setting, the method and objectives of selecting placees, the procedure follows the Security and Exchange Act and related regulations. It shows no significant material irregularities.

### 3.2.2 Reasonableness on the securities type of the Private Placement

The Company conducts the Private Placement to increase capital by releasing ordinary shares, which are the common securities on the market and are acceptable by investors. Therefore, the security of the Private Placement is found to be reasonable.

### 3.2.3 Reasonableness on the expectation of the benefit of the Private Placement

Capital is required for multiple aspects such as operation running, debt redemption, and long-term development. It expects to collect capitals flexibly and strengthen the financial structure, lower capital cost, to improve the operation scale in the future, and enhance competence to increase shareholders' equity. Private Placements shall have positive benefits and is therefore found to be reasonable.

Overall, the procedure, the securities type, the purpose and benefits of the capital are reasonable.

## 3.3. The Assessment on the Options and Possibility of the Placees

### 3.3.1 The selection of the placees

According to the proposal on the board meeting, April 15<sup>th</sup>, 2021, the placees are matched specific persons as according to Article 43-6 of the Securities and Exchange Act and the Explanation (91) Tai Cai Zheng Yi No. 0910003455 on June 13<sup>th</sup>, 2002. The related background and qualification of specific persons will be proposed that the board be authorized to evaluate. Specific persons shall understand the Company's operation maturely that can support asking capital successfully in a short time to strengthen the operating performance and competitiveness. The Company looks for inside and related parties to be the placees. The placees will be determined following the related regulations. Hence, the selection of the placees shall be appropriate.

### 3.3.2 The possibility and necessity

The Company had a loss in the recent two years, and it considers the time to ask for a capital increase to be almost the same as last time. Because the operating performance and outcomes are not satisfied in the short term, the external shareholders shall not be interested in investing. To assure the efficiency and certainty of collecting returns, it is necessary that the Company contact the placees. In addition, according to the proposal of the Board, the placees are inside or related parties, who have a long-term cooperative relationship with the Company. In conclusion, the contacts for the placees of the Private Placement shall be possible and necessary.

## 4. The Influence on Sales, Finance, and Shareholder's Equity

### 4.1 The Influence on Sales

The Company collects capitals through the Private Placement for improving the running capitals, paying the bank loans, and supporting multiple projects for long-term development. The Company plans to offer more options and flexibility on collecting capitals and strengthen the Company's financial structure, lower capital costs. To enhance the future operation scale and long-term competence, the Private Placement shall have positive benefits on Sales.

### 4.2 The Influence on Finance

The Company proposes to issue ordinary shares of up to 120,000,000 shares. If all shares are sold out on the determined price, according to the reference price, which is the higher price between the average shares value on one of the previous 1, 3, 5 business days before the board meeting on April 15<sup>th</sup>, 2021, or average share value (after adjustment for any distribution of stock dividends, cash dividends, or capital reduction) 30 business days before the price determined date and no less than 80% of reference price, the Private Placement can improve the running capital, repay the bank loans, and support multiple projects for long-term development. Therefore, it can improve the financial structure, save interest costs and enhance operational efficiency. It shall have positive benefits on finance.

### 4.3 The Influence on Shareholder's Equity

The Company proposes to issue ordinary shares of up to 200,000 thousand shares through the Private Placement and the determined price will not be less than 20% of the reference price. All shares issued are for improving the running capitals, repaying the bank loans, and supporting multiple projects for long-term development to enlarge the future operation scale and improve long-term competence. The Private Placement of security is restricted to free transfer in three years to ensure the long-term cooperative relationship between the Company and the Placees. Therefore, the shareholders' equity shall provide a positive benefit on shareholder's equity.

## 5. Conclusion

In conclusion, the Private Placement is for running operating capitals, repaying bank debt, or supporting multiple projects for long-term development. It offers more methods and flexibility for collecting capitals and strengthening the financial structure, lowering capital costs, enlarging future operation scales, and enhancing long-term competence. Considering the situation and the possibility of collecting capitals, the Private Placement on ordinary shares issued is necessary and reasonable. In addition, the Underwriter of Securities evaluates the proposals of the Board, and it shows no significant violation against legitimacy on the content and procedure. However, the Private Placement brings benefits, options of the placees, and

influence on sales, finance, and shareholders' equity, and is found to be necessary and reasonable.

## 6. Disclaimer

6.1 The Assessment Opinion is only for reference on Delpha Construction Co., Ltd.'s approval on the board meeting on April 15<sup>th</sup>, 2021, and the shareholders' meeting on June 23<sup>rd</sup>, 2021 to determine whether to conduct Private Placement of ordinary shares.

6.2 The Assessment Opinion refers to the proposal on the board meeting of Delpha Construction Co., Ltd. held on the 15<sup>th</sup> of April, 2021, and the financial information and public announcement by MOPS. If there are any adjustments to the Private Placement or changes that will affect the Assessment Opinion, Grand Future Securities has no liability on legitimacy.

Assessment mentor:

Grand Future Securities

Representative: Director Lin, Hua-Deng

Date: April 7<sup>th</sup>, 2021

(Signed for the assessment opinion on the necessity and reasonableness for conducting the private placement of Delpha Construction Co., Ltd.)

## VI. Election matters

### By-Election of an independent director

(Proposed by Board of Directors)

Explanation:

- 1 · Huang, Chih-Chen, the independent director, resigned on March 26<sup>th</sup>, 2021. The Company proposes to by-elect an independent director in the regular shareholders meeting in 2021.
- 2 · The new director's period is to add up the original director from the by-election date to the expiration of the terms of the original directors (from June 23<sup>rd</sup>, 2021 to June 22<sup>nd</sup>, 2023.)
- 3 · According to Article 18 of the Articles of Incorporation, the election of directors is adopted for candidates nominated on the basis of Article 192-1 of the Company Act. Shareholders can elect an appropriate director in the list. Their background information is as below:

Candidate type	Candidate name	Education	Experience	Current career	Shares held
Independent Director	Chen, Ruei-Li	Hua Shia University of Technology	Qualified architect in 2001 The supervisor in the Urban Renewal Institute New Taipei City in the third edition The general manager in the Urban Renewal Institute New Taipei City in the fourth edition The Director Committee of the Urban Planning Committee New Taipei City Architects Association in the fourth edition The Committee of Real Estate Appraisers of New Taipei City 2014-2016 The Committee of Real Estate Appraisers of New Taipei City 2017-2019 The Committee on Urban Planning and Land Development Promissory Committee of New Taipei City 2018	Chen Ruei Li Architects and Associates	0

Note: Shareholdings on the shareholders' register as of book-close date (April 25<sup>th</sup>, 2021)

Election results:

## **VII. Extemporaneous Motions**

## **VIII. Meeting Adjournment**

# Appendix 1

## Shareholdings of individual and all Directors in the shareholders' register as of April 25, 2020

Title	Name	Date elected	Term	Shareholdings when elected		Shareholdings on the shareholders' register as of book-close date	
				Number of shares	%	Number of shares	%
Chairman	Cheng, Ssu-Tsung	June 23, 2020	3 years	0	0.00%	0	0.00%
Director	Lee, Chin-Yi	June 23, 2020	3 years	257	0.00%	434	0.00%
Director	Dajie Investment Co., Ltd. Representative: Tseng, Ping-Joung	June 23, 2020	3 years	16,898,773	6.24%	16,888,773	3.24%
Director	Yan, Ming-Hung	June 23, 2020	3 years	0	0.00%	400,000	0.08%
Independent Director	Wang, Mu-Fan	June 23, 2020	3 years	0	0.00%	0	0.00%
Independent Director	Yeh, Chien-Wei	June 23, 2020	3 years	0	0.00%	100,000	0.01%
Total shareholdings of all Directors:				17,389,207	shares		

Total shares issued as of May 31<sup>st</sup>, 2017: 270,752,466 shares

Total shares issued as of April 25<sup>th</sup>, 2021: 520,752,466 shares

Note:

- A. Statutory shareholding of all Directors of the Company: 16,664,078 shares. As of April 25<sup>th</sup>, 2021 the shareholding of all Directors is 17,289,207 shares.
- B. The Company has set up an Audit Committee, and the statutory shareholding of supervisors therefore does not apply.
- C. Shareholding of Independent Directors is not included in the shareholding of Directors.

## Appendix 2

### **Delpha Construction Co., Ltd.** Rules of Procedure of Shareholders' Meeting

Revised on June 21, 2002

- Article 1: Except as otherwise provided in the laws and regulations, the procedure of the shareholders' meetings of Delpha Construction Co., Ltd. (hereinafter referred to as the Company) shall be handled in accordance with these Rules.
- Article 2: The attending shareholders and proxies shall sign in personally or submit the attendance card for the purpose of calculating the number of shares represented by the attending shareholders and proxies.
- Article 3: When the attending shareholders represent a majority of the total number of issued shares, the Chairman shall call the meeting to order. If at the meeting time the number of attending shareholders and proxies does not reach the quorum, the Chairman may announce a postponement of the meeting, provided that length of the postponement is no more than 1 hour. If the quorum is still not met after two postponements, but the attending shareholders and proxies represent one third or more of the total number of issued shares, a tentative resolution may be made with the consent of the attending shareholders and proxies representing more than half of the voting rights pursuant to Article 175 of the Company Law. All the shareholders shall be notified of the tentative resolution, and the shareholders' meeting shall be re-convened within a month.
- Article 4: If the quorum is met after a tentative resolution is made in the shareholders' meeting, the Chairman may call the meeting to order at any time and submit the tentative resolution that has been made to the shareholders' meeting for recognition.
- Article 5: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order as set in the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. Unless there is a resolution of the shareholders' meeting, the Chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda (including extemporary motions). After the meeting is adjourned, the shareholders shall not elect another chairman to continue the meeting at the original site or another place. However, if the Chairman's declaration of the meeting adjournment violates of the Rules of Procedure, a new chairman may be elected by the attending shareholders with more than half of the voting rights to continue the meeting.
- Article 6: Before speaking, an attending shareholder must write down on a speaker's slip the subject of the speech, the shareholder's account number (or attendance pass number) and the account name. The order in which the shareholders speak shall be set by the Chairman. An attending shareholder who has submitted a speaker's slip but does not speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. At the time a shareholder speaks, the other

shareholders shall not speak and interfere except with the consent of the Chairman and the speaking shareholder, otherwise the Chairman shall stop such interfering behavior.

Article 7: The shareholder's speech is limited to five minutes at a time; however, with the permission of the Chairman, it may be extended by five minutes, with a limit of one extension.

Article 8: A shareholder may not speak for more than twice on the same motion. The Chairman may terminate the speech if a shareholder's speech exceeds the time limit or the scope of the agenda.

Article 9: During the discussion of the motion, the Chairman may, at the appropriate time, announce the conclusion of the discussion after obtaining the consent of the attending shareholders. If necessary, the Chairman may declare a termination of the discussion and submit the motion for voting. Non-motions shall not be discussed or voted on.

Article 10: Except as otherwise provided in the Company Law or in the Articles of Association, a motion is passed with the consent of the attending shareholders with more than half of the voting rights. At the time of voting, a motion is passed if the Chairman does not receive any negative response to his/her inquiry, and this verbal voting has the same validity as physical votes.

Article 11: During the course of a meeting, the Chairman may announce a break based on time considerations. If the discussion of all the motions can not be completed in a single meeting, a resolution may be adopted at the shareholders' meeting to defer or resume the meeting within 5 days without any further notices or announcements.

Article 12: In the event of an air raid warning during the meeting, the Chairman may rule the meeting temporarily suspended for evacuation. The Chairman shall announce a resumption of the meeting one hour after the lifting of the warning.

Article 13: Where a legal person is entrusted to attend a shareholders' meeting, the legal person shall appoint only one representative to attend. Where a legal-person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same motion.

Article 14: When there are incompatible amendments or alternatives to a motion, the Chairman shall decide the order in which they shall be put to a vote. When any of them is passed, the other incompatible motions shall then be deemed rejected and no further voting shall be required.

Article 15: The Chairman may direct the proctors (or security personnel) to help maintain the order at the meeting. Such proctors (or security personnel) shall wear an identification card or armband bearing the word "Proctor".

Shareholders shall obey the command of the Chairman and proctors (or security personnel) for the maintenance of order. The Chairman and proctors (or security personnel) may expel those who hinder the proceeding of the shareholders' meeting.

Article 16: The attendance and voting at the shareholders' meeting shall be based on the number of shares represented by the attending shareholders.

Article 17: The venue of the shareholders' meeting shall be the county or city where the head office of the Company is located or a place convenient for the shareholders' attendance and suitable for holding the shareholders' meeting. The meeting start time shall not be earlier than 9:00 am or later than 3:00 pm.

Article 18: Unless as otherwise provided in the Company Law, the meeting shall be chaired by the Chairman of the Board. If the Chairman of the Board is on leave or for any reason unable to exercise the powers of a chairman, the Deputy Chairman shall act in the place of the chairman. If there is no Deputy Chairman in place or the Deputy Chairman is also on leave or for any reason unable to exercise the powers of a chairman, the Chairman shall appoint one of the

Managing Directors to act as the chairman for the meeting. If there are no Managing Directors in place, the Chairman shall appoint one of the Directors to act as the chairman for the meeting. If the Chairman does not make such an appointment, then the chairman for the meeting shall be elected among the Managing Directors or Directors. If the shareholders' meeting is convened by a party other than the Board of Directors, the convening party shall be the chairman of the meeting.

Article 19: The Company may appoint its lawyer, accountant or related persons to attend the shareholders' meeting in a non-voting capacity. The meeting affair staff of the shareholders' meeting shall wear an identity card or an armband.

Article 20: The Company shall audio-record or video-record the whole process of the shareholders' meeting and shall keep the recording for at least one year.

Article 21: After an attending shareholder has spoken, the Chairman may either respond in person or appoint a relevant person to respond.

Article 22: The motion-voting scrutineers and vote-counting personnel shall be designated by the Chairman and approved by the attending shareholders, but the scrutineers shall also be shareholders themselves. The results of the voting shall be announced on the spot and recorded accordingly.

Article 23: The Rules are established in accordance with the "Key Points for Rules of Procedure for Listed Companies' Shareholders' Meetings", and implemented after the adoption of the resolution in the shareholders' meeting. The same procedure applies to the amendments to the Rules.

## Appendix 3

### **Delpha Construction Co., Ltd. Articles of Incorporation**

Revised by shareholder's meeting on May 31<sup>st</sup>, 2017.

#### **Chapter 1 General Provisions**

- Article 1: The Company is incorporated in accordance with Limited Company of the Company Act and registered under the business name of Delpha Construction Co., Ltd.
- Article 2: The Company's scope of services is set out hereunder
1. Represent and contracting the sales and lease of all types of business buildings
  2. Represent and contracting the sales and lease of all types of public housing
  3. Introduction sales and lease of House
  4. Represent and agency, purchasing and selling import and export trading sales of the various building materials
  5. Amusement Parks
  6. Specialized Field Construction and Development
  7. Building Maintenance and Upholstery
  8. Industrial Factory Buildings Lease Construction and Development
  9. Land Levy and Delimit
- Above operation of sales shall be made in accordance with relevant laws and rules.
- Article 3: The Company has its head office in Taipei City, and the Company may establish branches in other appropriate location. Establish, cancel and change of the branches shall be made in accordance with the decision of Board.
- Article 4: Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations.
- Article 5: The Company shall guarantee to third party in accordance with laws and regulations.
- Article 6: The total amount of the Company's reinvestment shall be subject to the exceeding 40% of its paid-in capital.

#### **Chapter 2 Shares**

- Article 7: The total capital amount of the Company shall be Five Billion, Three Hundred and Thirty-Six Million, One Hundred and Thirty-Five Thousand, Nine Hundred and Twenty Dollars New Taiwan Dollars (NT\$5,336,135,920), at a par value of ten New Taiwan Dollars (NT\$10) per share. The Board is authorized to issue unissued shares separately depend on operation of the Company. Part of the shares shall be preferred stock
- Article 8: The Company shall issue nominal shares after the signing or stamping, numbering of seal by three or more directors as well as being attested to by a competent authority in accordance with the lawn or sign and approved by authorized registration institution.
- Article 9: The shares not printed shall be kept and recorded by the centralized securities depository

enterprise.

Article 10: Shareholder of the Company transfer shares, set pledge of shares rights, report of loss, inheritance, donation and changes or report of loss of seal changes or address changes etc. and enforcement of rights shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by competent authority exception to other laws and securities rules.

Article 11: The entries in the shareholder's roster referred to in the preceding application of paragraph shall not be altered within 60 days prior to the convening date of a regular Shareholder's meeting, or within 30 days prior to the convening date of a special shareholder's meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

### **Chapter3 Shareholders Meeting**

Article 12: There are two types of shareholders meeting, namely, regular meeting and special meetings. The regular meeting shall be convened within six months after the close of each fiscal year. Notices which clearly state the date, the place and the purpose(s) for meeting shall be sent to each shareholder at least thirty (30) days in advance. In addition to the provisions of the Company Act, special meeting is held in accordance with the law shall be convened by the Board of Directors. Notices of special meetings which clearly state the date, the place and the purpose(s) for meeting shall be sent to each shareholder at least fifteen (15) days in advance. The director of the Audit Committee shall call for shareholders meeting for company benefit as necessary except that the Board of Directors is not to be called or unable call for shareholder's meeting.

Shareholder of Preferred Stock will convene a meeting as necessary in accordance with laws. The procedure shall be applied to relevant rules of shareholders meeting.

Article 13: In addition to the provisions of the Company Act, shareholders meeting shall be presided over by the Chairman of the Board of Directors; in case the Chairman of Board of Directors is on leave or unable to perform his duties for cause, the Chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves. Shareholders' meeting is to be according to rules of procedure of the Company.

Article 14: When a shareholder is unable to attend the shareholders meeting for whatever reason, that shareholder shall appoint a proxy to attend by offering company issued solicitation document stipulating the extent of the authorization with signature or company seal thereon. When one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting

rights in excess of that percentage shall not be included in that calculation.

In addition to the Company Law, the shareholder appoints a proxy shall be done according to the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” by the corresponding government department.

Article 15: A resolution is passed at the shareholders’ meeting by a majority of the shareholders present who represent more than half of the total number of its outstanding issued stocks except specified in the Company Act.

Article 16: Resolutions adopted at a shareholders’ meeting shall be recorded in the minutes of the meeting, signed or sealed by the Chairman of the shareholders' meeting and distributed to the shareholders within 20 days after the meeting.

The distribution of the former rule proceedings minute book shall be in accordance with Company Act.

Meeting minutes shall be recorded with year, month, date, place of the meeting, the name of chairman, method of resolution, process and results. It shall be kept with the Company as long as the Company exists.

Attendance book of attending shareholder and proxy form shall be kept at least one year, If shareholder files a lawsuit in accordance with Article 189 of the Company Act, Attendance book of attending shareholder and proxy form shall be kept until Lawsuit Concluded.

#### **Chapter 4 The Board of Directors**

Article 17: The Board of Company shall be five to nine directors. It shall be selected from legal capacity of shareholder meeting and in accordance with Article 198 of the Company Act.

Independent directors shall be at least three persons as below.

Qualification for independent directors and relevant items is in accordance with relevant laws and regulations.

Total shares held by all directors in accordance with Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.

Article 18: Elections of Independent Directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

Independent directors and non-independent directors should be elected together and to calculate the elected places separately.

The term of office of a director shall not exceed three years; but he/she may be eligible for re-election. In case no election of new directors is effect after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new director have been elected by shareholder’s meeting and assumed their office. Where re-

election of all directors is effect, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance. As vacancies in the Board of Directors of a company, elect succeeding directors to fill the vacancies by a shareholders' meeting in accordance with Article 201 Company Act. When the number of vacancies in the Board of Directors of company does not meet one third of the total number of directors, the shareholders do to elect succeeding directors to fill the vacancies. The term of succeeding directors is the same as expiration of the term of office of previous directors.

The Company may purchase liability insurance to cover the directors for the liabilities. Remuneration of directors and independent directors determined by the Board in accordance with the Remuneration Committee organization procedures of the company.

Article 19: The Board of Directors is composed of all directors. The chairman of the Board of Directors shall be elected from among the directors by majority of directors present at a meeting attended by more than two thirds of directors. The Chairman shall externally represent the Company and internally perform all his/her duties in accordance with laws and regulations.

Article 20: The Managing Director, being the Chairman, shall be responsible for calling for a BOD meeting. However, with respect to the first meeting of each newly elected Board of Directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected.

The reason for convening of the Board of Directors shall be stated and the directors are notified of such seven days in advance, but may be convened at any time when there is an emergency. The reason for convening of the Board of Directors shall be stated and respondent agree by electronic email.

In case the chairman of the Board of Directors is on leave or unable to perform his duties for cause, the chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves. Directors shall attend meetings of the Board of Directors in person.

If a director is unavailable to attend a meeting in person, the director may issue a proxy specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting.

The participants are deemed present by taking part in the meeting of the Board of Directors using video conference facility when the meeting is conducted by way of video conference.

The procedure of board shall be conducted in accordance with rules of the board of the company.

Article 21: Authority of the board as below:

1. Approve each charter
2. Determine business strategy

3. Approve budget and closing accounts
4. Appropriation of profit and make up loss
5. Draw up increase and decrease of capital
6. All or major company business, transfer property, rental and exchange, pledge, mortgage or approve other punishment or proposal
7. Resolution of shareholder's meeting
8. Determine important personal
9. Other authority in accordance with laws and shareholder's meeting
10. Approve travel expenses of the director

Article 22: Unless otherwise provided for by the Company Act, a resolution of the Board of Directors shall be adopted by the consent of a majority of the directors present in a meeting attended by the majority of the total directors.

Article 23: The Company shall set the Audit Committee, which comprises of all the independent directors, the authority and related matters shall be conducted in accordance with rules of Audit Committee of the company.

Article 24: Powers conferred by the Company Act, the Securities and Exchange Act and any other law to be exercised by supervisors, shall be applied mutatis mutandis to the independent director members and the Audit Committee.

### **Chapter 5 Managerial Personnel**

Article 25: The Company shall have one President and have numbers of managerial personnel based on the needs.

The Company may purchase liability insurance to cover managerial personnel for the liabilities.

Article 26: Appointment and discharge of general manager and managerial personnel shall be decided in accordance with the Board of Directors.

Remuneration of the managerial personnel shall be decided by the Board of Directors in accordance with rules of compensation committee of the company.

### **Chapter 6 Accounting**

Article 27: The term for fiscal year of the company shall be on the first day of January and end on the thirty-first day of December of each calendar year.

The Board of Company shall, at the end of each fiscal year, submit documentation as below to its shareholders for their ratification.

1. The annual business reports
2. The financial statements
3. The appropriation of profit and make-up loss proposal

Article 28: When the Company allocates the profit of the current year, if any, no less than 1.5% of the profit shall be set aside as employees' remuneration and no less than 2% of the profit shall be set aside as directors' remuneration . However, when there are accumulated losses, the profits shall be used to offset accumulated losses first.

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration and directors' remuneration in the preceding paragraph distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The profit of the current year as below paragraph shall be Pre-Tax Income which is before deduct from employees' remuneration and directors' remuneration .

Directors' remuneration is in the form of cash.

The employees who are paid for remuneration of stocks or cash, the issuance of the object contains a certain condition for the subsidiary and certain condition decided by the Board of Directors.

Article 29: If there is a surplus in the final accounts of the Company, the tax shall be paid to make up for the losses first, but except to the statutory surplus reserve has reached the total amount of capital of the Company, and second, 10 percent shall be reserved as statutory surplus reserve and in accordance with the law and the competent authorities, the special surplus reserve shall be increased or rotated. If there is a surplus still, the BOD will prepare the Surplus distribution case with the previous annual accumulation of undistributed surplus to present in the shareholders' meeting for resolution of distribution.

The dividend policy of the Company shall meet characteristic of construction. After taking into account of the Company's current and future development plan, investment environment and domestic competition, lots of fund requirements and also taking into account the profit of all shareholders, contribute the 10%-70% surplus earning for distribution of shareholders bonuses every year.

However, when distributed earnings are less than 5% paid-up capital, the company shall not contribute earnings to have sound financial structure.

The Company distribute shareholder bonus shall be in cash or in stocks and the cash dividends shall not be less than 10% of the total shareholder bonus.

The distribution of shareholder bonus in previous paragraph which is the Board determined most proper dividend policy base on company's maximum profit.

## **Chapter 7 Supplementary Provisions**

Article 30: The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.

Article 31: In regard to all matters not provided for in these Articles of Incorporation, the Company Act or other laws and regulations shall govern and any amendments hereto, shall be implemented after adoption by shareholder's meeting.

Article 32: This Articles of Incorporation was drawn up on the seventh of October 1960.

First amendment was effect on the sixteenth of February 1967.

Second amendment was effect on the seventh of July 1975.

Third amendment was effect on the eighth of October 1977.

Fourth amendment was effect on the thirtieth of June 1979.

Fifth amendment was effect on the fifteenth of July 1981.

Sixth amendment was effect on the thirty-first of July 1981.

Seventh amendment was effect on the ninth of October 1981.

Eighth amendment was effect on the first of March 1985.

Ninth amendment was effect on the twenty-sixth of May 1985.

Tenth amendment was effect on the seventh of October 1988.

Eleventh amendment was effect on the sixteenth of June 1990.

Twelfth amendment was effect on the fifth of December 1990.

Thirteenth amendment was effect on the eighth of August 1991.

Fourteenth amendment was effect on the twenty-third of August 1991.

Fifteenth amendment was effect on the eighth of June 1992.

Sixteenth amendment was effect on the seventh of April 1993.

Seventeenth amendment was effect on the twenty-eighth of May 1993.

Eighteenth amendment was effect on the fourth of June 1994.

Nineteenth amendment was effect on the seventh of September 1994.

Twentieth amendment was effect on the twentieth of December 1994.

Twenty-first amendment was effect on the twenty-seventh of May 1995.

Twenty-second amendment was effect on the twenty-third of September 1996.

Twenty-third amendment was effect on the fourteenth of May 1997.

Twenty-fourth amendment was effect on the twenty-third of April 1998.

Twenty-fifth amendment was effect on the twentieth of April 1999.

Twenty-sixth amendment was effect on the twentieth of April 1999.

Twenty-seventh amendment was effect on the tenth of May 2000.

Twenty-eighth amendment was effect on the tenth of May 2000.

Twenty-ninth amendment was effect on the twenty-first of June 2002.

Thirtieth amendment was effect on the twenty-fifth of June 2003.

Thirty-first amendment was effect on the twenty-third of June 2005.

Thirty-second amendment was effect on the fifth of June 2006.

Thirty-third amendment was effect on the nineteenth of June 2008.

Thirty-fourth amendment was effect on the tenth of June 2009.  
Thirty-fifth amendment was effect on the eighteenth of June 2010.  
Thirty-sixth amendment was effect on the ninth of June 2011.  
Thirty-seventh amendment was effect on the twenty-second of June 2012.  
Thirty-eighth amendment was effect on the twentieth of June 2013.  
Thirty-ninth amendment was effect on the nineteenth of June 2014.  
Fortieth amendment was effect on the thirty-first of May 2016.  
Forty-first amendment was effect on the thirty-first of May 2017.

## Appendix 4

### Delpha Construction Co.,Ltd.

#### The Rules for Director Elections

The rules are amended and passed by shareholders' meeting on May 31<sup>st</sup>, 2017.

- Article 1: The rules are established in accordance to the regulations of the Company Act and Articles of Incorporation. The director election of the Company shall be conducted in accordance with the Regulations of the Rule.
- Article 2: The director election of the Company shall be conducted at the shareholders' meeting.
- Article 3: Elections of directors of the Corporation is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted. The number of votes exercisable in respect of one Share shall be the same as the number of Directors to be elected, and the total number of votes per Share may be consolidated for election of one candidate or may be split for election of two or more candidates. Independent directors and non-independent directors should be elected together and to calculate the elected places separately.
- Article 4: The Company's directors, which the numbers is accordance with the Articles of Incorporation and approved by the Board of Director, the election of the independent and non-independent directors shall be held together, provided, however, the number of the independent and non-independent directors elected shall be calculated separately. Those receiving ballots representing the highest numbers of voting rights shall be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes but exceed the specified number of positions, they shall draw lots to determine, with the Chairman drawing lots on behalf of any person not in attendance.
- Article 5: The Board of Directors shall prepare the number ballots equal to the numbers of the directors to be elected and shall fill in the number of votes to be distributed to the attending Members in a general meeting.
- Article 6: Prior to the commencement of an election, the chairman shall appoint several ballot examiners and ballot counters to perform related duties.
- Article 7: The Board of Directors shall set up a ballot box for the election of Directors to be inspected by the ballot examiners prior to the casting of ballots and publicly checked by vote-counting personnel before voting commences.
- Article 8: When a candidate is also a shareholder, the person casting the vote shall specify the account name and the Member number on the ballot in the column entitled "Candidate". If the candidate is not a Member, the person casting the vote shall specify the name and identification

number of the candidate in the said column. Provided, however, if the candidate is a Member and a government entity or a juristic person, the person casting the vote shall specify the name of the government entity or jurisdiction person and may in addition specify the name of the representative of the government entity or juristic person. Where there are multiple representatives, the name of each representative shall be indicated.

- Article 9: The ballot shall be null and invalid upon occurrence of one of the following circumstances:
1. Ballots which are not in compliance with Article 5 in this Rule.
  2. Blank ballot which are cast into the ballot box.
  3. Scribbled and unidentifiable writing or writing which has been altered;
  4. A candidate who is also a Member whose account name and Member number are inconsistent with the information recorded in the Register of Members; where a candidate who is not a Member, the name and identification number provided are inconsistent upon further verification.
  5. Ballots which are not put into the ballot box.
  6. Two or more candidates are included in a single ballot.
  7. Writing other than the name of the candidate or Member number (identification number) and the number of votes entitled.
  8. The account name of the candidate is identical to another Member account name, but the account name or Member number (identification number) of the candidate has not been specified.
  9. The total voting rights which the voter can select exceed the amount which the voter have.
  10. The number of candidates entered in the ballot exceed the numbers which shall be elected.
- Article 10: The Board of Directors shall set the ballot boxes respectively. After the separate voting, the ballot boxes shall be opened publicly by vote-counting personnel.
- Article 11: Ballots shall be counted upon completion of the voting procedures and the result of the ballot counting.
- Article 12: The Board of Directors shall send each elected Director a notice of appointment.
- Article 13: Issues which do not regulate in the Rule shall be handled in accordance with the Company Act, the Articles of Incorporation and relevant regulations.
- Article 14: The Rule is drafted by the Board of Directors of the Company and approved by the shareholders' meeting. Any amendments hereto, shall be implemented as preceding regulation.