

Sinyi Realty Inc.

Audit Committee's communications with the chief internal auditor of 2023

Date	Mode	Issues to communicate	Comment from the independent directors
01/18/2023	Audit Committee	Report on performance in internal audit	Noted.
02/22/2023	Forum	1. Internal control self-assessment and internal assessment execution report of internal audit 2. Communication between the Audit Committee and CPA about the Non-Audit Services Pre-Approval Policy	1. The chairperson stated that (1) The Audit Office has significantly enhanced internal control operations through external consultants and system optimization in recent years, deserving recognition (2) Risk-based auditing is crucial; by enhancing operational understanding and gathering senior executives' opinions on corporate risks, planning aligns more closely with the risk-based audit plan (3) The Audit Office's quality assessment completed the initial internal assessment step. While future external assessment is considered, the nearly perfect scores across four aspects make it challenging to identify areas for objective refinement or improvement closer to practical application. 2. Committee Member Mr. Wu Chih-Wei noted that for infrequent pre-approved projects, like mergers and acquisitions due diligence, different considerations may apply to actual appointments. Thus, he suggested confirming that the pre-approval policy allows certified accountants for non-confirmation services, while individual case evaluations and approval procedures still guide actual appointments; The Chairperson suggested (1) Based on the company's past experience, as few items require individual approval, accountants are to refer to this history for pre-approved non-confirmed services. They should list potential services for the next year and submit them to the audit committee for approval (2) As it's the first year of pre-approval policy implementation, an initial annual review will be conducted. Non-confirmed service items authorized for pre-approval will be valid for one year and subject to future audit discussions on whether to extend the authorization period with the management unit.
	Audit Committee	Report on performance in internal audit	Noted.
		Discussion on representation of internal control system for 2022	The proposal was passed after the Chairperson consulted all the members present without any other opinion, and then was proposed to the Board of Directors for resolution.
03/29/2023	Audit Committee	Report on performance in internal audit	Noted.
04/26/2023	Audit Committee	Report on performance in	Noted.

Date	Mode	Issues to communicate	Comment from the independent directors
		internal audit	
		Group major risk management report of 2023Q1	<ol style="list-style-type: none"> 1. The chairperson asked whether the HR department had interviewed the resigned store manager of the company and the colleagues of Sinyi Development Inc. to find out the reasons for their resignation. The Chief Auditor, Ms. Chou Su-Hsiang replied. 2. The proposal was passed after the Chairperson consulted all the members present without any other opinion, and then was proposed to the Board of Directors for resolution.
05/30/2023	Audit Committee	Report on performance in internal audit	Noted.
07/25/2023	Audit Committee	Report on performance in internal audit	Noted.
		Group major risk management report of 2023Q2	Noted.
		Risk Management Policy Amendment	After consulting all attending committee members and receiving no further comments, the Chairman instructed that this matter be duly noted and reported to the Board of Directors.
08/30/2023	Audit Committee	Report on performance in internal audit	<ol style="list-style-type: none"> 1. Committee Member Mr. Jhan Hong-Chih suggested that the Audit Office should request the Consignment Sales Department to establish "Assessment Criteria for Consignment Sales Reception Centers" within a specified timeframe and submit the results of the related operational guidelines to the next board meeting. The Chief Auditor, Ms. Chou Su-Hsiang replied. 2. The Chairperson proposed that the aforementioned assessment criteria should be established as soon as possible and implemented accordingly. 3. After consulting all attending committee members and receiving no further comments, the Chairperson instructed that this matter be duly noted and reported to the Board of Directors.

Date	Mode	Issues to communicate	Comment from the independent directors
10/27/2023	Forum	<p>The internal audit unit's execution of work for 2023 and the draft plan of internal audit for 2024</p>	<ol style="list-style-type: none"> 1. Committee Member Mr. Jhan Hong-Chih stressed the need to optimize audit resource allocation, particularly focusing on expanding subsidiaries. He highlighted the divergence in business areas and attributes between subsidiaries and the parent company due to business development. Though not directly tied to the current audit plan, Mr. Jhan recommended evaluating and adjusting the organizational structure of each business unit within the group, separating roles between holding and business unit operations to enhance future operations and mitigate potential risks. 2. Committee Member Mr. Wu Chih-Wei stressed the need to consider the rights and responsibilities of the unit under inspection in audit planning. He recommended a balanced approach to ensure effective cooperation during audits, acknowledging limited resources and the importance of risk assessment. 3. The Chairperson made the following points: (1) The Chairperson acknowledged Mr. Jhan Hong-Chih's concern about adjusting the group's legal and management structure, potentially transitioning to a holding company. The Chairperson recommended discussing this matter in the upcoming board of directors meeting. (2) The Chairperson suggested improving the clarity between the risk-oriented audit plan and its outcomes to facilitate a more comprehensive review. (3) The Chairperson proposed aligning the internal audit unit's operational direction with "acting as a partner of the operating unit." The annual audit plan should integrate risk considerations of top managers in each business group, allowing the internal audit unit to offer independent and objective assistance. The Chairperson emphasized that this focus is anticipated to elevate the role of the internal audit unit. 4. The Chief Auditor's reply (1) Given limited audit resources, the planning operation follows the principle of "reduce quantity and focus on quality." Some projects will be merged in the same process, aligning with internal control standards, and the audit plan will be adjusted to highlight key points based on risk assessment. (2) The Audit Office remains committed to addressing issues at their source. Each unit establishes a comprehensive internal control system, and the most knowledgeable management unit improves controls. Emphasis is also placed on digitalization to align audit execution with business priorities, leveraging technology and accumulated audit experience to reduce confirmatory audit items.
		<p>Communication between the Audit Committee and CPA about the</p>	<p>Noted.</p>

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		audit planning of 2023 financial statements.	
	Audit Committee	Report on performance in internal audit	<ol style="list-style-type: none"> 1. Committee Member Mr. Jhan Hong-Chih pointed out the high non-compliance rate in the Legal Office's random inspection of contract review management operations. He recommended initiating a comprehensive census covering all 29 custody departments. In response, the Chief Auditor, Ms. Chou Su-Hsiang's reply was to forward the recommendation to the Legal Affairs Office, urging them to prepare for the census work. The subsequent steps involve a review of the prepared census plan by the Audit Office. 2. The chairperson directed that the forthcoming audit results of this case be presented to the Audit Committee. After consulting all attending committee members and receiving no further comments, the Chairperson instructed that this matter be duly noted and reported to the Board of Directors.
		The Company's Group Major Risks in 2024 & Q3 2023 Implementation Status.	<ol style="list-style-type: none"> 1. The Chairperson emphasized that previous reports indicated that a majority of the major risk management and control conditions within the subsidiary's real estate development business did not meet the required standards, with no significant improvement noted in the current assessment. The dedicated unit is instructed to put forth a more effective action improvement plan. The Chief Auditor, Ms. Chou Su-Hsiang will review the proposed response. 2. The proposal was passed after the Chairperson consulted all the members present without any other opinion, and then was proposed to the Board of Directors for resolution.
12/27/2023	Audit Committee	Report on performance in internal audit	<ol style="list-style-type: none"> 1. The chairperson emphasized the necessity for the Audit Office to conduct a thorough investigation into the meal expense reimbursement case and recommend appropriate improvement measures. Furthermore, both the chairperson and Committee Member Mr. Wu Chih-Wei expressed that expenses incurred by the Transformation Office should adhere to the company's existing reimbursement operating procedures. They clarified that the Audit Office is not required to suggest the unit to create separate dedicated operating procedures. 2. After consulting all attending committee members and receiving no further comments, the Chairperson instructed that this matter be duly noted and reported to the Board of Directors.
		The Company's internal audit plan for 2024	The proposal was passed after the Chairperson consulted all the members present without any other opinion, and then was proposed to the Board of Directors for resolution.