

Stock Code: 1439

Website of the Company's annual report

Market Observation Post System: <http://mops.twse.com.tw>

Company's website: <https://www.chuwa.com.tw>

Chuwa Wool Industry Co., (Taiwan) Ltd.

2021 Annual Report

Published May 27, 2022

I 、 Name, job title, telephone and email of spokesperson and deputy spokesperson

Spokesperson

Deputy spokesperson

Name: Lo, Chien-Chang

Name: (vacant)

Job title: Finance and Accounting Manager

Job title:

Telephone: (02) 2756-6777

Telephone:

E-mail: chuwa@chuwa.com.tw

E-mail:

II 、 Addresses and telephone numbers of head office, branch offices, and factories

Head Office: 19F, No. 557-1, Section 4, Zhongxiao East Road, Xinyi District, Taipei City, 110

Telephone: (02) 2756-6777

Factory: None

Telephone: None

III 、 Name, address, website, and telephone number of stock registration agent

Name: Stock Agent Department, Grand Fortune Securities Co., Ltd.

Address: 6F, No. 6, Section 1, Zhongxiao West Road, Zhongzheng District, Taipei City, Taiwan 100

Website: <https://www.gfortune.com.tw/>

Telephone: (02) 2371-1658

IV 、 Name of certified public accountants and name, address, website and telephone of accounting firm for the most recent financial report

Certified public accountants: Hsiao, Chun-Yuan, Lin, Se-Kai

Accounting firm: PricewaterhouseCoopers Taiwan

Address: 27F, No. 333, Section 1, Keelung Road, Taipei City, Taiwan 110

Website: <https://www.pwc.tw/>

Telephone: (02) 2729-6666

V 、 The name of exchanges where the Company's securities are traded offshore, and the method to access the information on the offshore securities: None.

VI 、 Company Website: <https://www.chuwa.com.tw>

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A. Letter to Shareholders

Dear Shareholders,

First of all, I'd like to thank you for spending the time to read the 2021 Financial Report of Chuwa Wool Industry Co., (Taiwan) Ltd.

The consolidated revenue of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries was 78,799 thousand NT\$ in 2021, a drop of 30.34% compared to 113,119 thousand NT\$ in 2020.

Since the outbreak of the new coronavirus in March 2020, the global economy has suffered a major impact, and the demand for wool has significantly declined. Though the price of wool has gradually picked up from the lowest point in August 2020, there is still a gap price and the pre-pandemic price. In 2021, the Company's wool top sale volume was 213,000 kg, a decrease of 23.2% compared to 2020.

Looking forward to 2022, though vaccinations are available for the new coronavirus, the virus continues to mutate which reduces the effectiveness of the vaccine. Also, the Russia-Ukraine war which ignited at the beginning of the year and the geopolitical conflicts had deepened the negative impact of the economy, and may delay the recovery of the global economy. The Company continues to take a cautious attitude towards the future development status. In view of the current decline in wool market demand, it will be committed to the expansion of real estate leasing and sale, and seek opportunities for diversified development.

The Company's 2021 operating results and 2022 outlook report are as follows:

1. 2021 Business Report

(1) Business Plan Implementation Results:

The Company's 2021 consolidated revenue was 78,799 thousand NT\$, consolidated profit for the period was 128,274 thousand NT\$ (attributable to owners of the parent), and the consolidated comprehensive loss for the period was 90,666 thousand NT\$ (attributable to owners of the parent).

(2) Budget Implementation

The Company did not announce its 2021 financial forecast, and hence there

are no budget achievements.

(3) Financial structure and profitability

1.2021 financial gains and losses

Unit: Thousand NT\$

Item	Amount
Operating revenue	78,799
Operating costs	(78,771)
Gross profit	28
Operating expenses	(28,155)
Operating loss	(28,127)
Net non-operating revenues and expenses	167,403
Net profit before tax	139,276
Net profit after tax	128,274

2. 2021 Profitability

Item		2021
Financial structure (%)	Debt asset ratio	21.60
	Ratio of long-term capital to property, plant and equipment	1,180,674.48
Solvency (%)	Current ratio	261.37
	Quick ratio	124.51
	Interest coverage ratio	23,213.67
Profitability	Return on assets (%)	4.84
	Return on equity (%)	5.70
	Pre-tax income to paid-in capital ratio (%)	15.14
	Net profit margin (%)	162.79
	Earnings per share (NT\$)	1.39

(4) Research and Development Overview

The Company has no research and development activities and expenditure in 2021.

2. 2022 Business Plan and Operations Strategies

1. Expansion of real estate leasing and sales business.
2. Seek diversified development opportunities.

3. Impact of competitive, regulatory, and operating environments

In recent years, the wool market has been seriously challenged by man-made fibers, and its profit is being constantly eroded. The increasing awareness of environmental protection and labor rights, coupled with global maritime traffic jam, has led to the increasing cost of wool, which is not conducive to the development of the industry. In terms of the overall economic environment, the new coronavirus continues to mutate, seriously impacting the global supply chain. As a result, the global economy is still not able to recover to its pre-pandemic prosperity. In early 2021, the Russia-Ukraine border war resumed, igniting the great power diplomatic rivalry of the United States, Europe, Russia and China, and worsening the global economy. In light of the high certainty of the external environment, the Company will adhere to a stable and conservative business approach.

4. Future Development Strategy

In the future, besides devoting itself in the expansion of real estate leasing and sales, the Company will also actively seek and assess the opportunities in investing in other businesses other than wool products, adopting a diversification development strategy. In addition, the Company will actively participate in projects with investment values to create maximum benefits for its shareholders.

Lastly, I wish you

Great health and happiness

Chairman: Hou, Chia-Chi
Lo,Chien-Chang

Manager: Liu, Hsien-Wen

Accounting Manager:

B. Company Profile

1. Date of establishment: October 1, 1964

2. Company history

1964	October	Chuwa Wool was established, and a piece of land was purchased and a factory built in Liudu Industry Park, Keelung City, to manufacture wool tops and carbonized wool. The Company was set up with a capital of NT\$15,000,000.
1965	April	Officially put into operation
1968	April	Conducted a capital increase of NT\$7,500,000, and the accumulated paid-in capital amounted to NT\$22,500,000.
1961	April	Products exported to Japan.
	May	Conducted capitalization of earnings of NT\$4,500,000, and the accumulated paid-in capital amounted to NT\$27,000,000.
1972	April	Conducted capitalization of earnings of NT\$2,700,000, and the accumulated paid-in capital amounted to NT\$29,700,000. Purchased additional production equipment and used recycled wool scouring wastewater to produce wool grease.
1973	April	Conducted capitalization of earnings of NT\$11,800,000, and the accumulated paid-in capital amounted to NT\$41,580,000.
1974	December	Conducted capitalization of earnings of NT\$16,632,000, and the accumulated paid-in capital amounted to NT\$58,212,000.
1978	September	Conducted capitalization of earnings of NT\$18,500,000, and the accumulated paid-in capital amounted to NT\$76,712,000.
1980	October	Conducted capitalization of earnings of NT\$7,671,000, and the accumulated paid-in capital amounted to NT\$84,383,000.
1981		Constructed wastewater treatment plant to improve factory's wastewater discharge quality.
1983	December	Conducted capitalization of earnings of NT\$30,617,000, and the accumulated paid-in capital amounted to NT\$115,000,000.
1984		Introduced wool top shrink-resistance treatment technology and machinery and equipment to produce anti-shrink tops.
1986	June	Conducted capitalization of capital reserve of NT\$65,000,000, and the accumulated paid-in capital amounted to NT\$180,000,000.
1987	June	Built a carbonized wool factory and expanded the second set of carbonized wool machinery and equipment.
1988	May	Conducted capitalization of earnings of NT\$153,000,000, and the accumulated paid-in capital amounted to NT\$333,000,000.
	June	Conducted capitalization of capital reserve of NT\$72,000,000, and the accumulated paid-in capital amounted to NT\$405,000,000.
1989	March	Construction of the new automated production plant for shrink-resistant wool was completed.
	May	Publicly listed.
	August	Conducted capitalization of earnings of NT\$64,800,000, and the accumulated paid-in capital amounted to NT\$469,800,000.

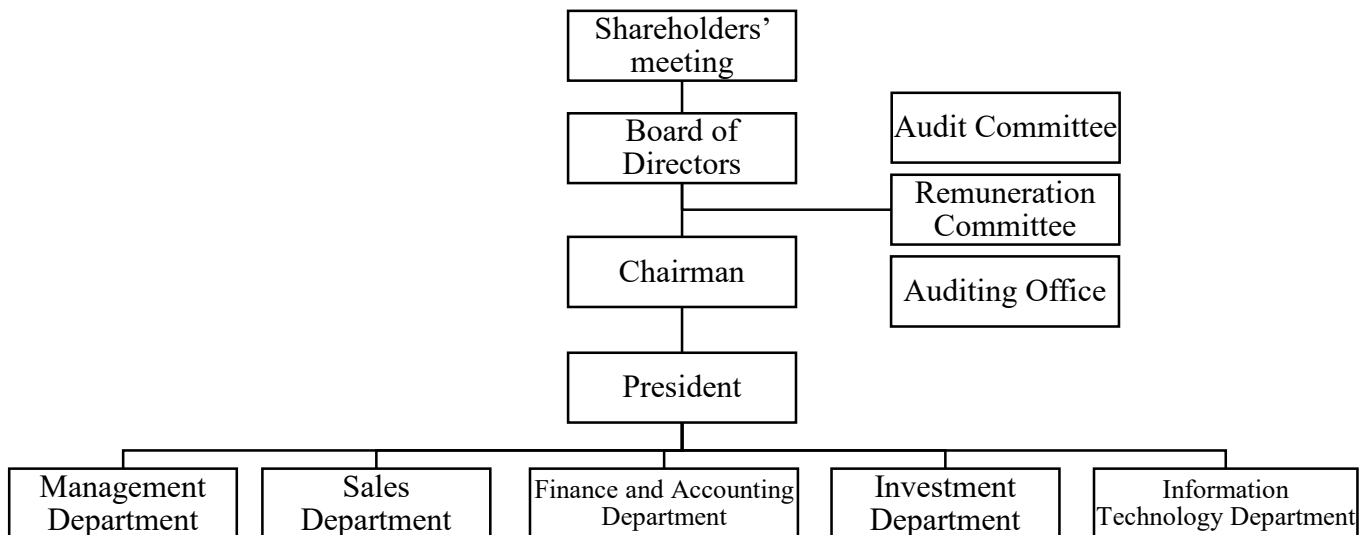
1990	December	Conducted cash capital increase of NT\$49,956,000 and capitalization of earnings of NT\$14,094,000, and the accumulated paid-in capital amounted to NT\$533,850,000. The second stage of wastewater treatment equipment was completed and went into operation, and the wastewater discharge met relevant standards. Chuwa Wool Building was completed and brought into use.
1991	October	Conducted a cash capital increase of NT\$100,000,000, and the accumulated paid-in capital amounted to NT\$633,850,000.
1992	October	Conducted capitalization of capital reserve of NT\$63,385,000, and the accumulated paid-in capital amounted to NT\$697,235,000.
1993	July	Conducted capitalization of earnings of NT\$139,447,000, capitalization of employee bonus of NT\$34,862,000 and capitalization of capital reserve of NT\$34,862,000, and the accumulated paid-in capital amounted to NT\$875,380,000.
1994	July	Conducted capitalization of earnings of NT\$61,277,000, capitalization of employee bonus of NT\$3,374,000 and capitalization of capital reserve of NT\$43,769,000, and the accumulated paid-in capital amounted to NT\$983,800,000.
1995	June	Conducted capitalization of earnings of NT\$59,028,000, capitalization of employee bonus of NT\$3,220,000 and capitalization of capital reserve of NT\$39,352,000, and the accumulated paid-in capital amounted to NT\$1,085,400,000. Progressively completed the replacement of old production equipment.
2003	July	Conducted a capital reduction of NT\$60,000,000, and the accumulated paid-in capital amounted to NT\$1,025,400,000.
	October	Conducted a capital reduction of NT\$8,270,000, and the accumulated paid-in capital amounted to NT\$1,017,130,000.
	December	Conducted a capital reduction of NT\$47,130,000, and the accumulated paid-in capital amounted to NT\$970,000,000.
2004	November	Conducted a capital reduction of NT\$30,000,000, and the accumulated paid-in capital amounted to NT\$940,000,000.
2005	July	Conducted a capital reduction of NT\$20,000,000, and the accumulated paid-in capital amounted to NT\$920,000,000. Sold Liudu Plant's machinery and equipment.
2006	April	All the production lines of Liudu Plant were shut down, and the Company's business has transformed to triangular trade and real estate leasing.
2010	January	Sold Chuwa Wool Building.
	September	The Company moved to 6F, No.293, Section 2, Tiding Boulevard, Neihu District, Taipei City.
2018	February	Major shareholder, Roo Hsing Co., Ltd., indirectly obtained the Company's 53.41% outstanding ordinary shares by acquiring 100% equity of Keen Power Investments Limited(Samoa) and Sparkling Asia Limited(Belize).
	July	The Company moved to 9-7F, No.57, Fuxing North Road, Songshan District, Taipei City.

		The Company invested and established a 100% owned subsidiary, CW Investment One Limited.
	August	The Company invested and established a 100% owned subsidiary, HCW Investment Co., Ltd.
	December	Disposed of the land and plant located at No.7, Gongjian West Road, Qidu District, Keelung City.
2019	December	Subsidiary, CW Investment One Limited, ceased operation.
		Major shareholder, Hanshin Asset Management Co., Ltd., indirectly obtained the Company's 53.41% outstanding ordinary shares by acquiring 100% equity of Roo Hsing Co., Ltd.
2020	February	The Company moved to 19F, No. 557-1, Section 4, Zhongxiao East Road, Xinyi District, Taipei City
	April	Conducted a capital increase on subsidiary, HCW Investment Co., Ltd., by NT\$300,000,000; after the capital increase, the accumulated paid-in capital of HCW Investment Co., Ltd. amounted to NT\$400,000,000.
	November	Signed a joint investment and development agreement with five companies including Kuo Yang Construction Co., Ltd. in obtaining "4 parcels of lands at Jiuzong Section, Neihu District, Taipei City".
2021	January	Signed a joint investment and development agreement with five companies including Kuo Yang Construction Co., Ltd. in obtaining "9 parcels of lands at Zhongyi Section, Tucheng District, New Taipei City".
	July	Signed a joint investment and development agreement with four companies including Kuo Yang Construction Co., Ltd. in obtaining "9 parcels of lands in Zhongxing Section, Sanchong District, New Taipei City".

C. Corporate Governance Report

1. Organization system

(1) Company's Organization Chart



(2) Business functions of main departments

Departments	Function
Management Department	● General affairs, personnel, asset management and employee benefits, etc.
Sales Department	● Purchase of raw materials and finished products, domestic and foreign sales, import and export business, etc.
Finance and Accounting Department	● Finance, accounting, tax affairs, stock affairs, etc.
Investment Department	● Industrial investment and research and development of cooperation opportunities
Information Technology Department	● Computer equipment, repair and maintenance, information processing, etc.

2. Information on directors, supervisors, president, vice presidents, assistant vice presidents, and managers of each department and branch

(1) Directors' information

1. Directors' information:

Job title	Nationality or place of registration	Name	Gender Age	Date elected/ assumed office	Term	Date of first election	Shares held when elected		Shares currently held		Current shares held by spouse and minor children		Shares held in the name of others		Main work experience and educational background	Other concurrent positions within the Company or elsewhere	Director, supervisor, or other department head who is a spouse or relative within the second degree of kinship.			Remarks
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relation	
Chairman	Republic of China	Xue Yong Co., Ltd.	-	2020.02.17	3 years	2020.02.17	10,000	0.01%	3,238,000	3.52%	0	0.00%	0	0.00%	-	-	None	None	None	-
	Republic of China	Hsueh Yung Co. Ltd. Institutional representative: Michelle Hou	Female 30-40	2020.02.17	3 years	2020.02.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master/Ph.D., Department of Bioengineering, Stanford University Master of Applied Computing, Harvard University Bachelor in Applied Mathematics and Chemical Engineering, Johns Hopkins University Chief Operating Officer, Kuoyang Group Researcher at Pfizer	Chairman, Ji Jia Industrial Co., Ltd. Chairman, Zhuo Jia Industrial Co., Ltd. Representative of juristic person and Chairman, Xue Yong Co., Ltd. Representative of juristic person and Chairman, Han Yang Global Co., Ltd. Representative of juristic person and Chairman, Hanshin Shopping Plaza Co., Ltd. Representative of juristic person and Chairman, Hanshin Department Store Co., Ltd. Representative of juristic person and Chairman, Lian Zhong International Asset Management Co., Ltd. Representative of juristic person and Chairman, Chong Shen Development Industry Co., Ltd. Representative of juristic person and Chairman, Aquis Sports Culture Co., Ltd. Representative of juristic person and Chairman, HCW Investment Co., Ltd. Representative of juristic person and Deputy Chairman, Grand Hi-Lai Hotel Co., Ltd. Representative of juristic person director, KHH Arena Corporation Representative of juristic person director, Ji Yang Construction and Development Co., Ltd. Representative of juristic person director, Hanshin Asset Management Co., Ltd. Representative of juristic person director, Hanshin Investment Co., Ltd. Representative of juristic person director, Kuo Yang Construction Co., Ltd. Representative of juristic person director, Xing Ji International Co., Ltd. Representative of juristic person director, Jollify4ever Ltd. Representative of juristic person director, Xin Xi Venture Co., Ltd. Director, VERISIK Inc.	None	None	None	-

Job title	Nationality or place of registration	Name	Gender Age	Date elected/ assumed office	Term	Date of first election	Shares held when elected		Shares currently held		Current shares held by spouse and minor children		Shares held in the name of others		Main work experience and educational background	Other concurrent positions within the Company or elsewhere	Director, supervisor, or other department head who is a spouse or relative within the second degree of kinship.			Remarks
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relation	
Director	Republic of China	Zu Sheng International Co., Ltd.	-	2020.02.17	3 years	2020.02.17	10,000	0.01%	2,233,000	2.43%	0	0.00%	0	0.00%	-	-	None	None	None	-
	Republic of China	Tsu Sheng International Co. Ltd. institutional representative: Huang Ming-Yu	Male 60.-70	2020.02.17	3 years	2019.12.23	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, Soochow University Deputy Director, PricewaterhouseCoopers, Taiwan Vice Chairman, PricewaterhouseCoopers, Taiwan Director of the 2nd term, 1st session of the board of directors, and supervisor of the 2nd session of the board of supervisors, National Federation of CPA Associations of ROC	Chairman, Chuan Cheng Investment Consulting Co., Ltd. Chairman, Chuan Cheng Wang Wang Investment Co., Ltd. Independent director, Hotai Finance Co., Ltd. Independent director, Zinwell Corporation Independent director, TRK Corporation Representative of juristic person director, Nankang Rubber Tire Corp., Ltd. Representative of juristic person director, Bole Film Co., Ltd. Representative of juristic person director, Jollify4ever Ltd. Representative of juristic person director, Crazy Play Inc. Representative of juristic person director, Xin Xi Venture Co., Ltd. Supervisor, Locus Cell Co., Ltd.	None	None	None	-
Director	Republic of China	Zu Sheng International Co., Ltd.	-	2020.02.17	3 years	2020.02.17	10,000	0.01%	2,233,000	2.43%	0	0.00%	0	0.00%	-	-	None	None	None	-
	Republic of China	Tsu Sheng International Co. Ltd. institutional representative: Chen Chien-Ting	Male 50-60	2020.02.17	3 years	2020.02.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Business Studies, National Taiwan University Department of Electrical Engineering, National Taiwan University Vice President, China Development Financial Holding Corporation/Development Technology Consulting Co., Ltd. Senior Vice President, Lian Chuang Investment Co., Ltd. Supervisor, Amicom Electronics Corporation	Director, Celxpert Energy Corporation	None	None	None	-
Director	Republic of China	Yuan Zhong Co., Ltd.	-	2020.02.17	3 years	2020.02.17	10,000	0.01%	4,082,000	4.44%	0	0.00%	0	0.00%	-	-	None	None	None	-
	Republic of China	Yuan Chung Co. Ltd. institutional representative: Hsu Chang	Male 60-70	2020.02.17	3 years	2020.02.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Crime Prevention and Corrections, Central Police University Military Police Commander, Ministry of National Defense Deputy Commander, Special Service Center, National Security Bureau	None	None	None	-	

Job title	Nationality or place of registration	Name	Gender Age	Date elected/ assumed office	Term	Date of first election	Shares held when elected		Shares currently held		Current shares held by spouse and minor children		Shares held in the name of others		Main work experience and educational background	Other concurrent positions within the Company or elsewhere	Director, supervisor, or other department head who is a spouse or relative within the second degree of kinship.			Remarks
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relation	
Independent director	Republic of China	Liu, Teng-Cheng	Male 70-80	2020.02.17	3 years	2020.02.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of International Business (Management), National Taiwan University Bachelor of Laws, National Taiwan University Chairmans of Taiwan Cooperative Bank, Bank of Taiwan, Hua Nan Financial Holdings Co. Ltd. Minister, Deputy Minister, Minister of Finance	Chairman, National Credit Card Center	None	None	None	-
Independent director	Republic of China	Liu, Chieh-Min	Male 70-80	2020.02.17	3 years	2020.02.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Law, Chinese Culture University Supreme Court Justice	Attorney-at-law, Tiao Ding Legal Workshop	None	None	None	-
Independent director	Republic of China	Tien, Hung-Mao	Male 80-90	2020.02.17	3 years	2018.06.08	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in Political Science, University of Wisconsin Chairman, Straits Exchange Foundation	Senior Minister, Office of the President Chairman and President, Institute for National Policy Research Chief consultant, Chinese National Federation of Industries Representative of juristic person director, CastleNet Technology Inc. Independent Director, Cal-Comp Electronics & Communications Company Limited	None	None	None	-

2. Major shareholders of corporate shareholders:

April 25, 2022

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding ratio
Xue Yong Co., Ltd.	Hou, Chia-Chi	80.00%
	Wei Jun International Development Co., Ltd.	19.80%
	Hou, Hsi-Feng	0.20%
Zu Sheng International Co., Ltd.	Qi Xuan Industrial Co., Ltd.	99.67%
	Da Yong Co., Ltd.	0.26%
	Hou, Hsi-Feng	0.07%
Yuan Zhong Co., Ltd.	Wei Jun International Development Co., Ltd.	97.74%
	Han Guang Co., Ltd.	1.21%
	Hou, Hsi-Feng	1.05%

3. Major shareholders of corporate shareholders who are corporate shareholders (name and shareholding of top 10 shareholders)

April 25, 2022

Name of corporate shareholder	Corporate shareholder's major shareholders	Shareholding ratio
Wei Jun International Development Co., Ltd.	Zhuo Jia Industrial Co., Ltd.	19.66%
	Qi Sheng International Co., Ltd.	19.66%
	Xuan Guang Development Co., Ltd.	19.66%
	Hui Shang Co., Ltd.	19.66%
	Da Yong Co., Ltd.	19.66%
	Hou, Hsi-Feng	1.70%

Name of corporate shareholder	Corporate shareholder's major shareholders	Shareholding ratio
Qi Xuan Industrial Co., Ltd.	Gao Pin Co., Ltd.	64.94%
	Ji Zan Industrial Co., Ltd.	35.05%
	Hou, Hsi-Feng	0.01%
Da Yong Co., Ltd.	Hou, Hsi-Feng	100.00%
Han Guang Co., Ltd.	Guo Pin Development and Construction Co., Ltd.	99.90%
	Hou, Hsi-Feng	0.10%

4. Professional expertise and status of directors:

May 27, 2022

Criteria Name	Professional qualifications and experience	Status of independence	Number of other public companies in which the director also serves concurrently as an independent director
Xue Yong Co., Ltd. Representative: Hou Chia-Chi	Graduated with a Ph.D. From the Department of Bioengineering, Stanford University; currently the Chairman of the Company, the representative of juristic person and Chairman of Hanshin Shopping Plaza, and representative of juristic person director of several TWSE/TPEX listed companies; has more than five years of work experience in the area of commerce and otherwise necessary for the business of the Company; possess professional leadership, marketing, operations management and strategic planning capabilities to lead the Company towards sustainable operations.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0
Zu Sheng International Co., Ltd. Representative: Huang Ming-Yu	Graduated from the Department of Accounting, Soochow University; currently the Chairman of Chuan Cheng Investment Consulting Co., Ltd., Chairman of Chuan Cheng Wang Wang Investment Co., Ltd. and representative of juristic person director of several companies; has professional accounting license and more than five years of work experience in the area of commerce, finance, accounting and otherwise necessary for the business of the Company; specializes in corporate finance and accounting, and possesses rich experience in industrial planning.	Does not meet any of the conditions stated in Article 30 of the Company Act.	3
Zu Sheng International Co., Ltd. Representative: Chen Chien-Ting	Graduated with a Master's Degree in Business Studies, National Taiwan University; currently a director of Celxpert Energy Corporation; has more than five years of experience in the area of commerce, finance and otherwise necessary for the business of the Company; specializes and possesses rich experience in marketing strategy and investment planning, able to provide the Company with professional investment planning advice.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0
Yuan Zhong Co., Ltd. Representative: Hsu Chang	Graduated with a Master's Degree in Crime Prevention and Corrections, Central Police University; currently the Company's director, has more than five years of experience in the area of commerce, law and otherwise necessary for the business of the Company; possess legal expertise and corporate strategic planning capabilities.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0

Criteria Name	Professional qualifications and experience	Status of independence	Number of other public companies in which the director also serves concurrently as an independent director
Liu, Teng-Cheng	Graduated with a Master's Degree in International Business (Management), National Taiwan University; currently the Chairman of National Credit Card Center; has more than five years of experience in the area of commerce, law, finance, accounting and otherwise necessary for the business of the Company; specializes and possesses rich experience in business operations and financial planning.	Have met the following independence assessment criteria during the two years before being elected or during the term of office. (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).	0
Liu, Chieh-Min	Graduated with a master's degree in Law, Chinese Culture University; currently an attorney-at-law at Tiao Ding Legal Workshop; possess professional certification in law and has more than five years of experience in the area of commerce, law, finance, accounting and otherwise necessary for the business of the Company; specializes in the fields of finance and law, and able to provide the Company with professional legal advice.	(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, underage children, or held by the person under others' names, in an aggregate amount of 1% of the total number of issued shares of the company or ranks as one of its top ten shareholders.	0
Tien, Hung-Mao	Graduated with a PhD in Political Science, University of Wisconsin; currently the Chairman and President of the Office of the President and Institute for National Policy Research, and Chief consultant of the Chinese National Federation of Industries; possesses more than five years of work experience in the area of commerce, finance, accounting and otherwise necessary for the business of the Company; has rich international perspective, and specializes and possesses rich experience in finance and industrial planning.	(4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3). (5) Not a director, supervisor, or employee of an corporate shareholder who holds directly 5% or more of the Company's shares, is one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations). (6) Not a director, supervisor, or employee of another company that has the same directors as the Company or is controlled by the same person that has more than half of the voting power in the Company (except where the person is concurrently an independent director of the Company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations). (7) Not a director, supervisor, or employee of another company or institution that has the same chairperson, president, or person	1

Criteria Name	Professional qualifications and experience	Status of independence	Number of other public companies in which the director also serves concurrently as an independent director
		with the equivalent rank as the Company, or a spouse in one of these roles (except where the person is concurrently an independent director of the Company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations). (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the company (except where that specific company or institution holds 20% or more but no more than 50% of the company's issued shares and is concurrently an independent director of the Company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations). (9) Not a professional who provides audit or received no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the Company or its affiliates, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates; or the spouse of any of the above. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act. (10) Does not have a marital relationship with or is not a relative within the second degree of kinship to any other director of the company. (11) Does not meet any of the conditions stated in Article 30 of the Company Act. (12) Not elected as a government, legal person or its institutional representative as described in Article 27 of the Company Act.	

5. Diversity and independence of the board of directors:

(1) Diversity of the board of directors: In accordance with Article 20 of the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”, diversity shall be considered in the composition of board members. Directors who are also managers in the Company may not take up more than one-third of all seats. In addition, appropriate diversity policies shall be stipulated reflective of the Company's operation status, operational pattern, and developmental needs, which shall include, without limitation, the following two major aspects:

A. Basic requirements and values: Gender, age, nationality, and culture.

B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Job title	Nationality	Name	Gender	Age			Professional capabilities			Overall capabilities							
				Below 59	60 to 69	Over 70	Law	Accounting/ Finance	Information technology	Operational judgment	Accounting and financial analysis.	Business management	Crisis management	Industrial knowledge	International market perspective	Leadership	Decision making
Chairman	Republic of China	Xue Yong Co., Ltd. Representative: Hou Chia-Chi	Female	◎					◎	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Director	Republic of China	Zu Sheng International Co., Ltd. Representative: Huang Ming-Yu	Male		◎			◎		Excellent	Excellent	Good	Excellent	Excellent	Excellent	Excellent	Excellent
Director	Republic of China	Zu Sheng International Co., Ltd. Representative: Chen Chien-Ting	Male	◎				◎		Excellent	Excellent	Good	Good	Excellent	Excellent	Excellent	Excellent
Director	Republic of China	Yuan Zhong Co., Ltd. Representative: Hsu Chang	Male		◎		◎			Excellent	Good	Excellent	Excellent	Good	Excellent	Excellent	Excellent
Independent director	Republic of China	Liu, Teng-Cheng	Male			◎	◎	◎		Excellent	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Independent director	Republic of China	Liu, Chieh-Min	Male			◎	◎			Excellent	Good	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Independent director	Republic of China	Tien, Hung-Mao	Male			◎		◎		Excellent	Good	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent

(2)The specific management goals and implementation status of the Company’s diversity policies are as follows:

Management goals	Implementation status
Directors who are also managers in the Company may not take up more than one-third of all seats.	Achieved
Independent directors shall not serve more than 3 terms	Achieved
To have at least one female board member	Achieved
Adequately diversified professional knowledge and skills and professional background	Achieved

(3)Independence of the board of directors:

The current board of directors has one female director (14%); 3 independent directors (43%) who have served less than 3 terms; does not have any directors who are also employees; and 3 directors above 70 years old, 2 directors between the age of 60 and 69, and 2 directors below 59 years old. None of the situations in Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act occur.

(2) Information of president, vice presidents, assistant vice presidents, and managers of departments and branches

May 27, 2022

Job title	Nationality	Name	Gender	Date elected/ assumed office	Shareholding		Shares held by spouse and minor children		Shares held in the name of others		Main work (education) experiences	Concurrent job position in other companies	Manager who is a spouse or a relative within second degree			Remarks
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relation	
President	Republic of China	Liu, Hsien-Wen	Female	2019.12.23	0	0.00%	0	0.00%	0	0.00%	President, Crowell Development Corp. Sales Director, KHH Arena Corporation Special Assistant to the President and Sales Director, Wei Li International Development Co., Ltd. Special Assistant to the President, Kuo Yang Construction Co., Ltd.	President, Han Line Development Industry Co., Ltd. Representative of juristic person director, Guo Xie Construction Industry Co., Ltd. Representative of juristic person director, Pu Li Management Consulting Co., Ltd. Representative of juristic person director, HCW Investment Co., Ltd.	None	None	None	-
Assistant Vice President of Sales Department (Note 1)	Republic of China	Tsai, Shao-Hua	Male	2018.03.15	0	0.00%	0	0.00%	0	0.00%	Department of Economics, Chinese Culture University Chief Financial Officer, Top Want Electronic Co., Ltd.	Representative of juristic person supervisor, HCW Investment Co., Ltd.	None	None	None	-
Assistant Vice President of Finance and Accounting Department Chief accounting officer Chief financial officer (Note 2)	Republic of China	Chiang, Chung-Wei	Male	2018.04.26	0	0.00%	0	0.00%	0	0.00%	Master of Accounting, National Taipei University Finance Manager, Ya Tung Ready Mixed Concrete Co., Ltd. Supervisor, Ya Xing Cement Products Co., Ltd.	Representative of juristic person director, Jollify4ever Ltd. Representative of juristic person director, HCW Investment Co., Ltd.	None	None	None	-
Finance and Accounting Manager Chief accounting officer Chief financial officer	Republic of China	Lo, Chien-Chang	Male	2021.09.17	0	0.00%	0	0.00%	0	0.00%	Master of Finance, George Washington University Deputy Manager, Hanshin Asset Management Co., Ltd. Chief Financial Officer, JohnFK Medical Inc. Assistant Manager of Strategic Development Department, Shin Kong Life Insurance Co., Ltd. Director of M&A Advisory Team, Finance Consulting Services, EY Taiwan Senior Consultant, Financial Services Consulting, KPMG Taiwan	Representative of juristic person director, HCW Investment Co., Ltd. Supervisor, Jollify4ever Ltd. Supervisor, Xin Xi Venture Co., Ltd.	None	None	None	-

Note 1: Tsai, Shao-Hua served from 2018.03.15 to 2021.12.08.

Note 2: Chiang, Chung-Wei served from 2018.04.26 to 2021.09.17.

(3) Remunerations to directors, supervisors, president, and vice presidents in the most recent year (2021):

1. Remuneration paid to directors and independent directors:

Unit: Thousand NT\$: Shares

Job title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D) to net profit after tax (%)			Remuneration for part-time employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net profit after tax (%)			Remuneration from investee companies other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business expenses (D)					Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Employee remuneration (G)							
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Total of A, B, C and D	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash amount	Share amount	Cash amount	Share amount	Total of A, B, C, D, E, F and G	The Company	All companies in the financial report	
Chairman	Xue Yong Co., Ltd. Representative: Hou Chia-Chi	3,040	3,040	0	0	0	0	0	0	3,040	2.37	2.37	0	0	0	0	0	0	0	0	3,040	2.37	2.37	0
Director	Zu Sheng International Co., Ltd. Representative: Huang Ming-Yu	600	600	0	0	0	0	0	0	600	0.47	0.47	0	0	0	0	0	0	0	0	600	0.47	0.47	0
Director	Zu Sheng International Co., Ltd. Representative: Chen Chien-Ting	600	600	0	0	0	0	0	0	600	0.47	0.47	0	0	0	0	0	0	0	0	600	0.47	0.47	0
Director	Yuan Zhong Co., Ltd. Representative: Hsu Chang	600	600	0	0	0	0	0	0	600	0.47	0.47	0	0	0	0	0	0	0	0	600	0.47	0.47	0
Independent director	Liu, Teng-Cheng	900	900	0	0	0	0	120	120	1,020	0.80	0.80	0	0	0	0	0	0	0	0	1,020	0.80	0.80	0
Independent director	Liu, Chieh-Min	900	900	0	0	0	0	120	120	1,020	0.80	0.80	0	0	0	0	0	0	0	0	1,020	0.80	0.80	0
Independent director	Tien, Hung-Mao	900	900	0	0	0	0	120	120	1,020	0.80	0.80	0	0	0	0	0	0	0	0	1,020	0.80	0.80	0

- Note: 1. According to Article 26 of the Articles of Incorporation, not more than 2% of the current year's profit may be set aside as the current year's directors' remuneration, and it shall be submitted to the Remuneration Committee and board of directors for review.
2. Except as disclosed in the above table, remuneration provided to a director for providing services (such as serving as a non-employed consultant to the parent/any company in the financial report/investment) in the most recent fiscal year: None.

2. Remunerations to President and Vice Presidents:

Unit: Thousand NT\$: Shares

Job title	Name	Salary (A)		Severance pay and pension (B)		Bonuses, allowances, etc. (C)		Employee remuneration (D)				Ratio of (A+B+C+D) to net profit after tax (%)			Remuneration from investee companies other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		Total of A, B, C and D	The Company	All companies in the financial report	
								Cash amount	Stock	Cash amount	Share amount				
President	Liu, Hsien-Wen	2,318	2,318	0	0	624	624	0	0	0	0	2,942	2.29	2.29	0

3. Individual remuneration paid to each of the top five management personnel of a company listed on the TWSE or the TPEX:

Unit: Thousand NT\$

Job title	Name	Salary (A)		Severance pay and pension (B)		Bonuses, Allowances, etc.(C)		Employee remuneration (D)				Ratio of total compensation (A+B+C+D) to net profit after tax (%)			Remuneration from investee companies other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		Total of A, B, C and D	The Company	All companies in the financial report	
								Cash amount	Share amount	Cash amount	Share amount				
President	Liu, Hsien-Wen	2,318	2,318	0	0	624	624	0	0	0	0	2,942	2.29	2.29	0
Assistant Vice President of Sales Department	(Tsai, Shao-Hua (Note 1))	1,948	1,948	0	0	174	174	0	0	0	0	2,122	1.65	1.65	0
Assistant Vice President of Finance and Accounting Department Chief accounting officer Chief financial officer	Chiang, Chung-Wei (Note 2)	1,690	1,690	0	0	385	385	0	0	0	0	2,075	1.62	1.62	0

Note 1: Tsai, Shao-Hua served from 2018.03.15 to 2021.12.08.

Note 2: Chiang, Chung-Wei served from 2018.04.26 to 2021.09.17.

4. Names of managerial officers provided with employee's compensation and state of distribution: None.

- (4) Comparison and analysis of the total remuneration/compensation paid to each director, President and Vice Presidents over the past two years by the Company and all companies listed in the consolidated financial statement as a percentage of total net income, and descriptions of the policies, standards, and packages for payment of remuneration/compensation, the procedures for determining remuneration/compensation, and its linkage to business performance and future risk exposure.

1. Analysis of the total remuneration paid by the Company and all companies listed in the consolidated financial statement to each director, president and vice President as a percentage of net profit after tax in the past two fiscal years:

Unit: Thousand NT\$

Item \ Year	2021	2020
Net profit after tax	128,274	(Note)
Ratio of directors' remuneration	6.16	—
Ratio of remuneration to president and vice presidents	2.29	—

Note: As the net profit after tax of the Company and all companies in the consolidated statement for 2010 is negative, there is no analysis of the total remuneration paid to each director, president and vice president as a percentage of net profit after tax.

2. Remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

- (1) The remuneration policies are in accordance with the Company's Articles of Incorporation

Article 15: All directors may be paid transportation allowance, and the amount shall be determined by the board of directors. The board is delegated to determine the remuneration to directors based on the individual's participation in the operation of the Company, the value of contribution, and normal industry standard.

Article 16: The Company shall have one president, and one or more managerial personnel, whose appointment, discharge and remuneration shall be handled in accordance with Article 29 of the Company Act.

Article 18: Before deducting employees' remuneration and directors' from the current profit before tax, the Company shall cover the accumulated losses. If there is still a surplus, the Company shall allocate 0.5% to 5% as employees' remuneration and not more than 2% as directors' remuneration.

- (2) The Company has set up an Audit Committee, where it regularly reviews the policies,

systems, standards and structure of directors and managers' performance evaluation and remuneration, and submits them to the board of directors for resolution.

- (3)The Company's remuneration policies are based on the industry standard, participation in the operation, the value of contribution and operational performance, regardless of future risks.

3. Corporate Governance Practices

(1) Operation of the Board of Directors:

The board of directors met 9 times (A) during the most recent year (2021), and as of the publication date of the annual report, the board attendance was as follows:

Job title	Name	Attendances in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Xue Yong Co., Ltd. Representative: Hou Chia-Chi	9	0	100.00	
Director	Zu Sheng International Co., Ltd. Representative: Huang Ming-Yu	9	0	100.00	
Director	Zu Sheng International Co., Ltd. Representative: Chen Chien-Ting	9	0	100.00	
Director	Yuan Zhong Co., Ltd. Representative: Hsu Chang	9	0	100.00	
Independent director	Liu, Teng-Cheng	9	0	100.00	
Independent director	Liu, Chieh-Min	9	0	100.00	
Independent director	Tien, Hung-Mao	9	0	100.00	

Other disclosures:

1. If any of the following circumstances occur in the operations of the board meeting, the date of the board meeting, the term, contents of the proposals, opinions of all independent directors, and the Company's handling of the opinion of the independent director, shall be recorded:

- (1) Matters specified in Article 14-3 of the Securities and Exchange Act: Pages 55 - 58.
- (2) In addition to the aforementioned motions, other board meeting motions where an independent director expressed a dissenting or qualified opinion that have been recorded or stated in writing: N/A.

2. Implementation and state of director's recusal for conflict of interests:

Date of board meeting	Name of director	Motion	Reason for recusal	Participation in voting
2021.07.15	Hou, Chia-Chi	The Company signed a land development joint venture contract with four companies including Wei Li International	The recused director is the director of a company in the joint venture	Left the meeting when deliberation and voting took place

		Development Co., Ltd., at Zhongxing Section, Sanchong District, New Taipei City		
2022.01.12	Hou, Chia-Chi	2021 distribution of Chairman's bonus	The recused director is the party concerned	Left the meeting when deliberation and voting took place

3. TWSE/TPEX listed companies shall disclose the cycle and period, scope, method, and content of self (or peer) evaluation and fill in the implementation status of the evaluation of the board of directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	2021.01.01~2021.12.31	The board of directors as a whole Individual board member Functional committee members	Comprise self-evaluation of the board of directors, self-evaluation of the board members and peer evaluation. Each evaluation item (indicator) will be rated excellent (5), good (4), average (3), poor (2) or very poor (1).	2021 board of directors' internal performance evaluation is executed by the Company's Remuneration Committee and then reported to the board of directors. The evaluation includes self-evaluation of the performance of the board of directors, self-evaluation of the performance of the board members and self-evaluation of operational performance of the functional committee.

- (1) Evaluation cycle and period, scope, method and content:
- (2) Implementation Status of the Evaluation of Board of Directors:
 1. The Company has established the "Guidelines for the Evaluation of the Performance of the Board of Directors" (disclosed in the Company's website), and shall conduct performance evaluation at least once per year, and has reported at the 14th board meeting of the 25th board of directors on 2022.03.23.
 2. The criteria for "self-evaluation of the performance of the board of directors" comprises the following 5 key aspects:
 - (1) Participation in the operation of the company.
 - (2) Improvement of the quality of the board of directors' decision making.
 - (3) Composition and structure of the Board of Directors.
 - (4) Election and continuing education of the directors.
 - (5) Internal control.
 3. The criteria for "self-evaluation of the performance of the board members" comprises the following six major aspects:

- (1) Familiarity with the goals and missions of the Company.
 - (2) Awareness of the duties of a director.
 - (3) Participation in the operation of the Company.
 - (4) Management of internal relationships and communication.
 - (5) The director's professionalism and continuing education.
 - (6) Internal control.
4. The criteria for “self-evaluation of operational performance of the functional committee” comprises the following five major aspects:
 - (1) Participation in the operation of the Company.
 - (2) Awareness of the duties of the functional committee.
 - (3) Improvement of quality of decisions made by the functional committee.
 - (4) Makeup of the functional committee and election of its members.
 - (5) Internal control.
4. Programs this year and in the most recent year for strengthening the functionality of the board and assessment of execution:
 - (1) To strengthen corporate governance, the Company has, on June 24, 2019, established an Audit Committee, making the operations of the board of directors more complete.
 - (2) The Company has in accordance with the Articles of Incorporation, taken out directors liability insurance, reducing and diversifying the risk of material harm to the Company and shareholders.

(2) Operation of the Audit Committee:

1. The Audit Committee is formed by all 3 independent directors, and the information of the members are as follows:

Identity Type	Qualifications	
	Name	Professional qualifications and experience
Independent director	Liu, Teng-Cheng	Graduated with a Master's Degree in International Business (Management), National Taiwan University; currently the Chairman of National Credit Card Center; has more than five years of experience in the area of commerce, law, finance, accounting and otherwise necessary for the business of the Company; specializes and possesses rich experience in business operations and financial planning.
Independent director	Liu, Chieh-Min	Graduated with a master's degree in Law, Chinese Culture University; currently an attorney-at-law at Tiao Ding Legal Workshop; possess professional certification in law and has more than five years of experience in the area of commerce, law, finance, accounting and otherwise necessary for the business of the Company; specializes in the fields of finance and law, and able to provide the Company with professional legal advice.
Independent director	Tien, Hung-Mao	Graduated with a PhD in Political Science, University of Wisconsin; currently the Chairman and President of the Office of the President and Institute for National Policy Research, and Chief consultant of the Chinese National Federation of Industries, and the representative of juristic person director and independent director of several TWSE/TPEX listed companies; possesses more than five years of work experience in the area of commerce, finance, accounting and otherwise necessary for the business of the Company; has rich international perspective, and specializes and possesses rich experience in finance and industrial planning.

2. Key tasks for the year:

The Audit Committee conducts regular quarterly meetings before the board of directors to review the execution of the Company's internal control system and internal audit, and material financial or business transactions, as well as communicate and exchange with the certified public accountants to supervise the Company's operations and risk control. The review items of the Company's Audit Committee comprise:

●	Audit of the financial statements, accounting policies and procedures	●	The offering, issuance, or private placement of equity-type securities
●	The adoption or amendment to the internal control system and relevant important regulations	●	The hiring or dismissal, compensation, and independence assessment of certified public accountants
●	Assessment of the effectiveness of the internal control system	●	Matters in which a director is an interested party
●	Asset transactions or derivatives trading of a material nature	●	The appointment or discharge of chief financial or accounting officer, or chief internal auditor

●	Loans of funds, endorsements, or provision of guarantees of a material nature	●	The Company's risk management
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3. The Audit Committee met 9 times (A) during the most recent year (2021) up to the publication date of the annual report (May 27, 2022). The attendance was as follows:

Job title	Name	Attendances in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Independent director	Liu, Teng-Cheng	9	—	100	
Independent director	Liu, Chieh-Min	9	—	100	
Independent director	Tien, Hung-Mao	9	—	100	

Other disclosures:

1. The date of the meeting, the term, contents of the proposals, independent director's dissenting and qualified opinion or content of major issue, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting.
 - (1) Matters specified in Article 14-5 of the Securities and Exchange Act: Pages 55 - 58.
 - (2) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire board of directors: N/A.
2. When there are recusals of independent directors due to conflicts of interests, names of the independent directors, contents of resolutions, reasons of recusal, and voting participation should be stated: N/A.
3. Communication between independent directors and chief internal auditor and certified public accountants:
 - (1) The chief internal auditor reports to the Audit Committee regularly in accordance with the annual audit plan, and the Company convenes regular audit committee meetings. Where necessary, the certified public accountant, chief auditor, and relevant heads are invited to the meeting.
 - (2) The Audit Committee conducts annual regular communication and exchange with the Company's certified public accountants pertaining to the financial statements and requirements of other relevant laws and regulations, as well as conducts independent review on the appointment of certified public accountants, and the audit and non-audit services provided by them.

(3) Corporate governance implementation and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed

Companies and the reason for such deviations:

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the company defined and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The company has defined the principles for practicing corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and disclosed the principles on the company's website.	No significant difference.
2. Shareholding structure and shareholders' equity				
(1) Has the company defined internal operating procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures?	✓		(1) The company has a spokesperson and dedicated shareholders' service personnel, and has set up a stakeholders' section on the company's website to disclose the contact information to handle shareholders' suggestions or inquiries.	No significant difference.
(2) Does the company have a list of major shareholders that have actual control over the company and a list of ultimate owners of those major shareholders?	✓		(2) The company discloses the list of major shareholders and the list of ultimate owners of major shareholders in accordance with applicable regulations, and reports any changes in information in accordance with the regulations.	No significant difference.
(3) Has the company established and implemented risk management and firewall systems within its conglomerate structure?	✓		(3) The business and financial matters between the company and its affiliated companies are operated independently, and the Rules Governing Financial and Business Matters Between the Corporation and its Affiliated Enterprises has been established to conduct operational risk control of the affiliated companies.	No significant difference.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(4) Does the company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	✓		(4) To maintain fairness in the securities market, the company established the Insider Trading Prevention Management and Procedures for Handling Material Insider Information. We require our employees to abide by the provisions of the Securities and Exchange Act, not to use private information to engage in insider trading, and not to disclose the information to others.	No significant difference.
3. Composition and responsibilities of the board of directors				
(1) Has the board of directors drawn up policies and specific targets on diversity of its members and implemented them?	✓		(1) The company has stipulated in the Corporate Governance Best Practice Principles that board members should have the ability to implement the requirements of board diversity.	No significant difference.
(2) In addition to establishing a Remuneration Committee and an Audit Committee, which are required by law, is the company willing to voluntarily establish other types of functional committees?		✓	(2) Besides the Remuneration Committee and the Audit Committee established according to law, the company has not established other types of functional committees.	Under evaluation.
(3) Has the company established guidelines and methods for evaluating the performance of the board of directors, conducted performance evaluation annually, reported the results to the board, and used the results as a reference for the remuneration, nomination, and reelection	✓		(3) The company shall conduct internal board performance evaluations at least once a year in accordance with the guidelines and methods for evaluating the performance of the board of directors (disclosed on the company's website). The 2021 performance results and the self-assessment questionnaires have been submitted to the 14th meeting of the 25th board of directors	No significant difference.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
of individual directors?			on March 23, 2022. The evaluation criteria covers six aspects: 1. Familiarity with the goals and missions of the company 2. Awareness of the duties of a director 3. Participation in the operation of the company 4. Management of internal relationship and communication 5. The director's professionalism and continuing education 6. Internal control Once the year ends, the board affairs unit and the Chairwoman will evaluate the overall operations of the board according to the Board of Directors Evaluation Scale.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) The company's Accounting Department evaluates the independence of CPAs once a year. the results were discussed and approved at the 14th meeting of the 25th board of directors on March 23, 2022. Refer to Table 1 on page 34 of the annual report for the CPA independence and competence assessment; refer to Attachment 2 on page 35-37 of the annual report for the CPA independence statement.	No significant difference.
4. For TWSE/TPEX-listed companies, are there suitable persons in an appropriate number and designated supervisors for corporate governance to take charge of related matters (including but not limited to providing directors and supervisors	✓		The company's Management Department is responsible for corporate governance affairs. We have also designated the Shareholders Service Office of the Accounting Department as the unit responsible for matters related to board of directors' meetings and shareholders' meetings.	No significant difference.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
with materials required for them to carry out their tasks, helping directors and supervisors comply with the law, taking care of board of directors' meetings and shareholders' meetings as required by law, and preparing minutes of board of directors' meetings and shareholders' meetings)?				
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?	✓		The company has set up a stakeholders section on the website which shows the contact to communicate with stakeholders. Website visitors may also choose a contact according to their needs.	No significant difference.
6. Has the company designated a professional shareholder service agency to deal with matters of the shareholders' meeting?	✓		The company has designated a professional shareholder service agency, the Stock Affairs Agency Department at Grand Fortune Securities, to handle the matters of the shareholders' meeting.	No significant difference.
7. Information disclosure				
(1) Has the company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status?	✓		(1) The company has set up sections on the website (www.chuwa.com.tw) for investors and corporate governance to disclose information regarding our financial, business, and corporate governance status.	No significant difference.
(2) Has the company established other	✓		(2) The company has a website that discloses other information and	No significant

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company website)?			appointed a dedicated unit to be responsible for maintaining the information on the website. We also appointed dedicated personnel to be responsible for disclosing material information and related information on the Market Observation Post System. We have also implemented a spokesperson system in accordance with the regulations.	difference.
(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the Q1, Q2 and Q3 financial reports and operating status of each month within the prescribed deadline?		✓	(3) At present, the company's monthly operations, quarterly reports, and annual reports have been disclosed and submitted before the statutory deadline.	Under evaluation.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing	✓		1. Employee rights and care for employees. The company protects employee rights in accordance with the Labor Standards Act. We also purchase insurance for employees. 2. Investor relations: The company's website lists the details for the dedicated contact. We also have a dedicated shareholders service unit for handling shareholders' recommendations. 3. Stakeholder rights: Stakeholders can communicate and make suggestions to the company at anytime in order to protect their legal rights. 4. Continuing education of directors: The directors of the company all	No significant difference.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
liability insurance for directors and supervisors)?			have a professional and industrial background, as well as practical experience in operations and management. They also periodically take courses related to corporate governance and securities laws and regulations. 5.Implementation of risk management policies and risk assessment standards: The company manages and evaluates risks in accordance with internal control and internal audit operations. 6.The purchase of liability insurance for the directors and supervisors: The company has purchased liability insurance for directors and independent directors to strengthen the protection of shareholders' interests. The cumulative compensation limit for each claim and the policy period is US\$10 million.	
9. Explain improvements made according to Corporate Governance Evaluation results released in the most recent year by the Corporate Governance Center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement (leave blank if the company was not evaluated): The company reviews corporate governance assessment items that were not scored and will continue to make efforts to continuously improve corporate governance in the future.				

Table 1: Evaluation of the independence of the CPAs

Chuwa Wool Industry Co., (Taiwan) Ltd.

2022 CPA independence and competence assessment

Date of assessment: March 23, 2022

Name of accountants: Chun-Yuan Hsiao and Se-Kai Lin

Accounting firm: PwC Taiwan

(1) Evaluation content

Item	Results
1. As of the most recent assurance operation, the company has not engaged the same CPA without replacement for seven consecutive years.	☒ Yes ☐ No
2. The CPA does not have significant financial interest in the principal.	☒ Yes ☐ No
3. The CPA avoids inappropriate relationships with the principal.	☒ Yes ☐ No
4. The CPA shall ensure the honesty, impartiality, and independence of their assistants.	☒ Yes ☐ No
5. The CPA shall not perform audit or assurance services for financial statements of companies they have been employed by in the most recent two years.	☒ Yes ☐ No
6. The CPA shall not lend his/her name for use by others.	☒ Yes ☐ No
7. The CPA does not own any shares in the company and its affiliated companies.	☒ Yes ☐ No
8. The CPA has not engaged in lending and borrowing of money with the company and its affiliated companies.	☒ Yes ☐ No
9. The CPA does not have joint investments or interest-sharing relationships with the company and its affiliated companies.	☒ Yes ☐ No
10. The CPA does not concurrently serve as a regular employee of the company or its affiliated companies and does not receive a fixed salary from them.	☒ Yes ☐ No
11. The CPA is not involved in the decision-making process of the company and its affiliated companies.	☒ Yes ☐ No
12. The CPA is not concurrently operating other businesses that would compromise the CPA's independence.	☒ Yes ☐ No
13. The CPA does not have a spouse, immediate family members, direct relatives by marriage, or relatives within the second degree of kinship who serve in the senior management of the company.	☒ Yes ☐ No
14. The CPA has not collected any commission related to his/her service.	☒ Yes ☐ No
15. Up to now, the CPA has not been penalized or engaged in matters that would compromise the principle of independence.	☒ Yes ☐ No

(2) Evaluation results:

CPAs Chun-Yuan Hsiao and Se-Kai Lin are independent from the company.

Head of accounting:

Attachment 2: Declaration of Independence of the Certified Public Accountants

Letter

Recipient: Chuwa Wool Industry Co., (Taiwan) Ltd. Audit Committee

Date: March 25, 2021

No.: PwC No. 20007715

Subject: Explain the role, responsibilities and independence of the CPAs of the Group's financial statements for 2021.

Description:

1. According to the provisions of Article 4 of Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountants of the Republic of China (Bulletin No. 10), CPAs shall maintain independence of mind and in appearance when auditing or reviewing financial statements. Therefore, our firm would like to declare to your company that the professional personnel of the audit team, other professionals of the firm, and the audit work have complied with the provisions relevant to independence of Bulletin No. 10 and the PwC Global Independence Policy. We have not violated any regulations that would compromise the independence of the firm. If the execution of this appointment involves other PwC affiliates, the relevant affiliates have followed the PwC Global Independence Policy.
2. To provide the best service to the Group, our CPAs must maintain an objective, fair, honest, and rigorous attitude in all cases and strictly abide by the firm's code of conduct to ensure that they can provide the Group with high-quality assurance services in a timely manner and meet the expectations of the public.
3. CPAs are responsible for expressing an opinion on whether the consolidated financial statements and individual financial statements present fairly the financial position, operating results, and cash flow based on the audit results, with reasonable belief that there are no material misrepresentations in the consolidated financial statements and individual financial statements. The preparation of the consolidated financial statements and individual financial statements is the responsibility of the management of the Group. The management of the Group will provide all known information related to the preparation of the consolidated financial statements and the individual financial statements, including financial and accounting records and related information. Even if the consolidated financial statements and individual financial statements are audited by the CPAs, the management still bears the aforementioned responsibilities for the financial statements.

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4. The CPAs communicate with the governance unit in accordance with the SASs No. 62, Communication with the Auditee's Governance Unit. The CPAs will, based on their judgment, learn about governance matters that are material to the oversight of the financial reporting and disclosure process when communicating with the governance unit during the process of auditing consolidated financial statements and individual financial statements. The above regulation, however, does not require CPAs to design audit procedures specifically to identify material governance matters. Thus, do not expect the audit to confirm all governance matters.
5. To fulfill CPA responsibilities, our firm's CPAs and professional teams will uphold an attitude of professional skepticism, properly plan and execute the audit to ensure that it is of the highest quality. The independent auditor's report will also be reviewed by our CPAs to determine the type of report to be issued. They will also sign the report to take responsibility for its contents.
6. Audits performed by the firm are based on fairness and objectivity. The firm has confirmed the following matters. Please contact our CPAs for any inconsistencies:
 - (1) The firm's CPAs and the professional services personnel of the audit team do not own shares in your company.
 - (2) The firm's CPAs and the professional services personnel of the audit team have not served as directors or supervisors of the Group.
 - (3) The firm declares that the professional services personnel of the audit team have not received requests that are or felt inappropriate from your company's management regarding the policies chosen or financial statement disclosure; nor has the audit items been reduced on the grounds of reducing fees, which will affect objectivity and professional doubts.
 - (4) The firm has no business relationships with the Group.
 - (5) The firm has no litigious relationships with the Group.
 - (6) The firm declares that the professional services personnel of the audit team are not entrusted with being the defenders of your company's position or opinion, or to mediate on your company's behalf in conflicts that arise with other third parties.
 - (7) The professional services personnel of the audit team not related to your company's directors, managers, or anyone who has significant influence on audits.
 - (8) The professional services personnel of the audit team have not accepted gifts of great value or gifts from directors and managers of your company.
 - (9) According to the professional judgment of the CPAs, there are no other circumstances that could violate CPA independence.

- (10) The CPAs have not discovered situations that may endanger CPA independence, so there is no need for communication about safeguards.
7. During the audit process, if the CPAs discover matters that may violate CPA independence, they will communicate with the Group's governance unit about the situation and take relevant safeguards.

Appendix:

- I: List of key members of the audit team in accordance with the stipulations of Bulletin No. 10.
- II: List of affiliated companies of PwC Taiwan.

PwC Taiwan

CPA

Chun-Yuan Hsiao

Se-Kai Lin

Appendix I: List of members of the audit team in accordance with the stipulations of Bulletin No. 10.

Name	Job title
Chun-Yuan Hsiao	CPA
Se-Kai Lin	CPA
Yu-Ting Hung	Manager
Chun-I Chou	Team Lead

Appendix II: List of affiliated companies of PwC Taiwan.

(1)	PricewaterhouseCoopers Management Consulting Co., Ltd.
(2)	PwC Legal
(3)	PricewaterhouseCoopers Tax Consulting Co., Ltd.
(4)	PricewaterhouseCoopers International Financial Advisory Co., Ltd.
(5)	PricewaterhouseCoopers International Financial Consulting Co., Ltd.
(6)	PricewaterhouseCoopers Consulting Services Taiwan Co., Ltd.
(7)	PricewaterhouseCoopers Business Consulting Services Taiwan Ltd.
(8)	PricewaterhouseCoopers Sustainability Services Co., Ltd.
(9)	PricewaterhouseCoopers International Real Estate Co., Ltd.
(10)	PricewaterhouseCoopers Human Resource Management Consulting Co., Ltd.
(11)	PricewaterhouseCoopers Smart Risk Management Consulting Services Co., Ltd.

- (4) If the Company has set up a Remuneration Committee, the composition, responsibilities and operating status of the Remuneration Committee shall be disclosed:

1.Members of the Remuneration Committee

Identity Type	Qualifications	Professional qualifications and experience, and independence compliance	Number of other public companies in which the member also serves as a member of their remuneration committee	Remarks
	Name			
Independent director (Convener)	Liu, Teng-Cheng	Refer to Pages 13 - 15 Professional expertise and status of directors:	0	—
Independent director	Liu, Chieh-Min		0	—
Independent director	Tien, Hung-Mao		0	—

2.Roles and Responsibilities of the Remuneration Committee:

- (1)Periodically review the Organizational Rules of the Company's Remuneration Committee and make recommendations for amendments.
- (2)Establish and conduct regular review of the policies, systems, standards, and structures for performance appraisal regulations and remuneration of the Company's directors and managers.
- (3)Periodically assess the degree to which performance goals for the directors and managerial officers of the Company have been achieved, and set the types and amounts of their individual remuneration.

3.Operation of the Remuneration Committee:

- (1)The Company's Remuneration Committee has 3 members.
- (2)Term of the current committee: February 17, 2020 to February 16, 2023.
- (3)The Remuneration Committee held 5 meetings (A) in the most recent year (2021) and as of the printing date of this annual report. The qualifications and attendance of the committee members are as follows:

Job title	Name	Attendances in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Liu, Teng-Cheng	5	—	100	
Member	Liu, Chieh-Min	5	—	100	
Member	Tien, Hung-Mao	5	—	100	

Other disclosures:

1. In the event that a Remuneration Committee recommendation is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, content of motion, the board's resolution, and the way the company handled the Remuneration Committee's opinions (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): N/A.
2. If a member had dissenting or qualified opinion on record or stated in writing regarding any resolution passed by the Remuneration Committee, describe the date of committee meeting, term of the committee, content of motion, opinions of all members, and actions taken by the Company in response to the opinion of members: N/A.
3. The motions and resolutions of the Remuneration Committee's meetings in the most recent year, and the Company's handling of the members' opinions:

Date	Motion	Resolutions	Members' opinions	The Company's handling of the Remuneration Committee's opinions
2021.01.27	1. Amendment to the "Guidelines for the Evaluation of the Performance of the Board of Directors"	Approved with no attending committee member voices an objection following an inquiry by the chair.	No dissenting or qualified opinion.	Proposed at the board meeting and approved by all attending directors.
	2. 2019 Director remuneration proposal			
	3. 2019 Employees remuneration proposal.			
2021.03.25	Proposed remuneration for directors and employees in 2020.	Approved with no attending committee member voices an objection following an inquiry by the chair.	No dissenting or qualified opinion.	Proposed at the board meeting and approved by all attending directors.
2021.11.10	Subsequent ratification of the change in the Company's chief accounting and financial officers	Approved with no attending committee member voices an objection following an inquiry by the chair.	No dissenting or qualified opinion.	Proposed at the board meeting and approved by all attending directors.
2022.01.12	1. 2021 distribution of Chairman's bonus	Approved with no attending committee member voices an objection following an inquiry by the chair.	No dissenting or qualified opinion.	Proposed at the board meeting and approved by all attending directors.
	2. 2019 distribution of employees remuneration			
2022.03.23	1. 2021 remuneration for directors and employees proposal.	Approved with no attending committee member voices an objection following an inquiry by the chair.	No dissenting or qualified opinion.	Proposed at the board meeting and approved by all attending directors.
	2. Passed the appointment and salary review of the Company's audit supervisor.			

(5) Discrepancies between the implementation of sustainable development and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such discrepancies:

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the company established and promoted a sustainable development governance structure and set up a dedicated (or non-dedicated) unit for the promotion of sustainable development, and has the Chairman authorized the senior management to handle relevant issues and does the Chairman supervise the state of affairs with respect to the preceding?		✓	No dedicated (or non-dedicated) unit has been set up to promote sustainable development.	The company will set up a unit as needed in the future.
2. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities according to the materiality principle and devise risk management policies and strategies accordingly?		✓	Currently, the company has not established relevant policies or strategies and will consider establishing them as needed in the future.	Under evaluation.
3. Environmental topics				
(1) Has the company established a proper environmental management system based on the characteristics of the industry?		✓	The company does not currently have any production lines.	Not applicable.
(2) Is the company committed to improving energy efficiency and using renewable materials that have less impact on the environment?		✓		
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and		✓		

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
adopt appropriate countermeasures?				
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies greenhouse gas reduction, water use reduction, or waste management?		✓		
4. Social topics				
(1) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		(1) The company complies with labor laws and has developed employee codes and related personnel norms to protect the legal rights and interests of employees.	No significant difference.
(2) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits) and ensure business performance or results are reflected adequately in employee remuneration?	✓		(2) The company established regulations for employee welfare and considers the company's business performance to distribute employee remuneration and share the profit with employees.	No significant difference.
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		(3) The company is committed to providing employees with a safe workplace. In accordance with the relevant regulations of the Occupational Safety and Health Act, the company maintains and monitors the work environment, implements access control, and regularly inspects and cleans fire, air-conditioning, and drinking water equipment to reduce the hazards to employee safety and health.	No significant difference.
(4) Has the company implemented an effective training program that helps employees develop skills over the course of their career?	✓		(4) The company organizes professional on-the-job training courses for employees according to the needs of each function to enhance skills for their career.	No significant difference.

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		(5) The company advertises and labels its products and services according to relevant regulations and international standards. Furthermore, the company's website provides the contact and an e-mail address to provide a channel for customer inquiries and suggestions.	No significant difference.
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		(6) The company conducts credit checks on suppliers and evaluates whether the suppliers have had bad records in the past. We also pay attention to whether the suppliers have records of violations against environmental protection, occupational safety, and human rights. The company deals with key suppliers through international trade. If a supplier is found to be in violation of its corporate social responsibility and if it is verified, the company will consider terminating the relationship with the supplier.	No significant difference.
5. Does the company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the reports above?		✓	The company has not yet prepared a sustainability report and will prepare the reports in the future based on the needs of the company.	The company prepare the reports as needed in the future.
6. Describe the deviations, if any, between actual practice and the sustainable development principles, if the company has formulated such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies: The company has not formulated a sustainable development code, so this is not applicable.				
7. Other important information to facilitate a better understanding of the company's implementation of sustainable development: None.				

(6) Implementation of ethical corporate management and measures and departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons:

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and approaches				
(1) Has the company implemented a board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy?	✓		(1) The company implemented a Code of Operation Integrity and disclosed it on the company's website under the corporate governance section. The Code states the ethical corporate management policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy.	No significant difference.
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice	✓		(2) The company has formulated the Code of Operation Integrity, Director Code of Conduct, and Employee Code of Conduct, and disclosed them on the company's website to actively prevent dishonest behavior.	No significant difference.

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
Principles for TWSE/GTSM Listed Companies?				
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		(3) The company has formulated the Code of Operation Integrity, Director Code of Conduct, and Employee Code of Conduct to prevent dishonest behavior and opportunities for personal gain.	No significant difference.
2. Implementation of ethical management				
(1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?		✓	(1) The company evaluates the integrity records of all counterparties and refuses to work with those with a record of dishonest behavior. However, the company has not formulated contract terms. We will consider doing so as needed in the future.	Under evaluation.
(2) Does the company have a dedicated unit responsible for business integrity under the board of directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a	✓		(2) The company's management department is responsible for promoting operation integrity, and at least one performance evaluation of the board of directors shall be implemented each year. The 2021 results were reported to the 14th meeting of the 25th board of directors on March 23, 2022.	No significant difference.

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
year) to the board of directors while overseeing such operations?			All matters of the year comply with the regulations.	
(3) Has the company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	✓		(3) The company has established the Code of Operation Integrity to identify, monitor, and manage risks caused by dishonest behavior due to conflicts of interest. The company also provides appropriate channels for directors, managers, and other stakeholders who attend the board meetings to proactively state whether there are potential conflicts of interest with the company.	No significant difference.
(4) Does the company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		(4) The company has established effective accounting and internal control systems, which are regularly audited by our internal auditors.	No significant difference.
(5) Does the company organize internal and external education and training periodically to help enforce honest operations?	✓		(5) The company organizes training to promote the prevention of insider trading and the handling of material insider information.	No significant difference.
3. Operation of whistleblowing system				

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
(1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?	✓		(1) The company has established the Whistleblowing and Grievance Procedures for Illegal and Unethical Behavior to standardize reporting channels and encourage whistleblowing.	No significant difference.
(2) Does the company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(2) The company stipulates relevant confidentiality obligations in the Employee Code of Conduct and Code of Operation Integrity.	No significant difference.
(3) Has the company provided proper whistleblower protection?	✓		(3) The company will adopt appropriate measures to protect the whistleblower. There have been no cases of improper handling due to whistleblowing.	No significant difference.
4. Improving information disclosure Has the company disclosed the contents or its ethical corporate management principles as well as relevant implementation results on its website and on the Market Observation Post System?	✓		The company has disclosed the Code of Operation Integrity, Director Code of Conduct, and Employee Code of Conduct on the company's website.	No significant difference.
5. If the company has established ethical corporate management principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, describe the difference between the principles and implementation status: None.				
6. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (such as review and amendment of ethical management rules) (1) The company has defined the system for recusal of directors for conflict of interests in the Rules and Procedures for Board of Directors Meetings.				

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
If a director, or a corporate entity that the director represents, has an interest in any agenda item, full disclosure is required during the current meeting session. The director shall recuse himself/herself from the discussions and voting if he/she has a conflict of interest. In which case, the director also may not exercise voting rights as a proxy for other directors. (2) The company has established the Insider Trading Prevention Management to clearly stipulate that directors, managers, and employees may not disclose material insider information and shall not inquire about or collect undisclosed material insider information that are unrelated to their positions from anyone who is knowledgeable. They are also not allowed to disclose undisclosed material insider information learned outside of performing their duties. (3) The company has established the Code of Operation Integrity, which prohibits unethical conduct from the company's directors, managers, employees, contractors, and substantial controllers.				

- (7) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:

The company has established the Corporate Governance Best Practice Principles. Refer to the URL below:

<https://www.chuwa.com.tw/download/procedure/procedure13.pdf>

(8) Other significant information which may improve the understanding of corporate governance and operation:

2021 training progress of directors:

Job title	Name	Date of Training	Organizer	Course content	Training hours
Chairman	Hou, Chia-Chi	2021/09/24	Securities & Futures Institute	Advanced practical seminar for directors and supervisors (including independent directors) and chief corporate governance officer - Analysis and decision-making of corporate financial information	3
		2021/10/01	Securities & Futures Institute	Advanced practical seminar for directors and supervisors (including independent directors) and chief corporate governance officer - Global Risk Perception - Opportunities and Challenges for the Next Decade	3
Director	Huang Ming-Yu	2021/08/06	Taiwan Corporate Governance Association	Our distance from insider trading	3
		2021/08/17	Taiwan Corporate Governance Association	Unlawful activities and discussion about anti-money laundering and combating the financing of terrorism	3
		2021/08/19	Taiwan Corporate Governance Association	Corporate governance and information disclosure system - Responsibilities of insiders	3
		2021/08/24	Taiwan Corporate Governance Association	The responsibilities of directors and supervisors - KY case and discussion of corporate governance	3
Director	Chen Chien-Ting	2021/11/18	Securities & Futures Institute	The impact of latest changes in tax laws on business operations and the responses	3
		2021/12/07	Taiwan Corporate Governance Association	Global Political and Economic Situation on Taiwanese Business Operations and M&A strategies	3
Director	Hsu Chang	2021/08/06	Securities & Futures Institute	Advanced practical seminar for directors and supervisors (including independent directors) and chief corporate governance officer - Blockchain technology development and business model	3
		2021/11/05	The Institute of Internal Auditors - Chinese Taiwan	The war and protection of intangible assets -- Trade secrets and competition	6
Independent director	Liu, Teng-Cheng	2021/11/16	Taiwan Corporate Governance Association	Operational and decision-making effectiveness of the board of directors:	3
		2021/12/14	Taiwan Corporate Governance Association	Unlawful activities and discussion about anti-money laundering and combating the financing of terrorism	3
Independent director	Liu, Chieh-Min	2021/11/15	The Institute of Internal Auditors - Chinese Taiwan	Things to note and practical analysis of Shareholders' meeting and the Company Act	6
Independent director	Tien, Hung-Mao	2021/11/09	Taiwan Corporate Governance Association	How does the Audit Committee effectively supervise the internal control	3
		2021/11/16	Taiwan Corporate Governance Association	Operational and decision-making effectiveness of the board of directors	3

(9) Implementation of internal control system:

1. Statement on Internal Control

Chuwa Wool Industry Co., (Taiwan) Ltd.

Statement of Internal Control System

Date: March 23, 2022

The company hereby makes the following statement about its internal control system for 2021 based on the assessments it performed:

- I. The company takes cognizance of the fact that the establishment, execution, and maintenance of its internal control system are the responsibilities of the company's board of directors and managers; such policies have been implemented throughout the company. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability of reports, and compliance with relevant regulatory requirements in reaching compliance targets.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in Governing Regulations for Public Company's Establishment of Internal Control System (hereinafter called Governing Regulations) that are related to the effectiveness of internal control systems. The measures based on which to evaluate the internal control system adopted under the Governing Regulations are its five underlying elements, namely: 1. control environment, 2. risk assessment and reaction, 3. control process, 4. information and communication, and 5. supervision. Each of the elements in turn contains certain audit items. Please refer to the Governing Regulations for details.
- IV. The company has adopted the aforementioned measures to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned examination, the company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2021 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, promptness, and transparency of reports, and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- VI. This statement constitutes part of the company's annual report and prospectus, and shall be disclosed to the public. The company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.

VII. This statement was approved unanimously by all 7 Directors present at the meeting of the Board of Directors on March 23, 2022.

Chuwa Wool Industry Co., (Taiwan) Ltd.

Chairwoman Michelle Hou

President: Hsien-Wen Liu

2. The audit report the certified public accountant shall be disclosed if the certified public accountant is engaged to conduct a special audit of the internal control systems: None.

(10) The penalties, major deficiencies, and improvement status for penalties that are imposed on the Company or internal personnel by law or imposed on internal personnel by the Company for violating the provisions of the internal control system, as well as their possible significant impact on shareholders' equity or stock prices in the past year and up to the publication date of this annual report: None.

(11) Important resolutions made during shareholders' meetings and board of directors' meetings in the past year and up to the publication date of this annual report:

1. Important resolutions of the shareholders' meeting are as follows:

Date of meeting	Important resolutions	Resolutions and execution status		
2021.08.12	1. Ratification of 2020 business report and financial statements.	1. Voting rights of attending shareholders during voting: A total of 61,346,283 voting rights (including 49,544,272 electronic voting rights). Voting results:		
		Voting results		Percentage of voting rights of attending shareholders (%)
		Approval votes (including electronic votes)	61,253,831 shares (49,452,820 shares)	99.84%
		Disapproval votes (including electronic votes)	28,365 shares (28,365 shares)	0.04%
		Invalid votes (including electronic votes)	0 shares (0 shares)	0.00%
		Abstention votes/no votes (including electronic votes)	64,087 shares (63,087 shares)	0.10%
		2. Execution status: Approved as proposed.		
	2. Ratification of 2020 earnings distribution proposal	1. Voting rights of attending shareholders during voting: A total of 61,346,283 voting rights (including 49,544,272 electronic voting rights). Voting results:		
		Voting results		Voting rights of attending shareholders:
		Approval votes (including electronic votes)	61,264,831 shares (49,463,820 shares)	99.86%
		Disapproval votes (including electronic votes)	28,365 shares (28,365 shares)	0.04%
		Invalid votes (including electronic votes)	0 shares (0 shares)	0.00%
		Abstention votes/no votes (including electronic votes)	53,087 shares (52,087 shares)	0.08%
		2. Execution status: Approved as proposed.		

Date of meeting	Important resolutions	Resolutions and execution status		
	3. Approval of the amendments to the “Rules of Procedure for Shareholders’ Meeting”.	1. Voting rights of attending shareholders during voting: A total of 61,346,283 voting rights (including 49,544,272 electronic voting rights). Voting results:		
		Voting results		Percentage of voting rights of attending shareholders (%)
		Approval votes (including electronic votes)	61,074,791 shares (49,273,780 shares)	99.55%
		Disapproval votes (including electronic votes)	207,406 shares (207,406 shares)	0.33%
		Invalid votes (including electronic votes)	0 shares (0 shares)	0.00%
		Abstention votes/no votes (including electronic votes)	64,086 shares (64,086 shares)	0.10%
		2. Execution status: Approved as proposed; and published on the Company’s website and handled according to the procedures after the amendments.		
	4. Approved the amendment to the Company’s “Rules for Election of the Directors”	1. Voting rights of attending shareholders during voting: A total of 61,346,283 voting rights (including 49,544,272 electronic voting rights).		
		Voting results		Percentage of voting rights of attending shareholders (%)
		Approval votes (including electronic votes)	61,074,791 shares (49,273,780 shares)	99.55%
		Disapproval votes (including electronic votes)	207,405 shares (207,405 shares)	0.33%
		Invalid votes (including electronic votes)	0 shares (0 shares)	0.00%
		Abstention votes/no votes (including electronic votes)	64,087 shares (63,087 shares)	0.10%
	5. Approved the amendment to the Company’s “Procedure for Endorsements and Guarantees”.	1. Voting rights of attending shareholders during voting: A total of 61,346,283 voting rights (including 49,544,272 electronic voting rights). Voting results:		
		Voting results		Percentage of voting rights of attending shareholders (%)
		Approval votes (including electronic votes)	61,074,790 shares (49,273,779 shares)	99.55%
		Disapproval votes (including electronic votes)	207,406 shares (207,406 shares)	0.33%
		Invalid votes (including electronic votes)	0 shares (0 shares)	0.00%
		Abstention votes/no votes (including electronic votes)	64,087 shares (63,087 shares)	0.10%
		2. Execution status: Approved as proposed; and published on the MOPS and Company’s website and handled according to the procedures after the amendments.		

Date of meeting	Important resolutions	Resolutions and execution status		
	6. Approved the amendment to the “Procedures for Acquisition and Disposal of Assets”.	1. Voting rights of attending shareholders during voting: A total of 61,346,283 voting rights (including 49,544,272 electronic voting rights). Voting results:		
		Voting results		Percentage of voting rights of attending shareholders (%)
		Approval votes (including electronic votes)	61,074,790 shares (49,273,779 shares)	99.55%
		Disapproval votes (including electronic votes)	207,406 shares (207,406 shares)	0.33%
		Invalid votes (including electronic votes)	0 shares (0 shares)	0.00%
		Abstention votes/no votes (including electronic votes)	64,087 shares (63,087 shares)	0.10%
		2. Execution status: Approved as proposed; and published on the MOPS and Company’s website and handled according to the procedures after the amendments.		

2. Important resolutions made during the board of directors' meeting:

Date of meeting	Important resolutions	Matters stated in Article 14-3 of the Securities and Exchange Act	Matters stated in Article 14-5 of the Securities and Exchange Act	Handling of the opinions of the independent directors and Company	Resolutions of the Board of Directors or Audit Committee
2021.01.27	1. Amendment to the “Management of the Financial Statement Preparation Process”			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	2. 2021 Business Plan			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	3. The Company signed a land development joint venture contract with five companies including Wei Li International Development Co., Ltd., at Zhongyi Section, Tucheng District, New Taipei City	V	V	None	Audit Committee: Unanimously approved by all attending directors. Board of Directors: Apart from the directors who recused themselves from the discussion and voting according to the law, all remaining directors in attendance voted unanimously for the motion.
	4. Amendment to the “Guidelines for the Evaluation of the Performance of the Board of Directors”			None	Board of Directors: Unanimously approved by all attending directors
	5. 2019 Director remuneration proposal			None	Board of Directors: Unanimously approved by all attending directors
	6. 2019 Employees remuneration proposal.			None	Board of Directors: Unanimously approved by all attending directors
2021.03.25	1. 2020 Directors and employees remuneration proposal.			None	Board of Directors: Unanimously approved by all attending directors
	2. 2020 business report and financial statements.		V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	3. 2020 Deficit Compensation			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	4. 2020 “Statement of Internal Control System”	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	5. the Company’s application of credit limit from financial institutions			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	6. Regularly evaluate the independence of the certified public accountants			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	7. Amendment to the “Rules of Procedure for Shareholders’ Meeting”			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	8. Amendment to the “Rules for Election of the Directors”			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors

Date of meeting	Important resolutions	Matters stated in Article 14-3 of the Securities and Exchange Act	Matters stated in Article 14-5 of the Securities and Exchange Act	Handling of the opinions of the independent directors and Company	Resolutions of the Board of Directors or Audit Committee
	9. Amendment to the “Procedure for Endorsements and Guarantees”	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	10. Time and venue for convening 2021 Shareholders’ Meeting.			None	Board of Directors: Unanimously approved by all attending directors
2021.05.12	1. 2021 Earnings Distribution Proposal			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	2. Amendment to the “Procedures for Acquisition and Disposal of Assets”	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	3. Amendment to the Company's "Internal Control System".	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	4. Amendment to the “Authorization Chart”			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	5. Appointment of the Company’ certified public accountants	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	6. Proposal to add the reasons for convening 2021 Shareholders’ Meeting			None	Board of Directors: Unanimously approved by all attending directors
2021.07.15	1. Proposal to change the date of convening 2021 Shareholders’ Meeting			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	2. The Company signed a land development joint venture contract with four companies including Wei Li International Development Co., Ltd., at Zhongxing Section, Sanchong District, New Taipei City	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Apart from the directors who recused themselves from the discussion and voting according to the law, all remaining directors in attendance voted unanimously for the motion.
2021.08.11	1. 2021 Q2 Earnings Distribution Proposal			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	2. Proposal to apply for credit limit from financial institutions			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
2021.11.10	1. 2021 Q3 Earnings Distribution Proposal			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	2. Provision of collateral for Sanchong section, New Taipei City			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors

Date of meeting	Important resolutions	Matters stated in Article 14-3 of the Securities and Exchange Act	Matters stated in Article 14-5 of the Securities and Exchange Act	Handling of the opinions of the independent directors and Company	Resolutions of the Board of Directors or Audit Committee
	3. 2022 Audit Plan	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	4. Subsequent ratification of the change in the Company's chief accounting and financial officers	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	5. Subsequent ratification of the change in the Company's spokesperson			None	Board of Directors: Unanimously approved by all attending directors
	6. Proposal to re-appoint directors of HCW Investment Co., Ltd. and Jollify4ever Ltd.			None	Board of Directors: Unanimously approved by all attending directors
2022.01.12	1. 2022 Business Plan			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	2. 2021 distribution of Chairman's bonus			None	Board of Directors: Apart from the directors who recused themselves from the discussion and voting according to the law, all remaining directors in attendance voted unanimously for the motion.
	3. 2019 distribution of employees' remuneration			None	Board of Directors: Unanimously approved by all attending directors
2022.03.23	1. 2021 Business Report and Financial Statements		V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	2. 2021 Q4 Earnings Distribution Proposal			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	3. 2021 Proposed remuneration for directors and employees			None	Board of Directors: Unanimously approved by all attending directors
	4. 2021 Statement of Internal Control System	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	5. Regularly evaluate the independence of the certified public accountants			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	6. Amendment to the "Procedures for Acquisition and Disposal of Assets"	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	7. Amendment to the Company's "Articles of Incorporation".			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	8. Proposal to apply for credit limit from financial institutions			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors

Date of meeting	Important resolutions	Matters stated in Article 14-3 of the Securities and Exchange Act	Matters stated in Article 14-5 of the Securities and Exchange Act	Handling of the opinions of the independent directors and Company	Resolutions of the Board of Directors or Audit Committee
	9. Provision of collateral for Tucheng section, New Taipei City			None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
	10. Amendment to the Company's "Corporate Governance Best Practice Principles"			None	Board of Directors: Unanimously approved by all attending directors
	11. Amendment to the "Rules of Procedure for Shareholders' Meeting"			None	Board of Directors: Unanimously approved by all attending directors
	12. Reelection of directors			None	Board of Directors: Unanimously approved by all attending directors
	13. Proposed time, venue and other relevant matters of 2022 Shareholders' Meeting			None	Board of Directors: Unanimously approved by all attending directors
	14. Appointment of the Company's chief auditor.	V	V	None	Audit Committee: Unanimously approved by all attending directors Board of Directors: Unanimously approved by all attending directors
2022.05.11	1. The company's 2022 Q1 financial statements			None	Audit Committee: Proposal approved as proposed by all directors in attendance. Board of Directors: Proposal approved as proposed by all directors in attendance.
	2. The company's 2022 Q1 profit distribution proposal			None	Audit Committee: Proposal approved as proposed by all directors in attendance. Board of Directors: Proposal approved as proposed by all directors in attendance.
	3. The hiring or dismissal of a certified public accountant	V	V	None	Audit Committee: Proposal approved as proposed by all directors in attendance. Board of Directors: Proposal approved as proposed by all directors in attendance.
	4. Amendments to the company's Articles of Incorporation			None	Audit Committee: Proposal approved as proposed by all directors in attendance. Board of Directors: Proposal approved as proposed by all directors in attendance.
	5. Amendments to the Procedures for the Acquisition and Disposal of Assets	V	V	None	Audit Committee: Proposal approved as proposed by all directors in attendance. Board of Directors: Proposal approved as proposed by all directors in attendance.
	6. Zhongxing Rd., Sanchong Dist., New Taipei City volume working capital collateral proposal			None	Audit Committee: Proposal approved as proposed by all directors in attendance. Board of Directors: Proposal approved as proposed by all directors in attendance.
	7.Reappointment of the institutional supervisor's representative of HCW Investment Co., Ltd.			None	Board of Directors: Proposal approved as proposed by all directors in attendance.
	8. Nomination and review of candidates for directors and independent directors by the company in accordance with the law			None	Board of Directors: Proposal approved as proposed by all directors in attendance.
	9. Proposal to lift the non-compete clause for new directors			None	Board of Directors: Proposal approved as proposed by all directors in attendance.

- (12) Dissenting or qualified opinions of directors or supervisors against an important resolution passed by the board of directors that are on record or stated in a written statement in the past year and up to the printing date of this annual report: None.
- (13) Summary of resignation or dismissal for chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and research and development officer in the past year up to the printing date of this annual report:

Job title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Assistant Vice President of Finance and Accounting Department Chief accounting officer Chief financial officer	Chiang, Chung-Wei	2018.04.26	2021.09.17	Work adjustment
Chief internal auditor	Chang, Chih-Kai	2019.01.25	2022.03.23	Work adjustment

4. Information on certified public accountants' fees

Unit: Thousand NT\$

Name of accounting firm	Name of certified public accountants	Accountant's duration of audit	Audit fee	Non-audit fee					Total	Remarks
				System design	Business registration	Human resources	Others (Note)	Subtotal		
PricewaterhouseCoopers Taiwan	Hsiao, Chun-Yuan	2021.01.01-2021.12.31	950	-	-	-	130	130	1,080	Non-audit service fees is for tax assurance.
	Lin, Se-Kai									

- (1) For fees paid to certifying accountants, the firm of the certifying accountants, and its affiliates, if non-audit fees exceed 25% of the audit fees then the amount of the audit and non-audit fees should be disclosed along with the nature of the non-audit service:

The non-audit fees paid to the certified public accountants, the accounting firm and its affiliates did not exceed 25% of the audit fees.

- (2) If the accounting firm has been changed and the annual audit fees were lower for the year of the firm change compared to that of the previous year, audit fees before and after the changes and the reason for such changes should be disclosed: N/A.
- (3) If the audit fees have decreased by more than 10% compared to the previous year, the amount, ratio, and reason for the reduction in audit expense should be disclosed: N/A.

5. Information on change of accountants

- (1) Information regarding the former certified public accountants:

Date of change	—		
Reason for change and description	Not applicable		
Whether the appointed person or certified public account terminates or rejects the appointment	Party concerned		Certified public accountant
	Situation		Appointed person
	Voluntarily terminate appointment		Not applicable
	No longer accept (continue) appointment		Not applicable
Opinion and reason for issuance of audit report during the most recent two years containing an opinion other than an unqualified opinion	Not applicable		
Has different opinion from issuer	Yes		Accounting principle or practice
			Disclosure of financial report
			Audit scope or procedures
			Others
	None		
	Description: None		
Other disclosure matters (Items to be disclosed according to Item 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)			

(2) Information regarding the succeeding certified public accountants:

Name of accounting firm:	
Name of certified public accountants	Not applicable
Date of appointment	
Prior to the appointment, the consultation items and results on the accounting treatment or accounting principle regarding a specific transaction, and opinion that may be rendered on the financial report	
Written opinion from succeeding certified public accountant regarding disagreement of opinions from the former certified public accountant	

(3) Reply letter from the former certified public accountant regarding Item 1, 2-3, Paragraph 6, Article 10 of the Guidelines: Not applicable.

6. Chairperson, president, managers in charge of finance or accounting of the Company who had worked at the firm of the certifying accountants or its affiliates within the last year: N/A.
7. Share transfers and share pledging by directors, supervisors, managers and shareholders holding more than 10% equity in the past year and up to the printing date of this annual report :

(1) Change in share equity among directors, supervisors, managers, and major shareholders:

Unit: Shares

Job title	Name	2021		2022 as of April 25	
		Number of shares held Increase (decrease)	Shares pledged Increase (decrease)	Number of shares held Increase (decrease)	Shares pledged Increase (decrease)
Chairman	Representative of Xue Yong Co., Ltd.: Hou, Chia-Chi	1,000,000	—	—	—
Director	Representative of Zu Sheng International Co., Ltd.: Huang, Ming-Yu	—	—	—	—
Director	Representative of Zu Sheng International Co., Ltd.: Chen, Chien-Ting	—	—	—	—
Director	Representative of Yuan Zhong Co., Ltd.: Hsu, Chang	1,192,000	—	—	—
Independent director	Liu, Teng-Cheng	—	—	—	—
Independent director	Liu, Chieh-Min	—	—	—	—
Independent director	Tien, Hung-Mao	—	—	—	—
President	Liu, Hsien-Wen	—	—	—	—
Assistant Vice President	(Tsai, Shao-Hua (Note 1))	—	—	—	—

Job title	Name	2021		2022 as of April 25	
		Number of shares held Increase (decrease)	Shares pledged Increase (decrease)	Number of shares held Increase (decrease)	Shares pledged Increase (decrease)
Chief financial and accounting officer	Chiang, Chung-Wei (Note 2)	—	—	—	—
Chief financial and accounting officer	Lo, Chien-Chang	—	—	—	—
Shareholders with a shareholding ratio of over 10%	Hanshin Asset Management Co., Ltd.	—	—	—	—

Note 1: Tsai, Shao-Hua served from 2018.03.15 to 2021.12.08.

Note 2: Chiang, Chung-Wei served from 2018.04.26 to 2021.09.17.

(2) Share transfer information: There is no transfer of shares by the Company's directors, managers and major shareholders to related parties.

(3) Share pledging information: None.

8. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

April 25, 2022
Unit: Shares; %

Name	Shareholding		Shares held by spouse and minor children		Total shares held in the name of others		Shareholders with the top 10 shareholding ratios who are related, spouses, and second-degree relatives, their names, and their respective relationships		Remarks
	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	Name	Relation	
Han Yang Global Co., Ltd.	49,139,065	53.41%	—	—	—	—	—	—	—
Yuan Zhong Co., Ltd.	4,082,000	4.44%	—	—	—	—	—	—	—
Xue Yong Co., Ltd.	3,238,000	3.52%	—	—	—	—	—	—	—
Kuo Yang Construction Co., Ltd.	3,108,000	3.38%	—	—	—	—	—	—	—
Zu Sheng International Co., Ltd.	2,233,000	2.43%	—	—	—	—	—	—	—
Hi-Lai Foods Co., Ltd.	1,900,000	2.07%	—	—	—	—	—	—	—
Li, Li-Sheng	1,832,000	1.99%	—	—	—	—	—	—	—
Wei Li International Development Co., Ltd.	1,501,000	1.63%	—	—	—	—	—	—	—
Song Hao Investment Co., Ltd.	1,044,000	1.14%	—	—	—	—	—	—	—
Chuang, Cheng-Yu	630,000	0.69%	—	—	—	—	—	—	—

9. The shareholding of the Company, directors, supervisors, managers, and enterprises that are directly or indirectly controlled by the Company in the same re-invested company:

December 31, 2021
Unit: Shares; %

Investee company	Investment by the Company		The shareholding of the directors, supervisors, managers, and investments that are directly or indirectly controlled by the Company:		Comprehensive investment	
	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio
HCW Investment Co., Ltd.	40,000,000	100%	—	—	40,000,000	100%

D. Fundraising

1. Capital and shareholding

(1) Source of share capital

1. Type of Shares

May 27, 2022

Unit: Shares

Type of Shares	Authorized capital			Remarks
	Shares issued and outstanding	Unissued shares	Total	
Publicly-listed companies Ordinary shares	92,000,000	18,000,000	110,000,000	—

2. Capital formation process

May 27, 2022

Unit: Shares; Thousand NT\$

Year / Month	Issue price (NT\$)	Authorized capital		Equity issued		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Others
1964/10	100	150,000	15,000	150,000	15,000	Startup capital 15,000	None	
1968/04	100	225,000	22,500	225,000	22,500	Cash capital increase 7,500	None	
1971/05	100	270,000	27,000	270,000	27,000	Capitalization of earnings 4,500	None	
1972/04	100	297,000	29,700	297,000	29,700	Capitalization of earnings 2,700	None	
1973/04	100	415,800	41,580	415,800	41,580	Capitalization of earnings 11,880	None	
1974/12	100	582,120	58,212	582,120	58,212	Capitalization of earnings 16,632	None	
1978/09	100	767,120	76,712	767,120	76,712	Capitalization of earnings 18,500	None	
1980/10	100	843,832	84,383	843,832	84,383	Capitalization of earnings 7,671	None	
1983/12	100	1,150,000	115,000	1,150,000	115,000	Capitalization of earnings 30,617	None	
1984/06	100	1,800,000	180,000	1,800,000	180,000	Capital increase through capital reserve 65,000	None	
1988/05	10	33,300,000	333,000	33,300,000	333,000	Capitalization of earnings 153,000	None	
1988/06	10	40,500,000	405,000	40,500,000	405,000	Capital increase through capital reserve 72,000	None	

Year / Month	Issue price (NT\$)	Authorized capital		Equity issued		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Others
1989/08	10	46,980,000	469,800	46,980,000	469,800	Capitalization of earnings 64,800	None	(78) Tai-Cai-Zheng (I) No. 01489 dated 1989.07.25
1990/12	10	53,385,000	533,850	53,385,000	533,850	Cash capital increase 49,956 Capital increase through capital reserve 14,094	None	(79) Tai-Cai-Zheng (I) No. 03166 dated 1990.11.15
1991/10	10	80,000,000	800,000	63,385,000	633,850	Cash capital increase 100,000	None	(80) Tai-Cai-Zheng (I) No. 02811 dated 1991.09.27
1992/10	10	80,000,000	800,000	69,723,500	697,235	Capital increase through capital reserve 63,385	None	(81) Tai-Cai-Zheng (I) No. 02413 dated 1992.09.17
1993/07	10	110,000,000	1,100,000	87,538,000	875,380	Capitalization of earnings 139,447 Capital increase through bonus to employees 3,836 Capital increase through capital reserve 34,862	None	(82) Tai-Cai-Zheng (I) No. 01477 dated 1993.06.19
1994/07	10	110,000,000	1,100,000	98,380,000	983,800	Capitalization of earnings 61,277 Capital increase through bonus to employees 3,374 Capital increase through capital reserve 43,769	None	(83) Tai-Cai-Zheng (I) No. 29971 dated 1994.06.30
1995/06	10	110,000,000	1,100,000	108,540,000	1,085,400	Capitalization of earnings 59,028 Capital increase through bonus to employees 3,220 Capital increase through capital reserve 39,352	None	(84) Tai-Cai-Zheng (I) No. 29800 dated 1995.05.23
2003/07	10	110,000,000	1,100,000	102,540,000	1,025,400	Capital reduction 60,000	None	Tai-Cai-Zheng (III) No. 0920134563 dated 1993.07.28
2003/10	10	110,000,000	1,100,000	101,713,000	1,017,130	Capital reduction 8,270	None	Tai-Cai-Zheng (III) No. 0920146354 dated 1993.10.03
2003/12	10	110,000,000	1,100,000	97,000,000	970,000	Capital reduction 47,130	None	Tai-Cai-Zheng (III) No. 0920161935 dated 1993.12.31

Year / Month	Issue price (NT\$)	Authorized capital		Equity issued		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Others
2004/11	10	110,000,000	1,100,000	94,000,000	940,000	Capital reduction 30,000	None	Tai-Cai-Zheng (III) No. 0930150220 dated 1994.11.03
2005/07	10	110,000,000	1,100,000	92,000,000	920,000	Capital reduction 20,000	None	Tai-Cai-Zheng (III) No. 0940131151 dated 1995.07.26

3. Information on shelf registration: None.

(2) Shareholder structure:

April 25, 2022
Unit: People Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Other juristic persons	Foreign institutions and foreigners	Individuals	Total
Number of persons	0	1	35	19	9,244	9,299
Number of shares held	0	3,000	66,902,466	339,081	24,755,453	92,000,000
Shareholding ratio	0.00%	0.00%	72.72%	0.37%	26.91%	100.00%

(3) Share distribution:

April 25, 2022
Unit: People Shares

Shareholding range			Number of shareholders	Number of shares held	Shareholding ratio
1	to	999	5,778	894,290	0.97%
1,000	to	5,000	2,866	5,695,889	6.19%
5,001	to	10,000	345	2,750,677	2.99%
10,001	to	15,000	81	1,055,729	1.15%
15,001	to	20,000	63	1,168,714	1.27%
20,001	to	30,000	55	1,470,022	1.60%
30,001	to	40,000	20	722,000	0.79%
40,001	to	50,000	15	676,955	0.74%
50,001	to	100,000	41	2,949,000	3.21%
100,001	to	200,000	15	2,325,641	2.53%
200,001	to	400,000	6	1,565,000	1.70%
400,001	to	600,000	4	2,019,018	2.19%
600,001	to	800,000	1	630,000	0.68%
800,001	to	1,000,000	0	0	0.00%
Over 1,000,001			9	68,077,065	73.99%
Total			9,299	92,000,000	100.00%

(4) Major shareholders (top 10 shareholders):

April 25, 2022
Unit: Shares

Name of major shareholders	Shares	Number of shares held	Shareholding ratio
Han Yang Global Co., Ltd.		49,139,065	53.41%
Yuan Zhong Co., Ltd.		4,082,000	4.44%
Xue Yong Co., Ltd.		3,238,000	3.52%
Kuo Yang Construction Co., Ltd.		3,108,000	3.38%
Zu Sheng International Co., Ltd.		2,233,000	2.43%
Hi-Lai Foods Co., Ltd.		1,900,000	2.07%
Li, Li-Sheng		1,832,000	1.99%
Wei Li International Development Co., Ltd.		1,501,000	1.63%
Song Hao Investment Co., Ltd.		1,044,000	1.14%
Chuang, Cheng-Yu		630,000	0.69%

(5) Share price, net worth, earnings, dividends and related information for the past two years:

Unit: NT\$

Item \ Year		2020	2021	Up to April 30 of 2022
Market price per share	Highest	42.80	24.15	24.15
	Lowest	24.95	21.60	21.60
	Average	32.61	22.83	22.83
Net worth per share	Before distribution	24.25	25.01	25.01
	After distribution	24.25	25.01	25.01
Earnings per share	Weighted average shares (thousand shares)	92,000	92,000	92,000
	Earnings per share	(2.65)	0.31	0.31
Dividends per share	Cash dividends		—	—
	Stock grants	Share distribution from earnings	—	—
		Share distribution from capital surplus	—	—
	Accumulated unpaid dividend		—	—
Return analysis	PE ratio		—	73.65
	Price-dividend ratio		—	—
	Cash dividend yield		—	—

Note: Distribution of earnings for 2021 is subject to approval of the shareholders' meeting, hence not listed

(6) Company dividend policy and implementation status:

1. Dividend policy:

According to Article 18-1 of the Company's Articles of Incorporation:

If earnings are found after closing the quarter, the Company shall first pay income taxes, make up for any accumulated losses, estimate the employee remuneration to be reserved, and set aside 10% as legal reserve. However when the legal reserve amounts to the paid-in capital, this shall not apply. The rest shall be set aside or reversed into the special surplus reserve according to the laws or the regulations of the competent authority. If earnings are still found, this will be combined with accumulated undistributed earnings of each quarter as shareholder dividend through issuance of new shares, and the board will propose an earnings distribution motion, and ask the shareholders meeting to resolve on the shareholders dividend proposal. In the case of cash dividend, a resolution of the board of directors shall be obtained.

If there are earnings following the Company's annual final accounting, these shall first be used to pay taxes and to offset cumulative losses. 10% of any remaining balance shall be allocated to the legal surplus reserve. However when the legal reserve amounts to the paid-in capital, this shall not apply. The rest shall be set aside or reversed into the

special surplus reserve according to the laws or the regulations of the competent authority. If earnings are still found, this will be combined with accumulated undistributed earnings as shareholder dividend through issuance of new shares, and the board will propose an earnings distribution motion, and ask the shareholders meeting to resolve on the shareholders dividend proposal.

If all or part of the dividend or legal reserve and capital reserve is to be distributed in the form of cash, it shall be approved by the majority of the directors at a board meeting in which over two-thirds of the directors are present, and then reported to the shareholders' meeting.

According to Article 18-2 of the Company's Articles of Incorporation:

In response to the current competitive and changing business environment and the continually expanding scale, the Company's dividend distribution shall take into consideration factors such as future capital requirements, financial structure and interests of shareholders, in the form of shares and cash dividends, where the cash dividends shall not be less than 20% of total dividends.

2. Dividends distributed in the current fiscal year:

The Company's 2021 dividend distribution of NT\$0.2 cash dividend per share, amounting to NT\$18,400,000, is based on the earnings distribution proposal approved by the board meeting on March 23, 2022, which is yet to be approved in the shareholders' meeting,

3. Expected material change in dividend policy: In line with the Company's operations and actual capital utilization, earnings distribution in Article 2 and Article 18-1 is amended from quarterly distribution to yearly distribution.

(7) Effect of stock grants proposed in the latest shareholders' meeting on the Company's business performance and earnings per share: Not applicable.

(8) Remuneration of employees and directors:

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

According to Article 18 of the Company's Articles of Incorporation:

Before deducting employees' remuneration and directors' from the current profit before tax, the Company shall cover the accumulated losses. If there is still a surplus, the Company shall allocate 0.5% to 5% as employees' remuneration and not more than 2% as directors' remuneration.

The distribution ratio and decision of employees' remuneration, directors' remuneration, and whether the employees' remuneration is to be distributed in the form

of shares or cash, shall be resolved by the majority of the directors at a board meeting at which over two-thirds of the directors are present and reported to the shareholders' meeting.

Employees entitled to receive the shares or cash as employees' remuneration may include employees meeting certain specific requirements set by the board of directors or personnel authorized by the board.

Directors' remuneration may only be distributed in the form of cash, and the Company's independent directors do not participate in the annual remuneration distribution.

2. Basis for estimating the amount of remuneration of employees and directors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:
 - (1) Basis for estimating the amount of remuneration of employees and directors in current year: Please refer to Item (8) Remuneration of employees and directors.
 - (2) Basis for calculating the number of shares to be distributed as employee remuneration in the current period: None.
 - (3) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period: Not applicable.
3. Remuneration proposals passed by the board of directors:
 - (1) Employee and director remuneration will be distributed in cash or shares:
 - A. According to Article 18 of the Company's Articles of Incorporation, the Company proposes to distribute NT\$682,531 as employees' remuneration and NT\$682,531 as directors' remuneration in 2021; which was approved in the board meeting on March 23, 2022.
 - B. The differences, reasons, and responses: There is no difference between the above proposed distribution amount and the 2021 estimated amount.
 - (2) The amount of remuneration to employees to be paid in shares and its percentage out of the standalone or individual financial report for the current period in terms of the sum of net profit after tax and employee remuneration: There is no distribution of employee share dividends in this period, and hence not applicable.
4. Any discrepancy between actual remuneration distribution of employees, directors, and supervisors (including the number of shares, the amount and share price) and the recognized remuneration of employees and directors, and disclosure of the differences, reasons, and responses:

The Company incurred losses in 2020 and did not distribute remuneration of employees, directors, and supervisors, and hence there is no difference from the amount recognized in 2020 financial statements.

Distribution status	Previous year (2020)			
	Actual distribution amount approved in the shareholders' meeting	Proposed distribution amount approved by the board of directors	Difference	Reason for the difference
1. Employee remuneration in cash	—	—	—	—
2. Employee remuneration in shares	—	—	—	—
(1) Shares	—	—	—	—
(2) Amount	—	—	—	—
3. Directors' remuneration	—	—	—	—

(9) Company stock buyback: None.

2. Issuance of corporate bonds: None.
3. Issuance of preferred stocks: None.
4. Issuance of global depositary receipts: None.
5. Exercise of employee share option plan: None.
6. Processing of the issuance of restricted share awards: None.
7. Mergers, acquisitions, or issuance of new shares for acquisition of shares of other companies: None.
8. Implementation of capital allocation plan

(1) Content of plan:

Up to the season prior to the publication date of the annual report, negotiable securities issued in previous batches or private placements that have not been completed or were completed within the last three years and have not yet realized the estimated return: None.

(2) Implementation status: None.

E. Overview of Operations

1. Business activities

(1) Business scope

1. The Company's main business scope:

- (1) C306010 Wearing Apparel.
- (2) C307010 Clothing Accessories.
- (3) C399990 Other Textile and Products Manufacturing.
- (4) F101990 Wholesale of Other Agricultural, Livestock and Aquatic Products
- (5) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories.
- (6) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories.
- (7) F401010 International Trade.
- (8) F601010 Intellectual Property Rights.
- (9) H703100 Real Estate Leasing.
- (10) I101110 Textile Consulting.
- (11) I501010 Product Designing.
- (12) I502010 Clothing Designing.
- (13) ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Proportion of main product sales:

Unit: Thousand NT\$

Product Type \ Year	2020		2021	
	Amount	%	Amount	%
Sales of wool top and shrink-resistant wool top	111,368	98.45	72,970	92.60
Rental income	1,751	1.55	3,349	4.25
Others	-	-	2,480	3.15
Total	113,119	100.00	78,799	100.00

3. The Company's current product items: Wool top and shrink-resistant wool top, rental income.

4. New products under development: None.

(2) Industry overview

1. Current status and development of the industry

(1)Wool:

Due to the strong competition from organic fiber with special functions such as dry, windproof, waterproof, etc., it is not conducive for large-scale business expansion of wool top and shrink-resistant wool top business.

(2)Rental income:

Some investment properties have been leased, and for those which have not been leased, potential lessees are actively being sought.

2.Relationship between upstream, midstream, and downstream industries

The wool industry's main upstream raw wool supplier is Australia. Mid-stream manufacturers are mainly concentrated in China. Due to the increase in overall wages and strict implementation of environmental protection, production costs have been increasing over the years. Down-stream consumers face price competition from products developed with other raw materials such as cotton, chemical fiber, etc., compressing the profit margin of wool products.

3.Products development trends and competition

(1)Wool top:

Due to the high cost of wool raw materials, it is not easy to be converted to other multi-functional fibers; the market share is not high and there is also fierce competition among the peers.

(2)Shrink-resistant wool top:

Due to its high added value, the Company will vigorously expand products with high fine counts in order to meet the needs of high-end consumers.

(3) Overview of technology and research and development

1.Technological arrangement in business operations, and research and development: None.

2.Research and development expenditure of the most recent year (2021), up to the publication date of the annual report: None.

3.Successfully developed technologies or products in the most recent year (2021), up to the publication date of the annual report: None.

(4) Long and short-term business plans:

1.Short-term business plan:

Wool products' consumption proportion to all other textile products has shown no significant growth, but has maintained a stable consumption volume. The Company will strengthen its marketing strategies in developing new markets based on the solid

foundation of its existing customers.

2. Long-term business plans:

Seek transformation or diversification of operations, in order to drive business growth again.

2. Market, production, and sales

(1) Market analysis

1. Main products' sales regions

Unit: Thousand NT\$

Sales region \ Year		2020		2021	
		Sales amount	%	Sales amount	%
Export	Japan	93,859	84.28	67,694	89.72
	South Korea	6,504	5.84	7,756	10.28
	Malaysia	11,005	9.88	-	-
Total		111,368	100.00	75,450	100.00

2. Market share

The Company's main sales regions are Japan and South Korea. In 2021, 193,125.30 kg of products, amounting to 89.72% of sales were sold to Japan; and 20,438.30 kg, amounting to 10.28% of sales, were sold to South Korea.

3. Future market supply, demand, and future growth

The drought in Australia, the country of wool production, has led to the reduction in production volume and a record high price of wool. As a result, the cost of wool products is high, which makes it even more unfavorable to compete with other chemical fibers in terms of price. Unless the global economy has significant growth, wool products with high unit prices are less likely to be favored.

4. Competitive niches, favorable and unfavorable factors to long-term development, and response measures

(1) Competitive niches

Due to the triangular trade business model of the Company, it can easily adjust its sales strategies, and is able to avoid the risk of excessive loss.

(2) Favorable factors

By adopting a triangular trade business model, it is able to avoid the unnecessary red ocean battlefield.

(3) Unfavorable factors

As wool is affected by the weather, it is difficult to have a stable output. The price also fluctuates greatly, which is not conducive to the control of costs.

(4) Response measures

Transform or invest in companies for higher niche.

(2) Major applications and manufacturing processes of core products

1. Wool top

Supply to woolen mills for spinning and weaving; raw wool is scoured, combed and finely combed into clean wool tops.

2. Shrink-resistant wool top

Supply to woolen mills for spinning and weaving shrink-resistant fabrics; the wool top goes through chlorination and resin processing to form shrink-resistant top.

(3) Supply of main raw materials

From 2020 to 2021, 290,000 tonnes of wool were produced during the production season, an increase of 2.1% compared to the 284,000 tonnes produced during the 2019 to 2020 production season. However, as the demand of clothing in Japan, Europe and the United States is yet to recover from the impact of COVID-19, the demand is not strong. Wool price continues to rise, and has set a new high in the past year. It is estimated that 305,000 tonnes of wool can be produced in the 2022 production season.

(4) Names of customers who accounted for more than 10% of the purchases (sales) in any of the last two years, and purchases (sales) amount and percentage:

1. Information on key suppliers during the past 2 years:

Unit: Thousand NT\$

Item	2020				2021			
	Name	Amount	Percentage of net purchase %	Relationship with issuer	Name	Amount	Percentage of net purchase %	Relationship with issuer
1	Supplier A	111,926	100.00	None	Supplier A	75,770	100.00	None
	Net purchases	111,926	100.00		Net purchases	75,770	100.00	

Note: As the contract stipulates that the name of the companies shall not be disclosed, code names are used instead.

Reason for change in increase or decrease: Little difference in key suppliers.

2. Information on key customers during the past 2 years

Unit: Thousand NT\$

Item	2020				2021			
	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
1	Customer A	79,129	71.05	None	Customer A	54,671	72.46	None
2	Customer B	25,735	23.11	None	Customer B	13,023	17.26	None
3	Customer C	6,504	5.84	None	Customer C	7,756	10.28	None
	Net sales	111,368	100.00		Net sales	75,450	100.00	

Note: As the contract stipulates that the name of the companies shall not be disclosed, code names are used instead.

Reason for change in increase or decrease: Little difference in key customers.

(5) Production volume and value for the last two years

Unit: Kg; Thousand NT\$

Production volume and value Core product	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Wool top		—	—	—	—	—	—
Shrink-resistant wool top		—	—	—	—	—	—
Others		—	—	—	—	—	—
Total		—	—	—	—	—	—

(6) Sales volume and value for the last two years:

Unit: Kg; Thousand NT\$

Sales volume and value Core product	Year	2020				2021			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Wool top		—	—	176,483	71,898	—	—	122,236	43,847
Shrink-resistant wool top		—	—	101,526	39,70	—	—	83,232	29,123
Others		—	—	—	—	—	—	8,096	2,480
Total		—	—	278,009	111,368	—	—	213,564	75,450

3. Employees

Employee information for the past two years up to publication date of the annual report:

Year		2020	2021	As of May 27, 2022
Number of employees	Salaried workers	8	8	11
	Wage earners	0	0	0
	Total	8	8	11
Average age		45	41	40
Average years of service		2.13	0.97	0.43
Education level	Ph.D	0.00%	0.00%	0.00%
	MA	12.50%	12.50%	30.00%
	University	87.50%	87.50%	70.00%
	Senior High	0.00%	0.00%	0.00%
	Below Senior High	0.00%	0.00%	0.00%

4. Environmental protection expenditure information

- (1) Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents: None.
- (2) An estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: Not applicable.

5. Employer-employee relations

- (1) The Company's employee welfare measures, continuing education, training, retirement regulations and their actual implementation, along with employer-employee agreements, and measures for protecting employee rights

1. Employee welfare

- (1) Employees are entitled to labor insurance, employment insurance, national health insurance and group insurance.
- (2) Birthday gifts, festive gifts, meal allowance, travel allowance and medical check-up subsidies.
- (3) Congratulations gifts, condolence money and maternity allowance.

2. Employee continuing education and training

- (1) Conduct staff training and participation in relevant seminars.
- (2) Establish clear salary, performance, appraisal, bonus, remuneration regulations, and improve employees' career development through training.

3. Pension scheme and implementation status

- (1) The Labor Pension Act applies to the existing employees, and the Company credits

6% of the salary into the employees' pension account.

(2) Employees who meet any of the following circumstances may apply for retirement

A. Has worked for more than 15 years and reached the age of 55.

B. Has worked for more than 25 years.

C. Has worked for more than 10 years and reached the age of 60.

4. Employer-employee agreements, and measures for protecting employee rights

(1) The employees handbook and relevant personnel regulations are established in accordance with the Labor Standards Act to safeguard the legitimate rights and interests of employees.

(2) Establish reporting and complaints mechanism for illegal and unethical activities, and regulations for the prevention, correction, complaint and punishment of sexual harassment at workplace, and provide appropriate complaints mechanism.

(3) Convene regular quarterly employee-management meetings to facilitate communication between the management and employees, provide a channel for negotiation, and inform employees of operation changes that might have material impacts.

(4) Access control is implemented in the offices, and fire safety equipment, air-conditioning and water dispensers are regularly inspected and cleaned to minimize safety and health risk to employees. Assigned a safety and health affair manager, implemented safety and health education in a timely manner, and conducts regular health checks on employees to prevent occupational accidents.

(2) Losses incurred as a result of employer-employee disputes in the most recent year and as of the publication date the annual report and estimated values that might occur now and in the future and their countermeasures: The Company did not suffer any losses as a result of employer-employee disputes.

6. Information communication security management

(3) Information communication security risk management framework, information communication security policies, concrete management programs, and investments in resources for information communication security management:

Faced with the continuous external information security threat, and to prevent accidental damage to the Company's data and enable smooth information security operation, besides establishing the ERP system to handle the Company's accounts, the Company also implements security monitoring and antivirus system and file server for data protection and privacy. In addition, regular information communication and security training is conducted once every year to raise the employees' awareness on information

and communication security. Regularly review the effectiveness of the information and communication security risk management in response to the changes of information communication and security situation at home and abroad. In view of the increasing external threats, only continuously raising self-awareness of security and improvement, can the overall risk be minimized.

- (4) Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts and measures being or to be taken: None.

2. Important contracts (as of publication date of annual report, May 27, 2022)

Nature of contract	Contracting parties	Contract commencement and expiration date	Content	Restrictive clauses
Joint venture development contract	Six companies including Kuo Yang Construction Co., Ltd.	2020.11.23 ~ Project completion	Neihu Jiuzong Project; signed a joint investment and development agreement with five companies in obtaining 4 parcels of lands in Land No.83-1, Jiuzong Section, Neihu District, Taipei City.	None
Joint venture development contract	Six companies including Kuo Yang Construction Co., Ltd.	2021.01.28 ~ Project completion	Tucheng Zhongyi Project; signed a joint investment and development agreement with five companies in obtaining 19 parcels of lands in Land No.365, Zhongyi Section, Tucheng District, New Taipei City.	None
Joint venture development contract	Five companies including Kuo Yang Construction Co., Ltd.	2021.07.15 ~ Project completion	Sanchong Zhongxing Project; signed a joint investment and development agreement with four companies in obtaining 9 parcels of lands in Zhongxing Section, Sanchong District, New Taipei City.	None

F. Overview of Financial Status

1. Condensed balance sheet and comprehensive income statements for the last five years

(1) Condensed balance sheet and comprehensive income statements

1. Condensed consolidated balance sheet

Unit: Thousand NT\$

Year Item		Financial information for the last five years					From this year to March 31, 2022 Financial Information (reviewed by the CPA)
		2017 (Note 2)	2018	2019	2020	2021	
Current assets		1,336,739	1,960,085	2,248,238	1,179,060	1,630,236	1,632,736
Property, plant and equipment		78,033	2,716	2,320	216	192	186
Intangible assets		49	35	20	6	0	0
Other assets		658,900	34,176	580,612	1,226,646	1,260,838	1,312,130
Total assets		2,073,721	1,997,012	2,831,190	2,405,928	2,891,266	2,945,052
Current liabilities	Before distribution	12,635	151,448	16,357	174,700	623,722	641,896
	After distribution	12,635	151,448	476,357	174,700	(Note 1)	641,896
Non-current liabilities		150,101	3,441	3,174	438	649	787
Total liabilities	Before distribution	162,736	154,889	19,531	175,138	624,371	642,683
	After distribution	162,736	154,889	479,531	175,138	(Note 1)	642,683
Equity attributable to owners of parent		1,910,985	1,842,123	2,811,659	2,230,790	2,266,895	2,302,369
Share capital		920,000	920,000	920,000	920,000	920,000	920,000
Capital reserve		8,686	8,686	8,686	10,714	145,021	145,021
Retained earnings	Before distribution	982,299	913,484	1,875,467	1,166,742	1,319,103	1,356,447
	After distribution	982,299	913,484	1,415,467	1,166,742	(Note 1)	1,356,447
Other equity interest		0	(47)	7,506	133,334	(117,229)	(119,099)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	1,910,985	1,842,123	2,811,659	2,230,790	2,266,895	2,302,369
	After distribution	1,910,985	1,842,123	2,351,659	2,230,790	(Note 1)	2,302,369

Note 1: Distribution of earnings for 2021 is subject to the approval of the shareholders' meeting.

Note 2: Except for the individual financial statements in 2017, the remaining years are consolidated financial statements

2. Standalone condensed profit and loss statements

Unit: Thousand NT\$

Year		Financial information for the last five years				
		2017	2018	2019	2020	2021
Current assets		1,336,739	1,848,276	2,150,525	868,823	1,294,812
Property, plant and equipment		78,033	2,716	2,320	216	192
Intangible assets		49	35	20	6	0
Other assets		658,900	145,835	678,217	1,536,763	1,592,007
Total assets		2,073,721	1,996,862	2,831,082	2,405,808	2,887,011
Current liabilities	Before distribution	12,635	151,286	16,237	174,580	619,467
	After distribution	12,635	151,286	476,237	174,580	(Note 1)
Non-current liabilities		150,101	3,453	3,186	438	649
Total liabilities	Before distribution	162,736	154,739	19,423	175,018	620,116
	After distribution	162,736	154,739	479,423	175,018	(Note 1)
Share capital		920,000	920,000	920,000	920,000	920,000
Capital reserve		8,686	8,686	8,686	10,714	145,021
Retained earnings	Before distribution	982,299	913,484	1,875,467	1,166,742	1,319,103
	After distribution	982,299	913,484	1,415,467	1,166,742	(Note 1)
Other equity interest		0	(47)	7,506	133,334	(117,229)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	1,910,985	1,842,862	2,811,659	2,230,790	2,266,895
	After distribution	1,910,985	1,842,862	2,351,659	2,230,790	(Note 1)

Note: Distribution of earnings for 2021 is subject to approval of the shareholders' meeting.

3. Condensed consolidated income statements

Unit: Thousand NT\$

Year Item	Financial information for the last five years					From this year to March 31, 2022 Financial Information (reviewed by the CPA)
	2017 (Note)	2018	2019	2020	2021	
Operating revenue	263,220	264,022	173,008	113,119	78,799	11,959
Gross profit	13,862	8,464	919	(1,769)	28	79
Operating profit or loss	(15,164)	(69,452)	(49,632)	(30,221)	(28,127)	(8,350)
Non-operating income and expenses	8,304	(1,882)	1,118,436	(207,481)	167,403	37,222
Net profit before tax	(6,860)	(71,334)	1,068,804	(237,702)	139,276	28,872
Net income from continuing operations	(6,872)	(68,815)	961,983	(243,523)	128,274	28,669
Losses from discontinued operations	0	0	0	0	0	0
Net income (loss) for this period	(6,872)	(68,815)	961,983	(243,523)	128,274	28,669
Other comprehensive income for this period (Net income after tax)	0	(47)	7,553	120,626	(218,940)	6,805
Total comprehensive income for this period	(6,872)	(68,862)	969,536	(122,897)	(90,666)	35,474
Profit attributable to owners of parent	(6,872)	(68,815)	961,983	(243,523)	128,274	28,669
Profit attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of parent	(6,872)	(68,862)	969,536	(122,897)	(90,666)	35,474
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share (NT\$)	(0.07)	(0.7)	10.46	(2.65)	1.39	0.31

Note: Except for the individual financial statements in 2017, the remaining years are consolidated financial statements.

4. Condensed standalone income statements

Unit: Thousand NT\$

Item \ Year	Financial information for the last five years				
	2017	2018	2019	2020	2021
Operating revenue	263,220	264,049	173,077	113,131	78,799
Gross profit	13,862	8,491	988	(1,757)	28
Operating profit or loss	(15,164)	(50,696)	(49,364)	(29,814)	(27,916)
Non-operating income and expenses	8,304	(20,534)	1,118,496	(208,320)	163,057
Net profit before tax	(6,860)	(71,230)	1,069,132	(238,134)	135,141
Net income from continuing operations	(6,872)	(68,815)	961,983	(243,523)	128,274
Losses from discontinued operations	0	0	0	0	0
Net income (loss) for this period	(6,872)	(68,815)	961,983	(243,523)	128,274
Other comprehensive income for this period (Net income after tax)	0	(47)	7,553	120,626	(218,940)
Total comprehensive income for this period	(6,872)	(68,862)	969,536	(122,897)	(90,666)
Earnings per share (NT\$)	(0.07)	(0.75)	10.46	(2.65)	1.39

(2) Names of certified public accountants of the most recent five years and their audit opinions

Year	Name of accounting firm	Name of certified public accountants	Audit opinions
2017	Ernst & Young, Taiwan	Hsu Jung-Huang, Huang Chien-Tse	Unqualified opinion
2018	Ernst & Young, Taiwan	Hsu Jung-Huang, Huang Chien-Tse	Unqualified opinion
2019	Ernst & Young, Taiwan	Hsu Jung-Huang, Huang Chien-Tse	Unqualified opinion
2020	PricewaterhouseCoopers Taiwan	Hsiao, Chun-Yuan, Lin, Se-Kai	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Hsiao, Chun-Yuan, Lin, Se-Kai	Unqualified opinion

2. Financial analysis for the past five years

(1) Consolidated financial analysis

Year Analysis item		Financial analysis for the past five years					From this year to March 31, 2022 Financial Information (reviewed by the CPA)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt asset ratio	7.85	7.76	0.69	7.28	21.60	21.82
	Ratio of long-term capital to property, plant and equipment	2,641.30	67,951.55	121,329.01	1,032,975.93	1,180,674.48	1,237,832.80
Solvency (%)	Current ratio	10,579.65	1,294.23	13,744.81	674.91	261.37	254.36
	Quick ratio	10,447.55	1,188.41	13,700.36	528.54	124.51	115.35
	Interest coverage ratio	(49.44)	(809.61)	7,977.15	(13,204.67)	23,213.67	1,520.58
Operating ability	Receivables turnover (times)	31.29	34.82	17.72	11.38	10.74	32.04
	Average collection days	11.67	10.48	20.60	32.07	33.99	11.39
	Inventory turnover (times)	16.14	30.67	-	-	-	-
	Payables turnover (times)	588.08	913.42	-	79.95	29.14	36.62
	Average days of sales	22.61	11.90	-	-	-	-
	Turnover of property, plant and equipment (times)	3.14	6.15	67.08	87.83	386.27	253.10
	Total asset turnover (times)	0.12	0.12	0.07	0.04	0.03	0.02
Profitability	Return on assets (%)	(0.32)	(3.38)	39.85	(9.30)	4.84	0.98
	Return on equity (%)	(0.35)	(3.67)	41.34	(9.66)	5.70	1.25
	Pre-tax income to paid-in capital ratio (%)	(0.75)	(7.75)	116.17	(25.84)	15.14	3.14
	Net profit margin (%)	(2.79)	(27.69)	569.56	(218.67)	162.79	239.73
	Earnings per share (NT\$)	(0.07)	(0.75)	10.46	(2.65)	1.39	0.31
Cash flows	Cash flow ratio (%)	-	(148.09)	(975.19)	(160.02)	(93.97)	-
	Cash flow adequacy ratio (%)	2.62	7.37	14.74	16.73	37.15	-
	Cash reinvestment ratio (%)	-	(12.02)	(5.67)	9.93	(29.71)	-
Leverage	Operating leverage	-	(0.09)	0.09	0.07	0.02	-
	Financial leverage	-	1.00	1.00	1.00	1.00	-
Reasons for changes in financial ratios in the past two years (more than 20% change in increase or decrease):							
1. Ratio of long-term capital to property, plant and equipment: The increase is mainly due to the decrease in net value of property, plant and equipment.							

Year Analysis item	Financial analysis for the past five years					From this year to March 31, 2022 Financial Information (reviewed by the CPA)
	2017	2018	2019	2020	2021	
	2. Current ratio: Mainly due to the share recognized according to the holding ratio in the joint operation in 2021, which results in the increase in current liabilities and hence decrease in quick ratio.					
	3. Quick ratio: Mainly due to the increase in share of inventory recognized according to the holding ratio in the joint operation, and the increase in guarantee deposits, which results in the increase in current liabilities and hence decrease in quick ratio.					
	4. Interest coverage ratio: Mainly due to a net profit after tax in 2021, resulting in the increase in interest coverage ratio.					
	5. Accounts payable turnover ratio: Inventories and accounts payables at the end of 2021 are the shares recognized according to the holding ratio in the joint operation, hence there is no analysis on inventory turnover, average days of sales and payables turnover.					
	6. Turnover of property, plant and equipment: Mainly due to the decrease in revenue and property, plant and equipment.					
	7. Income before tax to paid-in capital ratio (%), net profit margin, earnings per share: Mainly due to a net profit before tax in 2021, resulting in an increase in income before tax to paid-in capital ratio, net profit margin and earnings per share.					
	8. Cash flow ratio: Mainly due to the increase in short-term borrowings and current liabilities in 2021.					
	9. Cash flow adequacy ratio, cash reinvestment ratio: Mainly due to no distribution of cash dividend in 2021, resulting in the increase in cash flow adequacy ratio and cash reinvestment ratio.					

Note: The financial analysis formula are as follows:

1. Financial structure:

(1) Debt asset ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net amount of property, plant and equipment.

2. Solvency:

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest coverage ratio = net income before income tax and interest expenses / interest expenses for this period.

3. Operating ability:

(1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = net sales / average balance of receivables (including accounts receivable and business-related notes receivable).

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

(3) Inventory turnover = cost of goods sold / average amount of inventory.

(4) Payables (including accounts payable and business-related notes payable) turnover = cost of goods sold / average balance of payables for each period (including accounts payable and business-related notes payable).

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

(6) Property, plant and equipment turnover = net sales / average net amount of property, plant and equipment.

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

4. Profitability:

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

(2) Return on equity = profit and loss after tax / net average shareholders' equity.

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

(4) Earnings per share = (profit and loss attributable to owners of parent - stock dividends of preferred stocks) / weighted average number of outstanding shares.

5. Cash flows:

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividends) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + operating capital).

6. Leverage:

(1) Operating leverage = (net operating income - current operating costs and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit - interest expenses).

(2) Standalone financial analysis

Analysis item		Year	Financial analysis for the past five years				
			2017	2018	2019	2020	2021
Financial Structure (%)	Debt asset ratio		7.85	7.75	0.69	7.27	21.48
	Ratio of long-term capital to property, plant and equipment		2,641.30	67,951.99	121,329.53	1,032,975.93	1,180,674.48
Solvency (%)	Current ratio		10,579.65	1,221.71	13,244.60	497.66	209.02
	Quick ratio		10,447.55	1,115.77	13,199.82	490.46	208.68
	Interest coverage ratio		(49.44)	(808.43)	7,979.60	(13,228.67)	27,029.20
Operating ability	Receivables turnover (times)		31.29	34.82	17.72	11.38	10.74
	Average collection days		11.67	10.48	20.60	32.07	33.99
	Inventory turnover (times)		16.14	30.67	-	-	-
	Payables turnover (times)		588.08	913.42	-	79.95	29.14
	Average days of sales		22.61	11.90	-	-	-
	Turnover of property, plant and equipment (times)		3.14	6.15	67.08	87.83	386.27
	Total asset turnover (times)		0.12	0.12	0.07	0.04	0.03
Profitability	Return on assets (%)		(0.32)	(3.38)	39.86	(9.30)	4.85
	Return on equity (%)		(0.35)	(3.67)	41.34	(9.66)	5.70
	Pre-tax income to paid-in capital ratio (%)		(0.75)	(7.74)	116.21	(25.88)	14.69
	Net profit margin (%)		(2.79)	(27.69)	569.56	(218.67)	162.79
	Earnings per share (NT\$)		(0.07)	(0.75)	10.46	(2.65)	1.39
Cash flows	Cash flow ratio (%)		-	(135.63)	(967.68)	(158.80)	(94.58)
	Cash flow adequacy ratio (%)		7.37	17.38	13.77	15.49	34.71
	Cash reinvestment ratio (%)		-	(11.00)	(5.59)	9.51	(28.99)
Leverage	Operating leverage		-	(0.12)	0.09	0.07	0.02
	Financial leverage		-	1.00	1.00	1.00	1.00
Reasons for changes in financial ratios in the past two years (more than 20% change in increase):							
1. Ratio of long-term capital to property, plant and equipment: The increase is mainly due to the decrease in net value of property, plant and equipment.							
2. Current ratio: Mainly due to the share recognized according to the holding ratio in the joint operation in 2021, which results in the increase in current liabilities and hence decrease in quick ratio.							

3. Quick ratio: Mainly due to the increase in share of inventory recognized in the joint operation, and the increase in guarantee deposits, which result in the increase in current liabilities and hence decrease in quick ratio.
4. Interest coverage ratio: Mainly due to a net profit after tax in 2021, resulting in the increase in interest coverage ratio.
5. Accounts payable turnover ratio: Inventories and accounts payables at the end of 2021 are the shares recognized according to the holding ratio in the joint operation, hence there is no analysis on inventory turnover, average days of sales and payables turnover.
6. Turnover of property, plant and equipment: Mainly due to the decrease in revenue and property, plant and equipment in 2021.
7. Income before tax to paid-in capital ratio, net profit margin, earnings per share: Mainly due to a net profit before tax in 2021, resulting in an increase in income before tax to paid-in capital ratio, net profit margin and earnings per share.
8. Cash flow ratio: Mainly due to the increase in short-term borrowings and current liabilities in 2021.
Cash flow adequacy ratio, cash reinvestment ratio: Mainly due to no distribution of cash dividend in 2021, resulting in the increase in cash flow adequacy ratio and cash reinvestment ratio.

Note: The financial analysis formula are as follows:

1. Financial structure:

(1) Debt asset ratio = $\text{total liabilities} / \text{total assets}$.

(2) Ratio of long-term capital to property, plant and equipment = $(\text{value of equity} + \text{non-current liabilities}) / \text{net amount of property, plant and equipment}$.

2. Solvency:

(1) Current ratio = $\text{current assets} / \text{current liabilities}$.

(2) Quick ratio = $(\text{current assets} - \text{inventory} - \text{prepaid expenses}) / \text{current liabilities}$.

(3) Interest coverage ratio = $\text{net income before income tax and interest expenses} / \text{interest expenses for this period}$.

3. Operating ability:

(1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = $\text{net sales} / \text{average balance of receivables (including accounts receivable and business-related notes receivable)}$.

(2) Average collection days = $365 / \text{receivables turnover}$.

(3) Inventory turnover = $\text{cost of goods sold} / \text{average amount of inventory}$.

(4) Payables (including accounts payable and business-related notes payable) turnover = $\text{cost of goods sold} / \text{average balance of payables for each period (including accounts payable and business-related notes payable)}$.

(5) Average days of sales = $365 / \text{inventory turnover}$.

(6) Property, plant and equipment turnover = $\text{net sales} / \text{average net amount of property, plant and equipment}$.

(7) Total assets turnover = $\text{net sales} / \text{total average assets}$.

4. Profitability:

(1) Return on assets = $[\text{profit and loss after tax} + \text{interest expenses} * (1 - \text{tax rate})] / \text{total average assets}$.

(2) Return on equity = $\text{profit and loss after tax} / \text{net average shareholders' equity}$.

(3) Net profit margin = $\text{profit and loss after tax} / \text{net sales}$.

(4) Earnings per share = (Profit and loss attributable to owners of parent - stock dividends of preferred stocks) / weighted average number of outstanding shares.

5. Cash flows:

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividends) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + operating capital).

6. Leverage:

(1) Operating leverage = (net operating income - current operating costs and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit - interest expenses).

3. Supervisors' or audit committee's review report on the most recent annual financial report

Page 99.

4. Financial reports of the most recent year

Pages 100 - 172.

5. The most recent standalone financial report audited and attested by certified public accountants

Pages 173 - 249.

6. Financial turnover of the Company and its affiliates in the most recent year and as of the publication date of the annual report

No incidents of financial difficulties.

G. Review and analysis of financial position and financial performance, and a listing of risks

1. Financial position

Comparative analysis of financial position (consolidated)

Unit: Thousand NT\$

Item \ Year	2020	2021	Difference	
			Amount	Percentage (%)
Current assets	1,179,060	1,630,236	451,176	38.27
Investments recognized under the equity method	664,067	965,501	301,434	45.39
Investment properties	133,580	131,509	(2,071)	(1.55)
Other assets	429,221	164,020	(265,201)	(61.79)
Total assets	2,405,928	2,891,266	485,338	20.17
Current liabilities	174,700	623,722	449,022	257.02
Non-current liabilities	438	649	211	48.17
Total liabilities	175,138	624,371	449,233	256.50
Share capital	920,000	920,000	0	-
Capital reserve	10,714	145,021	134,307	1,253.57
Retained earnings	1,166,742	1,319,103	152,361	13.06
Other equity interest	133,334	(117,229)	(250,563)	(187.92)
Total shareholders' equity	2,230,790	2,266,895	36,105	1.62

Main reasons of material changes (where the difference from the previous fiscal period is 20% or more, and where the amount of change exceeds NT\$10 million) and its impact and future response plans:

1. Main reasons of material changes and its impact:

- (1) Current assets: Mainly due to the increase in share of inventory recognized in the joint operation in 2021, resulting in the increase in current assets.
- (2) Investments recognized under the equity method: Mainly due to the increase in revenue of Hanshin Shopping Plaza Co., Ltd. in 2021.
- (3) Other Assets: Mainly due to the decrease in investment in shares of TWSE/TPEX listed companies in 2021 compared to 2020.
- (4) Total assets: Mainly due to the increase in inventories and increase in amount of investment using the equity method.
- (5) Current liabilities, non-current liabilities, total liabilities: Mainly due to the share recognized according to the holding ratio in the joint operation in 2021, which results in the increase in current liabilities.
- (6) Capital reserve: Mainly due to the increase in disposal of equity instruments measured at fair value through other comprehensive income by the joint operation.
- (7) Other equity interest: Mainly due to the unrealized losses from investments in equity instruments measured at fair value through other comprehensive income in 2021.

2. Measures to be taken in response to effects of material significance: As the above changes did not have significant adverse impact on the Company's operations, and the Company's overall performance did not have significant abnormality, formulating a response plan is not required.

2. Financial performance

Comparative analysis of financial performance (consolidated)

Unit: Thousand NT\$

Item \ Year	2020	2021	Difference	
			Amount	Percentage (%)
Operating revenue	113,119	78,799	(34,320)	(30.34)
Operating costs	114,888	78,771	(36,117)	(31.44)
Gross profit	(1,769)	28	1,797	(101.58)
Operating expenses	28,452	28,155	(297)	(1.04)
Operating profit or loss	(30,221)	(28,127)	2,094	(6.93)
Non-operating income and expenses	(207,481)	167,403	374,884	(180.68)
Net income (loss) before tax	(237,702)	139,276	376,978	(158.59)
Net income (loss) for this period	(243,523)	128,274	371,797	(152.67)
Other comprehensive income for this period (net amount after tax)	120,626	(218,940)	(339,566)	(281.50)
Total comprehensive income for this period	(122,897)	(90,666)	32,231	(26.23)
1. Main reasons of material changes (where the difference from the previous fiscal period is 20% or more, and where the amount of change exceeds NT\$10 million): (1) Operating revenues, operating costs and gross profit: Due to the impact of COVID-19 pandemic in 2021, the number of customer orders has reduced, resulting in the decrease in operating revenues, operating costs and gross profit. (2) Non-operating income and expenses: Mainly due to the recognition of impairment of assets in 2020 and increase in the share recognized according to the holding ratio in the joint operation in 2021. 2. Sales volume forecast and the basis, and the effect upon the Company's financial operations as well as measures to be taken in response: Not applicable as the Company did not release any financial forecast.				

3. Cash flows

(1) Analysis and description of cash flow changes during the most recent fiscal year

Unit: Thousand NT\$

2021 Cash balance at beginning of period ①	Net cash flow from operating activities for the year ②	Net cash flow from investment and fund raising activities (Including exchange rate effects) ③	December 31, 2021 Cash balance (insufficient) amount ①+②+③
831,182	(586,098)	508,389	753,473
Analysis of change in increase and decrease ratio Operating activities: Mainly due to cash inflow generated from operating profit. Investment and financing activities: Mainly due to cash inflow from short-term borrowings.			

(2) Improvement plans for liquidity inadequacy: No liquidity shortage.

(3) Cash flow analysis for the coming year (2022)

Based on the precondition of maintaining stable cash flow, the Company will base on the cash balance on the book, and cash flow from operating activities and investment activities, prudently plan and control various cash expenditure such as relevant investments and operations, taking into account the financial market conditions.

4. Effect of major capital spending on financial position and business operation

The Company's operations are in good condition with stable cash inflow from operating activities. In recent years, the source of funds for significant capital expenditure is from its own working capital, and there is no significant impact on the Company's financial status.

5. Investment policies in the past year, respective profit or loss and main reasons, improvement plan, and investment plan for the coming year

(1) Investment policies

The Company's investment policy is to seek appropriate long-term strategic investment targets in line with its business development strategies, future development needs and diversified development direction.

(2) Main reasons for the investment profit or loss in the most recent year, and improvement plans

Unit: Thousand NT\$

Name of investment company	Investee company	Main business activities	Investment income (loss) recognized in 2021	Main reasons for profit or loss	Improvement plan
Chuwa Wool Industry Co., (Taiwan) Ltd.	HCW Investment Co., Ltd.	Professional investment	38,860	Dividend income	-
	Jollify4ever Ltd.	Retail sale of other clothing not elsewhere classified, wholesale of watches and clocks and their parts, wholesale of kitchen cabinets, wholesale of other clothing not elsewhere classified	(41,487)	Performance failed to meet expectations due to the epidemic.	Although affected by the epidemic, normal operating activities were still maintained and growth opportunities were actively created.
	Jollify Venture Ltd.	Retail sale of other clothing not elsewhere classified, wholesale of watches and clocks and their parts, wholesale of kitchen cabinets, wholesale of other clothing not elsewhere classified	636	Income from landscape and interior design, product design, and advertising and marketing.	-
	Hanshin Shopping Plaza Co., Ltd.	Department stores, rental and leasing activities, retail trade, restaurants and supermarket operations	151,552	Income from department stores	-
HCW Investment Co., Ltd.	Hanshin Shopping Plaza Co., Ltd.	Department stores, rental and leasing activities, retail trade, restaurants and supermarket operations	9,556	Income from department stores	-

- (3) Investment plans for the coming year: The Company will prudently evaluate the investment plans from a long-term strategic perspective to meet future market demand and increase competitiveness.

6. Risk analysis and evaluation

- (1) The effects that interest rates, exchange rate fluctuations, and inflation have on earnings and losses of the Company as well as response measures:

1. Interest rate changes:

The Company's interest rate risk is mainly due to the floating rate investment classified as financial assets measured at amortized cost. When interest rate increases/decreases by 0.1%, the Company's 2021 gains and losses will increase/decrease by NT\$30,000. Hence, interest rate change does not have a significant

impact on the Company.

2. Changes in exchange rates:

The Company adopts a triangular trade mode, and makes purchases after receiving orders. The transaction period is short and the US dollars required for imports are approximately equal to the US dollars earned from exports. Hence, exchange rate change does not have a significant impact on the Company.

3. Inflation: Inflation is a change in the overall economic environment, which does not have a significant impact on the Company's gains and losses.

On the whole, the Company will continue to adopt a steady and conservative risk management approach in the future, and make immediate assessment and response to changes in interest rate and exchange rate, and inflation.

(2) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

In 2021, the Company did not engage in high-risk or high-leverage investments, loans to other parties, endorsements, guarantees, and derivatives trading, and all investments were executed after prudent evaluation.

(3) Future research and development projects and estimated research and development expenditure:

As of the publication date of the annual report, the Company does not have ongoing research and development projects.

(4) Major changes in government policies and laws at home and broad and the impact on finance and business of the Company and response measures:

The Company's operating policies are handled in accordance with the laws and regulations, and it pays attention to changes in domestic and foreign policies and laws, and consults relevant experts when necessary. In the most recent year up to the publication date of the annual report, the Company's finance and business have not been significantly affected by major changes in government policies and laws at home and abroad.

(5) Impact of recent technological and market changes (including information security risks) on finance and business of the Company, and response measures:

1. The wool industry which the Company belongs to is a traditional industry. In recent years, technological and industrial changes have not caused a significant impact on the wool industry. In the future, it will continue to observe the estimated impact of technological and industrial changes, and make adjustments accordingly to strengthen

the Company's financial and business capabilities.

2. For the impact of the company's information security risk on the company's financial business and countermeasures, please refer to "VI. Information on Information Security Management" on page 60.

- (6) Impact of change in corporate image on risk management and response measures:

Since its establishment, the Company has been committed to maintaining its corporate image and complying with the laws and regulations. In the most recent year up to the publication date of the annual report, the Company has not experienced any major incidents that could affect its corporate image.

- (7) Expected benefits and potential risks of mergers and acquisitions, and response measures:

As of the publication date of the annual report, the Company does not have any acquisition and merger plans. In the future, if there are merger and acquisition plans, it will adopt a prudent evaluation attitude and consider the specific synergies to protect the interest of the Company and its shareholders.

- (8) Expected benefits and potential risks of capacity expansion, and response measures:

The Company does not have any plant expansion plans. If there are any plans to expand the plants, it will adopt a prudent evaluation attitude and consider the specific synergies to protect the interest of the Company and its shareholders.

- (9) Risks associated with over-concentration in purchases or sales, and response measures:

The Company's current business model has transformed to a triangular trade model, and its sales customers are dispersed. Though purchases are relatively concentrated, there is no high risk as sales customers are stable and there is no cost pressure of inventory hoarding.

- (10) The effects and risks of large-scale share transfers or conversions by directors, supervisors, or major shareholders holding more than 10% of the Company's shares, and response measures:

In December 2019, Hanshin Asset Management Co., Ltd., indirectly obtained the Company's 53.41% outstanding ordinary shares by acquiring 100% equity of Roo Hsing Co., Ltd., which is a major shareholder holding more than 10% of the Company's shares. As of the publication date of the annual report, the Company is still maintaining the same business model, and the share transfer has no significant impact or risk on the Company.

- (11) The impact and risk of a change in ownership on the Company, and response measures:

In December 2019, Hanshin Asset Management Co., Ltd. indirectly obtained the Company's 53.41% outstanding ordinary shares, and obtained management rights during

the re-election of directors held during the special shareholders' meeting in February 2020. As of the publication date of the annual report, the main business items are still the sales of wool top and leasing. There was no significant change in the main management level, and the change in management rights had no significant impact or risk on the Company's operations.

- (12) For litigious or non-litigious, list major litigious, non-litigious or administrative disputes that involve the Company, the Company's director, supervisor, the general manager, person with actual responsibility, major shareholder holding more than 10% stake, and any companies controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report. None.

- (13) Other significant risks and countermeasures: None.

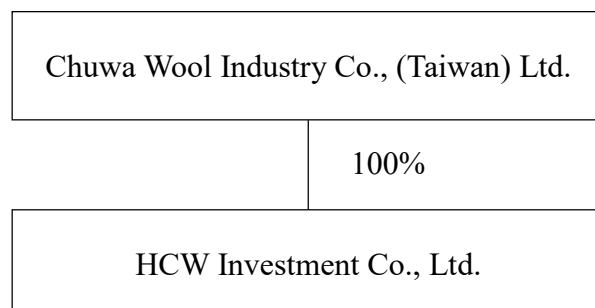
7. Other important matters: None.

H. Special Disclosures

1. Information on affiliates and subsidiaries

(1) Consolidated Business Reports of Affiliates

1. Organizational chart of the affiliates



2. Information of affiliates

December 31, 2021
Unit: Thousand NT\$

Company name	Date of establishment	Address	Paid-in capital	Main business or production items
HCW Investment Co., Ltd.	2018.08.13	19F, No. 557-1, Section 4, Zhongxiao East Road, Xinyi District, Taipei City	400,000	General investment services

3. Matters to be disclosed if concluded as controlling and subordinate companies according to Article 369-3 of the Company Act: None.

4. Overall businesses covered by affiliates:

Affiliates' name	Operating business
Chuwa Wool Industry Co., (Taiwan) Ltd.	Trading industry
HCW Investment Co., Ltd.	Investment industry

5. Information on the directors, supervisors and President of affiliates

Unit: Shares; %; Thousand NT\$

Company name	Job title	Name or representative	Shareholding (or contribution amount)	
			No. of shares	Shareholding ratio
HCW Investment Co., Ltd.	Chairman	Hou, Chia-Chi (Note 1)	40,000,000	100%

Note 1: Representative of Chuwa Wool Industry Co., (Taiwan) Ltd.

Note 2: As of the publication date of the annual report, the list of directors of each affiliate is assigned by the Company's board of directors.

6. Operational overview of affiliates

Unit: Thousand NT\$

Investee company	Main business activities	Cost of investment	Book value	Investment shares		Net worth	Market price	Accounting treatment	Investment returns of the most recent year		Number of the Company's shares held
				No. of shares	Shareholding ratio				Investment gains and loss	Dividend distribution	
HCW Investment Co., Ltd.	General investment services	400,000	483,370	40,000,000	100%	483,370	-	Equity method	38,860	1.675	-

(1) Declaration of Consolidated Financial Statements of Affiliates and Consolidated Financial Report: Pages 100 - 172.

(2) Reports of affiliates: None.

2. Private placement of securities in the last year up to the date of this Annual Report: None.
3. Holding or disposal of the Company's shares by subsidiaries in the most recent year and up to the publication date of the annual report: None.
4. Other supplemental information: None.
5. Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report: None.

Chuwa Wool Industry Co., (Taiwan) Ltd.

Audit Committee's Report

The board of directors has prepared and submitted the 2021 business report, financial statements (including consolidated and standalone financial statements), and earnings distribution proposal, of which the financial statements (including consolidated and standalone financial statements) have been audited by certified public accountants Hsiao, Chun-Yuan and Lin, Se-Kai of PricewaterhouseCoopers, Taiwan, and an audit report has been issued. The Audit Committee has reviewed the aforementioned business report, financial statements and earnings distribution proposal, and did not find any instances of noncompliance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is hereby submitted for your review and perusal.

To:

2021 Shareholders' Meeting

Chuwa Wool Industry Co., (Taiwan) Ltd.

Audit Committee convener: Liu, Teng-Cheng

March 23, 2022

Chuwa Wool Industry Co., (Taiwan) Ltd.
Consolidated Financial Statements of Affiliates

We hereby state that the companies that should be included in the 2021 (January 1, 2021 to December 31, 2021) consolidated financial statements of affiliates in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to the companies that should be included in the consolidated financial statements of the parent company and subsidiaries in accordance with International Financial Reporting Standards No. 10, and the information that should be disclosed in the consolidated financial statements of affiliates has been duly disclosed in the aforesaid consolidated financial statements of the parent company and subsidiaries. The Company is therefore not required to prepare separate consolidated financial statements of affiliates.

Hereby declares

Company name: Chuwa Wool Industry Co., (Taiwan) Ltd.

Person in charge: Hou, Chia-Chi

March 23, 2022

Auditor's Report

(111)Cai-Shen-Bao-Zi No.21005130

To the shareholders of Chuwa Wool Industry Co., (Taiwan) Ltd.:

Audit opinion

We have audited the accompanying consolidated balance sheets of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and of cash flows for the period from January 1, 2021 and 2020 to December 31, 2021 and 2020; and notes to the consolidated financial statements, including a summary of significant accounting policies.

In the opinion of the auditor, based on the audit results of the auditor and the audit reports of other auditors (please refer to Other Matters), the consolidated financial statements referred to above, present fairly in all material aspects, the consolidated financial position of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries as of December 31, 2021 and 2020, and the consolidated financial performance and consolidated cash flows from January 1, 2021 and 2020 to December 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the code. Based on the audit results of the auditors and the audit reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2021 consolidated financial statements of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries. 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.

The key audit matters of the 2021 consolidated financial statements of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries are as follows:

Impairment evaluation of equity method investments

Description

For accounting policies relating to equity method investment, please refer to Note 4(15) of the Consolidated Financial Statements; for accounting policies relating to impairment of non-financial assets, please refer to Note 4(21) of the Consolidated Financial Statements; for details of accounts, please refer to Note 6(8) of the Consolidated Financial Statements.

As of December 31, 2021, the carrying amount of the equity method investment of Chuwa Wool Industry Co., (Taiwan) Ltd. amounts to NTD965,501,000, which is 33% of the consolidated assets. For investments accounted for using the equity method according to the regulations of IAS 28 "Investments in Associates and Joint Ventures", if there is objective evidence of indications of impairment, the management shall evaluate whether the investment's recoverable amount is lower than the carrying amount. As the objective evidence of the impairment evaluation and the comprehensive consideration factors in determining the recoverable amount involve the subjective judgment of the management are highly uncertain, and the amount of equity method investment is high, we have listed the impairment evaluation on the related equity method investment of Chuwa Wool Industry Co., (Taiwan) Ltd. as one of the most significant matters in the audit.

How our audit addressed the matter

With regards to the specific aspects as stated in the above key audit matters, we have executed the following response procedures:

1. Interview the management to understand the management's assessment of the impairment indications of the equity method investments, and evaluate its reasonableness.
2. Obtain equity valuation report prepared by the external evaluation experts delegated by the management; the procedures performed by auditors for which the work is used by the internal evaluation experts are as follows:
 - (1) Evaluate the appropriateness and objectivity of the external evaluation experts delegated by the management.

- (2) Evaluate the appropriateness of the evaluation methods and objectivity of the relevant assumptions adopted by the external evaluation experts delegated by the management.

Other matters– The work of other auditors

The 2021 and 2020 financial statements of the equity method investments of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries are not audited by us but by other auditors. Hence, in the opinion expressed by us on the above consolidated financial statements, the amount listed and in the financial statements of these companies and information disclosed in Note 13 are based on the audit report of other auditors. As of December 31, 2021 and 2020, equity method investments of the respectively above mentioned companies were NTD965,501,000 and NTD664,067,000, accounting to 33% and 28% of consolidated assets; in 2021 and 2020, the comprehensive income recognized for the above mentioned companies were NTD8,371,000 and NTD8,371,000, accounting to 88% and 7% of comprehensive income for the current period.

Other matters– Standalone Financial Report

Chuwa Wool Industry Co., (Taiwan) Ltd. has prepared the 2021 Standalone Financial Report, for which the auditors have issued an audit report with an unqualified opinion and Other Matters paragraph.

Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 abilities of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management intends to liquidate Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for

overseeing the financial reporting process of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries.

Auditors' responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and implement appropriate response measures for the risk assessed; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the disclosures) and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of

the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance to Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries in the audit of 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Hsiao, Chun-Yuan

Certified public accountants

Lin, Se-Kai

Former Securities and Futures Bureau, Financial
Supervisory Commission

No. of Approval Document: Jin-Guan-Zheng-Liuo-Zi No.
0960042326

Jin-Guan-Zheng-Liuo-Zi No. 0960072936

March 23, 2022

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

Unit: Thousand NTD

			December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Assets						
Notes						
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 753,473	26	\$ 831,182	35
1110	Financial assets measured at fair value through profit or loss - current		-	-	18,978	1
1136	Financial assets measured at amortized cost - current	6(2)	20,000	1	20,000	1
1150	Net notes receivable	6(3)	260	-	845	-
1170	Net accounts receivable	6(3)	2,615	-	10,884	-
1200	Other receivables		105	-	256	-
1210	Other receivables - related parties	7	-	-	37,722	2
1220	Current income tax assets		109	-	3,478	-
130X	Inventories	6(4)(5)	851,534	29	243,129	10
1410	Prepayments		2,134	-	12,580	-
1470	Other current assets		6	-	6	-
11XX	Total current assets		1,630,236	56	1,179,060	49
Non-current assets						
1517	Financial assets measured at fair value through other comprehensive income - non-current	6(6)	159,190	6	424,283	18
1550	Investments recognized under the equity method	6(7)	965,501	33	664,067	28
1600	Property, plant and equipment	6(8)	192	-	216	-
1755	Right-of-use assets	6(9)	46	-	79	-
1760	Net investment properties	6(10)	131,509	5	133,580	5
1780	Intangible assets		-	-	6	-
1840	Deferred income tax assets	6(24)	395	-	429	-
1920	Refundable deposits		407	-	418	-
1990	Other non-current assets		3,790	-	3,790	-
15XX	Total non-current assets		1,261,030	44	1,226,868	51
1XXX	Total assets		\$ 2,891,266	100	\$ 2,405,928	100

(Continued)

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

Unit: Thousand NTD

Liabilities and equity		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(5)(11)	\$ 607,820	21	\$ 157,000	6
2170	Accounts payable		2,595	-	2,800	-
2200	Other payables		8,723	1	13,851	1
2230	Current income tax liabilities		4,135	-	-	-
2280	Lease liabilities - current	6(9)	34	-	33	-
2300	Other current liabilities		415	-	1,016	-
21XX	Total current liabilities		623,722	22	174,700	7
Non-current liabilities						
2570	Deferred income tax liabilities	6(24)	13	-	13	-
2580	Lease liabilities - non-current	6(9)	13	-	47	-
2600	Other non-current liabilities		623	-	378	-
25XX	Total non-current liabilities		649	-	438	-
2XXX	Total liabilities		624,371	22	175,138	7
Equity attributable to owners of parent						
	Share capital	6(13)				
3110	Ordinary shares		920,000	32	920,000	38
	Capital surplus	6(14)				
3200	Capital surplus		145,021	5	10,714	1
	Retained earnings	6(15)				
3310	Legal reserve		341,774	12	341,774	14
3320	Special reserve		7,856	-	7,856	-
3350	Unappropriated retained earnings		969,473	33	817,112	34
	Other equity interest	6(16)				
3400	Other equity interest		(117,229)	(4)	133,334	6
3XXX	Total equity		2,266,895	78	2,230,790	93
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 2,891,266	100	\$ 2,405,928	100

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD
(Except for earnings (loss) per share in NTD)

	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	Revenue	6(17)	\$ 78,799	100	\$ 113,119	100
5000	Operating costs	6(5)(22)	(78,771)	(100)	(114,888)	(102)
5900	Gross profit (loss)		28	-	(1,769)	(2)
	Operating expenses	6(22)(23)				
6100	Selling expenses		(579)	1-	(363)	-
6200	Administrative expenses		(27,644)	(35)	(28,099)	(25)
6450	Expected credit loss (gain)	12(2)	68	-	10	-
6000	Total operating expenses		(28,155)	(36)	(28,452)	(25)
6900	Operating loss		(28,127)	(36)	(30,221)	(27)
	Non-operating income and expenses					
7100	Interest income	6(18)	1,839	2	13,724	12
7010	Other income	6(19)	42,948	54	47,004	42
7020	Other gains and losses	6(5)(20)	2,365	3	(268,006)	(237)
7050	Finance costs	6(21)	(6)	-	(18)	-
7060	Share of the profit or loss of associates and joint ventures accounted for using the equity method	6(7)	120,257	153	(185)	-
7000	Total non-operating income and expenses		167,403	212	(207,481)	(183)
7900	Net profit before tax (loss)		139,276	177	(237,702)	(210)
7950	Income tax expense	6(24)	(11,002)	(14)	(5,821)	(5)
8200	Current net profit (loss)		<u>\$ 128,274</u>	<u>163</u>	<u>(\$ 243,523)</u>	<u>(215)</u>
	Other comprehensive income (net)	6(16)				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(\$ 179,652)	(228)	\$ 112,776	99
8320	Share of the comprehensive income of associates and joint ventures accounted for using the equity method - not to be reclassified to profit or loss		(39,288)	(50)	7,850	7
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(218,940)	(278)	120,626	106
8300	Other comprehensive income (net)		<u>(\$ 218,940)</u>	<u>(278)</u>	<u>\$ 120,626</u>	<u>106</u>
8500	Total comprehensive income for the period		<u>(\$ 90,666)</u>	<u>(115)</u>	<u>(\$ 122,897)</u>	<u>(109)</u>
	Net profit (loss) attributable to:					
8610	Owners of the parent		<u>\$ 128,274</u>	<u>163</u>	<u>(\$ 243,523)</u>	<u>(215)</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>(\$ 90,666)</u>	<u>(115)</u>	<u>(\$ 122,897)</u>	<u>(109)</u>
	Basic earnings (loss) per share	6(25)				
9750	Basic earnings (loss) per share		<u>\$ 1.39</u>		<u>(\$ 2.65)</u>	
	Diluted earnings (loss) per share	6(25)				
9850	Diluted earnings (loss) per share		<u>\$ 1.39</u>		<u>(\$ 2.65)</u>	

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Notes	Equity attributable to owners of parent					Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>2020</u>								
Balance as of January 1, 2020		\$ 920,000	\$ 8,686	\$ 225,134	\$ 7,903	\$ 1,642,430	\$ 7,506	\$ 2,811,659
Current net profit		-	-	-	-	(243,523)	-	(243,523)
Other comprehensive income for the period	6(16)	-	-	-	-	-	120,626	120,626
Total comprehensive income for the period		-	-	-	-	(243,523)	120,626	(122,897)
2019 Appropriations and distribution of retained earnings	6(15)							
Provision for legal reserve		-	-	116,640	-	(116,640)	-	-
Cash dividends		-	-	-	-	(460,000)	-	(460,000)
Reversal of special reserve		-	-	-	(47)	47	-	-
Disposal of equity instruments at fair value through other comprehensive income	6(16)	-	-	-	-	(5,202)	5,202	-
Changes in equity of associates recognized using the equity method	6(14)	-	2,028	-	-	-	-	2,028
Balance as of December 31, 2020		\$ 920,000	\$ 10,714	\$ 341,774	\$ 7,856	\$ 817,112	\$ 133,334	\$ 2,230,790
<u>2021</u>								
Balance as of January 1, 2021		\$ 920,000	\$ 10,714	\$ 341,774	\$ 7,856	\$ 817,112	\$ 133,334	\$ 2,230,790
Current net profit		-	-	-	-	128,274	-	128,274
Other comprehensive income for the period	6(16)	-	-	-	-	(96)	(218,844)	(218,940)
Total comprehensive income for the period		-	-	-	-	126,813	(218,844)	(90,666)
Disposal of equity instruments at fair value through other comprehensive income	6(16)	-	-	-	-	45,791	(42,041)	3,750
Changes in equity of associates recognized using the equity method	6(14)	-	123,021	-	-	-	-	123,021
Disposal of equity instruments by associates at fair value through other comprehensive income	6(16)	-	11,286	-	-	(21,608)	10,322	-
Balance as of December 31, 2021		\$ 920,000	\$ 145,021	\$ 341,774	\$ 7,856	\$ 969,473	(\$ 117,229)	\$ 2,266,895

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flows from operating activities</u>			
Current net profit before tax (loss)		\$ 139,276	(\$ 237,702)
Adjusting items			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)		
	(22)	2,128	2,277
Amortization expense	6(22)	6	14
Expected credit loss (gain)	12(2)	(68)	(10)
Net loss (gain) on financial assets measured at fair value through profit or loss	6(20)	(2,206)	567
Interest expenses	6(21)	1	15
Interest income	6(18)	(1,839)	(13,724)
Dividend income	6(19)	(42,424)	(20,111)
Share of losses (gain) of associates recognized using the equity method	6(7)	(120,257)	185
Loss from disposal of property, plant and equipment	6(20)	-	1,590
Gains from disposal of equity-accounted investments	6(20)	-	(3,617)
Impairment losses	6(7)(20)	-	249,390
Lease modification gain	6(9)	-	(46)
Changes in operating assets and liabilities			
Changes in operating assets			
Net notes receivable		585	(845)
Accounts receivable		8,337	(3,178)
Other receivables		-	12
Other receivables - related parties		37,722	470
Inventories	6(4)	(608,405)	(243,129)
Prepayments		10,446	(12,042)
Changes in operating liabilities			
Accounts payable		(205)	2,800
Other payables		(5,127)	(1,128)
Other current liabilities		(601)	954
Cash inflow generated from operations		(582,631)	(277,258)
Interest paid		(1)	(15)
Income tax paid		(3,466)	(2,288)
Net cash outflow from operations		(586,098)	(279,561)

(Continued)

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	<u>Notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets measured at fair value through other comprehensive income		(\$ 426,285)	(\$ 422,642)
Disposal of financial assets measured at fair value through other comprehensive income		418,032	73,414
Disposal of financial assets measured at amortized cost		-	975,336
Acquisition of financial assets measured at fair value through profit or loss		(23,305)	228
Disposal of financial assets measured at fair value through profit or loss		44,489	-
Acquisition of equity method investments	6(7)	-	(522,876)
Disposal of equity method investments	6(7)	-	61,456
Acquisition of property, plant and equipment	6(8)	-	(148)
Disposal of property, plant and equipment	6(8)	-	577
Decrease in refundable deposits		11	705
Acquisition of investment properties	6(10)	-	(2,192)
Interest received		1,991	27,545
Dividends received		<u>42,424</u>	<u>20,111</u>
New cash inflow from investing activities		<u>57,357</u>	<u>211,514</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	450,820	157,000
Increase in deposits received	6(26)	245	96
Payments of lease liabilities	6(26)	(33)	(275)
Cash dividends paid	6(26)	<u>-</u>	<u>(460,000)</u>
Net cash (outflow) flows from financing activities		<u>451,032</u>	<u>(303,179)</u>
Current net decrease in cash and cash equivalents		(77,709)	(371,226)
Cash and cash equivalents at beginning of period		<u>831,182</u>	<u>1,202,408</u>
Cash and cash equivalents at end of period		<u>\$ 753,473</u>	<u>\$ 831,182</u>

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
2021 and 2020

Unit: Thousand NTD
(Except as otherwise indicated)

1. Company History

- (1) Chuwa Wool Industry Co., (Taiwan) Ltd. (hereinafter referred to as "the Company") was established on August 19, 1964, in accordance with the regulations of the Company Act. The main business of the Company and its subsidiaries (hereinafter referred to as the "Group") includes sale of wool top, carbonized wool, superwash wool and shrink-resistant wool top, and real estate leasing. The Company has been listed on the Taiwan Stock Exchange Corporation since May 22, 1989.
- (2) Han Yang Global Co., Ltd. holds 53.41% shares of the Company, and Hanshin Asset Management Co., Ltd. is the Group's ultimate parent company.

2. Date and procedures of approval of the financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards as endorsed by the Financial Supervisory Commission ("FSC")

New, revised or amended IFRS standards and interpretations endorsed by the FSC effective from 2021 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021
Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, and IAS 39, "Interest Rate Benchmark Reform" - Phase 2	January 1, 2021
Amendments to IFRS 16, "Covid-19-Related Rent Concessions beyond 30 June 2021"	April 1, 2021 (Note)

Note: FSC allows the application to be brought forward to January 1, 2021.

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

(2) Effects of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New, revised or amended IFRS standards and interpretations endorsed by the FSC effective from 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 3, "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment — Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

(3) IFRSs issued by International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by IASB
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendment to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendment to IAS 12, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

The above standards and interpretations have no significant impact to the

Group's financial position and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of this Consolidated Financial Report are as follows. Except as stated otherwise, these policies have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") as endorsed by the FSC.

(2) Basis of preparation

1. Apart from financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, these consolidated financial statements have been prepared under the historical cost convention.
2. The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The items involving a higher degree of judgment or complexity, or items where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

1. Basis for preparation of consolidated financial statements

- (1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on

transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (3) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests; and total comprehensive income shall also be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, i.e., transactions among owners in their capacity as owners. Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity.
- (5) When the Group loses control in a subsidiary, remaining investments in the former subsidiary shall be re-measured at fair value and serve as fair value of the initially recognized financial asset or the cost of initially recognized investment in associated company or joint venture. The difference between the fair value and book value of the investment is recognized in current profit or loss. All amounts previously recognized in other comprehensive income related to the subsidiary shall be accounted on the same basis as if the Group had directly disposed of such assets or liabilities. In other words, gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when such assets or liabilities are disposed of, then if the Group loses control in a subsidiary, such gains or losses are reclassified from equity to profit or loss.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Ownership (%)		Explanation
			December 31, 2021	December 31, 2020	
The Company	HCW Investment Co., Ltd.	General investment services	100.00	100.00	

3. Subsidiaries not included in the consolidated financial statements: N/A

4. Adjustments for subsidiaries with different balance sheet dates: N/A

5. Significant restrictions: N/A

6. Subsidiaries that have non-controlling interests that are material to the Group: N/A

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss in the period in which they arise.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date, and their translation differences are recognized in profit or loss in the period in which they arise; those held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date, and their translation differences are recognized in other comprehensive income; and those not measured at fair value are translated using the historical

exchange rates at the dates of the initial transactions.

- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

2. Translation of foreign operations

- (1) The operating results and financial position of all the Group's entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - C. All resulting exchange differences are recognized in other comprehensive income.

- (2) If the partially disposed or sold foreign operation is a subsidiary, the cumulative exchange difference recognized in proportion as other comprehensive income shall be reclassified as the non-controlling interest of the foreign operation. However, if the Group has lost the control of the foreign operation which is a subsidiary despite retaining partial interest in the former subsidiary, it shall be treated as a disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

The Group engages in entrusting construction companies to build buildings, and the operating cycles normally exceed a year. Assets and liabilities related to construction projects are classified as current or non-current based on the operating cycles; the remaining items are classified as current and non-current as follows:

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Mainly held for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Assets not meeting the above criteria are classified by the Group as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Mainly held for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities not meeting the above criteria are classified by the Group as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets measured at fair value through profit or loss

1. Refers to financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. The Group adopts trade date accounting for regular way purchases or sales of financial assets measured at fair value through profit or loss.
3. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. The Group recognizes the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

(8) Financial assets measured at fair value through other comprehensive income

1. Refers to equity investments that are not held for trading, and the Group has made an irrevocable election at initial recognition to recognize the changes in fair value in other comprehensive income; or debt instruments investments which meet the following conditions:
 - (1) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets.
 - (2) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Group adopts trade date accounting for regular way purchases or sales of financial assets at fair value through other comprehensive income.
3. At initial recognition, the Group measures the financial assets at fair value

plus transaction costs. The Group subsequently measures the financial assets at fair value:

- (1) The changes in fair value of equity instruments are recognized in other comprehensive income. The cumulative gain or loss previously recognized in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. The Group recognizes the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
- (2) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognized in profit or loss, the changes in fair value of debt instruments are recognized in other comprehensive income before derecognition. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets measured at amortized cost

1. Refers to financial assets that meet both of the following conditions:
 - (1) The financial assets held within a business model whose objective is collecting contractual cash flows.
 - (2) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Group adopts settlement date accounting for regular way purchases or sales of financial assets measured at amortized cost.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
4. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts receivable and notes receivable

1. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are

subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets measured at amortized cost, the Group, on every balance sheet date, after considering all reasonable and supporting information (include forward-looking), recognizes a loss allowance for 12-month expected credit losses if there is no significant increase in credit risk since initial recognition; and a loss allowance for lifetime expected credit losses if there is a significant increase in credit risk since initial recognition. For accounts receivables that do not contain a significant financing component, a loss allowance for lifetime expected credit losses is recognized.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Lease transactions of lessor - operating lease

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

(14) Inventories

1. Construction land, properties under construction and properties for sale are recorded at acquisition cost, and recognized as project gains and loss using the completed contract method. Construction land undergoing active development is reclassified as property under construction, and the related interest from active development or during construction to completion date is capitalized.
2. Inventories are measured at the lower of cost and net realizable value at the end of the period, and the item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price under normal circumstances less the estimated cost of completion and applicable variable expenses.

(15) Equity-accounted investments - associates

1. An associate is an entity over which the Group has significant influence but not control and generally holds 20% or more of the voting power directly or indirectly. Investments in associates are accounted for using

the equity method and are recognized at cost upon acquisition.

2. Share of gain or loss from acquisition of associates is recognized as current profit or loss, and share of other comprehensive income upon acquisition is recognized as other comprehensive income. If the Group's share of losses of any associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group discontinues recognizing its share of further losses, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.
3. The Group recognizes all shares of change in equity in "capital surplus" in proportion to its ownership, when there are changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associates and such changes do not affect the ownership percentage of the associate.
4. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of its interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to "investments with the corresponding amount charged" or credited to "capital surplus." If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.
6. If the Group loses significant influence over an affiliate when it disposes the affiliate, all amounts previously recognized in other comprehensive income related to the affiliate shall be accounted on the same basis as if the Group had directly disposed of such assets or liabilities. In other words, gains or losses previously recognized in other comprehensive income will

be reclassified to profit or loss when such assets or liabilities are disposed of, then if the Group loses significant influence in an affiliate, such gains or losses are reclassified from equity to profit or loss. If there is still significant influence over the affiliate, transfer the amount previously recognized in other comprehensive income in proportion, based on the above method.

(16) Joint operation

With regards to the interest in joint operation, the Group recognizes its direct rights (and its share) on the joint operation's assets, liabilities, income and expenses, and has included them in the applicable items of the financial report.

(17) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost models and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the composition of property, plant and equipment is significant, the items shall be depreciated separately.

4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting policies, changes in accounting estimates and errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	8-20 years
Transportation equipment	5 years
Office equipment	3-23 years
Leasehold improvements	Over the shorter of the lease term or useful life in years

(18) Leasing transaction of lessee - Right-of-use assets/lease liabilities

1. The Group recognizes lease assets as right-of-use assets and lease liabilities at the commencement date of the lease. For short-term leases or leases of low value assets, lease payments are recognized as expenses using the straight-line method during the lease term.
2. On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments, using the Group's incremental borrowing rate. Lease payments include fixed payments less any lease incentives receivable.

In subsequent periods, the Company measures lease liabilities at amortized cost using the effective interest method and recognizes interest expense during the lease term. If the lease term or lease payment is changed due to reasons other than amendments to the lease contracts, the Company will remeasure the lease liabilities. The remeasurement amount is then recognized as an adjustment to the right-of-use assets.

3. The Company measures right-of-use assets at cost on the commencement date of the lease, and the costs include the initial measurement amount of lease liabilities. The right-of-use assets are subsequently measured by adopting the cost model. The Company depreciates the right-of-use assets at the earlier of the right-of-use assets' useful life or the end of lease term. When remeasuring the lease liabilities, the remeasurement amount is

recognized as an adjustment to the right-of-use assets.

4. For reduction of lease scope in lease modification, the lessee shall reduce the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease, and recognize the difference from the remeasurement amount of the lease liability in profit or loss.

(19) Investment properties

Investment properties are recognized at acquisition cost, and subsequently measured by adopting the cost model. Apart from land, they are depreciated using the straight-line method over their estimated useful lives of between 8 and 60 years.

(20) Intangible assets

Computer software is recognized as acquisition cost and is amortized on a straight-line basis using the estimated useful lives of 4 years.

(21) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(22) Borrowings

Refers to long and short-term borrowings from the banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(23) Accounts payable

1. Accounts payable are the liabilities for purchases of raw materials, goods or services, and accounts payable arising from operating and non-operating activities.
2. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(24) Derecognition of financial liabilities

The Group derecognizes a financial liability when the obligation under the liability specified in the contract is discharged, canceled, or expired.

(25) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognized as expenses when the employees have rendered service.

2. Pensions

For defined contribution plans, the contributions shall be recognized as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognized as assets to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

3. Termination benefits

Termination benefits are the benefits provided when the employment of the employee is terminated before the normal retirement date or when the employee decides to accept the Company's offer of benefits in exchange for the termination of employment. The Group recognizes expenses when the offer of termination benefits can no longer be withdrawn or when the associated restructuring costs are recognized, whichever is earlier. Benefits not expected to be fully settled within 12 months after the balance sheet date shall be discounted.

4. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' remuneration is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the Board of Directors' resolution.

(26) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For undistributed surplus earnings, an additional income tax shall be levied in accordance with the Income Tax Act. When the earnings distribution proposal is approved in the shareholders' meeting the following year after the surplus is generated, the income tax expense of the undistributed earnings shall be recognized based on the actual earnings distribution.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of

the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Deferment of unused income tax credit arising due to purchase of equipment or technologies, research and development expenditure and equity investment, is recognized as deferred tax assets and only if, it is considered probable that there will be sufficient future taxable profit against which the credit carried forward can be utilized.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

Sales of goods

The Group's main products are wool top, shrink-resistant wool top and shrink-resistant loose wool, etc. Sales revenues are recognized when the products are sold to the customers, based on the price stated in the contract.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

5. Critical Accounting Judgments and Key Sources of Estimation And Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and

adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Key judgments of accounting policies adopted

None.

(2) Critical accounting estimates and assumptions

Impairment evaluation of equity method investments

When there are impairment indications that certain equity method investments could be impaired to its carrying amount and may not be recovered, the Group shall immediately evaluate the impairment of the investment. The Group evaluates the recoverable amount based on the discounted present value of the expected future cash flow of the investee company, and analyzes the reasonableness of the assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty Cash	\$ 30	\$ 30
Demand deposit	423,443	151,152
Time deposits	330,000	680,000
	<u>\$ 753,473</u>	<u>\$ 831,182</u>

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

2. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets measured at amortized cost - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits	<u>\$ 20,000</u>	<u>\$ 20,000</u>

1. The Group's interest income recognized in profit or loss due to financial assets measured at amortized cost in 2021 and 2020 were NTD100 and NTD8,174 (column "Interest income") respectively.

2. Without taking into account the collaterals held or other credit enhancement, the maximum exposure to credit risk of financial assets measured at

amortized cost that best represent the Group as of 31 December 2021 and 2020, were NTD20,000 and NTD20,000 respectively.

3. The Group has no financial assets measured at amortized cost pledged to others on December 31, 2021 and 2020.

(3) Net notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 260	\$ 845
Accounts receivable	\$ 2,615	\$ 10,952
Less: Loss provisions	-	(68)
	<u>\$ 2,615</u>	<u>\$ 10,884</u>

1. The Group's notes and accounts receivable are not overdue.
2. The Group's notes and accounts receivable balances as of December 31, 2021 and 2020 arise from customers' contracts, and the balance of accounts receivable from customer contracts on January 1, 2020 was NTD7,696.
3. As of December 31, 2021 and 2020, the Group does not have pledged notes and accounts receivable.
4. Without taking into account the collaterals held or other credit enhancement, the maximum exposure to credit risk of notes accounts receivable that best represent the Group as of December 31, 2021 and 2020, were NTD2,875 and NTD11,729 respectively.
5. For details of the credit risk of the relevant notes receivable and accounts receivable, please refer to Note 12(2).

(4) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Joint operation - construction land	\$ 851,534	\$ 214,937
Joint operation - prepayment for land purchase	-	28,192
	<u>\$ 851,534</u>	<u>\$ 243,129</u>

1. Inventory on account is the share recognized by the Group's participation in joint operations according to the proportion of holdings, please refer to Note 6(5) for details.
2. The cost of inventories recognized as expense by the Group in 2021 and 2020 were NTD78,771 and NTD114,888 respectively.
3. The Group's interest capitalization on inventory for 2021 and 2020 were NTD7,071 and NTD56, and the capitalization rates were 1.80%~1.83% and 1.80% respectively.
4. For the Group's pledged inventories, please refer to Note 8.

(5) Joint operation

1. The Group signed a construction joint venture contract with five other companies, adopting the joint operation arrangement. With regards to the interest in the joint operation, the Group recognizes its direct rights (and its share) on the joint operation's assets, liabilities, income and expenses, and has included them in the applicable items of the consolidated financial report. The relevant information is as follows:

Project name	Holding ratio	Co-builder	Explanation
Neihu Jiuzhong Project	10%	5 companies including Kuo Yang Construction Co., Ltd.	Neihu District, Taipei City
Tucheng Zhongyi Project	10%	5 companies including Kuo Yang Construction Co., Ltd.	Tucheng District, New Taipei City
Sanchong Zhongxing Project	15%	4 companies including Kuo Yang Construction Co., Ltd.	Sanchong District, New Taipei City

2. Summary of the Company's share in the joint operation is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance Sheet		
Current assets		
Inventories	\$ 851,534	\$ 243,129
Other current assets	58,391	12,911
	<u>909,925</u>	<u>256,040</u>
Total assets	<u>\$ 909,925</u>	<u>\$ 256,040</u>
Current liabilities		
Short-term borrowings	\$ 607,820	\$ 157,000
Other current liabilities	1,411	4,038
	<u>609,231</u>	<u>161,038</u>
Total liabilities	<u>\$ 609,231</u>	<u>\$ 161,038</u>

	<u>2021</u>	<u>2020</u>
<u>Statement of Comprehensive Income</u>		
Revenue	\$ 1,514	\$ 2
Fees	(\$ 475)	\$ -
Non-operating income and expenses	\$ 8	\$ -
(6) <u>Financial assets measured at fair value through other comprehensive income - non-current</u>		

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity instruments		
TWSE and TPEx stocks	\$ 265,238	\$ 254,503
Non-listed companies' stocks and emerging stocks	-	54,135
	265,238	308,638
Valuation adjustment	(106,048)	115,645
	\$ 159,190	\$ 424,283

1. The Group chooses to classify equity instruments investments that are strategic investments and that will receive stable dividend as financial assets measured at fair value through other comprehensive income; the fair values of these investments as of December 31, 2021 and 2020, were NTD159,190 and NTD424,283 respectively.
2. The Group initially held shares of Hanshin Department Store Co., Ltd. (hereinafter referred to as “Hanshin Department Store”), who in September 2021, merged with Hanshin Shopping Plaza Co., Ltd. (hereinafter referred to as “Hanshin Shopping Plaza”) by adopting share exchange method. After the share exchange, Hanshin Department Store became a 100% owned subsidiary of Hanshin Shopping Plaza, please refer to Note 6(7).
3. Details of financial assets measured at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

	2021	2020
<u>Investments in equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	(\$ 179,652)	\$ 112,776
Cumulative profit (loss) reclassified as retained earnings due to derecognition	42,041	(\$ 2,869)
Dividend income recognized in profit and loss		
Holding as of end of period	\$ 11,352	\$ 16,013
Derecognized during the period	31,072	3,647
	<u>\$ 42,424</u>	<u>\$ 19,660</u>

4. Without taking into account the collaterals held or other credit enhancement, the maximum exposure to credit risk of financial assets measured at fair value through other comprehensive income that best represent the Group as of December 31, 2021 and 2020, were NTD159,190 and NTD424,283 respectively.

5. The Group has no financial assets measured at fair value through other comprehensive income pledged to others.

6. For details regarding credit risk of financial assets measured at fair value through other comprehensive income, please refer to Note 12(2).

(7) Investments recognized under the equity method

	2021	2020
January 1	\$ 664,067	\$ 438,544
Increase in equity method investments	97,444	522,876
Change in capital surplus	134,307	2,028
Disposal of equity method investments	-	(57,656)
Income (losses) from equity investments under the equity method	120,257	(185)
Impairment loss of equity method investments	-	(249,390)
Other changes in equity interest	(50,574)	7,850
December 31	<u>\$ 965,501</u>	<u>\$ 664,067</u>

For impairment loss of equity method investments, please refer to Note 6(20).

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Associate</u>		
Hanshin Shopping Plaza Co., Ltd.	\$ 857,907	\$ 520,684
Jollify4ever Ltd.	67,326	143,383
Xin Xi Venture Co., Ltd.	40,268	-
	<u>\$ 965,501</u>	<u>\$ 664,067</u>

1. Associate

(1) Basic information of the Group's significant affiliates:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Measurement method
		December 31, 2021	December 31, 2020		
Hanshin Shopping Plaza Co., Ltd.	Taiwan	17.80%	20.00%	Associate	Equity method
Jollify4ever Ltd.	Taiwan	Not applicable.	46.83%	Associate	Equity method

(2) Summary of the financial information of the Group's significant affiliates:

Balance Sheet

	Hanshin Shopping Plaza Co., Ltd.	
	December 31, 2021	December 31, 2020
Current assets	\$ 2,134,400	\$ 1,870,589
Non-current assets	10,265,305	8,947,422
Current liabilities	(2,344,090)	(2,014,108)
Non-current liabilities	(6,952,589)	(7,678,768)
Total net assets	\$ 3,103,026	\$ 1,125,135
Share of affiliates' net assets	\$ 514,174	\$ 225,027
Goodwill	343,733	295,657
Affiliates' book value	\$ 857,907	\$ 520,684

	Jollify4ever Ltd.	
	December 31, 2020	
Current assets	\$ 202,767	
Non-current assets	222,994	
Current liabilities	(96,632)	
Non-current liabilities	(22,932)	
Total net assets	\$ 306,197	
Share of affiliates' net assets	\$ 143,383	
Affiliates' book value	\$ 143,383	

Statement of Comprehensive Income

	Hanshin Shopping Plaza Co., Ltd.	
	2021	2020
Revenue	\$ 3,074,114	\$ 3,104,884
Net loss of continuing operations for the period	\$ 999,015	\$ 854,905
Other comprehensive income (net income after tax)	(322,909)	984,310
Total comprehensive income for the period	\$ 676,106	\$ 1,839,215

	Jollify4ever Ltd. 2020
Revenue	<u>\$ 99,943</u>
Net loss of continuing operations for the period	(\$ 80,363)
Other comprehensive income (net income after tax)	<u>12,009</u>
Total comprehensive income for the period	<u>(\$ 68,354)</u>

(3) As of December 31, 2021, the carrying amount of the Company's individual insignificant affiliates was NTD107,594, and the share of its operating results are as follows:

	2021
Net loss of continuing operations for the period	(\$ 40,851)
Other comprehensive income (net income after tax)	<u>5,069</u>
Total comprehensive income for the period	<u>(\$ 35,782)</u>

2. It was approved in the shareholders' meeting held in November 2021, that Jollify4ever Ltd. will conduct a capital reduction through split-up. A business value of NTD80,000 was transferred from Jollify4ever Ltd. to the newly established company, Xin Xi Venture Co., Ltd., held by the original shareholders according to the shareholding ratio. The Group hence obtained 46.83% shares of Xin Xi Venture Co., Ltd, becoming the company's single largest shareholder. As a shareholders' agreement is signed among other shareholders (non-related party), it indicates that the Company does not have the actual ability to direct the relevant activities, hence it is assessed that there is no control but significant influence over the company.
3. In May 2020, Jollify4ever Ltd. conducted a cash capital increase; the Group did not subscribe in proportion to its shareholding, and thus its shareholding in Jollify4ever Ltd. dropped from 47.64% to 46.83%. The Group is the company's single largest shareholder. As a shareholders' agreement is signed among other shareholders (non-related party), it indicates that the Group does not have the actual ability to direct the relevant activities, hence it is assessed that there is no control but significant influence over the company.
4. In 2020, the Group assessed that the equity investment in Jollify4ever Ltd has been impaired. The recoverable amount is based on the comparable

companies of the market approach, and the fair value less disposal cost of these investments are assessed to be Level 3 fair value, hence an impairment loss of NTD249,390 was recognized under "Other gains and losses".

5. In October 2020, the Group participated in the capital increase by cash of its related party, Hanshin Shopping Plaza Co., Ltd., and obtained 20% shareholding, please refer to Note 7(3) for details.

Hanshin Shopping Plaza set its record date as September 1, 2021, and merged with Hanshin Department Store by adopting the share exchange method. According to the share exchange contract, the share conversion ratio is 1 ordinary share of Hanshin Department Store for 0.25 ordinary share of Hanshin Shopping Plaza. After the share exchange, the Group holds 17.8% shares of Hanshin Shopping Plaza, and Hanshin Department Store is a 100% owned subsidiary of Hanshin Shopping Plaza.

(8) Property, plant and equipment

1. The details are as follows:

	2021			
	Land	Buildings and structures	Office equipment	Total
January 1				
Cost	\$ 61	\$ 310	\$ 1,537	\$ 1,908
Accumulated depreciation and impairment	-	(296)	(1,396)	(1,692)
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 141</u>	<u>\$ 216</u>
January 1	\$ 61	\$ 14	\$ 141	\$ 216
Depreciation	-	-	24	(24)
December 31	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 117</u>	<u>\$ 192</u>
December 31				
Cost	\$ 61	\$ 310	\$ 1,537	\$ 1,908
Accumulated depreciation and impairment	-	(296)	1,420	(1,716)
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 117</u>	<u>\$ 192</u>

	2020					
	Land	Buildings and structures	Transportation equipment	Office equipment	Leasehold improvements	Total
January 1						
Cost	\$ 61	\$ 310	\$ 622	\$ 1,642	\$ 1,898	\$ 4,533
Accumulated depreciation and impairment	-	(296)	(78)	(1,470)	(369)	(2,213)
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 544</u>	<u>\$ 172</u>	<u>\$ 1,529</u>	<u>\$ 2,320</u>
January 1	\$ 61	\$ 14	\$ 544	\$ 172	\$ 1,529	\$ 2,320
Addition	-	-	-	148	-	148
Disposal	-	-	(544)	(147)	(1,476)	(2,167)
Depreciation	-	-	-	(32)	(53)	(85)
December 31	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ -</u>	<u>\$ 216</u>
December 31						
Cost	\$ 61	\$ 310	\$ -	\$ 1,537	\$ -	\$ 1,908
Accumulated depreciation and impairment	-	(296)	-	(1,396)	-	(1,692)
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ -</u>	<u>\$ 216</u>

2. The Group's property, plant and equipment are not pledged.

3. As the trust deeds of the Group's lands, properties and buildings are signed with the banks, the ownerships are recorded under the banks.

(9) Leasing - lessee

1. The underlying assets of the Group's leases include office equipment, buildings and transportation equipment, and the terms of the leases are normally 3 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
2. The information of the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Office equipment	<u>\$ 46</u>	<u>\$ 79</u>
	2021	2020
	Depreciation	Depreciation
Office equipment	\$ 33	\$ 32
Buildings and structures	-	247
	<u>\$ 33</u>	<u>\$ 279</u>

3. The Group's acquisition of right-of-use assets in 2021 and 2020 were NTD0.

4. The information on the lease contract affecting profit or loss is as follows:

	2021	2020
<u>Items affecting current profit or loss</u>		
Interest expense from lease liabilities	\$ 1	\$ 15
Expense of short-term leases	-	24
Lease modification gain	-	46

5. The cash flows used in the lease payments of the Group in 2021 and 2020 amounted to NTD34 and NTD314 respectively.

(10) Investment properties

1. Investment properties refers to the Group's own investments properties. The Group signs commercial lease agreements for its investments properties, and the duration of the lease contract is normally not more than 1 year. The lease contract includes a clause that adjusts the lease amount according to the market environment each year. The details are as follows:

	2021	
	Land	Buildings and structures
January 1	\$ 72,160	\$ 61,420
Depreciation	-	(2,071)
December 31	\$ 72,160	\$ 59,349

	2020	
	Land	Buildings and structures
January 1	\$ 72,160	\$ 54,409
Addition	-	2,192
Depreciation	-	(1,913)
Transfer	-	6,732
December 31	\$ 72,160	\$ 61,420

2. Lease income and direct operating expenses from investments properties:

	2021	2020
Lease income from investments properties	\$ 2,195	\$ 1,751
Direct operating expenses arising from investments properties that generate lease income during current period	\$ 493	\$ 329
Direct operating expenses arising from investments properties that do not generate lease income during current period	\$ 2,508	\$ 2,632

3. The fair values of investments properties held by the Group as of December 31, 2021 and 2020, were NTD209,880 and NTD208,487 respectively, based on the assessment results of independent evaluation experts where the income approach was adopted, and they belong to Level 3 fair value; the main assumptions are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Capitalization rate	1.20%~1.50%	1.20%~1.60%

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured loans	<u>\$ 607,820</u>	1.80%~1.83%	Construction land

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured loans	<u>\$ 157,000</u>	1.80%	Construction land

1. The secured loan is the share recognized by the Group's participation in joint operation according to its holding ratio, please refer to Note 6(5) for details.
2. Interest expense recognized in 2021 and 2020 profit or loss was NTD0.

(12) Pensions

Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan in accordance with the Labor Pension Act, covering all employees with R.O.C. nationality. Under the labor pension system established under the Labor Pension Act which the employees opt for, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts. The principal and accrued dividends from an employee's individual account are paid monthly or in lump sum upon retirement of an employee.

The pension costs recognized by the Group in accordance with the above pension plan were NTD548 and NTD625 for 2021 and 2020 respectively.

(13) Share capital

The Company's authorized capital as of December 31, 2020 and 2019, were both NTD1,100,000, divided into 110,000 thousand shares to be issued in

installment; the paid-in capital is NTD920,000, at NTD10 per share.

(14) Capital surplus

In accordance with the Company Act, capital surplus from the income derived from the issuance of new shares at a premium and the income from endowments received by the company, besides being used for offsetting its loss, shall be distributed to the shareholders by issuing new shares or cash in proportion to the number of shares being held if the company incurs no loss. And in accordance with the Securities and Exchange Act, the amount of capital surplus to be capitalized per year shall not be more than 10% of the paid-in capital. The company shall not use the capital surplus to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Treasury shares transaction	\$ 8,516	\$ 8,516
Disposal of equity instruments by associates at fair value through other comprehensive income	11,286	-
Changes in equity of associates	125,049	2,028
Others	170	170
	<u>\$ 145,021</u>	<u>\$ 10,714</u>

(15) Retained earnings

1. In accordance with the Company's Articles of Incorporation, the Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. And if there is still surplus after appropriating or reversing the special reserve according to the law, the board of directors shall, according to the dividend policy, draft an earnings distribution proposal by combining it with the undistributed surplus at the beginning of the period. If the distribution is in the form of new shares issuance, it shall be submitted to the shareholders' meeting for approval; if it is in the form of cash, it shall be approved by a majority vote at a board meeting attended by over two-thirds of the directors, and reported to the shareholders' meeting.
2. Amendment to the Articles of Incorporation was approved in the shareholders' meeting on June 24, 2020. Based on the earnings distribution policy of the Articles of Incorporation, earnings distribution or loss off-

setting proposal may be proposed at the close of each quarter in accordance with the Company Act. During the earnings distribution, the Company shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside, and according to the relevant laws and regulations, allocate or reverse special reserve. When the earnings distribution is in the form of new shares issuance, it shall be approved by the shareholders' meeting in accordance with Article 240 of the Company Act; if it is in the form of cash issuance, it shall be approved by the board of directors.

3. The Company's dividend distribution policy shall consider the Company's current and future investment environment, capital needs, domestic and foreign competition, capital budget and other factors, and take into consideration the interests of the shareholders, balanced dividend and the Company's long-term financial planning. If the distribution is a combination of shares and cash, the cash dividend shall not be less than 20% of the total dividend.
4. According to the Company Act, legal reserve shall be appropriated until the total amount reaches the total capital. Legal reserves shall not be used except for offsetting the Company's loss and issuing new shares or cash based on the proportion of the shareholders' original shares. However, where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.
5. When distributing earnings, the Company shall, according to the law, set aside a special reserve, equal to the debit balance which happens at the current balance sheet date on other equity items. When the debit balance on other equity interest items is reversed subsequently, the reversed amount may be included in the distributable earnings.

During the first-time adoption of IFRSs, for special reserve set aside according to Letter Jin-Guan-Zheng-Fa-Zi No.1010012865 dated April 6, 2021, the Company shall reverse the proportion of special reserve previously set aside for subsequent use, disposal or reclassification of the relevant assets.

6. With the approval obtained at the shareholders' meeting on August 12, 2021, there would be no earnings distribution for 2020. The 2019 earnings distribution proposal has been approved in the shareholders' meeting held

on June 24, 2020:

	2020		2019	
	Amount	Dividends per share (NTD)	Amount	Dividends per share (NTD)
Legal reserve	\$ -		\$ 116,640	
Reversal of special reserve	-		(47)	
Cash dividends	-	\$ -	460,000	\$ 5.00

7. The 2021 earnings distribution proposal has been approved in the board meeting held on March 23, 2022:

	2021	
	Amount	Dividends per share (NTD)
Legal reserve	\$ 15,100	
Cash dividends	18,400	\$ 0.20

(16) Other equity interest items

	2021		2020	
	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
January 1	\$	133,334	\$	7,506
Valuation adjustment:				
– Group	(	179,652)		112,776
– Associate	(	39,192)		7,850
Valuation adjustment transferred to retained earnings				
– Group	(	42,041)		2,869
– Associate		10,322		2,333
December 31	(\$	117,229)	\$	133,334

(17) Revenue

	2021		2020	
Revenue from contracts with customers				
Income from sale of merchandise	\$	75,450	\$	111,368
Rental income		3,349		1,751
	\$	78,799	\$	113,119

1. Revenue from contracts with customers of the Group arises from a point-in-time transfer by the Trading Department, amounting to NTD75,450 and NTD111,368 for 2021 and 2020 respectively. For the breakdown of revenue by operating departments, please refer to Note 14.
2. As of December 31, 2021 and 2020, there was no recognition of contract assets and contract liabilities related to revenue from contracts with customers by the Group.

(18) Interest income

	2021	2020
Interest income from bank deposits	\$ 1,739	\$ 5,550
Interest income from financial assets measured at amortized cost	100	8,174
	<u>\$ 1,839</u>	<u>\$ 13,724</u>

(19) Other income

	2021	2020
Dividend income	\$ 42,424	\$ 20,111
Other income - others	524	26,893
	<u>\$ 42,948</u>	<u>\$ 47,004</u>

(20) Other gains and losses

	2021	2020
Gain (loss) from financial assets measured at fair value through profit or loss	\$ 2,206	(\$ 567)
Foreign exchange gain (loss)	172	(19,991)
Loss from disposal of property, plant and equipment	-	(1,590)
Gains from disposal of equity-accounted investments	-	3,617
Other gains and losses	(13)	(249,475)
	<u>\$ 2,365</u>	<u>(\$ 268,006)</u>

(21) Finance costs

	2021	2020
Interest expenses	<u>\$ 6</u>	<u>\$ 18</u>

(22) Additional information on expenses

2021			
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	\$ -	\$ 20,689	\$ 20,689
Depreciation	2,071	57	2,128
Amortization expense	-	6	6
	<u>\$ 2,071</u>	<u>\$ 20,752</u>	<u>\$ 22,823</u>

2020			
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	\$ -	\$ 19,930	\$ 19,930
Depreciation	1,913	364	2,277
Amortization expense	-	14	14
	<u>\$ 1,913</u>	<u>\$ 20,308</u>	<u>\$ 22,221</u>

(23) Employee benefit expenses

	2021	2020
Wages and salaries	\$ 10,238	\$ 11,081
Directors' remuneration	8,985	7,141
Labor and health insurance fees	1,050	1,061
Other personnel expenses	550	22
Pension expenses	548	625
	<u>\$ 20,689</u>	<u>\$ 19,930</u>

1. In accordance with the Company's Articles of Incorporation, the Company shall distribute employee's remuneration between zero point five percent (0.5%) and five percent (5%) and distribute directors' remuneration no higher than two percent (2%) of the distributed earnings covering accumulated losses.
2. The Company's 2021 and 2020 estimated employee remuneration were NTD683 and NTD0 respectively; and estimated directors' remunerations were NTD683 and NTD0 respectively.

2021 employees' remuneration and directors' remuneration are estimated at 1% based on the year's profitability. It is resolved in the board meeting that NTD683 and NTD683 will be distributed respectively, where

employees' remuneration will be distributed in cash.

As there was a loss before tax in 2020, employee remuneration and directors and supervisors' remuneration were not allocated and distributed.

Information on employees' remuneration and directors' remuneration of the Company as resolved by the board of directors is posted in the Market Observation Post System.

(24) Income tax

1. Income tax expense

Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Prior years' income tax underestimates	\$ 6,834	\$ -
Minimum tax burden	<u>4,134</u>	<u>-</u>
Total current income tax	<u>10,968</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>34</u>	<u>5,821</u>
Income tax expense	<u>\$ 11,002</u>	<u>\$ 5,821</u>

2. Relationship between income tax expense and accounting profit

	<u>2021</u>	<u>2020</u>
Income tax on net profit before tax calculated at statutory tax rate	\$ 33,716	(\$ 46,584)
Expenses to be excluded according to the tax law	-	49,878
Tax-exempted income according to the tax law	(38,889)	(5,710)
Tax loss not recognized as deferred income tax assets	5,236	8,237
Prior years' income tax underestimates	6,834	-
Tax effects of tax loss	(29)	-
Tax effects of minimum tax	<u>4,134</u>	<u>-</u>
Income tax expense	<u>\$ 11,002</u>	<u>\$ 5,821</u>

3. Deferred income tax assets or liabilities due to temporary difference, tax loss and investment credit:

2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Unrealized exchange loss	\$ 91	(\$ 34)	\$ -	\$ 57
Investments properties impairment loss	338	-	-	338
	<u>\$ 429</u>	<u>(\$ 34)</u>	<u>\$ -</u>	<u>\$ 395</u>
Deferred income tax liabilities				
Revaluation Gains on Financial Assets	(13)	-	-	(13)
	<u>\$ 416</u>	<u>(\$ 34)</u>	<u>\$ -</u>	<u>\$ 382</u>
2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Unrealized exchange loss	\$ 6,071	(\$ 5,980)	\$ -	\$ 91
Investments properties impairment loss	338	-	-	338
	<u>\$ 6,409</u>	<u>(\$ 5,980)</u>	<u>\$ -</u>	<u>\$ 429</u>
Deferred income tax liabilities				
Revaluation Gains on Financial Assets	(172)	159	-	(13)
	<u>\$ 6,237</u>	<u>(\$ 5,821)</u>	<u>\$ -</u>	<u>\$ 416</u>

4. Validity date of the Group's unused tax loss and unrecognized deferred income tax asset amount:

December 31, 2021				
Year occurred	Declared amount/approved amount	Amount yet to be deducted	Unrecognized deferred income tax asset amount	Final deduction year
2018	\$ 59,659	\$ 24,170	\$ 24,170	2028
2020	40,822	40,822	40,822	2030
2021	26,178	26,178	26,178	2031
	<u>\$ 126,659</u>	<u>\$ 91,170</u>	<u>\$ 91,170</u>	

December 31, 2020				
Year occurred	Declared amount/approve d amount	Amount yet to be deducted	Unrecognized deferred income tax asset amount	Final deduction year
2018	\$ 59,658	\$ 24,313	\$ 24,313	2028
2020	41,184	41,184	41,184	2030
	<u>\$ 100,842</u>	<u>\$ 65,497</u>	<u>\$ 65,497</u>	

5. Deductible temporary differences not recognized as deferred tax assets

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 91,263</u>	<u>\$ 65,590</u>

6. The income tax returns of the Company have been assessed and approved through 2019 by the Tax Authority.

(25) Earnings (loss) per share

	2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (NTD)
<u>Basic loss per share</u>			
Current net profit attributable to ordinary shareholders of the parent	\$ 128,274	\$ 92,000	\$ 1.39
<u>Diluted earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent	\$ 128,274	92,000	
Effect of dilutive potential ordinary shares on employee remuneration	-	29	
Current net profit attributable to ordinary shareholders of the parent plus effect of potential ordinary shares	\$ 128,274	\$ 92,029	\$ 1.39
	2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (NTD)
<u>Basic (diluted) loss per share</u>			
Current loss attributable to ordinary shareholders of the parent	(\$ 243,523)	\$ 92,000	(\$ 2.65)

(26) Changes in liabilities from financing activities

	2021			
	Short-term borrowing s	Lease liabilities	Deposits received	Total liabilities from financing activities
January 1	\$ 157,000	\$ 80	\$ 378	\$ 157,458
Change in cash flow from financing activities	450,820	(33)	245	451,032
Interest expense payment (Note)	-	(1)	-	(1)
Other non-cash changes	-	1	-	1
December 31	\$ 607,820	\$ 47	\$ 623	\$ 608,490

	2020				
	Short-term borrowings	Lease liabilities	Deposits received	Stock dividends payable	Total liabilities from financing activities
January 1	\$ -	\$ 4,220	\$ 282	(\$ \$460,000)	(\$ \$455,498)
Change in cash flow from financing activities	157,000	(275)	96	-	156,821
Interest expense payment (Note)	-	(15)	-	-	(15)
Other non-cash changes	-	(3,850)	-	460,000	456,150
December 31	<u>\$ 157,000</u>	<u>\$ 80</u>	<u>\$ 378</u>	<u>\$ -</u>	<u>\$ 157,458</u>

Note: Table shows cash flows from operating activities.

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Hanshin Asset Management Co., Ltd.	The Company's ultimate parent company
Roo Hsing Co., Ltd.	Same person as the Chairman of the Company (Note)
Hanshin Shopping Plaza Co., Ltd.	Same person as the Chairman of the Company
Hanshin Department Store Co., Ltd.	Same person as the Chairman of the Company
Kuo Yang Construction Co., Ltd.	Other related parties
Hi-Lai Foods Co., Ltd.	Other related parties
Grand Hi-Lai Hotel Co., Ltd.	Other related parties

Note: A new Chairman was elected in February 2020, and this relationship has terminated.

(2) Significant related party transactions

1. Administrative expenses

	2021	2020
Hanshin Asset Management Co., Ltd.	<u>\$ 2,316</u>	<u>\$ 2,515</u>

2. Other receivables - related parties

	December 31, 2020
Other receivables	
Kuo Yang Construction Co., Ltd.	<u>\$ 37,722</u>

3. Notes receivable

In September 2020, the Group sold the golf license of Linkou Recreation Co., Ltd. to Wei Li International Development Co., Ltd., with a disposal gain of NTD26,859.

4. Property transactions

(1) Disposal of property, plant and equipment

	2020	
	Disposal price (exclude tax)	Disposal profit
Roo Hsing Co., Ltd.	\$ 560	\$ 16
No related transactions in 2021.		

(2) Acquisition of financial assets

Account item	Number of shares transacted	Transaction object	2020 Acquisition price
Financial assets measured at fair value through other comprehensive income - non-current	3,609 thousand shares	Shares of Hanshin Department Store Co., Ltd.	\$ 54,135
Investments recognized under the equity method	8,000 thousand shares	Shares of Hanshin Shopping Plaza Co., Ltd.	\$ 480,000

In June 2020, the Group participated in the capital increase by cash of Hanshin Department Store Co., Ltd., and the company has completed the registration of changes on July 15, 2020.

5. Refundable deposits

	2021	2020
Hanshin Asset Management Co., Ltd.	\$ 404	\$ 404

(3) Key management compensation

	2021	2020
Short-term employee benefits	\$ 13,868	\$ 12,848

8. Mortgaged (pledged) assets

The Group's pledged assets are as follows:

Pledged assets	Carrying value		Collateral purpose
	December 31, 2021	December 31, 2020	
Inventory - construction land	\$ 797,906	\$ 157,000	Short-term borrowings

9. Significant commitments and contingent liabilities

N/A

10. Significant disaster loss

N/A

11. Significant subsequent events

N/A

12. Others

(1) Capital management

The objective of the Group's capital management is to maintain a sound credit rating and a good capital ratio to support the business operations and maximize shareholders equity. The Group manages and adjusts the capital structure according to the economic situation, and may adjust the dividend payment, return the capital or issue new shares to attain such objectives.

Financial instruments

1. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets measured mandatorily at fair value through profit or loss	\$ -	\$ 18,978
Financial assets measured at fair value through other comprehensive income		
Designated equity instruments investments	\$ 159,190	\$ 424,283
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 753,473	\$ 831,182
Financial assets measured at amortized cost	20,000	20,000
Notes receivable	260	845
Net accounts receivable	2,615	10,884
Other receivables (including related parties)	105	37,978
Refundable deposits	407	418
	<u>\$ 776,860</u>	<u>\$ 901,307</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 607,820	\$ 157,000
Accounts payable	2,595	2,800
Other payables	8,723	13,851
Deposits received	623	378
	<u>\$ 619,761</u>	<u>\$ 174,029</u>
Lease liabilities	<u>\$ 47</u>	<u>\$ 80</u>

2. Risk management policies

- (1) The Group's financial risk management objectives are mainly to manage operating activities related market risk, credit risk and liquidity risk. The Group conducts the above risk identification, measurement and management based on the Group's policies and risk preferences.

- (2) Pertaining to the above mentioned financial risk management, the Group has, according to the relevant laws and regulations, established appropriate policies, procedures and internal control; important financial activities have to be approved by the board of directors according to the relevant regulations and internal control system. During the execution of the financial management activities, the Group needs to strictly abide by the relevant regulations of financial risk management.
- (3) The Group has not undertaken any derivative tools to hedge financial risks.
3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. The exchange rate risks the Group is exposed to mainly arise from transactions in US\$, which is different from the functional currencies of the Company. The exchange rate risks are from future business transactions and assets and liabilities that have been recognized.
- B. The Group's Management has set up policies requiring all companies within the Group to manage their foreign exchange risk against their functional currencies.
- C. As the Group's businesses involve some non-functional currency operations (the functional currency of the Company and certain subsidiaries is NTD), it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,069	27.68	\$ 29,590

(Foreign currency: functional currency)	December 31, 2020		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 961	28.48	\$ 27,369

D. The aggregate amounts of all exchange gains (losses) (including realized and unrealized) recognized in 2021 and 2020 due to significant impact of exchange rate fluctuations on monetary items of the Group were NTD172 and (NTD19,991) respectively.

E. The Group's foreign currency risk analysis due to significant exchange rate fluctuations is as follows:

The exchange risks between USD and NTD are mainly due to foreign exchange loss or gain arising from translation of US dollar-denominated cash and cash equivalents, prepayments, etc. If NTD depreciates or appreciates by 1% against US\$, and all other factors remain unchanged, the net profit in 2021 and 2020 will increase or decrease by NTD296 and NTD274 respectively.

Price risk

- A. The Group's equity instruments exposed to price risk are financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the price risk of equity securities by diversifying investments and setting limits for single and overall equity investment. Information of the equity securities portfolio is to be regularly provided to the Company's top management, and the board of directors are to review all equity securities investment decisions and approve the diversification of its investment portfolio.
- B. The Group mainly invests in equity instruments and beneficiary certificates issued by domestic companies, and the price of such equity instruments is affected by the uncertainty of the future value of the investment target. If the price of these equity instruments and beneficiary certificates increases or decreases by 1%, with other factors remaining unchanged, 2021 and 2020 net profit after tax will increase or decrease by NTD0 and NTD190 respectively due to gain or loss from equity instrument and beneficiary certificate measured at fair value through profit or loss; and other comprehensive income

will increase or decrease by NTD1,592 and NTD4,243 respectively due to gain or loss from equity investment at fair value through other comprehensive income.

Interest rate risk for cash flow and fair value

The Group's main investments are equity instruments and beneficiary certificates, and no interest-bearing debt instruments have been acquired or issued; upon assessment, there is no significant interest risk.

(2) Credit risk

- A. The Group's credit risk is the risk of financial loss to the Group due to the inability of customers or the counterparties to financial instruments in performing their contractual obligations, mainly from the inability of counterparties in settling the accounts receivable based on the payment terms, and contractual cash flow from investments classified as debt instruments measured at amortized cost.
- B. All units of the Group manage credit risk in accordance with the credit risk policies, procedures and controls. The credit risk assessment of all customers is based on the comprehensive consideration of factors such as the customer's financial status, ratings from credit rating agencies, experiences from historical transactions, current economic environment and the Group's internal rating standards.
- C. The Group's Finance and Accounting Department manages the credit risk of bank deposit, fixed-income securities and other financial instruments in accordance with the Group's policies. As the Group's trading partners are determined by internal control procedures, and they are banks with good credit ratings and financial institutions with investment grade, corporate organizations and government agencies, there is no critical credit risk.
- D. According to the credit risk management of the Group, when the contract payment is overdue for more than 90 days according to the agreed payment terms, it is regarded as a default.
- E. The Group adopts IFRS9's presumption that the credit risk of the financial asset has increased significantly since its initial recognition when contractual payments are more than 30 days past due.

F. Also, the Group writes off financial assets when it assesses that recovery of financial assets cannot reasonably be expected (such as significant financial difficulties of the issuer or debtor, or bankruptcy).

G. The Group will group the customers' accounts receivables according to factors such as counterparties' credit rating, geographical region and industry, and use a simplified approach to estimate the expected credit losses based on a provision matrix. The relevant information is as follows:

	<u>Not overdue</u>	<u>30 days overdue</u>	<u>60 days overdue</u>	<u>90 days overdue</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected loss rate	0%~1%				
Total book value	\$ 2,615	\$ -	\$ -	\$ -	\$ 2,615
Loss provisions	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Not overdue</u>	<u>30 days overdue</u>	<u>60 days overdue</u>	<u>90 days overdue</u>	<u>Total</u>
<u>December 31, 2020</u>					
Expected loss rate	0%~1%				
Total book value	\$ 10,952	\$ -	\$ -	\$ -	\$ 10,952
Loss provisions	\$ 68	\$ -	\$ -	\$ -	\$ 68

	<u>2021</u>	<u>108</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 68	\$ 78
Reversal of impairment loss	(68)	(10)
December 31	<u>\$ -</u>	<u>\$ 68</u>

(3) Liquidity risk

A. Cash flow forecasting is carried out by each operating entity within the Group and summarized by the Group's Finance and Accounting Department. The Group's Finance and Accounting Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

B. The Group invests the remaining funds in interest-bearing demand deposits, time deposits and marketable securities, and the selected instruments have an appropriate maturity date or sufficient liquidity to meet the above forecast and provide sufficient fund dispatching levels.

C. The following table shows the Group's non-derivative financial liabilities grouped according to the relevant maturity date, and the analysis is based on the remaining period from the balance sheet date to the contract maturity date. Except for accounts payable, other payables and deposits received, whose undiscounted contractual cash flow amounts are approximately equal to their book values and are due within one year, the details of the undiscounted contractual cash flow amounts of the remaining financial liabilities are as follows:

Non-derivative financial liabilities:

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years
Short-term borrowings	\$ 10,984	\$ 10,984	\$ 248,884	\$ 383,324
Lease liabilities	34	13	-	-

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years
Short-term borrowings	\$ 2,826	\$ 2,826	\$ 2,826	\$ 159,826
Lease liabilities	33	33	13	-

D. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount would be significantly different.

Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the TWSE and TPEx shares, beneficiary certificates and popular Taiwan central government bonds invested by the Group belongs to this level.

Level 2: Direct or indirect observable inputs of assets or liabilities, other than quoted prices included in Level 1.

Level 3: Unobservable inputs for the asset or liability. The Group's investment in equity instruments with no active market belongs to this.

2. For information on the fair value of investment properties measured at cost, please refer to Note 6(10).

3. Financial instruments not measured at fair value

The carrying amount of the Group's cash and cash equivalents, notes receivable, accounts receivables, other receivables, refundable deposits, short-term borrowings, accounts payable, other payables and deposits received is a reasonable approximation of fair value.

4. Financial instruments measured at fair value and non-financial instruments are classified by the Group based on the nature, characteristics and risk of the assets and liabilities, and the level of fair value; the relevant information is as follows:

- (1) The Group classifies based on the nature of the assets and liabilities as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u> <u>measurements</u>				
Financial assets measured at fair value through profit or loss				
Equity securities	\$ 159,190	-	-	\$ 159,190
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u> <u>measurements</u>				
Financial assets measured at fair value through profit or loss				
Equity securities	\$ 9,688	\$ -	\$ -	\$ 9,688
Beneficiary certificate	9,290	-	-	9,290
Subtotal	<u>18,978</u>	<u>-</u>	<u>-</u>	<u>18,978</u>
Financial assets measured at fair value through other comprehensive income				
Equity securities	204,856	-	219,427	424,283
	<u>\$ 223,834</u>	<u>\$ -</u>	<u>\$ 219,427</u>	<u>\$ 443,261</u>

(2) The methods and assumptions that the Group used to measure the fair value are as follows:

The Group adopts the quoted market price as the input value of fair value (i.e., Level 1), which is classified based on the characteristics of the instrument as follows:

	<u>TWSE (TPEX) stocks</u>	<u>Beneficiary certificate</u>
Market price	Closing price	Net worth

5. For 2021 and 2020, there was no transfer between Level 1 and Level 2 by the Group.
6. The Level 3 movement for 2021 and 2020 is as follows:

	2021	2020
	Equity instruments	Equity instruments
January 1	\$ 219,427	\$ -
Current period's purchase	-	219,427
Transfer out from Level 3	(219,427)	-
December 31	<u>\$ -</u>	<u>\$ 219,427</u>

7. The Group is responsible for conducting fair value verification, using independent source information to make the evaluation results close to the market conditions, confirming that the sources of information are independent, reliable, consistent with other sources and represent executable prices. Changes in the value of assets and liabilities that are measured or reassessed are analyzed at each reporting date to ensure that the assessment results are reasonable.
8. As of December 31, 2021, the Group did not hold Level 3 financial instruments, and as of December 31, 2020, the quantitative information of significant unobservable inputs used in the valuation of Level 3 fair value measurement items and sensitivity analysis of the changes in significant unobservable inputs as of December 31, 2020 are as follows:

	December 31, 2020 fair value	Valuation technique	Significant unobservable input	Range (Weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 219,427	Company Act comparable listed companies	PER multiples	2.42	The higher the multiplier, the higher the fair value

Others

Due to the new coronavirus pandemic in 2021, the Group has implemented various pandemic preventive measures promoted by the government. The Group has adequate working capital, and the various operating departments are operating normally. It is assessed that the new coronavirus pandemic has no significant impact on the Group's 2021 financial position and financial performance.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- Loans to others: N/A
- Provision of endorsements and guarantees to others: N/A

3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 1.
4. Acquisition or sale of the same security with the accumulated cost reaching NTD300 million or 20% of paid-in capital or more: N/A
5. Acquisition of real estate reaching NTD300 million or 20% of paid-in capital or more: Please refer to table 2.
6. Disposal of real estate reaching NTD300 million or 20% of paid-in capital or more: N/A
7. Purchase or sale of goods from or to related parties reaching NTD100 million or 20% of paid-in capital or more: N/A
8. Receivables from related parties reaching NTD100 million or 20% of paid-in capital or more: N/A
9. Engage in derivative instruments trading: N/A
10. The business relationship and significant transactions between the inter-companies: N/A

(2) Information on investees

Names, locations and other information of investee companies (excluding the investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

1. Basic information: N/A
2. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: N/A

(4) INFORMATION ON MAJOR SHAREHOLDERS

Information on major shareholders: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

The Group is divided into operating units based on different products and services, and the two operating segments are:

1. Trading Segment: The department is in charge of the sale of wool related products.
2. Leasing Segment: The department is in charge of the leasing of immovable

properties.

(2) Measurement of segment information

The Group's operational decision-makers measure the segments based on their revenue and profit before tax, which are used as a basis for performance evaluation.

1. Reportable segment information provided to the chief operating decision maker is as follows:

	2021			
	Trading Segment	Leasing Segment	Reconciliation and elimination	Total
Net revenue from external customers	\$ 75,450	\$ 3,349	\$ -	\$ 78,799
Inter-segment revenue	-	-	-	-
Segments' revenue	<u>\$ 75,450</u>	<u>\$ 3,349</u>	<u>\$ -</u>	<u>\$ 78,799</u>
Segments' profit	<u>(\$ 321)</u>	<u>\$ 349</u>	<u>\$ 139,248</u>	<u>\$ 139,276</u>

	2020			
	Trading Segment	Leasing Segment	Reconciliation and elimination	Total
Net revenue from external customers	\$ 111,368	\$ 1,751	\$ -	\$ 113,119
Inter-segment revenue	-	11	(11)	-
Segments' revenue	<u>\$ 111,368</u>	<u>\$ 1,762</u>	<u>(\$ 11)</u>	<u>\$ 113,119</u>
Segments' profit	<u>(\$ 937)</u>	<u>(\$ 1,210)</u>	<u>(\$ 235,555)</u>	<u>(\$ 237,702)</u>

2. As the Group's assets and liabilities are not the measurement indicator of the operational decision-makers, the related amounts are not disclosed.

(3) Reconciliation of the segments' profit

The revenue from external parties reported to the operational decision-makers is measured in a manner consistent with that in the financial statements and profit before tax, hence reconciliation is not required.

(4) Geographical location information

The Group's 2021 and 2020 geographical location information is as follows:

	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 3,349	\$ 1,261,030	\$ 1,751	\$ 1,226,868
Japan	69,270	-	93,859	-
South Korea	6,180	-	6,504	-
Malaysia	-	-	11,005	-
Total	<u>\$ 78,799</u>	<u>\$ 1,261,030</u>	<u>\$ 113,119</u>	<u>\$ 1,226,868</u>

(5) Important customers information

Information of the Group's important customers in 2021 and 2020 are as follows:

	2021	2020
	Revenue	Revenue
Customers A from Trading Segment	\$ 55,417	\$ 79,128
Customers B from Trading Segment	13,853	25,735

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

Table 1

Unit: Thousand NTD
(Except as otherwise indicated)

<u>Securities held by</u>	<u>Type and name of marketable securities</u>	<u>Relationship with securities issuer</u>	<u>Accounting item</u>	<u>Number of shares</u>	<u>End of period</u>		<u>Fair value</u>	<u>Remarks</u>
					<u>Carrying amount</u>	<u>Shareholding ratio</u>		
Chuwa Wool Industry Co., (Taiwan) Ltd.	Kuo Yang Construction Co., Ltd.	Other related parties	Financial assets measured at fair value through other comprehensive income - non-current	4,527,820	\$ 110,932	1.19	\$ 110,932	
HCW Investment Co., Ltd.	Taiwan Cement Corporation	N/A	"	100,000	4,800	-	4,800	
HCW Investment Co., Ltd.	Asia Cement Corporation	"	"	200,000	8,860	-	8,860	
HCW Investment Co., Ltd.	Huaku Development Co., Ltd.	"	"	110,000	10,054	-	10,054	
HCW Investment Co., Ltd.	China Development Financial Holding Corporation	"	"	758,240	13,269	-	13,269	
HCW Investment Co., Ltd.	Harvatek Corporation	"	"	160,000	4,384	-	4,384	
HCW Investment Co., Ltd.	Winbond Electronics Corporation	"	"	25,000	850	-	850	
HCW Investment Co., Ltd.	China Development Financial Holding Corp. Preferred B Share	"	"	53,144	510	-	510	
HCW Investment Co., Ltd.	Hotai Finance Co., Ltd.	"	"	60,000	5,531	-	5,531	
					<u>\$ 159,190</u>			

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
January 1 to December 31, 2021

Table 2

												Unit: Thousand NTD (Except as otherwise indicated)	
<u>Company that acquires real estate</u>	<u>Property name</u>	<u>Date of occurrence</u>	<u>Transaction amount</u>	<u>Payment status</u>	<u>Counterparty</u>	<u>Relation</u>	<u>Information of previous transfer if counterparty is a related party</u>				<u>Basis of price determination</u>	<u>Purpose of acquisition and usage</u>	<u>Other agreed matters</u>
							<u>Owner</u>	<u>Relationship with issuer</u>	<u>Transfer date</u>	<u>Amount</u>			
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2020/12/30	\$ 93,973	Paid as agreed	Bo Kai Development Co., Ltd. and 3 people including Party A	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Appraisal report by Chih Wei Real Estate Appraiser Associates	Joint venture development	Not applicable.
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2021/1/27	185,600	Paid as agreed	Party B	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Appraisal report by Zhe Yu Real Estate Appraisers Firm and He Yang Real Estate Appraiser Associates	Joint venture development	Not applicable.
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2021/7/12	24,975	Paid as agreed	Chen Chang Industrial Co., Ltd.	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Joint venture development	Not applicable.
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2021/7/15	183,644	Paid as agreed	Yong Yi Industrial Co., Ltd. And Hwa Yang International Distribution Co., Ltd	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Appraisal report by Zhe Yu Real Estate Appraisers Firm and Hong Bang Real Estate Appraiser Associates	Joint venture development	Not applicable.

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Information such as the investee company's name, address, etc. (exclude investee company in China)
January 1 to December 31, 2021

Table 3

Unit: Thousand NTD
(Except as otherwise indicated)

<u>Name of Investor</u>	<u>Investee company name</u>	<u>Location</u>	<u>Main business activities</u>	<u>Original investment amount</u>		<u>End of the period shareholding</u>			<u>Investee</u>	<u>Investment gain and loss</u>	<u>Remarks</u>
				<u>End of current period</u>	<u>Last year-end</u>	<u>Number of shares</u>	<u>Ratio</u>	<u>Carrying amount</u>	<u>Current profit and loss</u>	<u>recognized in current period</u>	
Chuwa Wool Industry Co., (Taiwan) Ltd.	HCW Investment Co., Ltd.	Taiwan	General investment services	\$ 400,000	\$ 400,000	40,000,000	100.00	\$ 483,370	\$ 38,860	\$ 38,860	Subsidiaries
Chuwa Wool Industry Co., (Taiwan) Ltd.	Jollify4ever Ltd.	Taiwan	Retail of other clothing accessories not classified, wholesale of watches and clocks and parts, wholesale of kitchen cabinet, wholesale of other clothing accessories not classified	365,013	402,475	9,997,574	46.83	67,326	(88,596)	(41,487)	Associate
Chuwa Wool Industry Co., (Taiwan) Ltd.	Xin Xi Venture Co., Ltd.	Taiwan	Retail of other clothing accessories not classified, wholesale of watches and clocks and parts, wholesale of kitchen cabinet, wholesale of other clothing accessories not classified	37,462	-	3,746,163	46.83	40,268	2,061	636	Associate
Chuwa Wool Industry Co., (Taiwan) Ltd.	Hanshin Shopping Plaza Co., Ltd.	Taiwan	Department stores, rental and leasing, retail, restaurants, supermarkets, etc.	480,000	480,000	8,000,000	16.00	753,975	948,013	151,552	Associate
HCW Investment Co., Ltd.	Hanshin Shopping Plaza Co., Ltd.	Taiwan	Department stores, rental and leasing, retail, restaurants, supermarkets, etc.	97,443	-	902,250	1.80	103,932	948,013	9,556	Associate

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Information on major shareholders
December 31, 2021

Table 4

	<u>Name of major shareholders</u>	<u>Number of shares held</u>	<u>Shares (Note)</u>	<u>Shareholding ratio</u>
	Han Yang Global Co., Ltd.		49,139,065	53.41

Note: The above information is provided by Taiwan Depository Clearing Corporation (TDCC).

Auditor's Report

(111)Cai-Shen-Bao-Zi No.21004923

To the shareholders of Chuwa Wool Industry Co., (Taiwan) Ltd.:

Audit opinion

We have audited the accompanying standalone balance sheets of Chuwa Wool Industry Co., (Taiwan) Ltd. as of December 31, 2021 and 2020, and the related standalone statements of comprehensive income, standalone statements of changes in equity and of cash flows for the period from January 1, 2021 and 2020 to December 31, 2021 and 2020; and notes to the standalone financial statements (including a summary of significant accounting policies).

In the opinion of the auditor, based on the audit results of the auditor and the audit reports of other auditors (please refer to Other Matters), the standalone financial statements referred to above, present fairly in all material aspects, the standalone financial position of Chuwa Wool Industry Co., (Taiwan) Ltd. as of December 31, 2021 and 2020, and the standalone financial performance and standalone cash flows from January 1, 2021 and 2020 to December 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee 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 Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of Chuwa Wool Industry Co., (Taiwan) Ltd. in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the code. Based on the audit results of the auditors and the audit reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2021 standalone financial statements of Chuwa Wool Industry Co., (Taiwan) Ltd. These matters were addressed in the context of our audit of the standalone financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters of the 2021 standalone financial statements of Chuwa Wool Industry Co., (Taiwan) Ltd. are as follows:

Impairment evaluation of equity method investments

Description

For accounting policies relating to equity method investment, please refer to Note 4(14) of the Standalone Financial Statements; for accounting policies relating to impairment of non-financial assets, please refer to Note 4(20) of the Standalone Financial Statements; for details of accounts, please refer to Note 6(7) of the Standalone Financial Statements.

As of December 31, 2021, the carrying amount of the equity method investment of Chuwa Wool Industry Co., (Taiwan) Ltd. amounts to NTD1,344,939,000, which is 47% of the total assets. For investments accounted for using the equity method according to the regulations of IAS 28 "Investments in Associates and Joint Ventures", if there is objective evidence of indications of impairment, the management shall evaluate whether the investment's recoverable amount is lower than the carrying amount. As the objective evidence of the impairment evaluation and the comprehensive consideration factors in determining the recoverable amount involve the subjective judgment of the management are highly uncertain, and the amount of equity method investment is high, we have listed the impairment evaluation on the related equity method investment of Chuwa Wool Industry Co., (Taiwan) Ltd. as one of the most significant matters in the audit.

How our audit addressed the matter

With regards to the specific aspects as stated in the above key audit matters, we have executed the following response procedures:

1. Interview the management to understand the management's assessment of the impairment indications of the equity method investments, and evaluate its reasonableness.
2. Obtain equity valuation report prepared by the external evaluation experts delegated by the management; the procedures performed by auditors are as follows:
 - (1) Evaluate the appropriateness and objectivity of the external evaluation experts delegated by the management.
 - (2) Evaluate the appropriateness of the evaluation methods and objectivity of the relevant

assumptions adopted by the external evaluation experts delegated by the management.

Other matters– The work of other auditors

Some of the equity method investments of the 2021 financial statements of Chuwa Wool Industry Co., (Taiwan) Ltd. are not audited by us but by other auditors. Hence, in the opinion expressed by us on the above standalone financial statements, the amount listed and in the financial statements of these companies and information disclosed in Note 13 are based on the audit report of other auditors. As of December 31, 2021 and 2020, equity method investments of the above mentioned company were NTD861,569,000 and NTD664,067,000, accounting to 30% and 28% of standalone assets; in 2021 and 2020, the comprehensive incomes recognized for the above mentioned company were NTD74,482,000 and NTD8,371,000, accounting to 82% and 7% of comprehensive income for the current period.

Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the abilities of Chuwa Wool Industry Co., (Taiwan) Ltd. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management intends to liquidate Chuwa Wool Industry Co., (Taiwan) Ltd. or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of Chuwa Wool Industry Co., (Taiwan) Ltd.

Auditors' responsibilities for the audit of the standalone financial statements

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

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error; design and implement appropriate response measures for the risk assessed; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Chuwa Wool Industry Co., (Taiwan) Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Chuwa Wool Industry Co., (Taiwan) Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditors' report. However, future events or conditions may cause Chuwa Wool Industry Co., (Taiwan) Ltd. to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance to Chuwa Wool Industry Co., (Taiwan) Ltd. in the audit of 2021 standalone financial statements and are therefore the key matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Hsiao, Chun-Yuan

Certified public accountants

Lin, Se-Kai

Former Securities and Futures Bureau, Financial
Supervisory Commission

No. of Approval Document: Jin-Guan-Zheng-Liuo-Zi No.
0960042326

Jin-Guan-Zheng-Liuo-Zi No. 0960072936

March 23, 2022

Chuwa Wool Industry Co., (Taiwan) Ltd.
STANDALONE BALANCE SHEETS
December 31, 2021 and 2020

Unit: Thousand NTD

Assets		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 418,151	14	\$ 521,136	22
1110	Financial assets measured at fair value through profit or loss - current		-	-	18,978	1
1136	Financial assets measured at amortized cost - current	6(2)	20,000	1	20,000	1
1150	Net notes receivable	6(3)	260	-	845	-
1170	Net accounts receivable	6(3)	2,615	-	10,884	-
1200	Other receivables		43	-	106	-
1210	Other receivables - related parties	7.	-	-	37,722	2
1220	Current income tax assets		69	-	3,437	-
130X	Inventories	6(4)(5)	851,534	30	243,129	10
1410	Prepayments		2,134	-	12,580	-
1470	Other current assets		6	-	6	-
11XX	Total current assets		<u>1,294,812</u>	<u>45</u>	<u>868,823</u>	<u>36</u>
Non-current assets						
1517	Financial assets measured at fair value through other comprehensive income - non-current	6(6)	110,932	4	171,438	7
1550	Investments recognized under the equity method	6(7)	1,344,939	47	1,227,041	51
1600	Property, plant and equipment	6(8)	192	-	216	-
1755	Right-of-use assets	6(9)	46	-	79	-
1760	Net investment properties	6(10)	131,509	4	133,580	6
1780	Intangible assets		-	-	6	-
1840	Deferred income tax assets	6(24)	395	-	428	-
1920	Refundable deposits		396	-	407	-
1990	Other non-current assets		3,790	-	3,790	-
15XX	Total non-current assets		<u>1,592,199</u>	<u>55</u>	<u>1,536,985</u>	<u>64</u>
1XXX	Total assets		<u>\$ 2,887,011</u>	<u>100</u>	<u>\$ 2,405,808</u>	<u>100</u>
Liabilities and equity						
Current liabilities						
2100	Short-term borrowings	6(5)(11)	\$ 607,820	21	\$ 157,000	6
2170	Accounts payable		2,595	-	2,800	-
2200	Other payables		8,571	-	13,674	1
2220	Other payables - related party		32	-	57	-
2280	Lease liabilities - current	6(9)	34	-	33	-
2300	Other current liabilities		415	-	1,016	-
21XX	Total current liabilities		<u>619,467</u>	<u>21</u>	<u>174,580</u>	<u>7</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(24)	13	-	13	-
2580	Lease liabilities - non-current	6(9)	13	-	47	-
2645	Deposits received		623	-	378	-
25XX	Total non-current liabilities		<u>649</u>	<u>-</u>	<u>438</u>	<u>-</u>
2XXX	Total liabilities		<u>620,116</u>	<u>21</u>	<u>175,018</u>	<u>7</u>
Equity						
	Share capital	6(13)				
3110	Ordinary shares		920,000	32	920,000	38
	Capital surplus	6(14)				
3200	Capital surplus		145,021	5	10,714	1
	Retained earnings	6(15)				
3310	Legal reserve		341,774	12	341,774	14
3320	Special reserve		7,856	-	7,856	-

(Continued)

Chuwa Wool Industry Co., (Taiwan) Ltd.
STANDALONE BALANCE SHEETS
December 31, 2021 and 2020

Unit: Thousand NTD

Liabilities and equity		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
3350	Unappropriated retained earnings		\$ 969,473	34	\$ 817,112	34
	Other equity interest	6(16)				
3400	Other equity interest		(117,229)	(4)	133,334	6
3XXX	Total equity		<u>2,266,895</u>	<u>79</u>	<u>2,230,790</u>	<u>93</u>
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		<u>\$ 2,887,011</u>	<u>100</u>	<u>\$ 2,405,808</u>	<u>100</u>

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd.
Standalone Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD
(Except for earnings (loss) per share in NTD)

	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	Revenue	6(17)	\$ 78,799	100	\$ 113,131	100
5000	Operating costs	6(4)(22)	(78,771)	(100)	(114,888)	(101)
5900	Gross profit (loss)		28	-	(1,757)	(1)
	Operating expenses	6(22) (23)				
6100	Selling expenses		(579)	-	(363)	-
6200	Administrative expenses		(27,433)	(35)	(27,704)	(25)
6450	Expected credit loss (gain)	12(2)	68	-	10	-
6000	Total operating expenses		(27,944)	(35)	(28,057)	(25)
6900	Operating loss		(27,916)	(35)	(29,814)	(26)
	Non-operating income and expenses					
7100	Interest income	6(18)	1,271	2	12,912	11
7010	Other income	6(19)	9,579	12	40,540	36
7020	Other gains and losses	6(5)(20)	2,651	3	(266,354)	(235)
7050	Finance costs	6(21)	(5)	-	(18)	-
7070	Share of subsidiaries, associates and joint ventures accounted for using the equity method	6(7)	149,561	190	4,600	4
7000	Total non-operating income and expenses		163,057	207	(208,320)	(184)
7900	Net profit before tax (loss)		135,141	172	(238,134)	(210)
7950	Income tax expense	6(24)	(6,867)	(9)	(5,389)	(5)
8200	Current net profit (loss)		\$ 128,274	163	(\$ 243,523)	(215)
	Other comprehensive income	6(16)				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(\$ 60,506)	(77)	(\$ 47,376)	(42)
8330	Share of the comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method - not to be reclassified to profit or loss		(158,434)	(201)	168,002	148
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(218,940)	(278)	120,626	106
8300	Other comprehensive income (net)		(\$ 218,940)	(278)	\$ 120,626	106
8500	Total comprehensive income for the period		(\$ 90,666)	(115)	(\$ 122,897)	(109)
	Basic earnings (loss) per share	6(25)				
9750	Basic earnings (loss) per share		\$ 1.39		\$ 2.65	
	Diluted earnings (loss) per share	6(25)				
9850	Diluted earnings (loss) per share		\$ 1.39		\$ 2.65	

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd.
STANDALONE STATEMENT OF CHANGES IN EQUITY
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Notes	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
						Unappropriated retained earnings			
<u>2020</u>									
Balance as of January 1, 2020		\$ 920,000	\$ 8,686	\$ 225,134	\$ 7,903	\$ 1,642,430	\$ 7,506	\$ 2,811,659	
Current net profit		-	-	-	-	(243,523)	-	(243,523)	
Other comprehensive income for the period	6(16)	-	-	-	-	-	120,626	120,626	
Total comprehensive income for the period		-	-	-	-	(243,523)	120,626	(122,897)	
2019 Appropriations and distribution of retained earnings	6(15)								
Provision for legal reserve		-	-	116,640	-	(116,640)	-	-	
Cash dividends		-	-	-	-	(460,000)	-	(460,000)	
Reversal of special reserve		-	-	-	(47)	47	-	-	
Disposal of equity instruments at fair value through other comprehensive income	6(16)	-	-	-	-	(5,202)	5,202	-	
Changes in equity of associates recognized using the equity method	6(14)	-	2,028	-	-	-	-	2,028	
Balance as of December 31, 2020		\$ 920,000	\$ 10,714	\$ 341,774	\$ 7,856	\$ 817,112	\$ 133,334	\$ 2,230,790	
<u>2021</u>									
Balance as of January 1, 2021		\$ 920,000	\$ 10,714	\$ 341,774	\$ 7,856	\$ 817,112	\$ 133,334	\$ 2,230,790	
Current net profit		-	-	-	-	128,274	-	128,274	
Other comprehensive income for the period	6(16)	-	-	-	-	(96)	(218,844)	(218,940)	
Total comprehensive income for the period		-	-	-	-	128,178	(218,844)	(90,666)	
Disposal of equity instruments at fair value through other comprehensive income	6(16)	-	-	-	-	45,791	(42,041)	3,750	
Changes in equity of associates recognized using the equity method	6(14)	-	123,021	-	-	-	-	123,021	
Disposal of equity instruments by associates at fair value through other comprehensive income	6(16)	-	11,286	-	-	(21,608)	10,322	-	
Balance as of December 31, 2021		\$ 920,000	\$ 145,021	\$ 341,774	\$ 7,856	\$ 969,473	(\$ 117,229)	\$ 2,266,895	

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd.
STANDALONE STATEMENT OF CASH FLOWS
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flows from operating activities</u>			
Current net profit before tax (loss)		\$ 135,141	(\$ 238,134)
Adjusting items			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)		
	(22)	2,128	2,277
Amortization expense	6(22)	6	14
Expected credit loss (gain)	12(2)	(68)	(10)
Net loss (gain) on financial assets measured at fair value through profit or loss	6(20)	(2,491)	795
Interest expenses	6(21)	1	15
Interest income	6(18)	(1,271)	(12,912)
Dividend income	6(19)	(9,056)	(13,651)
Share of losses (gain) of associates recognized using the equity method	6(7)	(149,561)	(4,600)
Loss from disposal of property, plant and equipment	6(20)	-	1,590
Gains from disposal of equity-accounted investments	6(20)	-	(3,617)
Impairment losses	6(7)(20)	-	249,390
Lease modification gain	6(9)	-	(46)
Changes in operating assets and liabilities			
Changes in operating assets			
Net notes receivable		585	(845)
Accounts receivable		8,337	(3,178)
Other receivables		-	12
Other receivables - related parties		37,722	470
Inventories	6(4)	(608,405)	(243,129)
Prepayments		10,446	(12,042)
Changes in operating liabilities			
Accounts payable		(205)	2,800
Other payables		(5,103)	(1,185)
Other payables - related party		(25)	57
Other current liabilities		(601)	954
Cash inflow generated from operations		(582,420)	(274,975)
Interest paid		(1)	(15)
Income tax paid		(3,466)	(2,247)
Net cash outflow from operations		(585,887)	(277,237)

(Continued)

Chuwa Wool Industry Co., (Taiwan) Ltd.
STANDALONE STATEMENT OF CASH FLOWS
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	<u>Notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets measured at fair value through other comprehensive income		\$ -	(\$ 256,536)
Disposal of financial assets measured at amortized cost		-	879,400
Acquisition of financial assets measured at fair value through profit or loss		(7,440)	-
Disposal of financial assets measured at fair value through profit or loss		28,909	-
Acquisition of equity method investments	6(7)	-	(822,875)
Disposal of equity method investments	6(7)	-	61,456
Acquisition of property, plant and equipment	6(8)	-	(148)
Disposal of property, plant and equipment	6(8)	-	578
Decrease in refundable deposits		11	716
Acquisition of investment properties	6(10)	-	(2,192)
Interest received		1,334	26,843
Dividends received		9,056	13,651
		<u>31,870</u>	<u>(99,107)</u>
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(26)	450,820	157,000
Increase in deposits received	6(26)	245	84
Payments of lease liabilities	6(26)	(33)	(275)
Cash dividends paid	6(26)	-	(460,000)
		<u>451,032</u>	<u>(303,191)</u>
Net cash (outflow) flows from financing activities		<u>451,032</u>	<u>(303,191)</u>
Current net decrease in cash and cash equivalents		(102,985)	(679,535)
Cash and cash equivalents at beginning of period		521,136	1,200,671
Cash and cash equivalents at end of period		<u>\$ 418,151</u>	<u>\$ 521,136</u>

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

Chairman: Hou, Chia-Chi

Manager: Liu, Hsien-Wen

Head of Accounting: Lo, Chien-Chang

Chuwa Wool Industry Co., (Taiwan) Ltd.
Notes to Standalone Financial Statements
2021 and 2020

Unit: Thousand NTD
(Except as otherwise indicated)

1. Company History

- (1) Chuwa Wool Industry Co., (Taiwan) Ltd. (hereinafter referred to as "the Company") was established on August 19, 1964, in accordance with the regulations of the Company Act. The main business of the Company includes sale of wool top, carbonized wool, superwash wool and shrink-resistant wool top, and real estate leasing. The Company has been listed on the Taiwan Stock Exchange Corporation since May 22, 1989.
- (2) Han Yang Global Co., Ltd. holds 53.41% shareholding of the Company, and Hanshin Asset Management Co., Ltd. is the ultimate parent company of the Company.

2. Date and procedures of approval of the financial statements

The standalone financial statements were authorized for issuance by the board of directors on March 23, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards as endorsed by the Financial Supervisory Commission ("FSC")

New, revised or amended IFRS standards and interpretations endorsed by the FSC effective from 2021 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021
Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, and IAS 39, "Interest Rate Benchmark Reform" - Phase 2	January 1, 2021
Amendments to IFRS 16, "Covid-19-Related Rent Concessions beyond 30 June 2021"	April 1, 2021 (Note)

Note: FSC allows the application to be brought forward to January 1, 2021.

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

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

New, revised or amended IFRS standards and interpretations endorsed by the FSC effective from 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 3, "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment — Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

(3) IFRSs issued by International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by IASB
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendment to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendment to IAS 12, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of this Standalone Financial Report are as follows. Except as stated otherwise, these policies have been consistently applied to all the periods presented.

(1) Compliance statement

The standalone financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") as endorsed by the FSC.

(2) Basis of preparation

1. Except for the following items, these standalone financial statements have been prepared under the historical cost convention:
 - (1) Financial assets measured at fair value through profit or loss.
 - (2) Financial assets measured at fair value through other comprehensive income.
2. The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The items involving a higher degree of judgment or complexity, or items where assumptions and estimates are significant to the standalone financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the standalone financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The standalone financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency.

Foreign currency transactions and balances

1. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

2. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss in the period in which they arise.
 3. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date, and their translation differences are recognized in profit or loss in the period in which they arise; those held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date, and their translation differences are recognized in other comprehensive income; and those not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 4. All foreign exchange gains and losses are presented in the standalone statement of comprehensive income within "other gains and losses".
- (4) Classification of current and non-current items

The Company engages in entrusting construction companies to build buildings, and the operating cycles normally exceed a year. Assets and liabilities related to construction projects are classified as current or non-current based on the operating cycles; the remaining items are classified as current and non-current as follows:

1. Assets that meet one of the following criteria are classified as current assets:
 - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - (2) Mainly held for trading purposes.
 - (3) Assets that are expected to be realized within twelve months from the balance sheet date.
 - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.Assets not meeting the above criteria are classified by the Company as non-current assets.
2. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be paid off within the normal operating cycle;

- (2) Mainly held for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities not meeting the above criteria are classified by the Company as non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets measured at fair value through profit or loss

- 1. Financial assets measured at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- 2. The Company adopts trade date accounting for regular way purchases or sales of financial assets measured at fair value through profit or loss.
- 3. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
- 4. The Company recognizes the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

(7) Financial assets measured at fair value through other comprehensive income

- 1. Refers to equity investments that are not held for trading, and the Company has made an irrevocable election at initial recognition to recognize the changes in fair value in other comprehensive income; or debt instruments investments which meet the following conditions:

- (1) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets.
 - (2) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Company adopts trade date accounting for regular way purchases or sales of financial assets measured at fair value through other comprehensive income.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and then subsequently measures the financial assets at fair value:
 - (1) The changes in fair value of equity instruments are recognized in other comprehensive income. The cumulative gain or loss previously recognized in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. The Company recognizes the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.
 - (2) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognized in profit or loss, the changes in fair value of debt instruments are recognized in other comprehensive income before derecognition. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- (8) Financial assets measured at amortized cost
 1. Refers to financial assets that meet both of the following conditions:
 - (1) The objective of the business model is achieved by collecting contractual cash flows.
 - (2) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 2. The Company adopts trade date accounting for regular way purchases or sales of financial assets measured at amortized cost.
 3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is

recognized in profit or loss when the asset is derecognized or impaired.

4. The Company's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable and notes receivable

1. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets measured at amortized cost, the Company, on every balance sheet date, after considering all reasonable and supporting information (include forward-looking), recognizes a loss allowance for 12-month expected credit losses if there is no significant increase in credit risk since initial recognition; and a loss allowance for lifetime expected credit losses if there is a significant increase in credit risk since initial recognition. For accounts receivables that do not contain a significant financing component, a loss allowance for lifetime expected credit losses is recognized.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Lease transactions of lessor - operating lease

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

(13) Inventories

1. Construction land, properties under construction and properties for sale are recorded at acquisition cost, and recognized as project gains and loss using the completed contract method. Construction land undergoing active development is reclassified as property under construction, and the related interest from active development or during construction to completion date is capitalized.
2. Inventories are measured at the lower of cost and net realizable value at the end of the period, and the item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price under normal circumstances less the estimated cost of completion and applicable variable expenses.

(14) Equity method investments / subsidiaries and associates

1. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Inter-company unrealized gains or losses on transactions between Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. Share of gain or loss from acquisition of subsidiaries is recognized as current profit or loss, and share of other comprehensive income upon acquisition is recognized as other comprehensive income. If the Company's share of losses recognized by its subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize its share of loss based on its shareholding ratio.

4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions (i.e., transactions among owners in their capacity as owners). Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity.
5. When the Company loses control in a subsidiary, remaining investments in the former subsidiary shall be re-measured at fair value and serve as fair value of the initially recognized financial asset or the cost of initially recognized investment in associated company or joint venture. The difference between the fair value and book value of the investment is recognized in current profit or loss. All amounts previously recognized in other comprehensive income related to the subsidiary shall be accounted on the same basis as if the Company had directly disposed of such assets or liabilities. In other words, gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when such assets or liabilities are disposed of, then if the Company loses control in a subsidiary, such gains or losses are reclassified from equity to profit or loss.
6. An associate is an entity over which the Company has significant influence but not control and generally holds 20% or more of the voting power directly or indirectly. Investments in associates are accounted for using the equity method and are recognized at cost upon acquisition.
7. Share of gain or loss from acquisition of associates is recognized as current profit or loss, and share of other comprehensive income upon acquisition is recognized as other comprehensive income. If the Company's share of losses of any associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company discontinues recognizing its share of further losses, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.
8. The Company recognizes all shares of change in equity in "capital surplus" in proportion to its ownership, when there are changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associates and such changes do not affect the ownership percentage of the associate.
9. Unrealized gains or losses on transactions between the Company and its

associates are eliminated to the extent of its interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

10. When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to "investments with the corresponding amount charged" or credited to "capital surplus." If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.
11. If the Company loses significant influence over an affiliate when it disposes of the affiliate, all amounts previously recognized in other comprehensive income related to the affiliate shall be accounted on the same basis as if the Company had directly disposed of such assets or liabilities. In other words, gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when such assets or liabilities are disposed of, then if the Company loses significant influence in an affiliate, such gains or losses are reclassified from equity to profit or loss. If there is still significant influence over the affiliate, transfer the amount previously recognized in other comprehensive income in proportion, based on the above method.
12. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in the standalone financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the standalone financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(15) Joint operation

With regards to the interest in joint operation, the Company recognizes its direct rights (and its share) on the joint operation's assets, liabilities, income and expenses, and has included them in the applicable items of the financial report.

(16) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost models and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the composition of property, plant and equipment is significant, the items shall be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting policies, changes in accounting estimates and errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	8-20 years
Transportation equipment	5 years
Office equipment	3-23 years
Leasehold improvements	Over the shorter of the lease term or useful life in years

(17) Leasing transaction of lessee - Right-of-use assets/lease liabilities

1. The Company recognizes lease assets as right-of-use assets and lease

liabilities at the commencement date of the lease. For short-term leases or leases of low value assets, lease payments are recognized as expenses using the straight-line method during the lease term.

2. On the commencement date, the Company measures lease liabilities by the present value of outstanding lease payments, using the Company's incremental borrowing rate. Lease payments include fixed payments less any lease incentives receivable.

In subsequent periods, the Company measures lease liabilities at amortized cost using the effective interest method and recognizes interest expense during the lease term. If the lease term or lease payment is changed due to reasons other than amendments to the lease contracts, the Company will remeasure the lease liabilities. The remeasurement amount is then recognized as an adjustment to the right-of-use assets.

3. The Company measures right-of-use assets at cost on the commencement date of the lease, and the costs include:

- (1) initial measurement amount of lease liabilities;
- (2) lease payments made at or before the commencement date;
- (3) initial direct cost;

The right-of-use assets are subsequently measured by adopting the cost model. The Company depreciates the right-of-use assets at the earlier of the right-of-use assets' useful life or the end of lease term. When remeasuring the lease liabilities, the remeasurement amount is recognized as an adjustment to the right-of-use assets.

4. For reduction of lease scope in lease modification, the lessee shall reduce the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease, and recognize the difference from the remeasurement amount of the lease liability in profit or loss.

(18) Investment properties

Investment properties are recognized at acquisition cost, and subsequently measured by adopting the cost model. Apart from land, they are depreciated using the straight-line method over their estimated useful lives of between 8 and 60 years.

(19) Intangible assets

Computer software is recognized as acquisition cost and is amortized on a straight-line basis using the estimated useful lives of 4 years.

(20) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(21) Borrowings

Refers to short-term borrowings from the banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(22) Accounts payable

1. Refers to accounts payable for purchases of raw materials, goods or services, and notes payable arising from operating and non-operating activities.
2. The short-term accounts and notes payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

The Company derecognizes a financial liability when the obligation under the liability specified in the contract is discharged, canceled, or expired.

(24) Offsetting of financial assets and liabilities

When there is a legally enforceable right to set-off the recognized financial assets and liabilities amount, and intend either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously, the financial assets and financial liabilities may be offset and the net amount presented on the balance sheet.

(25) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognized as expenses when the employees have rendered service.

2. Pensions

For defined contribution plans, the contributions shall be recognized as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognized as assets to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

3. Termination benefits

Termination benefits are the benefits provided when the employment of the employee is terminated before the normal retirement date or when the employee decides to accept the Company's offer of benefits in exchange for the termination of employment. The Company recognizes expenses when the offer of termination benefits can no longer be withdrawn or when the associated restructuring costs are recognized, whichever is earlier. Benefits not expected to be fully settled within 12 months after the balance sheet date shall be discounted.

4. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' remuneration is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the Board of Directors' resolution.

(26) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive

income or equity.

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For undistributed surplus earnings, an additional income tax shall be levied in accordance with the Income Tax Act. When the earnings distribution proposal is approved in the shareholders' meeting the following year after the surplus is generated, the income tax expense of the undistributed earnings shall be recognized based on the actual earnings distribution.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Deferment of unused income tax credit arising due to purchase of equipment or technologies, research and development expenditure and equity investment, is recognized as deferred tax assets and only if, it is considered probable that there will be sufficient future taxable profit against which the credit carried forward can be utilized.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

Sales of goods

The Company's main products are wool top, shrink-resistant wool top and shrink-resistant loose wool, etc. Sales revenues are recognized when the products are sold to the customers, based on the price stated in the contract.

5. Critical Accounting Judgments and Key Sources of Estimation And Uncertainty

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

(1) Key judgments of accounting policies adopted

None.

(2) Critical accounting estimates and assumptions

Impairment evaluation of equity method investments

When there are impairment indications that certain equity method investments could be impaired to its carrying amount and may not be recovered, the Company shall immediately evaluate the impairment of the investment. As of December 31, 2021, the Company did not recognize impairment loss.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty Cash	\$ 30	\$ 30
Demand deposit	188,121	91,106
Time deposits	230,000	430,000
	<u>\$ 418,151</u>	<u>\$ 521,136</u>

1. The Company transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets measured at amortized cost - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits	<u>\$ 20,000</u>	<u>\$ 20,000</u>

1. The Company's interest income recognized in profit or loss due to financial assets measured at amortized cost in 2021 and 2020 were NTD100 and NTD8,159 (column "Interest income") respectively.
2. Without taking into account the collaterals held or other credit enhancement, the maximum exposure to credit risk of financial assets measured at amortized cost that best represent the Company as of 31 December 2021 and 2020, were NTD20,000 and NTD20,000 respectively.
3. The Company has no financial assets measured at amortized cost pledged to others as of December 31, 2021 and 2020.

(3) Net notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	<u>\$ 260</u>	<u>\$ 845</u>
Accounts receivable	\$ 2,615	\$ 10,952
Less: Loss provisions	<u>-</u>	<u>(68)</u>
	<u>\$ 2,615</u>	<u>\$ 10,884</u>

1. The Company's notes and accounts receivable are not overdue.
2. The Company's notes and accounts receivable balances as of December 31, 2021 and 2020 arise from customers' contracts, and the balance of accounts receivable from customer contracts on January 1, 2020 was NTD7,696.
3. As of December 31, 2021 and 2020, the Company does not have pledged notes and accounts receivable.
4. Without taking into account the collaterals held or other credit enhancement, the maximum exposure to credit risk of notes accounts receivable that best represent the Company as of 31 December 2021 and 2020, were NTD2,875 and NTD11,729 respectively.
5. For details of the credit risk of the relevant notes receivable and accounts

receivable, please refer to Note 12(2).

(4) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Joint operation - construction land	\$ 851,534	\$ 214,937
Joint operation - prepayment for land purchase	-	28,192
	<u>\$ 851,534</u>	<u>\$ 243,129</u>

1. Inventory as of December 31, 2021 and 2020 is the share recognized by the Company's participation in joint operations according to the proportion of holdings, please refer to Note 6(5) for details.
2. The cost of inventories recognized as expense by the Company in 2021 and 2020 were NTD78,771 and NTD114,888 respectively.
3. The Company's interest capitalization on inventory for 2021 and 2020 were NTD7,071 and NTD56, and the capitalization rates were 1.80%~1.83% and 1.80% respectively.
4. For the Company's pledged inventories, please refer to Note 8.

(5) Joint operation

1. In 2021, the Company signed a construction joint venture contract with five other companies, adopting the joint operation arrangement. With regards to the interest in the joint operation, the Company recognizes its direct rights (and its share) on the joint operation's assets, liabilities, income and expenses, and has included them in the applicable items of the financial report. The relevant information is as follows:

<u>Project name</u>	<u>Holding ratio</u>	<u>Co-builder</u>	<u>Explanation</u>
Neihu Jiuzhong Project	10%	5 companies including Kuo Yang Construction Co., Ltd.	Neihu District, Taipei City
Tucheng Zhongyi Project	10%	5 companies including Kuo Yang Construction Co., Ltd.	Tucheng District, New Taipei City
Sanchong Zhongxing Project	15%	Kuo Yang Construction Co., Ltd.	Sanchong District, New Taipei City

2. Summary of the Company's share in the joint operation is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance Sheet		
Current assets		

Inventories	\$ 851,534	\$ 243,129
Other current assets	58,386	12,911
	909,920	256,040
Total assets	<u>\$ 909,920</u>	<u>\$ 256,040</u>
	December 31, 2021	December 31, 2020
Current liabilities		
Short-term borrowings	\$ 607,820	\$ 157,000
Other current liabilities	1,411	4,038
	609,231	161,038
Total liabilities	<u>\$ 609,231</u>	<u>\$ 161,038</u>
	2021	2020
<u>Statement of Comprehensive Income</u>		
Revenue	\$ 1,514	\$ 2
Fees	(\$ 475)	\$ -
Non-operating income and expenses	\$ 8	\$ -

(6) Financial assets measured at fair value through other comprehensive income - non-current

	December 31, 2021	December 31, 2020
Equity instruments		
TWSE and TPEx stocks	\$ 218,814	\$ 218,814
Valuation adjustment	(107,882)	(47,376)
	<u>\$ 110,932</u>	<u>\$ 171,438</u>

1. The Company chooses to classify equity instruments investments that are strategic investments and that will receive stable dividend as financial assets measured at fair value through other comprehensive income; the fair values of these investments as of December 31, 2021 and 2020, were NTD110,932 and NTD171,438 respectively.
2. Details of financial assets measured at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

	2021	2020
<u>Investments in equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other (	<u>\$ 60,506)</u>	<u>\$ 47,376</u>

comprehensive income		
Dividend income recognized in profit and loss		
Derecognized during the period	\$ 9,056	\$ 13,200

3. Without taking into account the collaterals held or other credit enhancement, the maximum exposure to credit risk of financial assets measured at fair value through other comprehensive income that best represent the Company as of December 31, 2021 and 2020, were NTD110,932 and NTD171,438 respectively.
 4. The Company has no financial assets measured at fair value through other comprehensive income pledged to others.
 5. For details regarding credit risk of financial assets measured at fair value through other comprehensive income, please refer to Note 12(2).
- (7) Investments recognized under the equity method

	2021	2020
January 1	\$ 1,227,041	\$ 536,582
Increase in equity method investments	-	822,875
Disposal of equity method investments	- (	57,656)
Income (losses) from equity investments under the equity method	149,561	4,600
Impairment loss of equity method investments	- (	249,390)
Change in capital surplus	134,307	2,028
Other changes in equity interest	(165,970)	168,002
December 31	\$ 1,344,939	\$ 1,227,041

For impairment loss of equity method investments, please refer to Note 6(20).

	December 31, 2021	December 31, 2020
<u>Subsidiaries</u>		
HCW Investment Co., Ltd.	\$ 483,370	\$ 562,974
<u>Associate</u>		
Hanshin Shopping Plaza Co., Ltd.	753,975	520,684
Jollify4ever Ltd.	67,326	143,383
Xin Xi Venture Co., Ltd.	40,268	-
	\$ 1,344,939	\$ 1,227,041

1. For information of subsidiaries, please refer to the Company's 2021 Consolidate Financial Statements Note 4(3).
2. Associate

(1) Basic information of the Company's significant affiliates:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Measurement method
		December 31, 2021	December 31, 2020		
Hanshin Shopping Plaza Co., Ltd.	Taiwan	16.00%	20.00%	Associate	Equity method
Jollify4ever Ltd.	Taiwan	Not applicable.	46.83%	Associate	Equity method

(2) Summary of the financial information of the Company's significant affiliates:

Balance Sheet

	Hanshin Shopping Plaza Co., Ltd.	
	December 31, 2021	December 31, 2020
Current assets	\$ 2,134,400	\$ 1,870,589
Non-current assets	9,785,432	8,947,422
Current liabilities	(2,344,037)	(2,014,108)
Non-current liabilities	(6,954,504)	(7,678,768)
Total net assets	<u>\$ 2,621,291</u>	<u>\$ 1,125,135</u>
Share of affiliates' net assets	\$ 458,318	\$ 225,027
Goodwill	295,657	295,657
Affiliates' book value	<u>\$ 753,975</u>	<u>\$ 520,684</u>

	Jollify4ever Ltd.	
	December 31, 2020	
Current assets	\$ 202,767	
Non-current assets	222,994	
Current liabilities	(96,632)	
Non-current liabilities	(22,932)	
Total net assets	<u>\$ 306,197</u>	
Share of affiliates' net assets	\$ 143,383	
Affiliates' book value	<u>\$ 143,383</u>	

Statement of Comprehensive Income

	Hanshin Shopping Plaza Co., Ltd.	
	2021	2020
Revenue	<u>\$ 3,071,114</u>	<u>\$ 3,104,884</u>
Net loss of continuing operations for the period	\$ 999,015	\$ 854,905
Other comprehensive income (net income after tax)	(322,909)	984,310
Total comprehensive income for the period	<u>\$ 676,106</u>	<u>\$ 1,839,215</u>

	Jollify4ever Ltd.	
	2020	
Revenue	<u>\$ 99,943</u>	
Net loss of continuing operations for the period	(\$ 80,363)	

Other comprehensive income (net income after tax)	12,009
Total comprehensive income for the period	(\$ 68,354)

- (3) As of December 31, 2021, the carrying amount of the Company's individual insignificant affiliates was NTD107,594, and the share of its operating results are as follows:

	2021
Net loss of continuing operations for the period	(\$ 40,851)
Other comprehensive income (net income after tax)	5,069
Total comprehensive income for the period	(\$ 35,782)

3. It was approved in the shareholders' meeting held in November 2021, that Jollify4ever Ltd. will conduct a capital reduction through split-up. A business value of NTD80,000 was transferred from Jollify4ever Ltd. to the newly established company, Xin Xi Venture Co., Ltd., held by the original shareholders according to the shareholding ratio. The Company hence obtained 46.83% shares of Xin Xi Venture Co., Ltd, becoming the company's single largest shareholder. As a shareholders' agreement is signed among other shareholders (non-related party), it indicates that the Company does not have the actual ability to direct the relevant activities, hence it is assessed that there is no control but significant influence over the company.
4. In May 2020, Jollify4ever Ltd. conducted a cash capital increase; the Company did not subscribe in proportion to its shareholding, and thus its shareholding in Jollify4ever Ltd. dropped from 47.64% to 46.83%. The Company is the company's single largest shareholder. As a shareholders' agreement is signed among other shareholders (non-related party), it indicates that the Company does not have the actual ability to direct the relevant activities, hence it is assessed that there is no control but significant influence over the company.
5. In 2020, the Company assessed that the equity investment in Jollify4ever Ltd has been impaired. The recoverable amount is based on the comparable companies of the market approach, and the fair value less disposal cost of these investments are assessed to be Level 3 fair value, hence an impairment loss of NTD249,390 was recognized under "Other gains and losses".
6. In October 2020, the Company participated in the capital increase by cash of its related party, Hanshin Shopping Plaza Co., Ltd., and obtained 20% shareholding, please refer to Note 7(3)for details.

(8) Property, plant and equipment

1. The details are as follows:

	2021					
	Land	Buildings and structures	Office equipment	Total		
January 1						
Cost	\$ 61	\$ 310	\$ 1,537	\$ 1,908		
Accumulated depreciation and impairment	-	(296)	(1,396)	(1,692)		
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 141</u>	<u>\$ 216</u>		
January 1	\$ 61	\$ 14	\$ 141	\$ 216		
Depreciation	-	-	24	(24)		
December 31	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 117</u>	<u>\$ 192</u>		
December 31						
Cost	\$ 61	\$ 310	\$ 1,537	\$ 1,908		
Accumulated depreciation and impairment	-	(296)	1,420	(1,716)		
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 117</u>	<u>\$ 192</u>		
	109					
	Land	Buildings and structures	Transportation equipment	Office equipment	Leasehold improvements	Total
January 1						
Cost	\$ 61	\$ 310	\$ 622	\$ 1,642	\$ 1,898	\$ 4,533
Accumulated depreciation and impairment	-	(296)	(78)	(1,470)	(369)	(2,213)
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ 544</u>	<u>\$ 172</u>	<u>\$ 1,529</u>	<u>\$ 2,320</u>
January 1	\$ 61	\$ 14	\$ 544	\$ 172	\$ 1,529	\$ 2,320
Addition	-	-	-	148	-	148
Disposal	-	-	(544)	(147)	(1,476)	(2,167)
Depreciation	-	-	-	(32)	(53)	(85)
December 31	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ -</u>	<u>\$ 216</u>
December 31						
Cost	\$ 61	\$ 310	\$ -	\$ 1,537	\$ -	\$ 1,908
Accumulated depreciation and impairment	-	(296)	-	(1,396)	-	(1,692)
	<u>\$ 61</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ -</u>	<u>\$ 216</u>

2. The Company's property, plant and equipment are not pledged.

3. As the trust deeds of the Company's lands, properties and buildings are signed with the banks, the ownerships are recorded under the banks.

(9) Leasing - lessee

1. The underlying assets of the Company's leases include office equipment, buildings and transportation equipment, and the terms of the leases are normally 3 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
2. The information of the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Office equipment	<u>\$ 46</u>	<u>\$ 79</u>
	<u>2021</u>	<u>2020</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Office equipment	\$ 33	\$ 32
Buildings and structures	-	247
	<u>\$ 33</u>	<u>\$ 279</u>

3. The Company's acquisition of right-of-use assets in 2021 and 2020 were NTD0.

4. The information on the lease contract affecting profit or loss is as follows:

	2021	2020
<u>Items affecting current profit or loss</u>		
Interest expense from lease liabilities	\$ 1	\$ 15
Expense of short-term leases	-	24
Lease modification gain	-	46

5. The cash flows used in the lease payments of the Company in 2021 and 2020 amounted to NTD34 and NTD314 respectively.

(10) Investment properties

1. Investment properties refers to the Company's own investments properties. The Company signs commercial lease agreements for its investments properties, and the duration of the lease contract is normally not more than 1 year. The lease contract includes a clause that adjusts the lease amount according to the market environment each year. The details are as follows:

	2021		
	Land	Buildings and structures	Total
January 1	\$ 72,160	\$ 61,420	\$ 133,580
Depreciation	-	(2,071)	(2,071)
December 31	<u>\$ 72,160</u>	<u>\$ 59,349</u>	<u>\$ 131,509</u>

	2020		
	Land	Buildings and structures	Total
January 1	\$ 72,160	\$ 54,409	\$ 126,569
Addition	-	2,192	2,192
Depreciation	-	(1,913)	(1,913)
Transfer	-	6,732	6,732
December 31	<u>\$ 72,160</u>	<u>\$ 61,420</u>	<u>\$ 133,580</u>

2. Lease income and direct operating expenses from investments properties:

	2021	2020
Lease income from investments properties	<u>\$ 2,195</u>	<u>\$ 1,763</u>
Direct operating expenses arising from investments properties that generate lease income during current period	<u>\$ 493</u>	<u>\$ 329</u>
Direct operating expenses arising from investments properties that do not generate lease income during current period	<u>\$ 2,508</u>	<u>\$ 2,632</u>

3. The fair values of investments properties held by the Company as of December 31, 2021 and 2020, were NTD209,880 and NTD208,487 respectively, based on the assessment results of independent evaluation experts where the income approach were adopted, and they belong to Level 3 fair value; the main assumptions are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Capitalization rate	1.20%~1.50%	1.20%~1.60%

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured loans	<u>\$ 607,820</u>	1.80%~1.83%	Construction land
<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured loans	<u>\$ 157,000</u>	1.80%	Construction land

1. The secured loan is the share recognized by the Company's participation in joint operation according to its holding ratio, please refer to Note 6(5) for details.
2. Interest expense recognized in 2021 and 2020 profit or loss were NTD0.

(12) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan in accordance with the Labor Pension Act, covering all employees with R.O.C. nationality. Under the labor pension system established under the Labor Pension Act which the employees opt for, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts. The principal and accrued dividends from an employee's individual account are paid monthly or in lump sum upon retirement of an employee.

The pension costs recognized by the Company in accordance with the above pension plan were NTD548 and NTD625 for 2021 and 2020 respectively.

(13) Share capital

The Company's authorized capital as of December 31, 2021 and 2020, were both NTD1,100,000, divided into 110,000 thousand shares to be issued in

installment; the paid-in capital is NTD920,000, at NTD10 per share. All proceeds from the Company's issued shares have been received.

(14) Capital surplus

In accordance with the Company Act, capital surplus from the income derived from the issuance of new shares at a premium and the income from endowments received by the company, besides being used for offsetting its loss, shall be distributed to the shareholders by issuing new shares or cash in proportion to the number of shares being held if the company incurs no loss. And in accordance with the Securities and Exchange Act, the amount of capital surplus to be capitalized per year shall not be more than 10% of the paid-in capital. The company shall not use the capital surplus to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Treasury shares transaction	\$ 8,516	\$ 8,516
Disposal of equity instruments by associates at fair value through other comprehensive income	11,286	-
Changes in equity of associates	125,049	2,028
Others	170	170
	<u>\$ 145,021</u>	<u>\$ 10,714</u>

(15) Retained earnings

1. In accordance with the Company's Articles of Incorporation, the Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. And if there is still surplus after appropriating or reversing the special reserve according to the law, the board of directors shall, according to the dividend policy, draft an earnings distribution proposal by combining it with the undistributed surplus at the beginning of the period. If the distribution is in the form of new shares issuance, it shall be submitted to the shareholders' meeting for approval; if it is in the form of cash, it shall be approved by a majority vote at a board meeting attended by over two-thirds of the directors, and reported to the shareholders' meeting.
2. Amendment to the Articles of Incorporation was approved in the shareholders' meeting on June 24, 2020. Based on the earnings distribution policy of the Articles of Incorporation, earnings distribution or loss offsetting proposal may be proposed at the close of each quarter in accordance with the Company Act. During the earnings distribution, the Company shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside, and according to the relevant laws and regulations, allocate or reverse special reserve. When the earnings distribution is in the form of new shares issuance, it shall be approved by the shareholders' meeting in accordance with Article 240 of the Company Act; if it is in the form of cash issuance, it shall be approved by the board of directors.
3. The Company's dividend distribution policy shall consider the Company's current and future investment environment, capital needs, domestic and foreign competition, capital budget and other factors, and take into consideration the interests of the shareholders, balanced dividend and the

Company's long-term financial planning. If the distribution is a combination of shares and cash, the cash dividend shall not be less than 20% of the total dividend.

4. According to the Company Act, legal reserve shall be appropriated until the total amount reaches the total capital. Legal reserves shall not be used except for offsetting the Company's loss and issuing new shares or cash based on the proportion of the shareholders' original shares. However, where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.
5. When distributing earnings, the Company shall, according to the law, set aside a special reserve, equal to the debit balance which happens at the current balance sheet date on other equity items. When the debit balance on other equity interest items is reversed subsequently, the reversed amount may be included in the distributable earnings.

During the first-time adoption of IFRSs, for special reserve set aside according to Letter Jin-Guan-Zheng-Fa-Zi No.1010012865 dated April 6, 2021, the Company shall reverse the proportion of special reserve previously set aside for subsequent use, disposal or reclassification of the relevant assets.

6. With the approval of the board of directors on March 25, 2021, there would be no earnings distribution for 2020. The Company's 2019 earnings distribution proposals have been approved in the shareholders' meeting held on June 24, 2020:

	2020		2019	
	Amount	Dividends per share (NTD)	Amount	Dividends per share (NTD)
Legal reserve	\$ -		\$ 116,640	
(Reversal) of special reserve	-		(47)	
Cash dividends	-	\$ -	460,000	\$ 5.00

7. The Company's 2020 earnings distribution proposals have been approved in the board meeting held on March 23, 2022:

	2021	
	Amount	Dividends per share (NTD)
Legal reserve	\$ 15,236	
Cash dividends	18,400	\$ 0.20

(16) Other equity interest items

	2021		2020	
	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
January 1	\$	133,334	\$	7,506
Valuation adjustment:				
– The Company	(	60,506)	(	47,376)
– Subsidiaries	(	119,146)		160,152
– Associate	(	39,192)		7,850
Valuation adjustment transferred to retained earnings				
– Subsidiaries	(	42,041)		2,869
– Associate		10,322		2,333
December 31	(\$	117,229)	\$	133,334

(17) Revenue

	2021	2020
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Revenue from contracts with customers		
Income from sale of merchandise	\$ 75,450	\$ 111,368
Rental income	3,349	1,763
	<u>\$ 78,799</u>	<u>\$ 113,131</u>

1. Revenue from contracts with customers of the Company arises from a point-in-time transfer, amounting to NTD75,450 and NTD111,368 for 2021 and 2020 respectively.

2. As of December 31, 2021 and 2020, there was no recognition of contract assets and contract liabilities related to revenue from contracts with customers by the Company.

(18) Interest income

	2021	2020
Interest income from bank deposits	\$ 1,171	\$ 4,753
Interest income from financial assets measured at amortized cost	100	8,159
	<u>\$ 1,271</u>	<u>\$ 12,912</u>

(19) Other income

	2021	2020
Dividend income	\$ 9,056	\$ 13,651
Other income - others	523	26,889
	<u>\$ 9,579</u>	<u>\$ 40,540</u>

(20) Other gains and losses

	2021	2020
Gain (loss) from financial assets measured at fair value through profit or loss	\$ 2,491	(\$ 795)
Foreign exchange gain (loss)	172	(18,111)
Gains from disposal of equity-accounted investments	-	3,617
Loss from disposal of property, plant and equipment	-	(1,590)
Impairment loss of equity method investments	-	(249,390)
Other gains and losses	(12)	(85)
	<u>\$ 2,651</u>	<u>(\$ 266,354)</u>

(21) Finance costs

	2021	2020
Interest expenses from deposit	\$ 3	\$ 3

Interest expense from lease liabilities	1	15
Others	<u>1</u>	<u>-</u>
	<u>\$ 5</u>	<u>\$ 18</u>

(22) Additional information on expenses

2021			
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	\$ -	\$ 20,689	\$ 20,689
Depreciation	2,071	57	2,128
Amortization expense	-	6	6
	<u>\$ 2,071</u>	<u>\$ 20,752</u>	<u>\$ 22,823</u>

2020			
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	\$ -	\$ 19,930	\$ 19,930
Depreciation	1,913	364	2,277
Amortization expense	-	14	14
	<u>\$ 1,913</u>	<u>\$ 20,308</u>	<u>\$ 22,221</u>

(23) Employee benefit expenses

	2021	2020
Wages and salaries	\$ 10,238	\$ 11,081
Directors' remuneration	8,303	7,141
Labor and health insurance fees	1,050	1,061
Other personnel expenses	550	22
Pension expenses	548	625
	<u>\$ 20,689</u>	<u>\$ 19,930</u>

1. In accordance with the Company's Articles of Incorporation, the Company shall distribute employee's remuneration between zero point five percent (0.5%) and five percent (5%) and distribute directors' remuneration no higher than two percent (2%) of the distributed earnings covering accumulated losses.
2. The Company's 2021 and 2020 estimated employee remuneration were NTD683 and NTD0 respectively; and estimated directors' remunerations were NTD683 and NTD0 respectively.

2021 employees' remuneration and directors' remuneration are estimated at 1% based on the year's profitability. It is resolved in the board meeting that NTD683 and NTD683 will be distributed respectively, where employees' remuneration will be distributed in cash.

As there was a loss before tax in 2020, employee remuneration and directors and supervisors' remuneration were not allocated and distributed.

Information on employees' remuneration and directors' remuneration of the Company as resolved by the board of directors is posted in the Market Observation Post System.

(24) Income tax

1. Income tax expense

Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Prior years' income tax underestimates	\$ 6,834	\$ -
Deferred tax:		
Origination and reversal of temporary differences	33	5,389
Income tax expense	<u>\$ 6,867</u>	<u>\$ 5,389</u>

2. Relationship between income tax expense and accounting profit

	<u>2021</u>	<u>2020</u>
Income tax on net profit before tax calculated at statutory tax rate	\$ 27,028	(\$ 47,627)
Expenses and losses to be excluded according to the tax law	-	49,878
Tax-exempted income according to the tax law	(32,231)	(4,418)
Tax loss not recognized as deferred income tax assets	5,236	7,556
Prior years' income tax overestimates and underestimates	6,834	-
Income tax expense	<u>\$ 6,867</u>	<u>\$ 5,389</u>

3. Deferred income tax assets or liabilities due to temporary difference, tax loss and investment credit:

	<u>2021</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
<u>Deferred income tax assets</u>				
Investments properties impairment loss	\$ 338	\$ -	\$ -	\$ 338
Unrealized exchange loss	90	(33)	-	57
	<u>\$ 428</u>	<u>(\$ 33)</u>	<u>\$ -</u>	<u>\$ 395</u>
<u>Deferred income tax liabilities</u>				
Financial assets valuation	(\$ 13)	\$ -	\$ -	(\$ 13)
	<u>\$ 415</u>	<u>(\$ 33)</u>	<u>\$ -</u>	<u>\$ 382</u>

2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred income tax assets</u>				
Investments properties impairment loss	\$ 338	\$ -	\$ -	\$ 338
Unrealized exchange loss	5,638	(5,548)	-	90
	<u>\$ 5,976</u>	<u>(\$ 5,548)</u>	<u>\$ -</u>	<u>\$ 428</u>
<u>Deferred income tax liabilities</u>				
Financial assets valuation (	\$ 172)	\$ 159	-	(\$ 13)
	<u>\$ 5,804</u>	<u>(\$ 5,389)</u>	<u>\$ -</u>	<u>\$ \$415</u>

4. Validity date of the Company's unused tax loss and unrecognized deferred income tax asset amount:

December 31, 2021				
Year occurred	Declared amount/approve d amount	Amount yet to be deducted	Unrecognized deferred income tax asset amount	Final deduction year
2018	\$ 59,130	\$ 24,080	\$ 24,080	2028
2020	37,594	37,594	37,594	2030
2021	26,178	26,178	26,178	2031
	<u>\$ 122,902</u>	<u>\$ 87,852</u>	<u>\$ 87,852</u>	

December 31, 2020				
Year occurred	Declared amount/approve d amount	Amount yet to be deducted	Unrecognized deferred income tax asset amount	Final deduction year
2018	\$ 59,130	\$ 24,080	\$ 24,080	2028
2020	37,780	37,780	37,780	2030
	<u>\$ 96,910</u>	<u>\$ 61,860</u>	<u>\$ 61,860</u>	

5. Deductible temporary differences not recognized as deferred tax assets

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 87,944</u>	<u>\$ 61,952</u>

6. The income tax returns of the Company have been assessed and approved through 2019 by the Tax Authority.

(25) Earnings (loss) per share

	2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (NTD)
<u>Basic (diluted) earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent	\$ 128,274	92,000	\$ 1.39
<u>Diluted earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent	\$ 128,274	92,000	
Effect of dilutive potential ordinary shares on employee remuneration	-	29	
Current net profit attributable to ordinary shareholders of the parent plus effect of potential ordinary shares	\$ 128,274	92,029	\$ 1.39

	2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (NTD)
<u>Basic (diluted) loss per share</u>			
Current loss attributable to ordinary shareholders of the parent	(\$ 243,523)	\$ 92,000	(\$ 2.65)

(26) Changes in liabilities from financing activities

	2021			
	Short-term borrowing s	Lease liabilities	Deposits received	Total liabilities from financing activities
January 1	\$ 157,000	\$ 80	\$ 378	\$ 157,458
Change in cash flow from financing activities	450,820	(33)	245	451,032
Interest expense payment (Note)	-	(1)	-	(1)
Other non-cash changes	-	1	-	1
December 31	\$ 607,820	\$ 47	\$ 623	\$ 608,490

2020

	Short-term borrowing s	Stock dividends payable	Lease liabilities	Deposits received	Total liabilities from financing activities
January 1	\$ -	\$ -	\$ 4,220	\$ 294	\$ 4,514
Change in cash flow from financing activities	157,000	(460,000)	(275)	84	(303,191)
Interest expense payment (Note)	-	-	(15)	-	(15)
Other non-cash changes	-	460,000	(3,850)	-	456,150
December 31	<u>\$ 157,000</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ 378</u>	<u>\$ 157,458</u>

Note: Table shows cash flows from operating activities.

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Hanshin Asset Management Co., Ltd.	The Company's ultimate parent company
Roo Hsing Co., Ltd.	Same person as the Chairman of the Company (Note)
Hanshin Shopping Plaza Co., Ltd.	Same person as the Chairman of the Company
Hanshin Department Store Co., Ltd.	Same person as the Chairman of the Company
HCW Investment Co., Ltd.	A subsidiary of the Company
Kuo Yang Construction Co., Ltd.	Other related parties
Hi-Lai Foods Co., Ltd.	Other related parties
Grand Hi-Lai Hotel Co., Ltd.	Other related parties

Note: A new Chairman was elected in February 2020, and this relationship has terminated.

(2) Significant related party transactions

1. Administrative expenses

	2021	2020
Hanshin Asset Management Co., Ltd.	<u>\$ 2,244</u>	<u>\$ 2,452</u>

2. Other receivables - related parties

	December 31, 2020
Kuo Yang Construction Co., Ltd. (capital reduction amount receivable)	<u>\$ 37,722</u>

No related transactions in 2021.

3. Property transactions

(1) Disposal of property, plant and equipment

	2020
	Disposal price (exclude tax)
Roo Hsing Co., Ltd.	<u>\$ 560</u>
	Disposal profit
	<u>\$ 16</u>

No related transactions in 2021.

(2) Acquisition of financial assets

<u>Account item</u>	<u>Number of shares transacted</u>	<u>Transaction object</u>	<u>2020 Acquisition price</u>
Investments recognized under the equity method	8,000 thousand shares	Shares	<u>\$ 480,000</u>

In September 2020, the Company participated in the capital increase by cash of Hanshin Shopping Plaza Co., Ltd., and there were no related transactions in 2021.

4. Refundable deposits

	<u>2021</u>	<u>2020</u>
Hanshin Asset Management Co., Ltd.	<u>\$ 392</u>	<u>\$ 392</u>

(3) Key management compensation

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	<u>\$ 13,868</u>	<u>\$ 12,848</u>

8. Mortgaged (pledged) assets

The Company's pledged assets are as follows:

<u>Pledged assets</u>	<u>Carrying value</u>		<u>Collateral purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Inventory - construction land	<u>\$ 797,906</u>	<u>\$ 214,937</u>	Short-term borrowings

9. Significant commitments and contingent liabilities

N/A

10. Significant disaster loss

N/A

11. Significant subsequent events

N/A

12. Others

(1) Capital management

The objective of the Company's capital management is to maintain a sound credit rating and a good capital ratio to support the business operations and maximize shareholders equity. The Company manages and adjusts the capital structure according to the economic situation, and may adjust the dividend payment, return the capital or issue new shares to attain such objectives.

(2) Financial instruments

1. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets measured mandatorily at fair value through profit or loss	\$ -	\$ 18,978
Financial assets measured at fair value through other comprehensive income		
Designated equity instruments investments	\$ 110,932	\$ 171,438

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 418,151	\$ 521,136
Financial assets measured at amortized cost	20,000	20,000
Notes receivable	260	845
Net accounts receivable	2,615	10,884
Other receivables	43	37,828
Refundable deposits	396	407
	<u>\$ 441,465</u>	<u>\$ 591,100</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 607,820	\$ 157,000
Accounts payable	2,595	2,800
Other payables	8,571	13,674
Deposits received	623	378
	<u>\$ 619,609</u>	<u>\$ 173,852</u>
Lease liabilities	<u>\$ 47</u>	<u>\$ 80</u>

2. Risk management policies

- (1) The Company's financial risk management objectives are mainly to manage operating activities related market risk, credit risk and liquidity risk. The Company conducts the above risk identification, measurement and management based on the Company's policies and risk preferences.
- (2) Pertaining to the above mentioned financial risk management, the Company has, according to the relevant laws and regulations, established appropriate policies, procedures and internal control; important financial activities have to be approved by the board of directors according to the relevant regulations and internal control system. During the execution of the financial management activities, the Company needs to strictly abide by the relevant regulations of financial risk management.
- (3) The Company has not undertaken any derivative tools to hedge financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. The exchange rate risks the Company is exposed to mainly arise from transactions in USD, which is different from the functional currencies of the Company. The exchange rate risks are from future business transactions and assets and liabilities that have been recognized.
- B. The Company's management has set up policies requiring the Company to manage its foreign exchange risk against its functional currencies.

C. As the Company's businesses involve some non-functional currency operations (the functional currency of the Company is NTD), it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,069	27.68	\$ 29,590

(Foreign currency: functional currency)	December 31, 2020		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 961	28.48	\$ 27,369

D. The aggregate amounts of all exchange gains and losses (including realized and unrealized) recognized in 2021 and 2020 due to significant impact of exchange rate fluctuations on monetary items of the Company were NTD172 and (NTD18,111) respectively.

E. The Company's foreign currency risk analysis due to significant exchange rate fluctuations is as follows:

The exchange risks between USD and NTD are mainly due to foreign exchange loss or gain arising from translation of US dollar-denominated cash and cash equivalents, accounts receivables, etc. If NTD depreciates or appreciates by 1% against US\$, and all other factors remain unchanged, the net profit in 2021 and 2020 will increase or decrease by NTD296 and NTD274 respectively.

Price risk

A. The Company's equity instruments exposed to price risk are financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Company manages the price risk of equity securities by diversifying investments and setting limits for single and overall equity investment. Information of the equity securities portfolio is to be regularly provided to the Company's top management, and the board of directors are to review all equity securities investment decisions and approve the diversification of its investment portfolio.

B. The Company mainly invests in equity instruments and beneficiary certificates issued by domestic companies, and the price of such equity instruments is affected by the uncertainty of the future value of the investment target. If the price of these equity instruments and beneficiary certificates increases or decreases by 1%, with other factors remaining unchanged, 2021 and 2020 net profit after tax will increase or decrease by NTD0 and NTD190 respectively due to gain or loss from equity instrument and beneficiary certificate measured at fair value through profit or loss; and other comprehensive income will increase or decrease by NTD1,109 and NTD1,714 respectively due to gain or loss from equity investment at fair value through other comprehensive income.

Interest rate risk for cash flow and fair value

The Company's main investments are equity instruments and beneficiary certificates, and no interest-bearing debt instruments have been acquired or issued; upon assessment, there is no significant interest risk.

(2) Credit risk

A. The Company's credit risk is the risk of financial loss to the Company due to the inability of customers or the counterparties to financial instruments in performing their contractual obligations, mainly from the inability of counterparties in settling the accounts receivable based on the payment terms, and contractual cash flow from investments classified as debt instruments measured at amortized cost.

B. All units of the Company manage credit risk in accordance with the credit risk policies, procedures and controls. The credit risk assessment of all customers is based on the comprehensive consideration of factors such as the customer's financial status, ratings from credit rating agencies, experiences from historical transactions, current economic environment and the Company's internal rating standards.

C. The Company's Finance and Accounting Department manages the credit risk of bank deposit, fixed-income securities and other financial instruments in accordance with the Group's policies. As the Company's trading partners are determined by internal control procedures, and they are banks with good credit ratings and financial

institutions with investment grade, corporate organizations and government agencies, there is no critical credit risk.

- D. According to the credit risk management of the Company, when the contract payment is overdue for more than 90 days according to the agreed payment terms, it is regarded as a default.
- E. The Company adopts IFRS9's presumption that the credit risk of the financial asset has increased significantly since its initial recognition when contractual payments are more than 30 days past due.
- F. Also, the Company writes off financial assets when it assesses that recovery of financial assets cannot reasonably be expected (such as significant financial difficulties of the issuer or debtor, or bankruptcy).
- G. The Company will group the customers' accounts receivables according to factors such as counterparties' credit rating, geographical region and industry, and use a simplified approach to estimate the expected credit losses based on a provision matrix. The relevant information is as follows:

	<u>Not overdue</u>	<u>30 days overdue</u>	<u>60 days overdue</u>	<u>90 days overdue</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected loss rate	0%~1%				
Total book value	\$ 2,615	\$ -	\$ -	\$ -	\$ 2,615
Loss provisions	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Not overdue</u>	<u>30 days overdue</u>	<u>60 days overdue</u>	<u>90 days overdue</u>	<u>Total</u>
<u>December 31, 2020</u>					
Expected loss rate	0%~1%				
Total book value	\$ 10,952	\$ -	\$ -	\$ -	\$ 10,952
Loss provisions	\$ 68	\$ -	\$ -	\$ -	\$ 68

	<u>2021</u>	<u>108</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 68	\$ 78
Reversal of impairment loss	(68)	(10)
December 31	<u>\$ -</u>	<u>\$ 68</u>

(3) Liquidity risk

- A. Cash flow forecasting is performed by each Group entity and aggregated by the Group's Finance and Accounting Department. The Group's Finance and Accounting Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- B. The Company invests the remaining funds in interest-bearing demand deposits, time deposits and marketable securities, and the selected instruments have an appropriate maturity date or sufficient liquidity to meet the above forecast and provide sufficient fund dispatching levels.
- C. The following table shows the Company's non-derivative financial liabilities grouped according to the relevant maturity date, and the analysis is based on the remaining period from the balance sheet date to the contract maturity date. Except for accounts payable, other payables and deposits received, whose undiscounted contractual cash flow amounts are approximately equal to their book values and are due within one year, the details of the undiscounted contractual cash flow amounts of the remaining financial liabilities are as follows:

Non-derivative financial liabilities:

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years
Short-term borrowings	\$ 10,984	\$ 10,984	\$ 248,884	\$ 383,324
Lease liabilities	34	13	-	-

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years
Short-term borrowings	\$ 2,826	\$ 2,826	\$ 2,826	\$ 159,826
Lease liabilities	33	33	13	-

- D. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly

earlier, nor expect the actual cash flow amount would be significantly different.

(3) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the TWSE and TPEx shares, beneficiary certificates and popular Taiwan central government bonds invested by the Company belongs to this level.

Level 2: Direct or indirect observable inputs of assets or liabilities, other than quoted prices included in Level 1.

Level 3: Unobservable inputs for the asset or liability. The Company's investment in equity instruments with no active market belongs to this.

2. For information on the fair value of investment properties measured at cost, please refer to Note 6(10).

3. Financial instruments not measured at fair value

The carrying amount of the Company's cash and cash equivalents, notes receivable, accounts receivables, other receivables, refundable deposits, short-term borrowings, accounts payable, other payables and deposits received is a reasonable approximation of fair value.

4. Financial instruments measured at fair value and non-financial instruments are classified by the Company based on the nature, characteristics and risk of the assets and liabilities, and the level of fair value; the relevant information is as follows:

(1) The Company classifies based on the nature of the assets and liabilities as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets				

measured at fair value through other comprehensive income				
Equity securities	\$ 110,932	-	-	\$ 110,932
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets measured at fair value through profit or loss				
Equity securities	\$ 9,688	\$ -	\$ -	\$ 9,688
Beneficiary certificate	9,290	-	-	9,290
Subtotal	<u>18,978</u>	<u>-</u>	<u>-</u>	<u>18,978</u>
Financial assets measured at fair value through other comprehensive income				
Equity securities	171,438	-	-	171,438
	<u>\$ 190,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,416</u>

(2) The methods and assumptions that the Company used to measure the fair value are as follows:

The Company adopts the quoted market price as the input value of fair value (i.e., Level 1), which is classified based on the characteristics of the instrument as follows:

	<u>TWSE (TPEX) stocks</u>	<u>Beneficiary certificate</u>
Market price	Closing price	Net worth

5. For 2021 and 2020, there was no transfer between Level 1 and Level 2 by the Company.
6. The Company is responsible for conducting fair value verification, using independent source information to make the evaluation results close to the market conditions, confirming that the sources of information are independent, reliable, consistent with other sources and represent executable prices. Changes in the value of assets and liabilities that are measured or reassessed are analyzed at each reporting date to ensure that

the assessment results are reasonable.

(4) Others

Due to the new coronavirus pandemic in 2021, the Company has implemented various pandemic preventive measures promoted by the government. The Company has adequate working capital, and the various operating departments are operating normally. It is assessed that the new coronavirus pandemic has no significant impact on the Company's 2021 financial position and financial performance.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

1. Loans to others: N/A
2. Provision of endorsements and guarantees to others: N/A
3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 1.
4. Acquisition or sale of the same security with the accumulated cost exceeding NTD300 million or 20% of paid-in capital or more: N/A
5. Acquisition of real estate reaching NTD300 million or 20% of paid-in capital or more: Please refer to table 2.
6. Disposal of real estate reaching NTD300 million or 20% of paid-in capital or more: N/A
7. Purchase or sale of goods from or to related parties reaching NTD100 million or 20% of paid-in capital or more: N/A
8. Receivables from related parties reaching NTD100 million or 20% of paid-in capital or more: N/A
9. Engage in derivative instruments trading: N/A
10. The business relationship and significant transactions between the inter-companies: N/A

(2) Information on investees

Names, locations and other information of investee companies (excluding the investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

1. Basic information: N/A

2. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: N/A

(4) INFORMATION ON MAJOR SHAREHOLDERS

Information on major shareholders: Please refer to table 4.

14. SEGMENT INFORMATION

Not applicable.

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

Table 1

Unit: Thousand NTD
(Except as otherwise indicated)

<u>Securities held by</u>	<u>Type and name of marketable securities</u>	<u>Relationship with securities issuer</u>	<u>Accounting item</u>	<u>Number of shares</u>	<u>End of period</u>		<u>Shareholding ratio</u>	<u>Fair value</u>	<u>Remarks</u>
					<u>Carrying amount</u>				
Chuwa Wool Industry Co., (Taiwan) Ltd.	Kuo Yang Construction Co., Ltd.	Other related parties	Financial assets measured at fair value through other comprehensive income - non-current	4,527,820	\$ 110,932		1.19	\$ 110,932	
HCW Investment Co., Ltd.	Taiwan Cement Corporation	N/A	"	100,000	4,800		-	4,800	
HCW Investment Co., Ltd.	Asia Cement Corporation	"	"	200,000	8,860		-	8,860	
HCW Investment Co., Ltd.	Huaku Development Co., Ltd.	"	"	110,000	10,054		-	10,054	
HCW Investment Co., Ltd.	China Development Financial Holding Corporation	"	"	758,240	13,269		-	13,269	
HCW Investment Co., Ltd.	Harvatek Corporation	"	"	160,000	4,384		-	4,384	
HCW Investment Co., Ltd.	Winbond Electronics Corporation	"	"	25,000	850		-	850	
HCW Investment Co., Ltd.	China Development Financial Holding Corp. Preferred B Share	"	"	53,144	510		-	510	
HCW Investment Co., Ltd.	Hotai Finance Co., Ltd.	"	"	60,000	5,531		-	5,531	
					<u>\$ 159,190</u>				

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
January 1 to December 31, 2021

Table 2

												Unit: Thousand NTD (Except as otherwise indicated)	
<u>Company that acquires real estate</u>	<u>Property name</u>	<u>Date of occurrence</u>	<u>Transaction amount</u>	<u>Payment status</u>	<u>Counterparty</u>	<u>Relation</u>	<u>Information of previous transfer if counterparty is a related party</u>				<u>Basis of price determination</u>	<u>Purpose of acquisition and usage</u>	<u>Other agreed matters</u>
							<u>Owner</u>	<u>Relationship with issuer</u>	<u>Transfer date</u>	<u>Amount</u>			
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2020/12/30	\$ 93,973	Paid as agreed	Bo Kai Development Co., Ltd. and 3 people including Party A	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Appraisal report by Chih Wei Real Estate Appraiser Associates	Joint venture development	Not applicable.
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2021/1/27	185,600	Paid as agreed	Party B	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Appraisal report by Zhe Yu Real Estate Appraisers Firm and He Yang Real Estate Appraiser Associates	Joint venture development	Not applicable.
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2021/7/12	24,975	Paid as agreed	Chen Chang Industrial Co., Ltd.	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Joint venture development	Not applicable.
Chuwa Wool Industry Co., (Taiwan) Ltd.	Inventory - construction land	2021/7/15	183,644	Paid as agreed	Yong Yi Industrial Co., Ltd. And Hwa Yang International Distribution Co., Ltd	N/A	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Appraisal report by Zhe Yu Real Estate Appraisers Firm and Hong Bang Real Estate Appraiser Associates	Joint venture development	Not applicable.

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Information such as the investee company's name, address, etc. (exclude investee company in China)
January 1 to December 31, 2021

Table 3

Unit: Thousand NTD
(Except as otherwise indicated)

<u>Name of Investor</u>	<u>Investee company name</u>	<u>Location</u>	<u>Main business activities</u>	<u>Original investment amount</u>		<u>End of the period shareholding</u>			<u>Investee</u>	<u>Investment gain and loss</u>	<u>Remarks</u>
				<u>End of current period</u>	<u>Last year-end</u>	<u>Number of shares</u>	<u>Ratio</u>	<u>Carrying amount</u>	<u>Current profit and loss</u>	<u>recognized in current period</u>	
Chuwa Wool Industry Co., (Taiwan) Ltd.	HCW Investment Co., Ltd.	Taiwan	General investment services	\$ 400,000	\$ 400,000	40,000,000	100.00	\$ 483,370	\$ 38,860	\$ 38,860	Subsidiaries
Chuwa Wool Industry Co., (Taiwan) Ltd.	Jollify4ever Ltd.	Taiwan	Retail of other clothing accessories not classified, wholesale of watches and clocks and parts, wholesale of kitchen cabinet, wholesale of other clothing accessories not classified	365,013	402,475	9,997,574	46.83	67,326	(88,596)	(41,487)	Associate
Chuwa Wool Industry Co., (Taiwan) Ltd.	Xin Xi Venture Co., Ltd.	Taiwan	Retail of other clothing accessories not classified, wholesale of watches and clocks and parts, wholesale of kitchen cabinet, wholesale of other clothing accessories not classified	37,462	-	3,746,163	46.83	40,268	2,061	636	Associate
Chuwa Wool Industry Co., (Taiwan) Ltd.	Hanshin Shopping Plaza Co., Ltd.	Taiwan	Department stores, rental and leasing, retail, restaurants, supermarkets, etc.	480,000	480,000	8,000,000	16.00	753,975	948,013	151,552	Associate
HCW Investment Co., Ltd.	Hanshin Shopping Plaza Co., Ltd.	Taiwan	Department stores, rental and leasing, retail, restaurants, supermarkets, etc.	97,443	-	902,250	1.80	103,932	948,013	9,556	Associate

Chuwa Wool Industry Co., (Taiwan) Ltd. and its subsidiaries
Information on major shareholders
December 31, 2021

Table 4

<u>Name of major shareholders</u>	<u>Number of shares held</u>	<u>Shares (Note)</u>	<u>Shareholding ratio</u>
Han Yang Global Co., Ltd.		49,139,065	53.41

Note: The above information is provided by Taiwan Depository Clearing Corporation (TDCC).

Chuwa Wool Industry Co., (Taiwan) Ltd.
Details of cash and cash equivalents
December 31, 2021

Table 1

Unit: Thousand NTD

Item	Summary	Amount
Petty Cash		\$ 30
Cash in banks		
Demand deposit		161,143
Foreign currency demand deposit	USD974,627.78., exchange rate 27.68.	26,978
Cash equivalents		
Time deposits	Matures in January 2022, annual rate 0.41%	30,000
	Matures in March 2022, annual rate 0.32%	200,000
		<u>\$ 418,151</u>

Chuwa Wool Industry Co., (Taiwan) Ltd.
Details of financial assets measured at amortized cost - current
December 31, 2021
Unit: Thousand NTD

Table 2

Name	Summary	Number of shares	Par value	Total value	Interest rate	Carrying amount	Cumulative impairment	Remarks
Time deposits								
Land Bank of Taiwan	NTD fixed deposit	1	\$ 2,600	\$ 2,600	0.54%	\$ 2,600	\$ -	
Land Bank of Taiwan	NTD fixed deposit	1	2,900	2,900	0.54%	2,900	-	
Land Bank of Taiwan	NTD fixed deposit	1	2,900	2,900	0.54%	2,900	-	
Land Bank of Taiwan	NTD fixed deposit	1	2,900	2,900	0.54%	2,900	-	
Land Bank of Taiwan	NTD fixed deposit	1	2,900	2,900	0.54%	2,900	-	
Land Bank of Taiwan	NTD fixed deposit	1	2,900	2,900	0.54%	2,900	-	
Land Bank of Taiwan	NTD fixed deposit	1	2,900	2,900	0.54%	2,900	-	
				<u>\$ 20,000</u>		<u>\$ 20,000</u>	<u>\$ -</u>	

Chuwa Wool Industry Co., (Taiwan) Ltd.
Details of changes in investments recognized under the equity method
January 1, 2021 to December 31, 2021
Unit: Thousand NTD

Table 3

Name	Beginning balance		Current increase (Note 1)		Current decrease (Note 2)		Ending balance			Market price or net worth		Provide guarantee or pledge	Remarks
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding ratio	Amount	Unit price	Total value		
HCW Investment Co., Ltd.	40,000,000	\$ 562,974	-	\$ 38,860	-	(\$ 118,464)	40,000,000	100.00	\$ 483,370	\$ 12.08	\$ 483,370	N/A	
Jollify4ever Ltd.	13,743,737	143,383	-	11,286	3,746,163	(87,343)	9,997,574	46.83	67,326	6.73	67,326	"	
Xin Xi Venture Co., Ltd.	-	-	3,746,163	40,268	-	-	3,746,163	46.83	40,268	10.75	40,268	"	
Hanshin Shopping Plaza Co., Ltd.	8,000,000	520,684	-	274,573	-	(41,282)	8,000,000	16.00	753,975	57.29	458,318	"	
		<u>\$ 1,227,041</u>		<u>\$ 364,987</u>		<u>(\$ 247,089)</u>			<u>\$ 1,344,939</u>		<u>\$ 1,049,282</u>		

Note 1: Current period's increase includes a consideration of NTD37,462 received due to a capital reduction through split-up conducted by the investee company (Jollify4ever), recognition of investment gain of NTD191,048, recognition of difference of NTD123,021 for not subscribing for new shares according to shareholding ratio, capital reserve of NTD11,286 and other equity of NTD2,170.

Note 2: Current period's decrease includes recognition of investment loss of NTD41,487, capital reduction of NTD37,462 as a result of a split-up, and other equity of NTD168,140.

Chuwa Wool Industry Co., (Taiwan) Ltd.

Details of short-term borrowings

December 31, 2021

Unit: Thousand NTD

Table 4

Types of borrowings	Explanation	Ending balance	Contract period	Interest rate range	Financing limit	Mortgage or guarantee	Remarks
Secured loans	Chang Hwa Commercial Bank, Ltd.	237,900	2020/11/22-2024/2/22	1.80%	237,900	Construction land	
	Bank of Taiwan	144,920	2021/3/10-2026/8/27	1.83%	144,920	Construction land	
	First Commercial Bank	225,000	2021/8/18-2026/8/18	1.80%	225,000	Construction land	
		<u>\$ 607,820</u>			<u>\$ 607,820</u>		

Chuwa Wool Industry Co., (Taiwan) Ltd.

Details of revenue

January 1, 2021 to December 31, 2021

Table 5

Unit: Thousand NTD

<u>Item</u>	<u>Quantity (Jin)</u>	<u>Amount</u>	<u>Remarks</u>
Sales revenue			
Wool top	122,235.80	\$ 43,847	
Shrink-resistant wool top	83,231.40	29,123	
Others	8,096.40	2,480	
Subtotal		75,450	
Rental income		3,349	
		\$ 78,799	

Chuwa Wool Industry Co., (Taiwan) Ltd.

Details of operating cost

January 1, 2021 to December 31, 2021

Table 6

Unit: Thousand NTD

Item	Amount	
	Total	
Cost of goods sold		
Opening inventory	\$	-
Add: Current purchases		75,771
Less: Ending inventory		-
Subtotal		75,771
Leasing cost		3,000
Total	\$	78,771

Chuwa Wool Industry Co., (Taiwan) Ltd.
Details of selling expenses
January 1, 2021 to December 31, 2021

Table 7

Unit: Thousand NTD

Item	Summary	Amount	Remarks
Entertainment expenses		\$ 345	
Commission expenses		156	
Import and export expenses		42	
Advertising		30	
Insurance premiums		6	
		<u>\$ 579</u>	

Chuwa Wool Industry Co., (Taiwan) Ltd.
Details of administrative expenses
January 1, 2021 to December 31, 2021

Table 8

Unit: Thousand NTD

Item	Summary	Amount	Remarks
Salary expenses		\$ 10,786	
Directors' remuneration		\$ 8,303	
Venue usage fee		2,244	
Service Charge		1,859	
Other expenses	The balance of other projects does not exceed 5% of the balance of this project	4,241	
		<u>\$ 27,433</u>	

Chuwa Wool Industry Co., (Taiwan) Ltd.
Summary of current period employee benefits, depreciation, depletion and amortization expenses by function
January 1, 2021 to December 31, 2021
Unit: Thousand NTD

Table 9

By nature \ By function	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses						
Wages and salaries	\$ -	\$ 10,238	\$ 10,238	\$ -	\$ 11,081	\$ 11,081
Labor and health insurance fees	-	1,050	1,050	-	1,061	1,061
Pension expenses	-	548	548	-	625	625
Directors' remuneration	-	8,303	8,303	-	7,141	7,141
Other employee benefits	-	550	550	-	22	22
Depreciation	2,071	57	2,128	1,913	364	2,277
Amortization expense	-	6	6	-	14	14

Note 1: As of December 31, 2020 and 2019, the Company has 15 and 16 employees respectively, among which 7 and 7 are directors who do not also serve as employees.

Note 2: 2. The Company's 2021 and 2020 average employee benefits were NTD1,548 and NTD1,421 respectively; The Company's 2021 and 2020 average employee remuneration were NTD1,280 and NTD1,231 respectively; The Company's 2021 average employee remuneration adjustment was 3.98%.

Note 3: The board is delegated to determine the remuneration to directors based on the individual's participation in the operation of the Company, the value of contribution, and normal industry standard. Remuneration for managers is based on the individual's performance, their contribution to the Company's overall operations and industry standard; and taking into consideration the Company's operational risks, the Remuneration Committee will prepare the proposal and submit to the board of directors for discussion and approval. Employee remuneration is mainly based on the individual performance, the Company's performance and industry standard, taking into consideration the Company's operational risks. Annual review is conducted and year-end bonus is distributed to employees based on the current year's profit.