

**Stock Code: 2496**

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# 卓越成功股份有限公司

**SUCCESS PRIME CORPORATION**

## 109 年度年報

**2020 ANNUAL REPORT**

**Printing Date: March 31, 2021**

**I. Company Spokesperson and Deputy:**

Spokesperson: Shu Ling Tseng

Title: General Manager

Tel: (02) 2389-9200

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Deputy spokesperson: Xiang Yi

Luo Title: Manager

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**II. Headquarters, branches, and factory addresses and phone number:**

Headquarter: Hsinchu Science Park 35053 2F., No.11, Kezhong Rd.,

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Tel: (037) 586-999

Taipei Branch Office: 10047 17th Floor-1, No. 17, Xuchang Street,

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Tel: (02) 2389-9200

**III. Name, address, and phone of the Stock Agency**

Name: Grand Fortune Securities Co., Ltd.

Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei

City Website: <http://www.gfortune.com.tw>

Tel.: (02) 2371-1658

**IV. Name, Firm, address, and phone of the acting independent auditors:**

CPAs: Jin Chuan Shi, Shu Lin Liu

CPA Firm: Deloitte & Touche Taiwan

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City

Website: [www.deloitte.com.tw](http://www.deloitte.com.tw)

Tel.: (02) 2725-9988

**V. Foreign securities exchange corporation listing: None**

**VI. Company Website: <https://www.chenliedu2496.com/tw/>**

# I. Letter to Shareholders

Dear Shareholders!

The outbreak of the coronavirus in 2020 has caused the virus infection, and more immense psychological panic among people. To mitigate group infection, the government recommends that indoor activities with more than 100 people should be suspended. In order to cooperate with the government's anti-epidemic policy, the education industry has strengthened the implementation of various countermeasures such as disinfection of places, temperature measurement of people entering and exiting, and maintaining social distancing through seat separations. All of these implies increased cost. In response to the epidemic, many institutions have launched online digital learning. However, the offline teaching methods are still irreplaceable. "Integration of real and virtual" will be an inevitable trend. Success Prime Corporation is focusing on education and optimizing its performances, and have disposed the optical fiber business. Although it had an impact on revenue figures, the overall benefits have gradually emerged results from education industry's multi-channel strategy.

## 1. 2020 Annual Business Report

### (1) Business plan outcome

The consolidated net operating income in 2020 is NT\$776,397 thousand, which is 11.93% lower than 2019 figures of NT\$881,610 thousand. The consolidated net profit attributable to the company in 2020 is NT\$62,234 thousand, which decreased by 18.24% compared to 2019 figure of NT\$76,118 thousand. The difference is mainly due to the impact of the coronavirus that has impose restrictions on the output of the optical fiber business and the disposal of the optical fiber subsidiary in July 2020.

- (2) Budget implementation: the company has not disclosed financial forecasts.  
 (3) Analysis of financial income, expenditure and profitability

Item/Year		Consolidated		Individual		
		2019	2020	2019	2020	
Income and expenditure	Operating Income	85,548	71,543	48,042	26,789	
	Non-operating Income and Expenses	1,438	12,261	30,517	47,291	
	Pre-tax Income	86,986	83,804	78,559	74,080	
	Net Income	76,977	62,913	76,118	62,234	
Analysis of profitability	Return on asset	5.86	4.78	7.73	6.67	
	Return on equity	9.75	7.84	9.72	7.81	
	Pre-tax Income	49.82	43.68	44.99	38.61	
	Net Profit Margin	8.73	8.10	16.75	19.24	
	Earnings per share (basic)	Non-adjusted	4.41	3.30	4.41	3.30
		adjusted	4.01	-	4.01	-

### (4) Research and Development

The research expense incurred by the company in 2020 was NT\$14,104 thousand, which accounted for 1.82% of the consolidated operating income of NT\$776,397 thousand in 2020. Since the optical fiber subsidiary was disposed in July 2020, no research expense was incurred in the second half of the year.

## 2. 2021 Business Plan Prospects

### (1) Operation Strategy

- A. Establish the K12 Integrated Education platform in accordance to 2019 Education Curriculum and STEM trend, to expand Business Projects.
  - (a) To promote "Chen Li Education's" high school curriculum tutorials, but also fully drive the educational sales for middle school and elementary STEM education division.
  - (b) Develop the possibility of vertical integration and cross-industry cooperation, so that products and services can drive more revenue and profits.

B. Digital Products and Courses

In addition to consulting and management in Xiamen, along with the new digital content curriculum and system based on elementary school thinking and mathematics, through the promotion of elementary school alliance schools and authorized schools, matched with teacher training, and through the channels of the education industry, Chen Li's core competitiveness Adding natural Chinese and English to the mathematical content of, the online and offline progress, rapid replication and expansion, and create profit.

C. Deepening the Operation Management of Enterprise

The introduction and development of outstanding talents who identify with Chen Li Education's objectives, through their participation in process of decision-making and leading the future direction, they can help with the management and operations of the enterprise, manage post-investment procedures after the M&A process, for enterprise to create another growth momentum.

(2) Estimated Sales Volume and basis

In addition to continuing to expand the scale of domestic sales, the company will actively expand diversified sale channels and acquire greater market shares. The growth rate of middle and high school business is estimated to be 10%, and the elementary school business is expected to be 3 times of the growth rate compared to last year's figure. The expected growth rate from joint alliance and franchise schools can be determined from the contract.

(3) Important Production and Marketing policies

In response to the outbreak of the epidemic, education institutions that are previously focuses on physical courses, has rapidly developed online digital content. In addition to service-based online tutoring and online Q&A, it also incorporates with the national 2019 syllabus to develop multiple courses such as second-level interviews, learning credential, and independent learning. The corporation has established a three-teaching system of online prestigious teachers, offline teachers, and strict management to solve the limitation of the number of students in each branch school, and to develop an unorthodox cooperation model has not been facilitated before.

The 'Chen Li ELEM', specially designed for kindergarten and primary schools, has built strategic alliance with other primary education institutions and elite private schools to promote mathematics, along with hands-on projected based education. This product differentiation has provided these affiliated institutions a diverse product line and this strategic partnership has led the corporation to become the most competitive supplier on the supply side of elite education. Market volume and performance growth are parallel, which is a promising growth driver for the corporation in the future.

**3. Impact from future development strategies, external market environment, legal environment, and global environment**

The cram education industry is a licensed industry that require compliance with the regulations by the central government and approval from municipal government. Our corporate value is to operate legally and pay meticulous attention to public safety, which all of our business locations fit all the legal criteria.

The epidemic has accelerated the acceptance of online education, the adjustment of the integration between online and offline, the advanced level of mathematics of the 2019 syllabus, learning credential, and independent learning. The expansion of the "One School District, One Chen Li" in various channels, provision of digital platform, courses such as thinking dimension, hands-on project-based experiments, club courses and winter and summer vacation camps, and improvements of teacher training and high retention rate, all serve generate high academic performances and profit. The combination of strategic partnerships has become a key growth driver which it is expected to drive the corporation to another peak.

The corporation will try its best to generate more revenue streams, and we hope to reward the shareholders for their many years of support with better operating results.

Chairman: Min-Chun Chen

## II. Company Profile

**I. Date of Incorporation:** June 15, 1991

### II. Company History

Year	Important Events
1991	June: Prime Optical Fiber Co., Ltd. was formally established, the registered capital is NT\$ 100 million, the amount of paid-in capital is NT\$ 50 million.
1992	September: The first trial output of the 2.5μm Multimode pre-body.
1994	February: held "FDDI" Standard type 62.5μm Multi-mode Fiber "product conference.
	March: "Excellent POFC" The domestic registration of the trademark is complete.
	April: Exhaust Gas Treatment and Recycling" R&D Project (12 months period) awarded by the Authority.
	July: "POFC" Trademark US registration completed.
	August: Fiber Cladding Layer to 500μm Successful processing technology development.
	December: light Scattered shift fiber (Dispersion--Shift Fiber) The development was successful.
1996	October: "POFC" Trademark registration is complete in mainland China.
	November: to obtain SGS European Quality Certification Institute ISO-9002 International quality certification.
	December: development and completion of the pre-system as a unit.
1999	November: completion of the Ministry of Economy to assist small and medium-sized enterprises to develop a nine-month "large-scale multi-mode pre-system" technology development case.
2000	May: to join 3M The Company's Fiber to Table Strategy Alliance program.
2001	August: "PHOTO SENSITIVE FIBER" Award the fourth Outstanding Optoelectronic Products Award by the Optoelectronics Association".
2002	March: officially listed on the Taiwan Securities centralized market.
	December: obtained ISO-9001 (2000 Annual edition) of the National Quality certification.
2003	March: is located in Hsinchu Science Park phase fourth Chunan new plant officially started.
	April: official issuance of overseas convertible bonds (ECB), The successful collection of million new Taiwanese dollars.
2004	April: won the "Excellent Technology Award Winning" award-winning technology of the 2nd Taiwan Optical Communications Industry Alliance (TOCIA): "High-temperature CVD erbium-doped fiber preforms and optical fiber manufacturing process technology.
	November: to the Zuko authority to complete the change registration, the Company formally moved to Hsinchu Science Park Chunan base.
	December: "Development and application of integrated fiber grating Sensing system" is supported by the Bamboo Bureau's Innovation Technology Research and Development award.
2005	March: self-developed "optical fiber bending meter", won the Taiwan Optical Communication Industry Alliance (TOCIA) Hosted the "Outstanding Product Award" of the Third Taiwan Optical Communication Elite Award.
	May: "Optical fiber laser Module Development Plan" by the Ministry of Economy industry branch subsidies.
	June: and the United States. Company signed COATING Transfer of technology and procurement from GGP Fiber Of important contracts.
2006	December: successfully developed the first fiber laser module.

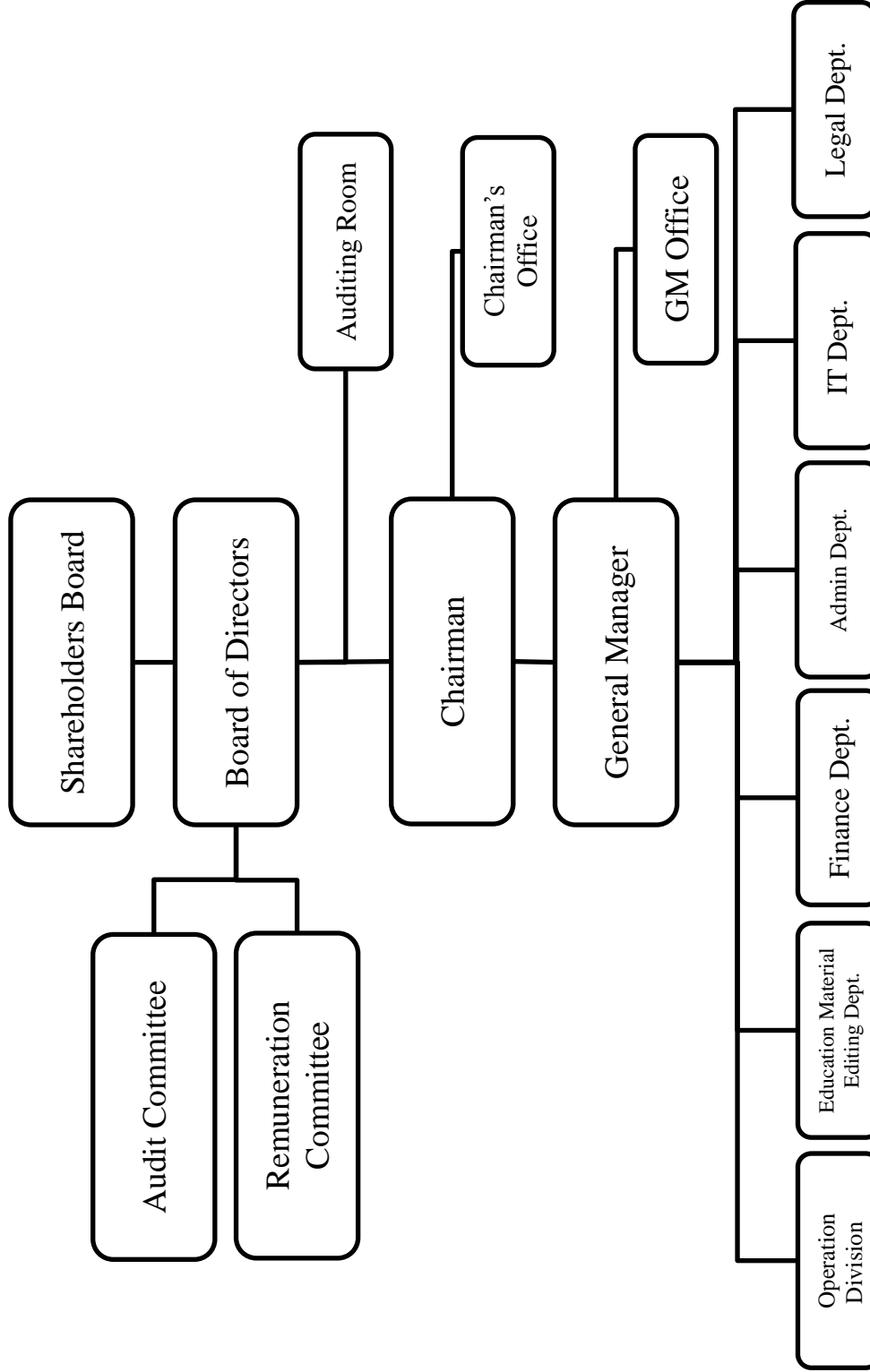
Year	Important Events
2008	January: 3M (Taiwan) Co., Ltd. visited the factory to carry out FTTH on-site vertical optical cable connector (NPC) and connection sub-construction education and training, and issued a training certificate to the Company's trainees after the meeting.
	March: The Company's ECB was fully converted into the Company's common stock, and therefore introduced a new professional investor - Singapore Dark Horse Asset Management Co., Ltd., becoming the Company's largest shareholder.
	September: Company's high-strength cable, high-strength bending house optical fiber cable, high-strength fiber hopping wiring and other products through the China Telecom test specifications.
2009	February: to obtain ISO-9001 (2008 Annual edition) International Quality certification.
	May: to obtain high-strength bending fiber (BendSafe™) Trademarks of Taiwan region.
	September: high strength bend resistant fiber (Bend Safe™) Products obtained by Intel Corporation (Intel) Used in the latest launch of the Light Peak Solutions, and at the Intel Development Forum (IDF) Published in the.
	October: A new type of patent in Taiwan is obtained from the structure of the monthly axle-free cable winding body.
	November: The POFC study on optical fiber lasers for advanced high-power near-infrared and visible light bands for scientific research and industrial use in the cooperation program for the Qing Dynasty "was subsidized by the National Science and research program.
	December: cooperation with Asahi Ming Optoelectronics Intelligent Building Energy saving and carbon reduction program. Obtained the National Space Center of the National Experimental Institute (National Space Organization) Procurement of a batch of high-strength bending fiber (BendSafe™), And successfully completed the delivery acceptance, so that BendSafe™ Optical fibers have been successfully applied to the national space program.
2010	February: non-axle cable winding body structure to obtain a new type of patent in mainland China.
	March: to obtain high-strength bending fiber (Bend Safe™) Trademark rights in mainland China.
	April: Launched high-strength optical fiber cable with innovative "shaftless carton packaging" to break through the obstacle of FTTH.
	October: Company and Qing Dynasty industry cooperation program- Light Peak Research on novel Optical fiber for Technology "has been subsidized by the National Science Research and Development project.
2011	June: Participated in the Taipei International Optoelectronics Exhibition and demonstrated the advantages of 'BendSafe™ for FTTH cabling construction', which include more efficient use of manpower, time and cost.
	September: The Company sets up the Remuneration Committee in accordance with the provisions of the relevant laws and regulations.
2012	February: The Company hired Dr. Stan Lumish, an American optical communications expert, as a senior consultant.
	May: in order to promote corporate governance, the Company in accordance with the provisions of the relevant laws and regulations to set up audit committees.
	July: Provisional shareholders' meeting resolution through the Company changed its name to "excellent Success Co., Ltd." (Success Prime Corporation)☞
	August: Science Park Authority approved the filing Company changed its name to "excellent Success Co., Ltd." (Success Prime Corporation)☞
2014	October: Huihua Investment Co., Ltd. made a public acquisition of the Company's common stock shares.

Year	Important Events
2015	June: Participated in the <2015 Annual cross-Strait Optical communication Forum> sponsored by Cross-Strait Optical Communication Industry Alliance Council.
	June: application for scientific industrial Park R&D Cooperation program "R&D of high energy noise-like pulsed fiber laser for material processing" was developed by the Hsinchu Science Industrial Park Authority of the Ministry of Science and Technology to develop the cooperation grant for excellence in industry and science.
	September: General Manager Heng Tai Xiang participated in 2015 OF week Seminar on optical communication technology and applications, presented at the conference "How to create a rugged fiber entry solution for new hard skin fibers".
	November: exercise of employee equity first application for recognition and listing.
2016	Successful manufacture of stealth fiber successfully obtained two Chinese standard cases (Inner Mongolia; Guangdong Shaoguan China Telecom); The achievement of the product from a small amount of personal specimens began to enter the standard model of the milestone.
	General meeting of shareholders resolution through the reduction of funds to cover losses and private equity to handle cash increase in the issuance of common stock cases.
	October: acquisition of common stock of Chen Li Education Co., Ltd. 1,680,000 Shares, with a shareholding ratio of 15%
2017	March: acquisition of common stock of Chen Li Education Co., Ltd. 8,176,000 Shares, the cumulative shareholding ratio is 88%
	Chen Li Education Co., Ltd. began to be incorporated into the Company's consolidated statements.
	July: acquisition of common stock of Chen Li Education Co., Ltd. 1,344,000 Shares, the cumulative shareholding ratio is 100%
	October: investment set up subsidiary Prime Optical Fiber Co., Ltd.
2018	January: in order to expand the Kaohsiung supplementary education market, acquired Yi He Short-term cram school jointly set up an Prime Education Consulting Co., Ltd.
	March: share subscription warrants of 800,000 Share.
	August: capital reserve transferred to common stock \$8,314 Thousand NT.
2019	October: In order to develop elementary school digital education products other than national curriculum. The corporation has acquired Chuang-Si Technology Co., Ltd., and subsequently changed its name to "Chen Li Elm Co., Ltd."
2020	January: The Corporation has joint-ventured with the head of the biology academics division to create a new entity, "Li-ren Education Co., Ltd." to further expand the operation to the field of biology.
	February: The Corporation has joint-ventured with the leading American education brand, American Eagle Institute, and Teacher Zhang Min-ru to create a new subsidiary "Chen Li Zhiyi Education Co., Ltd." This purpose of the joint-venture is to expand operations to Hsinchu Zhubei community.
	March: The board of directors have passed a resolution on the sale of the Optic fiber business Division. The sale of this division will be transferred to the Corporation's 100% owned subsidiary-Prime Optical Fiber Corporation. The base date of this sale is on 2020/05/15.
	July: The Board of Directors has approved a resolution to dispose the optical fiber subsidiary.
	August: capital reserve transferred to common stock \$17,260 Thousand NT.
	September: acquisition of common stock of Prime Education Consulting Co., Ltd 490,000 Shares, the cumulative shareholding ratio is 100%. The entity is renamed as "Here Co., Ltd."

### III. Corporate Governance Report

#### I. Organization

(1) Organizational Chart



(2) Functions of the Main Departments

<b>Dept.</b>	<b>Functions</b>
Chairman Office	1.Assist in strategic planning for long/short/midterms targets.
	2.Organize and establish Corporation’s system and formulate operating strategies.
GM Office	1.Organization and operation coordination, process improvement and adjustment and supervision of each unit's rights and responsibilities.
	2.Assist senior executives to conduct business decision analysis.
Auditing Room	1.Review the adequacy and consistency of internal control processes to ensure the effectiveness of internal control. Perform audit check according to the annual plan approved by Board Meeting.
	2.Revise Annual audit plan and conduct project-based audit to supervise operational status to filter out anomalies that would enhance corporate governance as well as to establish corporate risk assessment and control mechanism.
Operation Division	1.Assist in formulating corporate digital business development strategies and goals.
	2.Digital business development unit: middle school, high school, and vocational school.
	3. Evaluation and development of digital business authorization.
	4.Cooperate with entity Cram School to develop virtual reality integration business plan.
Finance Department	1.Group's accounting processing, accounting report production and analysis, etc.
	2.Fund Management and fund management of the group
	3.Group's financial Insurance Management, stock management in accordance with Securities& Exchange Act, related laws and regulations.
Administrative Management Department	1.Human resources planning, personnel recruitment appointments, payroll management, education and training, employee welfare relations and other related matters
	2.Development of salary raise/promotion, performance reward operation and human capital related management measures.
	3.Management matters related to general services matters, equipment and property.
	4.Responsible for teachers, teaching materials, artistic design, equipment and external procurement and request matters
	5.Concierge Fee request and supplier evaluation Management
	6.Responsible for the repair and maintenance of the general services in the factory, the general office and the School Workers Safety and health services
Information Technology	1.Investment and Security policy formulation and security management.
	2.Hardware and computer system maintenance, network management and Information System development.
	3.Program-writing and maintenance, support and integration management information operations, etc.
	4.Information Equipment Management
Education Material Editing Team	1.Professional teacher arrangement and management and teacher training
	2.Planning and management of courses
	3.Artistic Design of teaching materials
	4.Teaching materials, Pamphlets, advertising arrangements and management
	5.Operation and management of teaching office in national and high schools
	6.Digital photography and activity photography
Legal Department	1. Responsible for the handling of related legal matters related to the operations of the Company.
	2. Intellectual Property Management, litigation case handling and contract reviews.

## II. Directors, Supervisors, General Manager, Deputy General Manager, Departmental Manager, and Management Team

### (I) Directors and Supervisors

March 30<sup>th</sup>, 2021

Title	Nationality	Name	Gender	Date Elected	Years	Initial Elected Date	Shareholding when elected		Number of shares held		Spouses, minor children now hold shares		To hold shares in the name of others		Education and selected past elections	Current additional positions	Other supervisors, directors or monitors with as spouse or kin within the second-degree			Note
							Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio			Title	Name	Relationship	
Chairman	R.O.C	Min-Chun Chen	M	2019.05.02	3	2019.01.21 (note 1)	-	-	135,000	0.70%	594,728	3.10%	-	-	(note 4)	(note 4)	Director	Shu-Ling Tseng	Spouse	Note 3
Director	R.O.C	Shu-ling Tseng	F	2019.05.02	3	2019.01.23	-	-	594,728	3.10%	135,000	0.70%	-	-	(note 4)	(note 4)	Director	Min-Chun Chen	Spouse	Note 3
Director	Samoa	Far East International Commercial Bank entrusted with the custody of Endow Capital Management Co., Ltd. Investment (Note 1)	-	2019.05.02	3	2017.01.18	1,716,592	9.83%	1,890,039	9.85%	-	-	-	-	(note 4)	(note 4)	Director	Yen-Shuan Chen	Within second degrees	
							-	-	-	-	-	-	-	-	(note 4)	(note 4)	Director	Yun Chen	Within second degrees	
							-	-	-	-	-	-	-	-	(note 4)	(note 4)	Chairman	Min-Chun Chen	Spouse	
Director	R.O.C	Representative: Rui-Xiang Lin(2020.09.30 dismissed)	M	2019.05.02	3	2015.05.12 (note 2)	-	-	-	-	-	-	-	-	(note 4)	(note 4)	None	None	None	
							140,933	0.73%	140,933	0.73%	-	-	-	-	(note 4)	(note 4)	None	None	None	
							-	-	-	-	-	-	-	-	(note 4)	(note 4)	None	None	None	
Director	Samoa	Far East International Commercial Bank entrusted with the custody of Bash Consultant Incorporated Co.	-	2019.05.02	3	2019.05.02	1,716,592	9.83%	1,890,039	9.85%	-	-	-	-	(note 4)	(note 4)	-	-	-	
							-	-	-	-	-	-	-	-	(note 4)	(note 4)	Chairman	Min-Chun Chen	Within second degrees	
Director	R.O.C	Representative: Yen-Shuan Chen	F	2019.05.02	3	2019.05.02	-	-	-	-	-	-	-	-	(note 4)	(note 4)	Director	Shu-ling Tseng	Within second degrees	
							-	-	-	-	-	-	-	-	(note 4)	(note 4)	Director	Yun Chen	Within second degrees	

Title	Nationality	Name	Gender	Date Elected	Years	Initial Elected Date	Shareholding when elected		Number of shares held		Spouses, minor children now hold shares		To hold shares in the name of others		Education and selected past elections	Current additional positions	Other supervisors, directors or monitors with as spouse or kin within the second-degree			Note
							Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio			Title	Name	Relationship	
Representative: Yun Chen	R.O.C		F	2019.05.02	3	2019.05.02	-	-	12,000	0.06%	-	-	-	(note 4)	(note 4)	Chairman	Min-Chun Chen	Within second degrees		
Independent Director	R.O.C	Bing-Quan Shi	M	2019.05.02	3	2019.05.02	-	-	-	-	-	-	(note 4)	(note 4)	None	None	None	None		
Independent Director	R.O.C	Pei-Jun Hong	F	2019.05.02	3	2019.05.02							(note 4)	(note 4)	None	None	None	None		
Independent Director	R.O.C	Ying-De Wu	M	2020.06.18	Current Tenure	2020.06.18							(note 4)	(note 4)	None	None	None	None		
Independent Director	R.O.C	Mei-chen Zhuang (2020.02.27 Dismissed)	M	2019.05.02	3	2019.05.02	-	-	-	-	-	-	(note 4)	(note 4)	None	None	None	None		

Note1: 2019.01.21 as a representative of Endow Capital Management Co., Ltd. as a director, and was elected as chairman by the board of directors at 2019.01.30. In 2019 .05.02 Min-Chun Chen elected as a director in personal entity and was elected as the Chairman by the board of directors on the same day.

Note2: Rui-Xiang Lin was elected as a director by a legal representative director (Yu Ying Investment) at the 2015.05.12 shareholders meeting, and then was dismissed by the legal representative director at 2015.12.19. Management) was elected as a director. At 2019.05.02 shareholders' meeting, Rui-Xiang Lin was once elected as a director as the representative of the corporate director (Endow Capital Management).

Note3: The chairman of the company, Min-Chun Chen, and the general manager, Shu-Ling Tseng are spouses. To strengthen the independence of the board of directors, the company intends to enhance the functions of the board of directors and strengthen the supervision function by increasing the number of independent directors.

The company has the following specific measures:

- (1) The current two independent directors are specialized in the fields of financial accounting and law and can effectively play their supervisory functions.
- (2) Every year, each director is arranged to participate in the training of professional director courses by external institutions such as the Securities and Exchange Commission, so as to enhance the operational efficiency of the board of directors.

(3) Independent directors can fully discuss and propose suggestions for the board of directors to implement corporate governance in each functional committee.

(4) More than half of the members of the board of directors do not concurrently serve as employees or managers.

Note 4: The directors of the company currently hold the positions of the company and other companies as follows:

Title	Name	Work (academic) Experience	Currently holding positions of the company and other companies
Chairman	Min-Chun Chen	National Tsinghua University EMBA Master of Management Department of Industrial Engineering, National Tsinghua University Founder, Chen Li Education Co., Ltd.	Chairman, Prudential Education Technology Co., Ltd., Director, Chen Li Education Foundation Director, Li-Ren Education Co., Ltd. Director, King's Metal Fiber Technologies Co., Ltd
Director	Shu-Ling Tseng	Master of Accounting, National Taiwan University (EMBA) Department of Foreign Languages, National Taiwan University	General Manager, Success Prime Corp, Chairman, Chen Li Educational Co., Ltd. Director, Chen Li Education Technology, Director, Prime Education Consulting Company Director, Li-Ren Education Co., Ltd. Chairman, Chen Li Zhiyi Education Co., Ltd. Chairman, Chen Li Elm Co., Ltd. Chairman, Chen Li Education Foundation, Chairman, CHEN LI's Group Limited, Chairman, CHEN LI's Group (HK) Limited, Chairman, Here Co., Ltd. Representative, Chen Li (Xiamen) Education Consulting Co., Ltd.
Representative Director	Xiang-Qi Fang	Bachelor of Accounting, Fengjia University	Chairman & General Manager, SULDE International Consulting Corp Chairman, Sulde Strategic Co., Ltd. Director, Keystone Intellectual Property Office
Representative Director	Jin-Ru Cheng	Bachelor of Economics, Chinese Culture University Vice General Manager, Chen Li Educational Co., Ltd.	Director, Chen Li Education Foundation
Representative Director	Rui-Xian Lin (2020.09.30 Dismissed)	School of Management of NCU EMBA	Chairman, Qilin Chemical Chairman, Prime Optical Fiber Corporation
Representative Director	Yen-Shuen Chen	Bachelor of Visual Arts, University of Washington-Seattle Assistant Manager, Success Prime Corporation Graphic Designer, Chenli Education	Graphic Designer, Success Prime Corporation
Representative Director	Yun Chen	Bachelor of Finance, McGill University Assistant, Chenli Education	None
Independent Director	Bing-Quan Shi	Masters of Accounting, TamKang University, Audit Executive, Deloitte & Touche	Accountant, JYH HER CPAs Independent Director, Lian Hong Technology
Independent Director	Pei-Jun Hong	Bachelor of Law, National Taipei University CHIH and WU Attorneys Law Office LCC Partners Law Office	Founder Tengri International Attorneys at Law
Independent Director	Ying-De Wu	J.D., Washington University in St. Louis, USA LL.M., Washington University in St. Louis, USA LL.M. in Intellectual Property Law, Case Western Reserve University, USA Bachelor of Law, Chinese Culture University Drafter-Grader, Examination Yuan of R.O.C. Member, Taiwan Institute of Financial Law Member, Society of International Law of the Republic of China Member, World Society of International Law	Professor and Director of Financial Law, Faculty of Law, China Cultural University Adjunct Professor, Faculty of Law, National Taipei University Adjunct Professor, Faculty of Law, National Taipei University of Business Arbitrator, Chinese Arbitration Association, Taipei Financial Arbitrator, Chinese Arbitration Association, Taipei Independent Director, TMP Steel Corporation
Independent Director	Mei-Chen Zhuang (2020.02.27 Resigned)	Doctoral Degree of Chemical Engineering, Stanford University MBA, New York University Bachelor of Chemistry, NTU Deputy General Manager of CEO Office, Liteon Tech	Kechuang Marketing Management Consulting Co., Ltd. Remuneration Committee member, ATE Energy International Co., Ltd.

## 1. Principal shareholder of Corporate Shareholders

March 30, 2021

Corporate Shareholder	Majority Shareholder of Corporate Shareholders	Shareholding ratio
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Account	CHEN,MIN-CHUN	100%
Far East International Commercial Bank entrusted with the custody of Endow Capital Management Co., Ltd. Investment Account.	CHEN TSENG,SHU-LING	100%

## 2. Professional knowledge and Independence of Directors and Supervisors

March 30, 2021

Name	Conditions	Do you have more than five years working experience And the following professional qualifications			Compatible with independence situations(Note1)												Number of independent directors of other public offering companies
		Lecturer in public and private colleges and universities in the relevant departments of business, legal, financial, accounting or corporate business	Judges, prosecutors, lawyers, accountants or other specialized technicians who have passed the national examination required for the business of the Company	Work experience required for business, legal, financial, accounting or corporate business	1	2	3	4	5	6	7	8	9	10	11	12	
Min-Chun Chen				✓						✓		✓	✓		✓	✓	None
Shu-Ling Tseng				✓						✓		✓	✓		✓	✓	None
Endow Capital Management Co., Ltd. Representative Xiang-Qi Fang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Endow Capital Management Co., Ltd. Representative Jing-Ru Cheng				✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		None
Endow Capital Management Co., Ltd. Representative Rui-Xian Lin (Note 2)				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Bash Consulting Co., Ltd. Representative: Yen-Shuen Chen				✓		✓	✓		✓	✓	✓	✓	✓		✓		None
Bash Consulting Co., Ltd. Representative: Yun Chen				✓	✓	✓	✓		✓	✓	✓	✓	✓		✓		None
Bing-Quan Shi			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Pei-Jun Hong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ying-De Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Mei-Chen Zhuang (note2)				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: If the directors and supervisors meet the following conditions during the two years before the election and during their tenure, please mark "✓" in the space below each condition code.

(1) Employees who are not companies or their affiliates.

(2) Directors and supervisors of non-company or related companies (but if the company and its parent company, subsidiary company or subsidiary of the same parent company are independent directors established by this law or local state laws and regulations, they are not limited to this).

(3) Non-self, spouse, minor children, or other natural person shareholders who hold more than 1% of the total issued shares of the company in the name of others or the top ten shareholders.

(4) The spouses, relatives within the second and other relatives of the manager listed in (1) or the persons listed in (2) and (3), or direct blood relatives within the third parent.

(5) Directors, supervisors or legal shareholders who do not directly hold more than 5% of the company's total issued shares, hold the top five shares, or appoint representatives to act as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, this is not the limit).

(6) More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company, subsidiary or subsidiary of the same parent company according to this (The independent directors established by the law or local national laws and regulations shall not be limited to this).

(7) Directors (directors), supervisors (supervisors) or employees of other companies or institutions that are not the same person or spouse with the company's chairman, general manager or equivalent, but if the company and its parent company, subsidiary (If the independent directors established by subsidiaries of the same parent company in accordance with this law or local national laws serve concurrently, they are not limited to this).

(8) subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not subject to this limit).

(9) Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related enterprises or have obtained business-related services such as business, legal, financial, accounting and other related services whose cumulative amount of remuneration in the past two years has not exceeded NT\$500,000 Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.

(10) There is no kinship relationship with other directors within the scope of spouse or second parent.

(11) There is no one of the circumstances in Article 30 of the Company Law.

(12) There is no Article 27 of the Company Law which stipulates that the government, legal persons or their representatives shall be elected.

Note 2: The director resigned in 2020 or was dismissed due to legal person reassignment. The above table is filled out based on the circumstances at the time of his resignation or dismissal.

## (II) General Manager, Deputy General Manager, Associate Manager, Managers of Departments and Branches

March 30 2021

Title (Note 1)	Nationality	Name	Gender	Elected Date	Holding shares		Shares held by spouses and minor children		To hold shares in the name of others		Main Sutra (school) calendar	Currently serves as a position for other companies	A manager with a relationship within a spouse or two relatives.		
					Number of shares	Holdings Ratio	Number of shares	Holdings Ratio	Number of shares	Holdings Ratio			Title	Name	Relationship
General Manager	R.O.C	Shu Ling Tseng	F	2017/07/12	594,728	3.10%	135,000	0.70%	-	-	Master of Accounting, National Taiwan University (EMBA) Bachelor of Foreign Languages, National Taiwan University	Please refer to page 8.	None	None	None
Accounting Manager	R.O.C	Xiang-Yi Luo	F	2019/01/29 (note 2)	10,000	0.05%	-	-	-	-	Accounting Manager, Chen Li Education Co., Ltd. Accounting Manager, Deloitte Accounting Firm.	None	None	None	None
Optical Fiber Division General Manager	R.O.C	Heng Tai Xiang	M	2014/11/13 (note 3)	2,110	0.01%	12	0.00%	-	-	PhD in physics, Bell Laboratories, Department of Communications, Telecommunications Institute, University of Illinois, USA	New Fu Sheng Optoelectronics (Shenzhen) Technic al Chief, Ltd.	None	None	None
Optical Fiber Division Deputy General Manager	R.O.C	Da Wei Chuan	M	2014/08/28 (note 3)	50,000	0.26%	-	-	-	-	Master of Advanced Management, School of Science and Technology Management, Tsinghua University	None	None	None	None

Note 1 : The chairman of the company, Min-Chun Chen, and the general manager, Shu-Ling Tseng are spouses. To strengthen the independence of the board of directors, the company intends to enhance the functions of the board of directors and strengthen the supervision function by increasing the number of independent directors.

The company has the following specific measures:

(1)The current three independent directors are specialized in the fields of financial accounting and law, and can effectively play their supervisory functions .

(2)Every year, each director is arranged to participate in the training of professional director courses by external institutions such as the Securities and Exchange Commission, so as to enhance the operational efficiency of the board of directors.

(3)Independent directors can fully discuss and propose suggestions for the board of directors to implement corporate governance in each functional committee. (4)More than half of the members of the board of directors do not concurrently serve as employees or managers.

Note 2: appointed on 2019.01.28, and completed recognition by the Board on 2019.01.30.

Note 3: Internal Job adjustment on 2019.01.28, transferred as the Special Assistant to Chairman. By the resolution of the Board of Directors on 2020.03.24, Shu-Ling Tseng, the former general manager of the education department (who is the spouse of the chairman), was appointed as the new general manager. Heng-Tai Xiang, the former general manager of the optical fiber business department and Da-Wei Chuan, the deputy general manager were both reassigned to Prime Optical Fiber Co., Ltd on 2020.05.15 (the base date of business transfer) in accordance with the sale of the subsidiary optical fiber business cooperated with the optical fiber. Part of the information above reflect the current situation.

### III. Information of Director (Including Independent Directors), Supervisors, General Manager and the Deputy General Manager.

#### (1) Remuneration of Directors (including Independent Directors)

December 31<sup>st</sup>, 2020 Unit: NT\$; thousand shares

Title	Name	Director's fee				A, B, C, D The ratio of 4 total amounts to net profit after tax				Concurrently employees receive related Remunerations				A, B, C, D, E, F, G. The ratio of seven total amounts to net profit after tax		Receive remuneration from non-subsidiary company reinvestment business or parent company			
		Payment (A)		Retirement Pension (B)		Director's remuneration (C) (note)		Operational implementation costs (D)		Salary, bonus and special fee, etc (E)		Retirement Pension (F)		Employee Reward (G) (note)			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	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash Amount	Shares Amount	Cash Amount	Shares Amount				
Chairman	Min-Chun Chen	60	60	-	78	78	78	9	9	0.24%	0.24%	1,533	859	32	188	188	0.54%	1.97%	None
Director	Shu-Ling Tseng	60	60	-	78	78	78	9	9	0.24%	0.24%	1,533	859	87	189	189	3.14%	3.14%	None
Director	Endow Capital Management shares Representative of the Limited Company: Xiang-Qi Fang	60	60	-	78	78	78	9	9	0.24%	0.24%	-	-	-	-	-	0.24%	0.24%	None
Director	Endow Capital Management shares Representative of the Limited Company: Jing-Ru Cheng	15	15	-	78	78	78	3	3	0.15%	0.15%	-	-	-	-	-	0.15%	0.15%	None
Director	Endow Capital Management shares Representative of the Limited Company: Rui-Xian Lin	45	45	-	-	-	-	6	6	0.08%	0.08%	-	-	-	-	-	0.08%	0.08%	None
Director	Bash Consultant Incorporated Representative: Yen-Shuen Chen	60	60	-	78	78	78	9	9	0.24%	0.24%	-	372	23	-	-	0.24%	0.87%	None
Director	Bash Consultant Incorporated Representative: Yun Chen	60	60	-	78	78	78	9	9	0.24%	0.24%	-	-	-	-	-	0.24%	0.24%	None
Independent Director	Bing-Quan Shi	120	120	-	232	232	232	9	9	0.58%	0.58%	-	-	-	-	-	0.58%	0.58%	None
Independent Director	Pei-Jun Hong	120	120	-	232	232	232	9	9	0.58%	0.58%	-	-	-	-	-	0.58%	0.58%	None
Independent Director	Ying-De Wu	64	64	-	232	232	232	3	3	0.48%	0.48%	-	-	-	-	-	0.48%	0.48%	None
Independent Director	Mei-Chen Zhuang	20	20	-	-	-	-	-	-	0.03%	0.03%	-	-	-	-	-	0.03%	0.03%	None

1. Please state the independent director's remuneration payment policy, system, standards and structure, and describe all the relevance to remuneration according to the responsibilities, risks, time spent and other factors:

(1) In accordance with the provisions of the articles of association of the company, the remuneration of the directors of the company, regardless of operating profit or loss, shall be based on individual contribution and taking into account domestic and foreign industry standards, is authorized by the board of directors. The remuneration of independent directors may be set at a reasonable but different from that of the ordinary directors. If there is a profit in the preceding year, no more than 5% shall be allocated as directors' remuneration.

(2) The remuneration of the independent directors of the company is the degree of participation and contribution value of each director composed of the salary and Remuneration Committee to the company. After linking the reasonable fairness of performance risk and the remuneration received, it makes recommendations to the board of directors.

2. In addition to the disclosure in the above table, the directors of the company in the most recent year have provided services to all companies in the financial report (such as consultants as non-employees).

Remuneration received: Director Yun Chen translated the English annual financial report and the annual report of the shareholders meeting for the company and the translation fee was NT\$100 thousands.

Note: Directors' remuneration and employee remuneration in 2020 have not been actually distributed. The remuneration of directors in this table is calculated based on the actual distribution amount calculation model last year, and the employee compensation is calculated based on the proportion of the actual distribution amount last year.

- (II) Supervisor's remuneration: The company has set up an Audit committee to replace the supervisor, so it is not applicable.  
 (III) Remunerations of General Manager/Deputy General Manger

2020.12.31 Unit: thousands NT\$

Title	Name	Salary(A)		Retirement Pension(B)		Bonus and Allowances (C)		Employee Compensation (D)				ratio of four total amounts to net benefits after tax		payments from outside the subsidiary
		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	Cash Amount	Share Amount	The Company	All companies in the financial report	
General Manager	Shu-Ling Tseng	1,441	1,441	87	87	92	92	189	-	189	-	2.91%	2.91%	None
General Manager of Optic Fiber Division	Heng-Tai Xiang (note 1)	723	964	-	-	-	161	-	-	-	-	1.16%	1.81%	None
Deputy General Manager of Optic Fiber Division	Da-Wei Chuan (note 1)	678	904	41	54	-	151	-	-	-	-	1.15%	1.78%	None

(IV) Remuneration of the top five executives with the highest remuneration

December 31, 2020 Unit: NT\$; thousand shares

Title	Name	Salary(A)		Retirement Pension(B)		Bonus and Allowances (C)		Employee Compensation (D)				ratio of four total amounts to net benefits after tax		payments from outside the subsidiary
		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	Cash Amount	Share Amount	The Company	All companies in the financial report	
General Manager	Shu-Ling Tseng	1,441	1,441	87	87	92	92	189	-	189	-	2.91%	2.91%	None
Accounting Manager	Xiang-Yi Luo	1,045	1,045	63	63	150	150	141	-	141	-	2.25%	2.25%	None
General Manager of Optic Fiber Division	Heng-Tai Xiang (note 1)	723	964	-	-	-	161	-	-	-	-	1.16%	1.81%	None
Deputy General Manager of Optic Fiber Division	Da-Wei Chuan (note 1)	678	904	41	54	-	151	-	-	-	-	1.15%	1.78%	None

Note 1: In the year of 2020, only the above mentioned four employees met the authority's standards of the "Top Five Remuneration Executives".

Note 2: Heng-Tai Xiang, and Da-Wei Chuan, the former general manager and deputy general manager of the optical fiber business department were both reassigned to Prime Optical Fiber Co., Ltd on 2020.05.15 (the base date of business transfer) in accordance with the sale of the subsidiary optical fiber business.

Note 3: The 2020 employee compensation has not been distributed; the table is calculated based on the ratio of the actual numbers last year.

## (V) Name and distributions of managers who allocate the employee compensations:

December 31, 2020; Unit: in thousands NT\$

	Title	Name	Stock	Cash Amount	Total	Total share of net benefits after tax (%)
Managers	General manager	Shu Ling Tseng	-	330	330	0.53%
	Head of Accounting	Xiang Yi Luo				

Note: The employee compensation for 2020 has not been actually allocated. This table is calculated according to the proportion of the actual distribution amount last year.

(VI) Comparison of the Company and the combined statements of all companies in the last two years to pay the Company's directors, supervisors, general manager and deputy general manager of the total amount of remuneration as an individual or individual financial statements after the net benefit ratio analysis and explain the payment of remuneration policies, standards and combinations, the procedures for the setting of Remunerations, and business performance and future risks:

Unit: thousands NT\$

Items	Individual				Consolidated			
	2019		2020		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Directors' remuneration	2,336	3.07%	1,923	3.09%	2,336	3.07%	1,923	3.09%
Supervisor remuneration	-	-	-	-	-	-	-	-
General manager/Vice president remuneration	9,095	11.95%	3,251	5.22%	9,295	12.21%	4,043	6.49%
Total	11,431	15.02%	5,174	8.31%	11,631	15.28%	5,996	9.58%

The total remuneration of directors, general managers and deputy general managers paid by the company and all companies in the consolidated statements in 2020 accounted for 8.31% and 9.58% of the net profit after tax, respectively. Since the remuneration of directors, general managers and deputy general managers is mostly fixed remuneration and salary, and the net profit after tax in 2020 is 18.24% lower than that in 2019, thus the total remuneration paid to directors, general managers and deputy general managers accounts for the proportion of net profit after tax should increase compared to last year. However, the general manager and deputy general manager were both reassigned to subsidiary in may 2020 in accordance with the sale of the subsidiary in July 2020. This implies that the total remuneration paid to directors, general managers and deputy general managers accounts for the proportion of net profit after tax in fact decreased compared to last year.

Director's remuneration includes director's compensation, director's remuneration and travel expenses, etc. With regard to the compensation, the compensation is determined with reference to the Articles of Association. Regardless of the operating profit or loss, the Board of directors is authorized to set a reasonable compensation according to individual contribution and domestic/foreign industry standards. Independent directors, on the other hand, the compensation should be set at a reasonable salary that is different from ordinary directors. In terms of board remuneration, the Articles of Association state that the remuneration shall not be higher than 5% of the annual profit. The matters relating to the remuneration shall be submitted to both the board and the shareholders' meeting after the recommendations of the Remuneration Committee. With regard to the travel expenses, the amount is determined through the board meeting as a approved resolution after the recommendation from the Remuneration Committee. The expense will be paid directly to directors whom have attended the board meetings.

The remuneration of the general manager and deputy general manager includes salary, pension, and employee compensation, which is determined based on the company's operating strategy, profitability, performance, job contributions, and consideration of the company's future risks, etc., it will be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

## IV. Corporate Governance

### (I) The operation of the Board of Directors

A total of 7 Board Meetings were held in the 2020. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Chairman	Min-Chun Chen	7	-	100%	2019/01/21 appointed 2019/05/02 re-elected
Director	Shu-Ling Tseng	7	-	100%	2018/01/23 appointed 2019/05/02 re-elected
Director	Endow Capital Management Inc. Representative: Xiang-Qi Fang	7	-	100%	2019/05/02 appointed
Director	Endow Capital Management Inc. Representative: Jing-Ru Cheng	2	-	100%	2020/09/30 appointed
Director	Endow Capital Management Inc. Representative: Rui-Xian Lin	4	1	80%	2019/05/02 appointed 2020/09/30 dismissed
Director	Bash Consultant Incorporated Representative: Yen-Shuen Chen	6	1	85.71%	2019/05/02 appointed
Director	Bash Consultant Incorporated Representative: Yun Chen	6	1	85.71%	2019/05/02 appointed
Independent Director	Bing-Quan Shi	7	-	100%	2019/05/02 appointed
Independent Director	Pei-Jun Hong	7	-	100%	2019/05/02 appointed
Independent Director	Ying-De Wu	2	2	50%	2020/06/18 appointed
Independent Director	Mei Chen Zhuang	-	-	-	2019/05/02 appointed 2020/02/27 resigned

Other matters to be documented:

I. Operation of the board of Directors if one of the following circumstances, the date and period of the Board of Directors, the contents of the motion, the opinions of all independent directors and the handling of the views of independent directors by the Company shall be stated:

(I) Securities and Exchange Act Article 14 (3) Matters listed:

Date and Term of Board Meeting	Motion	Independent Directors' opinion	Corporate response to Opinions	Resolutions by the board
2020.03.24 The 12 Term, The 7 time	1. 2019 internal control system effectiveness assessment and internal control system statement. 2. 2019 annual business report and financial statements. 3. 2019 surplus distribution plan. 4. Issuance of new shares through capital reserve. 5. Cash dividend payment through capital reserve. 6. Disposal of optical fiber business. 7. General Manager replacement. 8. Certified public accountant appointment. 9. Revised internal control system and related management measures.	No objection or abstained opinion.	Not applicable	After the chairman consulted all the members present, no objections were passed as approved.
2020.04.23 The 12 Term, The 8 time	1. Transfer of repurchased treasury stock to employees.			
2020.07.03 The 12 Term, The 10 time	1. Sale of 100% equity of subsidiary-Prime Optical Fiber Co., Ltd.			
2020.08.12 The 12 Term, The 11 time	1. Revised the corporation of related managing procedures.			
2020.11.10 The 12 Term, The 12 time	1. Loan to subsidiary -Chenli Education Co., Ltd of NT\$50,000,000.			
2020.12.15 The 12 Term, The 13 time	1. Formulate the Company' Internal auditing plan and related management measures.			

(II) In addition to the preceding matters, other directors' meeting decisions which are objected to or reserved by an independent director and have a record or written statement: No such circumstances.

II. The implementation of the directors' avoidance of the proposal of interest:

Date of Board Meeting	Name	Motion	Reasons for avoidance of conflicts of interests	Participation
2020.03.24	Rui-Xiang Lin	Disposal of Optical Fiber Business	Rui-Xiang Lin-Chairman of subsidiary Prime Optical Fiber Co., Ltd.	Avoidance of interests conflicts according to law
	Shu-ling Tseng Min-Chun Chen Yen-Shuen Chen Yun Chen	Change of General Manager Change of company Spokesperson.	Shu-Ling Tseng is the subject individual related to this motion. Min-Chun Chen, Yen-Shuen Chen and Yun Chen are spouse and second degree relatives of Shu-Ling Tseng. All individuals have conflicts of interests.	
2020.07.03	Rui-Xiang Lin	Sale of subsidiary- 100% of Prime Optical Fiber Co., Ltd.	Rui-Xiang Lin-Chairman of subsidiary Prime Optical Fiber Co., Ltd.	
2020.08.12	Shu-ling Tseng Min-Chun Chen Yen-Shuen Chen Yun Chen	2019 Surplus distribution plan Salary from concurrent roles as both Chairman and subsidiary employee.	Shu-Ling Tseng is the subject individual related to this motion. Min-Chun Chen, Yen-Shuen Chen and Yun Chen are spouse and second degree relatives of Shu-Ling Tseng. All individuals have conflicts of interests.	

III. The implementation of the board's self-assessment:

Evaluation Cycle	Evaluation Period	Range	Method	Content
Once per Year	2020 Annual Year	Individual Board Members	Board of Directors self- evaluation	Handlings of company's goals and tasks: 4.74 Recognition of board responsibilities: 4.70 Participation in Company's operations: 4.62 Internal relationship management and communication: 4.30 Directors' Professional and Continuing Education:4.59 Internal Control:4.63 Others:4.83
		Board of Directors	Evaluation from other members	Participation in Company's Operation: 4.18 Promotion of the quality of the Board: 4.54 Composition and Structure of the Board: 4.14 Directors' Professional and Continuing Education:4.60 Internal Control:4.50

After reviewing and evaluating the results, it is found that the "Participation in company's operation" and "Composition and Structure of the Board" is poor due to changes in the company's 2020 board members (1 independent director and 1 legal director representative), there is still room for efforts to understand the company and its industry, and because the current chairman and general manager are spouses. Although the company plans to add an independent director during the 2022 re-election, improvement is still needed for the 2020 evaluation. Overall, the operation of the Board is still decent, and will continue to strengthen according to the evaluation results of the board in order to improve the effectiveness of corporate governance.

IV. Evaluation of the objectives and implementation of strengthening the functions of the board of directors in the current year and the most recent year.

(I) Regularly review and revise the various measures to meet the requirements of the current laws and practical management to ensure the legality of the various measures.

(II) Actively arrange directors to participate in various advanced courses to facilitate the directors to obtain relevant information to maintain their core values and professional advantages and capabilities. The directors of the company arranged for a total of 26 times in the year 2020, a total of 75 hours (Please refer to page 26 of this annual report.)

(II) Operation of the Board of Auditors:

The company's audit committee is composed of 3 independent directors. The audit committee aims to assist the board of directors in fulfilling the quality and integrity of the company's supervision of the company's accounting, auditing, financial reporting process and financial control. The audited items mainly include:

1. The internal control system shall be revised in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of the internal control system.
3. Stipulation or amendments made in accordance with the provisions of Article 36-1 of the Securities and Exchange Act – processing of the acquisition or disposal of assets, derivative commodity transactions, loan to others, and endorsements or guarantees.
4. Items involving the director's own conflict of interests.
5. Transactions of material asset and derivatives.
6. Significant loans, endorsements or guarantees.
7. Raising, issuing private equity securities.
8. Appointment, dismissal and remuneration of Visa CPAs.
9. Assignments of financial, accounting or internal audit supervisors.
10. The annual financial report approved by the chairman, manager and the accounting supervisor and Q2 financial report approved by CPAs.
11. Other relevant matters specified by the company or the authority.

The Audit Committee convened 6 times in 2020 and the follow cases were attended by independent directors in 2020:

Title	Name	Actual attendance Number	Entrusted to attend Number	Actual attendance rate(%)	Note
Independent director	Bing-Quan Shi	6	0	100%	2019.05.02 appointed
Independent director	Pei-Jun Hong	6	0	100%	2019.05.02 appointed
Independent director	Ying-De Wu	2	2	50%	2020.06.18 appointed
Independent director	Mei-Chen Zhuang	5	1	83.33%	2019.05.02 Appointed 2020.02.27 resigned

Other matters to be documented:

I. Operation of the Board of Auditors if one of the following circumstances is in place, the date and period of the Board, the content of the motion, the outcome of the Board's resolution and the Company's handling of the Board's observations should be stated.

(I) Securities and Exchange Act No.14-5 Matters listed:

Date and term of Board Meeting	Motion	Resolution from the Audit Committee	Corporate response to Audit Committee's Opinions
2020.03.24 The 12 Term, The 7 time	1.2019 internal control system effectiveness assessment and internal control system statement. 2.2019annual business report and financial statements. 3.2019 surplus distribution plan. 4. Issuance of new shares through capital reserve. 5. Cash dividend payment through capital reserve. 6. Disposal of optical fiber business. 7. General Manager replacement. 8. Certified public accountant appointment. 9. Revised internal control system and related management measures.	After the chairman consulted all the members present, no objections were passed as approved.	Proposed to the Board
2020.07.03 The 12 Term, The 10 time	1.Sale of 100% equity of subsidiary-Prime Optical Fiber Co., Ltd.		
2020.08.12 The 12 Term, The 11 time	1.Revised the corporation of related managing procedures.		

Date and term of Board Meeting	Motion	Resolution from the Audit Committee	Corporate response to Audit Committee's Opinions
2020.11.10 The 12 Term, The 12 time	1.Loan to subsidiary -Chenli Education Co., Ltd of NT\$50,000,000.	After the chairman consulted all the members present, no objections were passed as approved.	Proposed to the Board
2020.12.15 The 12 Term, The 13 time	1.Formulate the Company' Internal auditing plan and related management measures.		

(II) In addition to the preceding matters, other matters which have not been adopted by the Board of Auditors and which have been agreed by more than two-thirds per cent by all directors: None

II. The independent directors shall state the name of the independent directors, the content of the proposal, the reasons for avoiding the interests, and the participation in the voting situation in the implementation of the avoidance of the interest bill: None.

III. Communication between Independent Directors and internal audit supervisors and accountants

(I) After the monthly audit report is reviewed, the head of internal audit shall deliver it to independent directors for review within the prescribed time limit, and submit the internal audit report to the board of directors on a quarterly basis. The independent directors did not raise any objections to the relevant report in 2020, and the communication was good.

(II) Before the audit committee meeting, accountants of the company communicated separately with independent directors on the responsibilities and independence of the annual audit report, internal control system, key audit matters, and other relevant matters required by laws and regulations, etc. If any independent directors have any questions in the process, he/she can discuss with the accountant and receives responses and supplementary explanations from the accountants. Independent directors and accountants have direct contact information, and they can also communicate with each other at any time by email, telephone etc. The communication is good.

IV. Summary in the year 2020

(I) Review of the Financial Reports

The board of directors submitted the company's 2019 annual business report, consolidated financial statements, parent-only financial statements and surplus distribution proposals, etc., of which the consolidated financial statements and individual financial statements were audited by Jin-chuan Shi and Shu-lin Liu accountants. The above-mentioned business report, consolidated financial statements, individual financial statements and surplus distribution proposals have been reviewed by the Audit Committee, and there is no discrepancy.

(II) Evaluate the effectiveness of the internal control system

The Audit Committee assessed the effectiveness of the company's internal control system policies and procedures (including financial, operational, risk management, information security, outsourcing, compliance with laws and other control measures), and reviewed the company's audit department, CPA accountants, and management reports, including risk management and compliance. The Audit Committee believes that the company's risk management and internal control systems are effective. The company has adopted the necessary control mechanisms to monitor and correct violations.

(III) Continue appointment of CPA Accountants

The Audit Committee is assigned the responsibility of supervising the independence of the CPA accounting firm to ensure the fairness of the financial statements. In order to ensure the independence of the certified public accountants, the audit committee refers to Article 47 of the Accounting Law and the Accounting Professional Ethics Standards Bulletin No. 10 "Integrity, Fairness, Objectivity and Independence" to formulate an independence assessment form to assess the independence of accountants, Professionalism and suitability assessment, to assess whether they are related parties, mutual business or financial interests and other projects with the company. On March 24, 2020, the Audit Committee and the Board of Directors on the same day reviewed and approved the accountants Shi Jinchuan and Liu Shulin of Deloitte & Touche United Certified Public Accountants Co., Ltd., all of which meet the independent evaluation criteria, and are fully qualified as financial and tax visa accountants of the Company.

(IV) Material Asset Transactions

In order to achieve specialization of labor and corporate reorganization to improve competitive and operating performances, the company transferred the optical fiber business unit to Prime Optical Fiber Co., Ltd, which is 100% owned by the company. This is followed by the issuance of new shares as the consideration. To further reinforce the strength of company competitiveness, market share, and future operation development in the education industry for the purpose of generating more stable income stream and profitability using existing resources, the company has disposed the Prime Optical Fiber Co., Ltd to non-related parties.

(III) The Company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the Root Cause

Evaluation Item	Implementation Status		Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	
<p>1. Does the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles?</p>	V		None
<p>2. The Company's equity structure and shareholder's equity</p> <p>(A) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes and litigation matters; also, have the procedures implemented accordingly?</p> <p>(B) Does the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?</p> <p>(C) Does the Company establish and implement the risk control and firewall mechanism with the related parties?</p> <p>(D) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?</p>	V		<p>None</p> <p>None</p> <p>None</p> <p>None</p>

Evaluation Item	Implementation Status		Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause																																																																										
	Yes	No																																																																											
<p>3.Composition and Responsibilities of the Board of Directors</p> <p>(A) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?</p>	V	<p>(A) The company has lay out a diversification policy in the “Code of Practice on Corporate Governance”. Nomination and appointment of board members are in compliance with the company’s articles of association. The candidate nomination system is adopted. In addition to the evaluation of the candidates’ academic qualifications and credentials, the nomination should also comply with the “Director Re-election procedure” and related matters from “Code of Practice on Corporate Governance” to ensure diversity and independence of directors.</p> <p>Reviewing the current list of directors, starting from gender equality, there are 4 male directors and 5 female directors, each of which (gender) constitute one-third of the board members. In terms of professionalism, the board composition has professionals from law, finance and other industries.</p> <table border="1" data-bbox="885 571 1380 1243"> <thead> <tr> <th rowspan="2">Name</th> <th rowspan="2">Gender</th> <th rowspan="2">Operation and Management</th> <th colspan="4">Core Ability</th> </tr> <tr> <th>Industry Knowledge</th> <th>Law</th> <th>Finance and Accounting</th> <th>Marketing</th> </tr> </thead> <tbody> <tr> <td>Min-Chun Chen</td> <td>M</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Shu-Ling Tseng</td> <td>F</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Xiang-Qi Fang</td> <td>M</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Jung-Ku Chen</td> <td>F</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Yen-Shuen Chen</td> <td>F</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Yun Chen</td> <td>F</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> </tr> <tr> <td>Bing-Quan Shi</td> <td>M</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Pei-Jun Hong</td> <td>F</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Ying-De Wu</td> <td>M</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> </tbody> </table>	Name	Gender	Operation and Management	Core Ability				Industry Knowledge	Law	Finance and Accounting	Marketing	Min-Chun Chen	M	✓	✓			✓	Shu-Ling Tseng	F	✓	✓		✓	✓	Xiang-Qi Fang	M	✓		✓	✓		Jung-Ku Chen	F	✓	✓			✓	Yen-Shuen Chen	F	✓	✓			✓	Yun Chen	F	✓	✓	✓		✓	Bing-Quan Shi	M	✓	✓		✓		Pei-Jun Hong	F		✓		✓		Ying-De Wu	M		✓		✓		(B) Planning for future needs
Name	Gender	Operation and Management				Core Ability																																																																							
			Industry Knowledge	Law	Finance and Accounting	Marketing																																																																							
Min-Chun Chen	M	✓	✓			✓																																																																							
Shu-Ling Tseng	F	✓	✓		✓	✓																																																																							
Xiang-Qi Fang	M	✓		✓	✓																																																																								
Jung-Ku Chen	F	✓	✓			✓																																																																							
Yen-Shuen Chen	F	✓	✓			✓																																																																							
Yun Chen	F	✓	✓	✓		✓																																																																							
Bing-Quan Shi	M	✓	✓		✓																																																																								
Pei-Jun Hong	F		✓		✓																																																																								
Ying-De Wu	M		✓		✓																																																																								
<p>(B) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?</p>		V	(B) The company has set up both Remuneration and Audit committee. In the future, the company will establish other functional committees according to business needs.																																																																										

Evaluation Item	Implementation Status		Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	
(C) Does the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year?	V		(C)None
(D) Does the Company have the independence of the public accountant evaluated regularly?	V		(D)None
4. Does the Company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing Company registration and changes to Company registration, and producing minutes of board meetings and shareholders' meetings)?	V		No significant difference

Evaluation Item	Implementation Status		Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholder (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The company has set up a stakeholder area on the company's website to provide the contact information of the spokesperson and various related business departments to properly respond to the concerns of stakeholders and the smooth communication channel.
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company appoints Grand Fortune Securities Co., Ltd. Stock Agency department to handle the shareholders' meeting affairs.
7. Information disclosure (A) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		The Company webpage has been fully set up in both Chinese and English. All financial reports, corporate governance reports will be updated on the MOPS website. The website can be found in note 6 of the annual report.
(B) Does the Company have adopted other information disclosure methods (such as, establishing an English website, designating responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		The company has a spokesperson system to speak on behalf of the company. Usually, the company is responsible for the disclosure of company information. The website is also set up to be bilingual in both Chinese and English for foreign investors to read.
(C) 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 first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?		V	The company announces and declares the annual financial report within the time limit prescribed by the law, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation within the specified period
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education of directors and supervisors, the implementation of risk management policies and risk measurement	V		1. The company has established an employee welfare committee, implemented a pension system to protect employees' rights and interests; regularly arranged health checks, organized employee tours from time to time, and conducted various employee trainings, focusing on employees' physical and mental health and learning and development.

Evaluation Item	Implementation Status		Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	
standards, the execution of customer policy, the purchase of liability insurance for the Company's		<p>2. The company's website has set up an investor area. In the investor area, the communication channels between interested parties and the company can maintain good communication with various stakeholders.</p> <p>3. Please refer to page 26 of this table for the situation of the directors of the company.</p> <p>4. The company formulates internal control systems and various internal regulations according to law, carries out various risk management and evaluations, and the internal audit unit regularly and irregularly checks the degree of implementation of the internal control system.</p> <p>5. The company maintains good relations with customers and strictly abides by the contracts and relevant regulations signed with customers to ensure the relevant rights and interests of customers and provide good service quality.</p> <p>6. The company has insured Director Liability Insurance from Mingtai Product Insurance Co., Ltd., and the insured amount for the year 2019 is USD 5 million.</p>	
9. Please explain the improvement in the recent annual Corporate governance evaluation of the Corporate Governance center of the Taiwan Stock Exchange Co., Ltd., and propose priority enhancements and measures for those who have not yet improved.(Not required to be included in the Company under review)			
Label	Question		
1.6	Does the company hold a regular shareholder meeting before the end of May? Improved Situation or priority enhancements and measures Regular shareholders' meeting held on 2021.05.28 in the year 2021.		
2.2	Does the company formulate a policy for diversification of board members and expose the implementation of the diversity policy on the company's website and annual report? Specific implementation status has been disclosed on the company's website and annual report.		
2.3	Are both the chairman and general manager of the company or other persons of equivalent rank (the top manager) the same person? Or are each other's spouse or first-degree relatives? Planned on increasing the number of independent directors in the year 2022 during the Director re-election Meeting.		
3.2	Does the company simultaneously release material information in English? Material information has been released simultaneously in English since the year 2021.		
3.20	Whether the company is invited (On itself) at least two institutional investor Conferences? And evaluated more than three months apart? The second institutional investor conference was held on 2021.03.19 and it is currently planned to be held again in the second half of the year.		

Note 1: Director's 2020 annual training situation

Title	Name	Date of Class	Organizers	Course Name	Hour
Director	Min-Chun Chen	2020/06/16	Taiwan Listed Companies Association	Taiwan's Governance during the post pandemic	2
		2020/10/22	Securities and futures Institute	2020 Annual prevention of insider trading and insider equity trading Announcement	3
		2020/11/16	Corporate Operation Association	Practical analysis of independent directors and audit committees	3
Director	Shu-Ling Tseng	2020/01/13	Taiwan Listed Companies Association	Common deficiencies in Corporate Governance	2
		2020/03/16	Taiwan Listed Companies Association	Environmental Protection in Taiwan	2
		2020/06/16	Taiwan Listed Companies Association	Taiwan's Governance during the post pandemic	2
		2020/09/30	Securities and futures Institute	2020 Annual prevention of insider trading and insider equity trading Announcement	3
		2020/03/05	Securities and futures Institute	Blockchain Principles and Application	3
Legal Director Representative	Xiang-Qi Fang	2020/03/17	Securities and futures Institute	Discussion on Intellectual Property Rights- Business Secrets	3
		2020/03/18	Securities and futures Institute	Discussion on employee reward strategy and tool application	3
		2020/04/16	Securities and futures Institute	Artificial Intelligence Principles and Applications	3
Legal Director Representative	Jing-Ru Cheng	2020/11/11	Securities and futures Institute	Discussion on Financial Statements Fraud	3
		2020/11/18	Securities and futures Institute	Discussion on the remuneration issues of employees and directors-From the amendment to Article 14 of the Securities and Exchange Act	3
Legal Director Representative	Yen-Shuen Chen	2020/06/16	Taiwan Listed Companies Association	Taiwan's Governance during the post pandemic	2
		2020/09/21	TWSE	Corporate Governance 3.0- and Sustainable Development Blueprint	3
		2020/10/22	Securities and futures Institute	2020 Annual prevention of insider trading and insider equity trading Announcement	3
Legal Director Representative	Yun Chen	2020/06/16	Taiwan Listed Companies Association	Taiwan's Governance during the post pandemic	2
		2020/09/21	TWSE	Corporate Governance 3.0- and Sustainable Development Blueprint	3
		2020/11/16	Corporate Operation Association	Practical analysis of independent directors and audit committees	3
Independent Director	Bing-Quan Shi	2020/11/09	Securities and Futures Institute	Relevant norms and operational practices of the audit committee	3
		2020/11/18	Securities and Futures Institute	Discussion on the remuneration issues of employees and directors-From the amendment to Article 14 of the Securities and Exchange Act	3
Independent Director	Pei-Jun Hong	2020/03/18	Securities and Futures Institute	Discussion on employee reward strategy and tool application	3
		2020/10/22	Securities and Futures Institute	2020 Annual prevention of insider trading and insider equity trading Announcement	3
Independent Director	Ying-De Wu	2020/06/10	Accounting Research and Development Foundation	Corporate Purchasing Operation Audit Practice Seminar	6
		2020/06/11	Accounting Research and Development Foundation	Corporate Governance Practices: Introduce the use of "artificial intelligence" and "blockchain" to improve operating results	3
		2020/06/16	Accounting Research and Development Foundation	Common corporate governance deficiencies in enterprises and analysis of related laws and regulations	3

## (IV) Composition, responsibilities and operation of the remuneration committee

## 12. Remuneration Committee Member Information

Title	Name	Have more than five years of work experience and the following professional qualifications			Compliance with the Independence (note 1)										Number of members of the salary and compensation committee of other public issuing companies	Note	
		Lecturer in Public and private colleges and universities for business, legal, financial, accounting or corporate business required related Materials	Judges, prosecutors, lawyers, accountants or other specialized occupations and technicians who have passed the national examination required for the business of the Company	Work experience required in business, legal, financial, accounting or corporate business	1	2	3	4	5	6	7	8	9	10			
Independent Director	Pei-Jun Hong		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Bing-Quan Shi		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Ying-De Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Mei-Chen Zhuang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Note 2

Note 1: If each member meets the following conditions during the two years before the election and during his tenure of office, please mark " " in the space below each condition code.

- (1) Employees who are not companies or their affiliates.
- (2) Directors and supervisors of non-company or related companies (but if the company and its parent company, subsidiary or subsidiary of the same parent company are independent directors established by this law or local state laws and regulations, they are not limited to this).
- (3) Non-self, spouse, minor children or natural shareholders who hold more than 1% of the total issued shares of the company in the name of others or the top ten shareholders.
- (4) The spouse, relatives within the second or third-kind of the manager other than those listed in (1) or the persons listed in (2), (3), or a direct blood relative within three-parents.
- (5) Directors, supervisors or directors of corporate shareholders who do not directly hold more than 5% of the company's total issued shares, hold the top five shares, or appoint representatives to act as company directors or supervisors in accordance with Article 27, paragraph 1 or 2, of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, it is not limited to this).
- (6) More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if they are the company or its parent company, subsidiary or a child of the same parent company) If the independent directors established by the company in accordance with this law or local laws and regulations serve concurrently, they shall not be limited to this).
- (7) Directors (directors), supervisors (supervisors) or employees (other than the company and its parent company) of other companies or institutions that are not the same person or spouse with the company's

chairman, general manager or equivalent , Independent directors set up by a subsidiary company or a subsidiary of the same parent company in accordance with this law or local national laws shall not be limited to this).

(8) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of shares in specific companies or institutions that do not have financial or business dealings with the company (but if specific companies or institutions hold issued shares in the company) If the total number is more than 20% but not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, this limit shall not apply).

(9) Professionals, sole proprietorships, partnerships, companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that do not exceed NT\$500,000 in cumulative compensation in the past two years Business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.

(10) There is no one of the circumstances in Article 30 of the Company Law.

Note 2: The member resigned on 2020.02.27. the table above reflects this situation.

### 13. Operations of Remunerations Committee

(1) There are 3 members of the company's salary and compensation committee.

(2) The term of the members of the current term: from May 13, 2019 to May 1, 2022. In the year 2020, Remuneration Committee met three times. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance	Entrusted to attend	Actual attendance rate (%)	Note
Convener	Pei-Jun Hong	3	-	100%	2019.05.13 appointed
Members	Bing-Quan Shi	3	-	100%	2019.05.13 appointed
Members	Ying-De Wu	-	1	-	2020.05.12 appointed
Members	Mei-Chen Zhuang	-	-	-	2019.05.13 appointed 2020.02.27 resigned

Other matters to be documented:

Date of Compensation and Remuneration Committee	Motions	Resolution	The company's response to the opinions of the Compensation and Remuneration Committee
2020.03.24	1. 2019 employee compensation and director remuneration.	The proposal was passed without objection after discussing with other attended board members.	The company's repose to the opinions of Compensation and Remuneration Committee was proposed to the Board, and approved by all the attended board members.
2020.05.12	1. Distributed amount of the 2019 Director remuneration.		
2020.08.12	1. Distributed amount of 2019 employment compensation. 2. Adjustment proposal regarding the Chairman's concurrent role receiving both compensation from parent company and salary from subsidiary company.		

(1) If the board does not adopt or amend the recommendations of the Pay compensation Board, it shall specify the date, period of the Board, the content of the motion, the outcome of the Board's resolution and the Company's treatment of the comments of the Pay Committee (If the remuneration paid by the Board of Directors is better than that of the Pay compensation committee, the difference and the reasons for it should be stated): None.

(2) The resolutions of the Compensation and Remuneration Committee, if members have objections or reservations and have a record or written statement, shall state the date, period, content of the opinions of all members and the treatment of the members' opinions: None.

(V) Fulfilment of social responsibility:

Evaluation Item	Operational scenarios (Note 1)		The difference and reason between the code of Practice on corporate social responsibility of listed and OTC companies
	Yes	No	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V	<p>In accordance with the principle of the importance of corporate social responsibility, the corporation conduct assessments and evaluations related to environmental, social and corporate governance issues, the strategies and precautions steps are shown below:</p> <p>(1) Environmental In terms of environmental risks, the corporation has provided employees with a safe and clean working environment, introduced various water-saving and power-saving measures, and encouraged the implementation of resource recycling policies, striving to become a eco-friendly corporation.</p> <p>(2) Social Regarding the risk of industry changes, the corporation regularly track Industry news and conduct market research to provide executives updated market information to make the most appropriate strategic decision. In terms of human resource issues, the corporation review salary from time to time, improve employee benefits and make short-term arrangements in advance based on the demand for manpower of each business units.</p> <p>(3) Corporate Governance In terms of credit risk, the corporation should conduct monthly review of receipts of account receivables and overdue (bad debt) accounts and conduct analysis on the operating status of cooperative units to reduce doubtful accounts. In terms of interest rate risk, the corporation should conduct regular assessment of loan interest rates and a good relationship with the bank for the purpose of receiving better terms in future loan agreements and reduce interest expenses. In terms of exchange rate risk, the finance department should develop close ties with external financial institutions to obtain information relating to fluctuating exchange rates and understand the ensuing trends.</p>	None

Evaluation Item	Operational scenarios (Note 1)		The difference and reason between the code of Practice on corporate social responsibility of listed and OTC companies
	Yes	No	
		Summary description (Note2) In terms of information security risks, the information technology unit continues to plan and deploy information security measures to improve the information security environment, and secure confidential customer information from leaks. It also conducts targeted inspections and strive to promote employee awareness to external malicious attacks.	
2. Is the company set up to promote corporate social responsibility (operation unit) and the board of directors authorizes the senior management to handle it, and report the handling situation to the board of directors?	V	V	No significant difference
3. Development of a sustainable environment (A) Does the company have an appropriate environmental management established in accordance with its industrial character?  (B) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?  (C) Does the company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues?  (D) Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	V  V  V	The company conducts verification and environmental engineering technician visas for air pollution, waste water, waste and other management projects according to regulations. For waste, there is also a plan for cleaning up business waste, and it will be implemented in accordance with relevant regulations. to continuously improve the efficiency of the use of resources. The company is committed to carrying out activities such as resource classification and recycling to maintain earth resources and protect environmental sanitation  In response to the impact of climate change on operating activities, the Company maintains active attention to energy saving and carbon reduction and greenhouse gas reduction. Although the company does not carry out greenhouse gas inventories, it is committed to implementing energy saving and carbon reduction, such as electronic form documents, energy saving, resource recycling, etc.	None  None  No significant difference  No significant difference
4. Social issues (A) Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V	The company has implemented the labor-based laws, labor insurance regulations, employee welfare regulations and related laws.	None

Evaluation Item	Operational scenarios (Note 1)		The difference and reason between the code of Practice on corporate social responsibility of listed and OTC companies
	Yes	No	
(B) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?	V	The company complies with the labor standards and regulations, handles employee remuneration and vacation systems, and handles related welfare measures in accordance with the employee welfare regulations.	None
(C) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	V	The company advertises labor safety to employees from time to time. In case of flu or infectious diseases, the company advertises wearing masks and disinfectants at the entrances and exits for employees.	None
(D) Does the company establish an effective career development training program for employees?	V	The company will pass daily education and training from time to time, training employees career development.	None
(E) Has the company complied with relevant regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has formulated relevant consumer protection policies and appeal procedures?	V	The company attaches great importance to customer opinions, has provided product contact windows and email mailboxes on the company's website, and has set up a stakeholder area to provide channels for customer questions, complaints or suggestions. The company adheres to the principle of integrity and properly handles and gives feedback to protect customers rights and interests.	None
(F) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and their implementation?	V	Before cooperating with suppliers, the company will evaluate the suitability of suppliers according to internal procedures, and through regular audits of cooperative suppliers, to ensure that suppliers comply with relevant regulations on environmental protection, safety or health issues, so as to enhance the corporate society Responsibility policy	None
5. Whether the company refers to the preparation of the international general report Standards or guidelines, preparation of corporate social responsibility reports and other reports that disclose company non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?	V	The company has not yet prepared a corporate responsibility report.	Still evaluating
6. If the Company has its own code of corporate social responsibility in accordance with the Code of Practice on corporate social responsibility of listed cabinets, please specify the difference between its operation and the code set: None			
7. Other important information that helps to understand the operational circumstances of corporate social responsibility: None			

(VI) Companies to fulfill the integrity of the business situation and implementation measures:

Evaluation Item	Operational scenarios (Note1)		The difference and reason of the Code of good faith management with the IPO/OTC Company
	Yes	No	
<p>1. The setting of good faith management policies and solutions</p> <p>(A) Whether the Company has stated in its regulations and external documents the policies and practices of operating in good faith and the commitment of the Board and Management to actively implement their business policies?</p> <p>(B) Whether the Company has established a program for the prevention of dishonesty, and has established operational procedures, codes of conduct, disciplinary and complaint systems for irregularities and implementation in the various program?</p> <p>(C) Whether the Company shall implement preventive measures against the business activities which have a high risk of dishonest conduct within the second section of article seventh of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business scope?</p>	V	V	No significant differences
	V		None
	V		None
<p>2. The implementation of Ethical Corporate Management</p> <p>(A) whether the Company evaluates the integrity record of the subject and sets out the terms of good faith in its contract with the transaction object?</p> <p>(B) Whether the Company has established a special (part) unit to promote corporate integrity management under the Board of directors and regularly reports its implementation to the board of Directors?</p> <p>(C) Does the Company have a policy to prevent conflicts of interest, provide a channel for proper presentation, and implement it?</p>	V	V	None
			None
	V		None

Evaluation Item	Operational scenarios (Note1)		The difference and reason of the Code of good faith management with the IPO/OTC Company
	Yes	No	
(D) Whether the Company has established an effective accounting system and internal control systems for the implementation of good faith operations, which are regularly checked by internal audit units, or commissioned by accountants to carry out checks?	V	V	No significant difference
(E) Whether the Company regularly organizes education and training within and outside the integrity operation?		V	Plan and arrange related internal and external education and training
3. Operation of the Company's whistle-blower system (A) whether the Company has formulated a specific system of whistle-blowing and reward, and has established a convenient prosecution pipeline, and has assigned appropriate admissibility to the subject of the complaint Accountable personnel?	V		None
(B) Whether the Company has established standard operating procedures and relevant confidentiality mechanisms for the investigation of prosecution matters?		V	No significant difference
(C) Whether the Company has taken measures to protect whistleblowers from improper disposal as a result of prosecution?	V		None
4. Strengthening information disclosure Whether the Company, on its website and the Public Information Observatory, exposes the contents of its Code of good faith and promotes its effectiveness?		V	It will be determined according to the company's situation.
5.If the Company has its own integrity code of practice in accordance with the "Code of good faith management of listed cabinets companies", please specify the difference between its operation and the code laid down: It has not yet been decided.			
6.Other important information to help understand the integrity of the Company's business operations: (A) The company follows the corporate law, securities trading law, business accounting law and other relevant regulations or other business conduct related laws and regulations as the basis for the implementation of management. (B) The company has signed NDA with its employees. All employees must strictly observe the secrets of the company's secrets in handling affairs and business and must not disclose them, and have the obligation to keep the company's business secrets confidential. (C) The company has set up the "Measures for Preventing the Management of Insider Transactions", which specifies that directors, managers and employees shall not disclose the internal information they know to others, and shall not inquire or collect from those who know the internally important information of the company A company that is not related to an individual's position has not disclosed material internal information. It is also not allowed to disclose internal information that has not been disclosed to the company outside of any business transactions.			

(VII) If a Company has a code of corporate governance and related regulations, it should disclose the way it is consulted: Please refer to the Market Observation Post System ([Http://mops.twse.com.tw](http://mops.twse.com.tw)).

(VIII) Other important information related to enhance understanding of the operational circumstances of corporate governance must be disclosed together: none.  
(IX) Internal Control

1. Statement of Internal Control: On the Next page

## **Success Prime Corporation**

### **Statement of Internal Control**

Date: March 9, 2021

The internal control of the Company for 2020, based on the results of its own assessment, may state the following:

- (1) The Company is aware of the establishment, implementation and maintenance of internal control system is the responsibility of the Company's board of directors and managers, and the Company has established this system. Its purpose is to the effectiveness and efficiency of the operation(Including profit, performance and security of assets, etc.), reporting reliability, time duration, transparency and compliance with relevant norms and relevant laws and regulations to comply with the objectives of the achievement, to provide reasonable assurance.
- (2) The internal control system has its own innate limitations, no matter how perfect the design, effective internal control system can only provide limited measures to ensure the achievement of the above three objectives, and the effectiveness of the internal control system may change as a result of changes in the environment and circumstances. However, the Company's internal control system has a self-monitoring mechanism, missing once identified, the Company to take corrective action.
- (3) The Company is based on the "Open issuing Company to establish internal control system processing Guidelines" (hereinafter referred to as the "treatment criteria") under the effectiveness of the internal control system judgment project, to judge whether the internal control system design and implementation is effective. The internal control system used in the "Processing guidelines" determines the project, which is based on the process of management control, dividing the internal control system into five subsections:1.Control of the environment 2.Risk Assessment 3.Operational Control 4.Information and Communication and 5.Supervision of the operation. Each component also includes a number of projects. Please refer to the "Handling guidelines" for the aforementioned items.
- (4) The Company has adopted the above-mentioned internal control system to assess and evaluate the effectiveness of the design and implementation of the internal control system.
- (5) Based on the results of the preceding assessment, the Company considers that the internal control system of the Company on December 31<sup>st</sup>, 2020 (containing the supervision and management) of the subsidiaries, including understanding the effectiveness of the operation and the extent to which the efficiency objectives have been achieved, and that the report is reliable, timely and The design and implementation of the internal control system, such as transparency and compliance

with relevant norms and relevant laws and regulations, is valid and can reasonably ensure the achievement of the above objectives.

- (6) This statement will become the main content of the Company's annual report and public statement, and open to the outside world. If there is hypocrisy, concealment and other illegal circumstances, the contents disclosed above will involve the legal liability of 20th, 32nd, 171th and 174th of the securities trading law.
- (7) This statement was approved by the board of directors of the Company on March 9<sup>th</sup>, 2021. Among the attended 9 directors, no one disagreed, and all agreed with the contents of this statement.

Success Prime Corporation

Chairman: Min-Chun Chen

General Manager: Shu-Ling Tseng

2. Those who entrust the Accountants to review the internal control system shall disclose the accountant's evaluation report: Not applicable.

(X) The Company and its internal personnel have been punished in accordance with the law for the most recent year and the published annual report, and the Company has imposed penalties, major deficiencies and improvements on its internal personnel for violating the internal control system: None.

(XI) Important resolutions of the shareholders ' meeting and the Board of directors in the most recent year and up to the publication date of the annual report:

1. Important resolutions and Implementations of the Shareholders Meeting:

Date of the meeting	Important Resolution matters	Implementation
2020.06.18 Regular meeting of Shareholders	1. Approved 2019 Business Report and financial statement. 2. Approved the 2019 Net Income distribution. 3. Approved the case of issuing new shares through capital reserve. 4. Approved the case of cash dividend payment through capital reserve.  5. Approved Independent Directors vacancy role fulfillment.  6. Approved the lifting of the non-compete clause restrictions for new independent directors.	1. The results of the resolution have been followed. 2. 3. 4. July 31, 2020, was set as the base date for the ex-rights and cash dividend ex-dividends for the capital increase and the issuance of new shares. The cash dividend will be distributed on August 17 <sup>th</sup> 2020. The issuance of new shares will take place on September 1 <sup>st</sup> 2020. 5. Amendment registration and related announcements in accordance with the law. 6. The results of the resolution have been followed.

## 2. Important Board Resolutions

Date of the meeting	Important Resolution matters
2020.03.24	<ol style="list-style-type: none"> <li>1. Passed the company's joint venture with Mr. Min-Ru Zhan and Eagles Cultural Enterprise Co., Ltd. to establish a new company.</li> <li>2. Passed the 2019 internal control system effectiveness assessment and internal control system statement.</li> <li>3. Passed the distribution of employees' compensation and directors' compensation in 2019.</li> <li>4. Passed the 2019 annual business report and financial statements.</li> <li>5. Passed of the 2019 surplus distribution plan.</li> <li>6. Passed the case of issuing new shares through capital reserve conversion.</li> <li>7. Passed the case of cash dividend payment through capital reserve.</li> <li>8. Passed the business concession case of the company's optical fiber business department.</li> <li>9. Passed the change case of the general manager of the company.</li> <li>10. Passed the change case of our company spokesperson.</li> <li>11. Passed the by-election for the shortfall of independent directors of the company</li> <li>12. Passed the case concerning the convening of the 2020 regular shareholders' meeting.</li> <li>13. Passed the company's independent evaluation of accountants.</li> <li>14. Passed the appointment of the company's visa accountant.</li> <li>15. Passed to amend the company's internal control system and related management measures.</li> </ol>
2020.04.23	<ol style="list-style-type: none"> <li>1. Passed the case of transferring the shares of the company to employees.</li> <li>2. Passed the review of the list of candidates for independent director by-election of the company's 2020 regular shareholders meeting</li> <li>3. Passed the lifting of the new independent directors' prohibition on competition.</li> </ol>
2020.05.12	<ol style="list-style-type: none"> <li>1. Passed the company's 2020 first quarter consolidated financial report.</li> <li>2. Passed the distribution of directors' remuneration in 2019.</li> <li>3. Passed the appointment of members of the Company's 5th Compensation and Remuneration Committee.</li> </ol>
2020.07.03	<ol style="list-style-type: none"> <li>1. Passed the sale of subsidiary- 100% of Prime Optical fiber Co., Ltd.</li> <li>2. Passed the ex-dividend base date and related matters for distribution of cash dividends from surplus, capital reserve and the capital increase from capital reserve through the issuance of new shares.</li> </ol>
2020.08.12	<ol style="list-style-type: none"> <li>1. Passed the consolidated financial report for the second quarter of 2020.</li> <li>2. Passed the 49% buyout of Prime Education Consulting Co., Ltd. From Teacher Wei-Ru Chen.</li> <li>3. Passed the distribution of employees' compensation</li> <li>4. Passed the wage adjustment relating to the issue of the Chairman receiving both compensation and wage from his employment role in subsidiary company.</li> <li>5. Passed the revised company related management measures.</li> <li>6. Passed the appointment of representative of legal directors for the company's 100% subsidiaries (Chen Li Education Co., Ltd)</li> </ol>
2020.11.10	<ol style="list-style-type: none"> <li>1. Passed the consolidated financial report for the third quarter of 2020.</li> <li>2. Passed the appointments of representative of legal directors for the company's 100% subsidiaries (Chen Li Elm Co., Ltd and Here Co., Ltd.)</li> <li>3. Passed the loan to subsidiary-Chen Li Education Co., Ltd of NT\$ 50,000,000.</li> </ol>
2020.12.15	<ol style="list-style-type: none"> <li>1. Passed the company's 2021 annual audit plan.</li> <li>2. Passed the company's 2021 internal budget.</li> <li>3. Passed the renewal of the credit limit of the company's Taipei Fubon Bank.</li> <li>4. Passed the company's revision of the internal control system and related management measures.</li> <li>5. Passed the revision of the company's approval authority form.</li> </ol>
2021.02.26	<ol style="list-style-type: none"> <li>1. Passed the company treasury stock repurchases.</li> <li>2. Passed the revised regulation on the second repurchases of its own shares for the purpose of transferring them to its employees.</li> <li>3. Passed the company's independent evaluation of accountants.</li> <li>4. Passed the appointment of the company's visa accountant.</li> </ol>
2021.03.09	<ol style="list-style-type: none"> <li>1. Passed the 2020 internal control system effectiveness assessment and internal control system statement.</li> <li>2. Passed the 2020 distribution of employees' compensation and director remuneration.</li> <li>3. Passed the 2020 annual business report and financial statements.</li> <li>4. Passed the 2020 surplus distribution plan.</li> <li>5. Passed the distribution of cash dividend through capital surplus.</li> <li>6. Passed the revision of part of the Articles of Association.</li> <li>7. Passed the transfer of shares to employees at a price lower than the average price of the repurchased shares.</li> <li>8. Passed a proposal for determining the time, place, and reasons for voting at the 2021 regular shareholders meeting.</li> <li>9. Passed the recruitment of audit officer.</li> </ol>

- (XII) The main contents of the most recent year and the date of publication of the annual report to the directors or supervisors who have different opinions and have a record or written statement on the adoption of important resolutions by the board: none.
- (XIII) Summary of resignations and dismissal of the Company's chairman, general manager, accounting supervisor, treasurer, Internal audit supervisor and R&D Director in the most recent year and as of the annual report.

March 31<sup>st</sup>, 2021

Title	Name	Date of arrival	Dismissal Date	Reasons
General Manager	Heng-Tai Xiang	2014.11.13	2020.03.24	Since the company will coordinate with the optical fiber business for the transfer of the subsidiary, it is scheduled to be transferred to the subsidiary of the Prime Optical Fiber Co., Ltd. after the business transfer base date, so both managers will be dismissed from their original positions.
Deputy General Manager of Optical Fiber Division	Da-Wei Chuan	2014.08.01	2020.03.24	
Internal Auditing Officer	Zhi-Ming Huang	2019.05.13 (note)	2020.12.15	Resigned due to personal career planning.

Note: Employed on 2019.01.21 as auditor and was appointed as Internal auditing officer on 2019.05.13 by the Board.

## V. Accountant Information

Name of the Accounting Firm	Name of Accountant		Check Period	Note
Deloitte Taiwan	Jinchuan Shi	Shulin Liu	2020	

- (I) The amount of audit and non-audit public fees and non-audit services provided to the certified public accountant, the firm to which the certified public accountant belongs, and its affiliations.

Name of the Accounting Firm	Name of Accountant	Audit Fees	Non-audit fees					Audit period	Note
			System design	Business registration	HR	Others (note)	Sum		
Deloitte Taiwan	Jinchuan Shi Shulin Liu	2,800	-	-	-	650	650	2020	

Note: Including the subsidiary transfer pricing report of NT\$.400 thousand and matters related to the sale of business NT\$250 thousand.

- (II) If the accounting firm is replaced and the audit public fee paid in the replacement year is lower than the audit public fee in the previous year: No such situation.
- (III) Audit public expenditure decreased by more than 10% compared with the previous year: no such situation.

## VI. Change Of Accountants

### (I) About the former accountant

Replacement Date	January 19 <sup>th</sup> , 2019		
Reason	Internal adjustment of accounting firms(Liu Jiang holds accountant's age retirement)		
Description is the termination or non-acceptance of the appointment by the appointing person or accountant	Situation	Parties	Appointing persons
	Proactive termination of appointment	Accountant	Not applicable, for the internal rotation of the firm
	No longer accept(Go on)Appointed		
Comments and reasons for the issuance of unqualified opinions other than reservations in the latest two years	None		
Whether there is disagreement with the issuer.	Yes		Accounting principles or practices
			Disclosure of financial reports
			Check scope or steps
			Other
	None		
	Note: Not Applicable		
Other disclosure matters (Article 10-6: 1-4 to 1-7 of the present guidelines shall be disclosed to the person)	None of this is the case		

### (II) About the Successor Accountant

Name of the Firm	Deloitte Taiwan
Name of Accountant	Jianliang Liu, Wenxin Lin
Date of Appointment	2019.01.19
Consultation matters and results prior to appointment on accounting treatment or accounting principles for a particular transaction and comments on the possible issuance of financial reports	None of this is the case
Written opinion of the successor accountant on the different opinions of the former accountant	None of this is the case

(III) The former accountant's section on this guideline Article 10 No. 6 No.6 Paragraph 1 and Paragraph 2 -3 to the matter: Not applicable

**VII. The Chairman, general manager, and manager responsible for finance or accounting of Company, who has worked and related to the CPA firm: None.**

### VIII. Changes in equity of directors, supervisors, managers and major shareholders

#### (I) Directors, supervisors, managers and major shareholders' equity changes

Title	Name	Year ended 2020		As of March 31, 2021	
		Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)	Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)
Director	Min-Chun Chen	115,000	-	20,000	-
Director and General Manager	Shu-Ling Tseng	500,728	-	95,000	-
Legal Director	Far East International Commercial Bank entrusted custody of Endow Capital Management Co., Ltd. Investment Special Account	173,447	-	-	-
Representative of Legal Director	Endow Capital Management Co., Ltd. Representative: Xiang-Qi Fang	-	-	-	-
Representative of Legal Director	Endow Capital Management Co., Ltd. Representative: Jing-Ru Cheng (note)	-	-	-	-
Representative of Legal Director	Endow Capital Management Co., Ltd. Representative: Rui-Xian Lin (note)	-	-	-	-
Legal Director	Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	173,447	-	-	-
Representative of Legal Director	Bash Consultant Incorporated Representative: Yen-Shuen Chen	-	-	-	-
Representative of Legal Director	Bash Consultant Incorporated Representative: Yun Chen	-	-	12,000	-
Independent Director	Bing-Quan Shi	-	-	-	-
Independent Director	Pei-Jun Hong	-	-	-	-
Independent Director	Ying-De Wu (note)	-	-	-	-
Independent Director	Mei-Chen Zhuang (note)	-	-	-	-
Optical Fiber Business General manager	Heng-Tai Xiang (note)	-	-	-	-
Optical Fiber Business Deputy General Manager	Da-Wei Chuan (note)	-	-	-	-
Head of Accounting	Xiang-Yi Luo	10,000	-	-	-
Major Shareholder	Far East International Commercial Bank entrusted with the custody of Optimistic Forward Investment Account (note)	(18,968)	-	-	-

Note 1: The difference of shareholding (increase/decrease) between the 2020 newly appointed or dismissed directors or staffs during/off their term of office:

(II) Relative to the transfer of equity. Persons who are related: None

(III) Equity pledge Information: None.

**IX. Information of shareholders with top 10 shareholdings, as related parties, spouse, or within second-degree relatives:**

March 30<sup>th</sup>, 2021; Unit: Shares

NAME	HOLDING SHARES		SHARES HELD BY SPOUSES AND CHILDREN		SHARES IN THE NAME OF ANOTHER PERSON		THE NAME OR NAME AND RELATIONSHIP OF THE FORMER TOP TEN SHAREHOLDERS WHO ARE RELATED TO EACH OTHER OR TO THEIR SPOUSES AND RELATIVES WITHIN TWO RELATIVES.		NOTE
	Number of share	Holdings ratio	Number of shares	Holdings Ratio	Number of shares	Holdings Ratio	Name	Relationship	
Far East International Commercial Bank entrusted with the custody of Endow Capital Management Co., Ltd. Investment specialty	1,890,039	9.85%	-	-	-	-	-	-	-
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.85%	-	-	-	-	-	-	-
Taipei Fubon Commercial Bank entrusted custody Optimistic Forward Investment limited.	1,758,177	9.16%	-	-	-	-	-	-	-
Witty Sino Holdings Co., Ltd.	1,743,020	9.09%	-	-	-	-	-	-	-
Shu-Cheng Tseng	1,017,564	5.30%	-	-	-	-	Shu-Ling Tseng Yen-Tang Wu	Within 2 <sup>nd</sup> degree Within 2 <sup>nd</sup> degree	-
Far East International Commercial Bank entrusted custody Reap Global Investment Co., Ltd. Investment specialty	730,357	3.81%	-	-	-	-	-	-	-
Shu-Ling Tseng	594,728	3.10%	135,000	0.70%	-	-	Shu-Cheng Tseng	Within 2 <sup>nd</sup> degree	-
Yen-Tang Wu	577,006	3.01%	-	-	-	-	Shu-Cheng Tseng	Within 2 <sup>nd</sup> degree	-
Guang-Zhong Tan	443,830	2.31%	-	-	-	-	-	-	-
De-Jie Investment Co., Ltd.	341,293	1.78%	-	-	-	-	-	-	-

**X. The number of shares directly or indirectly controlled by the Company's directors, supervisors, managers investing towards same business, and combined to calculate the comprehensive shareholding ratio:**

December 31<sup>st</sup>, 2020; Unit: Shares

Affiliated Enterprises (note)	Ownership by the Company		Directors, supervisors, managers and investments in direct or indirect control of the business		Total Ownership	
	Number Of shares	Shareholding ratio	Number Of shares	Shareholding ratio	Number Of shares	Shareholding ratio
Chen Li Education Co., Ltd.	11,200,000	100%	-	-	11,200,000	100%
Here Co., Ltd.	1,000,000	100%	-	-	1,000,000	100%
Chen Li Elm Co., Ltd.	1,500,000	100%	-	-	1,500,000	100%
Li-Ren Education Co., Ltd.	300,000	60%	-	-	300,000	60%
Chen Li Zhiyi Education Co., Ltd.	300,000	60%	-	-	300,000	60%

Note: The Company adopts the equity method.

## IV. Capital Overview

### I. Capital & Shares

#### (1) Sources of Capital Stock

March 30, 2021

Unit: in thousands of NT\$/ thousands shares

Years	Issue Price	Share capital		Paid-in Capital		Note		
		Number of shares (Thousand shares)	Amount (Thousand dollars)	Number of shares (Thousand shares)	Amount (Thousand dollars)	Sources of equity	Note1	Other
1991.06	10	10,000	100,000	5,000	50,000	Cash replenishment 37,500 Replenishment of technical units 12,500	-	1990.12.29(79) Yuan Tou Zi No.15123
1992.11	10	10,000	100,000	10,000	100,000	Cash replenishment 37,500 Replenishment of technical units 12,500	-	-
1993.11	10	20,000	200,000	12,500	125,000	Cash replenishment 25,000	-	1993.11.16(82) Yuan Tou Zi No.14737
1994.09	10	20,000	200,000	17,500	175,000	Cash replenishment 50,000	-	-
1996.07	10	40,000	400,000	40,000	400,000	Cash replenishment 225,000	-	1996.05.16(85) Yuan Tou Zi No.07414
1997.09	10	120,000	1,200,000	60,000	600,000	Cash replenishment 200,000	-	1997.07.17(86) Taiwan Financial Certificates(1) No. 53384
2000.08	10	120,000	1,200,000	62,000	620,000	Cash replenishment 20,000	-	2000.07.11 (89) Taiwan Financial Certificates(1) No. 59923
2002.07	10	120,000	1,200,000	74,330	743,300	Surplus to increase capital 123,300	-	2002.07.17 (91) Taiwan Financial Certificates(1) No.0910139852
2004.08	10	120,000	1,200,000	42,801	428,010	Reduction of capital 315,290	-	2004.08.09 FSC (1)No.0930132052
2007.04	10	120,000	1,200,000	66,521	665,211	Overseas convertible Corporate debt transfer to equity 237,201.36	-	2007.05.29 (96) Yuan Shang Zi No.14395
2008.04	1.98	250,000	2,500,000	206,925	2,069,252	Overseas convertible Corporate debt transfer to equity 395,959.61	-	2008.05.26 (97) Yuan Shang Zi No.14228
2008.12	1.17	250,000	2,500,000	221,027	2,210,277	Private Cash Replenishment 141,025.65	-	2008.12.18 (97) Yuan Shang Zi No.36121
2009.11	1.81	250,000	2,500,000	237,602	2,376,023	Private Cash Replenishment 165,745.86	-	2009.11.09 (98) Yuan Shang Zi No.30801
2010.02	-	250,000	2,500,000	36,133	361,336	Reduction of capital 2,014,687.4 (In-circulation shares include 4,665,995 Shares for private equity, not yet on the market)	-	2010.02.24 (99) Yuan Shang Zi No.4674
2013.07	10	250,000	2,500,000	39,133	391,336	Private Cash Replenishment 30,000	-	2013.08.09 (102) Yuan Shang Zi No.1020024195
2015.06	6.3	250,000	2,500,000	46,133	461,336	Private Cash Replenishment 70,000	-	2015.06.29 (104) Zhu Tou Zi No.20150018177
2016.03	10	250,000	2,500,000	46,757	467,576	The exercise of shareholding voucher 6,240	-	2016.03.10 (105) Zhu Shang Zi No.1050006170
2016.08	10	250,000	2,500,000	46,917	469,176	The exercise of shareholding voucher 1,600	-	2016.08.02 (105) Zhu Shang Zi No.1050021155
2016.08	-	250,000	2,500,000	7,560	75,600	Reduction of capital 393,575.86	-	-
2016.09	73.25	250,000	2,500,000	15,760	157,600	Private Cash Replenishment 82,000	-	2016.09.12 (105) Zhu Shang Zi No.1050025323
2017.08	10	200,000	2,000,000	16,548	165,480	Capital reserve transfer and replenishment 7,880	-	2017.09.06 (106) Zhu Shang Zi No.1060024094
2018.03	10	200,000	2,000,000	16,628	166,280	The exercise of shareholding voucher 800	-	2018.05.04 (107) Zhu Shang Zi No.1070013752
2018.08	10	200,000	2,000,000	17,459	174,594	Capital reserve Transfer of capital 8,314	-	2018.08.06 (107) Zhu Shang Zi No.1070023770
2020.07	10	200,000	2,000,000	19,185	191,854	Capital reserve Transfer of capital 17,260	-	2020.08.18 (109) Zhu Shang Zi No.1090023115

Note1: Recipients of property other than cash to be credited to the shares

March 30, 2021; Unit: shares

Shares Kinds	Authorized Capital Stock			Note
	Circulation of external shares	Non-issued shares	Total	
Common	19,185,440	180,814,560	200,000,000	Shares of listed companies, including 442,000 Shares Treasury shares

## (2) Shareholder Structure

March 30, 2021

Shareholder structure	Government agencies	Financial institutions	Other legal entities	Foreign institutions and Foreigners	Personal	Total
Number	-	2	14	19	4,469	4,504
Number of shares held	-	115	2,551,109	6,367,538	10,266,678	19,185,440
Shareholding ratio	-	-	13.30%	33.19%	53.51%	100.00%

## (3) Shareholding Dispersion

March 30, 2021

Shareholding rating	Number of Shareholders	Number of shares held	Shareholding ratio
1-999	3,204	229,856	1.20%
1,000-5,000	1,068	1,929,579	10.06%
5,001-10,000	107	766,580	4.00%
10,001-15,000	37	446,763	2.33%
15,001-20,000	16	282,648	1.47%
20,001-30,000	15	363,895	1.90%
30,001-40,000	10	330,044	1.72%
40,001-50,000	8	358,023	1.87%
50,001-100,000	15	961,212	5.01%
100,001-200,000	11	1,536,529	8.01%
200,001-400,000	3	893,551	4.66%
400,001-600,000	4	2,057,564	10.72%
600,001-800,000	1	730,357	3.80%
800,001-1,000,000	-	-	-
1,000,001 Stocks or more	5	8,298,839	43.25%
Total	4,504	19,185,440	100.00%

(4) List of major shareholders: the proportion of shareholders or equity with a share of more than 5% of the shares in the top 10 is the name of the shareholders, the amount of the shareholding and the proportion.

March 30th, 2021; Unit: shares

Shares	Number of shares held	Shareholding Ratio (%)
Name of major shareholder		
Far East International Commercial Bank entrusted with the custody of Endow Capital Management Co., Ltd. Investment specialty	1,890,039	9.85%
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.85%
Taipei Fubon Commercial Bank entrusted custody Optimistic Forward Investment limited.	1,758,177	9.16%
Witty Sino Holdings Co., Ltd.	1,743,020	9.09%
Shu-Cheng Tseng	1,017,564	5.30%
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Shu-Ling Tseng	594,728	3.10%
Yen-Tang Wu	577,006	3.01%
Guang-Zhong Tan	443,830	2.31%
De-Jie Investment Co., Ltd.	341,293	1.78%

## (5) Market value per share, net worth, surplus, dividend and related data for the last two years

Unit:NT\$

Project		Year	2019	2020	As of March 31 <sup>st</sup> 2021 (note 8)
Market value per share (note1)	Highest		110.00	79.50	62.90
	Lowest		61.40	46.80	49.20
	Average		80.59	64.44	57.95
NET value per share	Before Allocation		45.00	42.10	
	After Allocation (note 2)		39.45	37.60 (note 9)	
Per share Surplus	Weighted average number of shares(Thousand shares)		17,260	18,883	
Earnings per share	Earnings per share	Before adjusting	4.41	3.30	
		After Adjustment (note 3)	4.01	3.30 (note 9)	
Dividend per share	Cash Dividend		1.50	4.50 (note 9)	
	Stock grants	Surplus rights Issue	-	(note 9)	
		Capital reserve rights issue	1.00	(note 9)	
	Accumulated unpaid dividends(Note4)		-	(note 9)	
Investment return Analysis	P/E ratio(Note5)		20.11	18.96 (note 9)	
	Profit ratio (Note6)		53.76	13.90 (note 9)	
	Dividend Yield (Note7)		1.86%	7.19% (note 9)	

Note 1: A list of the highest and lowest market prices for common shares for each year and an annual average market price based on the transaction values and volumes for each year.

Note 2: Please fill in the number of shares issued at the end of the year and in accordance with the sub-annual shareholders' meeting resolution.

Note 3: If there is a need to adjust for stock grants, the pre-adjustment and adjusted surplus per share should be shown.

Note 4: If the terms of issue of equity securities stipulate that the dividends not issued in the current year have to be accumulated to the year of surplus, they shall disclose, respectively, the outstanding dividends for the year ended when they were paid.

Note 5: P/E ratio = when the annual average price per share ÷ surplus per share.

Note 6: Profit ratio = Average annual closing price per share ÷ cash dividend per share for the year.

Note 7: Cash Dividend Yield = Cash dividend per share ÷ average closing price per share for the year.

Note 8: In the most recent quarter of the published date of the annual report, the net value per share, surplus per share is not calculated using financial information of the 2021 Q1 audited report; the remaining fields is filled in using annual data as of the publication date of the annual report.

Note 9: The Board has passed the resolution on 2021.03.09, which cash dividend of NT\$ 4.5 per share will be distributed. The resolution will be finalized after the 2021 Annual General Meeting of Shareholders.

## (6) Dividend policy and implementation status of the Company

## 1. Dividend allocation policy as stipulated in the Articles of association

If there is an after-tax surplus in the annual accounts of the Company, it shall first make up for the loss of 10% of the statutory surplus after the previous annual losses, provided that the statutory surplus reserve has reached the amount of capital paid by the Company, and may, subject to operational requirements or statutory requirements, refer to or reverse the reserve of special surplus; In addition to considering that the business needs of the Company are retained as unallocated surpluses, the proposed surplus allocation by the Board of Directors is submitted to the shareholders' meeting for assignment. The Company is a capital-intensive industry, is currently in the business growth stage, and in order to meet the Company's long-term stable development needs, the Company's dividend policy should take into account

the industry environment and surplus status, future capital expenditure needs and long-term financial planning and other situations, if there is a surplus distribution dividend, The proportion of cash dividend payment should not be less than 10% of the total dividend allocated in the current year, and the rest is issued by stock dividend.

2 The proposed dividend distribution of the shareholders ' meeting

2020 Net Profit Allocation has been approved by the Board of Directors on 2021/03/09 for the issuance of cash dividends NT\$ 56,425,320 (NT\$3.0 per share), and distribution of cash dividends of NT\$ 28,212,660 (NT\$1.5 per share) from the capital reserve, The aforementioned will be further discussed in the regular shareholders ' meeting on 2021/05/28.

(7) The Impact of issuance of bonus shares on the Company's business performance, earnings per share and shareholders' return on investment

There is no issuance of bonus shares proposed at the shareholders meeting, so it is not applicable

(8) Remuneration of employees, directors and supervisors

1. The extent or scope of remuneration of employees and directors contained in the Articles of Incorporation:

If the Company has any profit in the year, it shall make no less than 3% Remuneration and not higher for employees 5% Remuneration for directors. However, when the Company has accumulated losses, it should pre-reserve the amount of the repair code. The person to whom the preceding employee is paid for stock or cash, including employees of subordinate companies who meet certain conditions.

2. The estimated basis for the evaluation of the remuneration amount of employees and directors in this period, the basis for calculating the number of shares in the distribution of stock dividends and the accounting treatment if the actual distribution amount is different from the estimated number of accounts.

The basis for assessing the remuneration of employees and directors in the year 2020 is based on the pre-tax net profit in 2020 (replacement of the amount before remuneration of employees and directors and supervisors), and 3% of the amount is paid for employees and 1.5% for directors. If the employee's compensation is based on stock distribution, the calculation of the number of shares is based on the closing price of the day before the board's decision. If the actual allotted amount is different from the estimated number, it will be treated as a change in accounting estimates and listed as profit or loss in the subsequent year.

### 3. The Board of directors and distribution of remuneration

#### (1) Employee compensation distributed by cash or stock and compensation of directors and supervisors

Unit: NT\$

Distributed Items	Employee Compensation-Stock	Employee Compensation-Cash	Board remuneration
Actual distributed amount approved by the Board	-	2,327,134	1,163,567
Annual estimated amount of expenses recognized	-	2,327,134	1,163,567
Differences	-	-	-
Differences and explanations	Not applicable	Not applicable	Not applicable

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation

The Board of Directors does not propose to distribute employee remuneration by stocks this time, so it is not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

Unit: NT\$

Distributed Items	Employee Compensation-Stock	Employee Compensation-Cash	Board remuneration
Actual distributed amount approved by the Board	-	2,467,812	1,233,906
Annual estimated amount of expenses recognized	-	2,467,812	1,233,906
Differences	-	-	-
Differences and explanations	Not applicable	Not applicable	Not applicable

#### (9) Buy-back Shares in the Company:

1. Completion of the implementation in the most recent year and up to the date of printing of the annual report:

2021.03.31

Buy back period	Third Time
Buy Back the purpose	Transfer of shares to employees
Buyback period	2020/04/29~2020/06/22
Buyback interval prices (NT\$)	42~89.1 NT\$
Type and quantity of buyback shares	Common 178,000 shares
Value of shares bought back	12,405,656 NT\$
The ratio of the quantity bought back to the estimated quantity bought back (%)	89%
Quantity of shares that have been eliminated and transferred	0 shares
Cumulative number of shares held by the company	377,000 shares
Cumulative holdings of shares in the company as a proportion of the total number of shares issued (%)	1.965%

2. Continued implementation in the most recent year and up to the date of printing of the annual report:

2021.03.31

Buy back period	Fourth Time
Buy Back the purpose	Maintain company credit and shareholders' equity
Type of Buy Back stock	Common stock
Upper limit of the total value of the Buy Back Stocks	NT\$640,908,000 (Note1)
Buy Back Period	2021/03/02~2021/05/01
Estimated Buy Back quantity	150,000 shares
Buy Back interval prices (NT\$)	34.75~78.50 NT\$ (Note2)
Types and quantities of shares bought back	Common stock 72,000 shares
Total value of shares bought back	NT\$ 3,954,859
The ratio of the quantity bought back to the estimated quantity bought back (%)	48%

Note1: Calculated according to the published 2020 Q3 financial reports audited by accountants

Note2: When the company's stock price is lower than the lower price limit of the set range, it will continue to buy back the shares

**II. Company Debt:** none.

**III. Preferred Stock processing situation:** none.

**IV. Overseas Depository Certificate processing situation:** none.

**V. Procedures of Employee Stock Option Certificate:** none.

**VI. Restricted Stock Awards for Employees:** none.

**VII. Mergers and acquisitions or transfer of other companies' shares to issue new shares:** none.

**VIII. Implementation of the capital:** Not Applicable.

## V. Operation Overview

### (1) Business Content

#### (1) Scope of Business

##### 1. Main Business Operation

In 2020, the Company has disposed the subsidiary business unit relating to production and sales of optical fiber cable products, optical communication systems and optical testing prototypes. The major business operation is now the provision of education services and consulting management services for elementary schools, middle schools, and high schools.

##### 2. Operation Ratio

Unit: in thousands of New Taiwan Dollars

Account	Operation ratio	2020	
		Sales Amount	Sales Amount
Education and Consulting Services		666,545	85.85%
Optical Fiber and Cable		107,248	13.81%
Others		2,604	0.34%
Total		776,397	100.00%

##### 3. Current list of Goods (Services)

- 1) Education and Consulting Services: The Company's business education operation includes face-to-face tutoring, consulting and digital learning services, thus defining the company as a comprehensive K12 education platform.

###### (1) High School Department

The comprehensive academic learning services that follows the K12 curriculum includes Chen Li Mathematics, Zhang Wei English, Jiang Hao English, Tsing Hua Physics, Li Zhe Chemistry, Li Yan Mandarin and other subject curriculum. Other curriculum teaching services are provided such as university standardized test review, advanced subjects test, second phase interview and other comprehensive review courses.

###### (2) Middle and Primary School Department

Middle school: Guide the content of the test-taking courses according to the syllabus, including grade one to grade nine academic subject courses, helping students to achieve top position in school ranking. The middle school courses adopt large, medium, and small class size teaching modules.

STEM Science Mathematics series, How Humans Think series (Primary Mathematics, Core Mathematics, Thinking Mathematics). The academy helps guide students' way of thinking, improving their problem-solving skills, logic and reasoning ability. The course combines scientific knowledge, mechanical module, programming language and mathematics ability to help students in primary and secondary schools to build strong foundation for future successes. Elite academic provides co-learning of both parents and students in small classes.

Description of small and medium class size: Each classroom usually consists 10-20 students, using face-to-face teaching module. The small number of students allows teachers to pay more attention to each student and better adapt to the needs of each student.

### (3) Digital services

Since the physical education service has been extended to all subjects and all age group covering kindergarten classes to high school, the Company has begun to develop cloud learning services to provide more complete services for students in different regions with different needs, expanding beyond the reach of the physicality, to achieve real and virtual integration goals.

The main courses and services currently developed include high school mathematics, vocational mathematics, university concept calculus and other audio-visual courses; and online puzzle solving services provided to students, and cross-platform and cross-medium (computer, mobile phone, tablet; Android, iOS) services.

- 2) Optical fiber and optical fiber cable series including: single-mode fiber, multi-mode fiber, special fiber, boxed optic fiber cable, outdoor optic fiber cable, indoor optic fiber cable, armored optic fiber cable and etc. (disposal of optical fiber subsidiary in 2020)

#### 4. New products (services) planned for development

In response to the popularity of digital mediums and the gradual decline in costs, government policies have helped to increase the acceptance of digital learning by parents and students; and the analysis and recommendations of digital services or tools can enhance the mastery of student learning. Therefore, the Company will gradually strengthen the depth of digital services of the existing teaching locations.

- 1) STEM Mathematics has a complete teaching system under the Elite Academy and Chen Li Elm division and achieved excellence in both domestic and international mathematics related competitions. The digital learning platform will be further developed to create the only STEM mathematics flagship product that integrates real and virtual learning in Taiwan. The concept of scientific mathematics will be extended to primary school curriculum and collaboration with regional centers will take place. The corporation aims to build strategic alliance with other primary education institutions and elite private school with the provision of advanced mathematics and science courses, thereby gaining the students competitiveness from a young age of kindergarten and elementary.
- 2) Integrate the Group's internal resources through the Cloud Academy platform and adopt a proactive development strategy in digital education products and services. This is done primarily through the integration of resources consisting faculty, marketing strategy, teaching materials, online digital learning system application, and actively developing digital courses of high school and middle school materials. In addition, online textbooks, online questionnaires and answering services are provided.
  - (1) Digital courses and teaching materials: High School Mathematics, General Review of Academic Tests, General Review of Examinations, University Calculus.
  - (2) Intelligent Test Evaluation Diagnostic system: National Middle and High school Department.
  - (3) Online Counselling Service.

### (2) Industry Profile

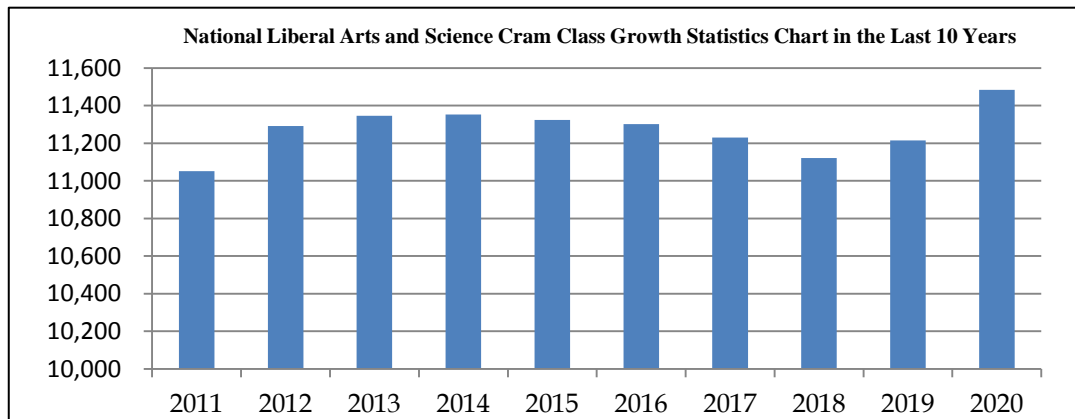
#### 1. Current Industry status and development

##### 1) Education Business

The prevalence and diversity of the tutoring culture of Taiwan's progression-oriented education is widespread in the daily life of students and parents. Under the leadership of academicism and diploma myths, the supplementary education industry provides various types of educational services and promotes the supplementary education industry. It has gradually developed into a systematic and chain-oriented enterprise structure. According to the industrial and commercial census data, the ratio of the output value of Taiwan's cram schools to GDP is about 0.23%. It has created many employment opportunities and substantial output value, although it has not been publicized. According to statistics, the overall output value of Taiwan's supplementary education industry can only be estimated based on a small number of reports. The size of Taiwan's tutoring training market is about NT\$170 billion, and the cram school class is only one part.

In recent years, due to the impact of the declining birthrate, the Statistics Department of the Ministry of Education pointed out that because the people generally attach importance to education, the school is flourishing, and with the age of knowledge, the education and lifelong learning are gradually expanding, offsetting the impact of minority births. The GDP in the past decade from 2009 to 2020 has not changed much.

The overall market size has not diminished at first glance, however, as far as the education-oriented remedial industry is concerned, its expansion quantity and market size have gradually become saturated, and according to the Ministry of Industry's nearly 10 years of statistics, the growth of the number of cram schools has gradually become slow, slightly saturated trend.



Data Source: 2020, The Ministry of Education and the county and city short-term remedial information management system

## 2) Optical Fiber Business

(1) In 2020, at the FIBER Talk webinar organized by the FTTH Asia Pacific Council, Michael Finch, the head of CRU analysis, interpreted the latest situation of the optical fiber and cable market and future market expectations, and pointed out that due to the coronavirus epidemic in the world, the global economy faces the risk of recession, and the telecommunications industry is also susceptible. In order to control the epidemic, various localities have adopted "blockade" prevention and control measures, which have a certain impact on the supply of optical fiber and cable, but have a greater impact on demand. According to the latest calculations, the global market demand for fiber optic cables is expected to drop by 3.6% in 2020. This number at the absence of the epidemic would be around 1.9% decreasing rate.

### (a) Significant decline in production

Q1 of 2020 coincides with the outbreak of the epidemic in China. After the Lunar New Year, most optical fiber and cable manufacturers postpone the resumption of work and production, causing the output of optical fiber and cable to fall by 27% and 18%, respectively. In addition, China's raw fiber market in 2020 will focus on destocking. It is expected that China's raw fiber production will decline by 14% throughout the year, while the output of optical cables will decrease by 5%.

Aside from the Chinese market, almost all regions except the US market saw a significant decline in Q1 output, and due to the late outbreak of the epidemic in Europe, India, and Latin America, the time of the "lockdown" was relatively late, so the output in these regions still remained in Q2 in a weak state.

(b) Reduction in demand

Michael Finch, head of CRU analysis, said that Q1 global fiber optic cable demand is expected to shrink by 12% to 13% year-to-year, which is the lowest level since Q4 2015. The demand for optical cables in the Chinese market in Q1 is also in a state of collapse, down 18.6% year-to-year. The demand for optical cables only accounts for 44% of the total global demand, while this figure was 53% in the same period in 2018.

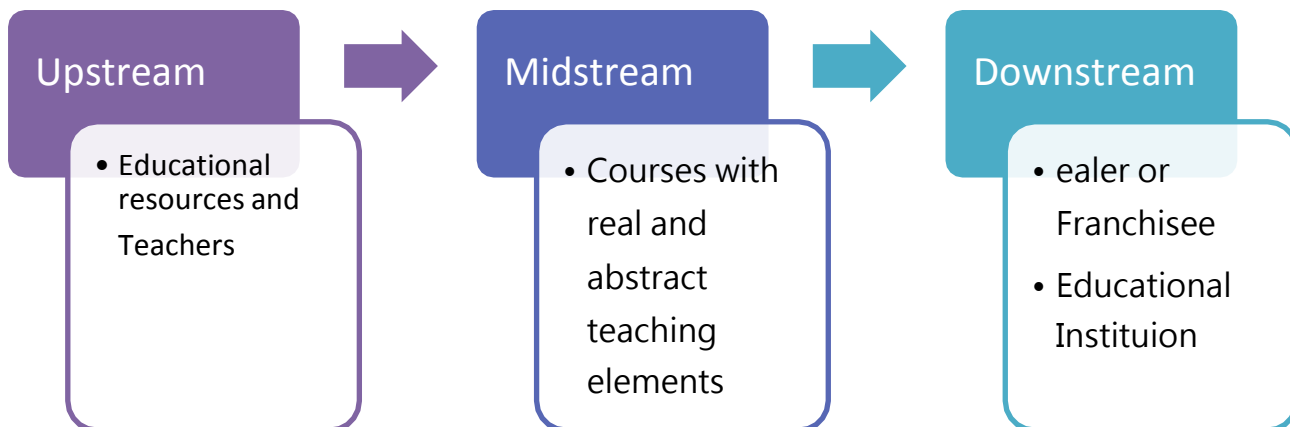
Except for the Chinese market, the overall demand in the Asia-Pacific region in 2020 is still weak, especially in the Indian market. In the North American market, increased capital expenditures by US operators such as regional protection and Verizon have supported the growth in demand. In the European market, due to the impact of the Q1 and Q2 epidemics, demand has dropped significantly. The delay of 5G deployment throughout Europe and the Asia-Pacific region has also affected the demand for optical cables in the region to a certain extent.

- (2) Starting in 2018, the topic of the optical fiber and cable industry has always been inseparable from the completion of 4G coverage. FTTH construction is coming to an end, resulting in a reversal of the supply and demand relationship. The price has also experienced a direct cut from more than NT\$60 to more than NT\$30 in 2019. The price in 2020 It continued to fall and reached less than NT\$20, and the low price has continued. According to the domestic optical fiber and cable market meeting data of the China Association of Communications Enterprises, the average capacity utilization rate of domestic optical fiber in 2019 is 66%. The entire industry is still in the buyer's market, and price competition is unavoidable in a short period of time.

2. Industry upstream, midstream and downstream structure

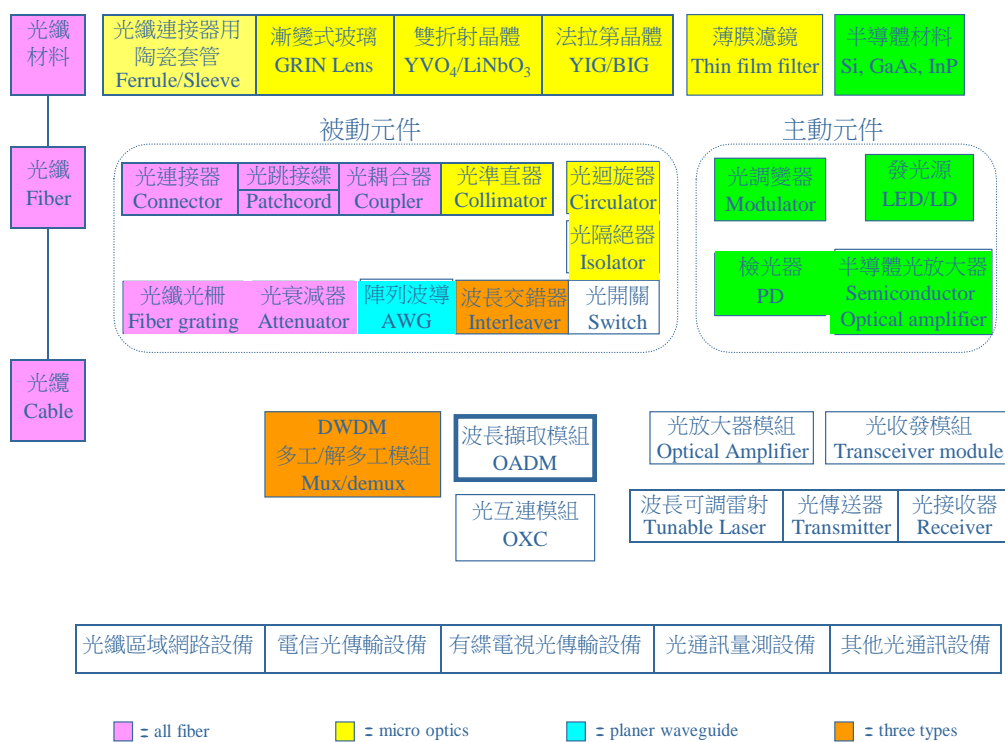
1) Education Business

Because of its special nature of selling "teaching service", the product is an abstract course and service, and the tangible teaching materials and teaching resources are complementary, except for most non-scale or franchisees, because they do not have the matching ability of teaching materials development and teacher training, they will need to purchase teaching resources, teaching materials and other raw materials. And Chen Li Education has its own R&D in teaching materials, courseware and teaching staff to develop the ability, so it is not affected by the fluctuation of the upstream industry, and Chen Li Education for the operation of the midstream, so also not affected by the restriction of downstream industry is actually the all-around education group with complete industrial chain.



### 1. Optical Fiber Business

光通訊產品結構圖



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### 3. Various Development Trends of Products

#### 1) Education Business

Under the current situation that market demand is limited and corporate profits still need to be continuously expanded, in the next ten years, if Taiwan's further education and education industry wants to create higher profitability, it will have to compete fiercely with its counterparts in China, and seek digital transformation and demand. Take a refined, high-cost service model, expand the enterprise territory by means of mergers and acquisitions, or seek a greater market overseas for higher revenue streams.

In order to generate a more comprehensive operation development, the corporation will leverage on the resource integration of various subsidiary education entities, and will rapidly develop blank markets and expand market share through the dual-track strategy of "direct management + alliance". The 11 branch schools in Taiwan are the basis for the development strategy:

- (1) Establish a digital department to gain wider coverage in areas that have not been reached upon.
- (2) In response to the 2019 syllabus, the senior high school has successively launched certification courses, digital courses, and testing courses, as well as adjustments to the test course schedule, classification of teaching materials, and other related plans.
- (3) In response to the pandemic, strengthen digital services such as appointment-based online education counseling, online lesson observation and continuous online learning.
- (4) Continue to actively expand the market of junior high schools and elementary schools.

The subsidiary Chen Li Co., Ltd focuses on the STEAM field of kindergarten and elementary schools. It has negotiated with private schools for the introduction of formal courses throughout the year. It has also cooperated with other supplementary education channels to conduct "teacher + teaching materials " or to authorize the franchising of . "Teacher training + textbook sales" and other joint-venture projects.

The subsidiary Li-Ren Education Co., Ltd was established in 2020, which included the notable brand of Meng-Xi Jiang Bio-science courses , making the product courses more diversified and more competitive.

## 2) Optical Fiber Business

Due to the 2020 COVID-19 pandemic, the U.S.-China technology war, and the beginning of large-scale global commercialization of 5G, major changes in telecom products/technology, industry competition, and business models are driven. 2021 will be a year for the reorganization of the telecom industry. Here is a summary of the nine key trends of the telecom industry in 2021, as reported by the Business Times.

- (1) 5G mobile phones accelerate penetration and differentiation: global smartphone shipments will be approximately 1.355 billion units in 2021, of which about 537 million 5G models have a penetration rate of 39.8%. The market expansion stimulates product diversification and drives more brands to launch commercial foldable screen models. Rollable screens have also come out with a conceptual design, which is expected to be the final solution.
- (2) Wi-Fi 6 technology has become the mainstream: 5G is gradually developed, and Wi-Fi 6 has also become the mainstream specification for the internet. In addition, due to factors such as machine replacement and working from home, the penetration rate of Wi-Fi 6 in the overall Wi-Fi chip shipments will exceed 50% in 2021.
- (3) NR-RedCap evolution expects to fill the gap in the mid-level Internet of Things: In order to meet specific application requirements that lack long-term power supply and high transmission speed, 3GPP is expected to introduce a compromise NR-Red Cap standard between 5G NR and NB-IoT in the third quarter of 2021, looking forward to a complete IoT service portfolio in the future.
- (4) FWA has become a new option for the last mile of broadband: some countries are not easy to deploy optical fibers in large rural areas, attracting telecom companies to try 5G FWA as the last mile option for fixed networks and eliminate outdated DSL technology.
- (5) "Honor" ignites price competition in the mobile phone market: It is expected that the US government's ban on Huawei will not be changed significantly in the short term. "Honor" is trying to directly replace Huawei's leftover middle and low-end market vacancies, intensifying mainland Chinese brands and accelerating competition.
- (6) OTT continues to impact the traditional set-top box industry: American consumer video and audio viewing behavior has changed, and the cumulative users of OTT leaders are close to 50% of the total number of pay-TV users. This trend will continue in 2021. Traditional set-top box manufacturers must adjust their product lines to respond.
- (7) Telecom companies team up and deploy marginal computing: 5G combined with marginal computing allows telecom companies to penetrate into the hybrid cloud field, and develop innovative services based on the optimization of network quality, security, and cost, which is expected to drive the establishment of data centers in small and medium-sized regions .

(8) Accelerated expansion of the Open RAN ecosystem: In 2020, large telecom companies have deployed Open RAN architecture for demonstration. Related alliances including TIP and ORAN are also actively improving interoperability to ensure the smooth introduction of ORAN architecture in the future, and will continue to try to catalyze both of industry ecosystem.

(9) 5G SA private network assists in digital transformation: Telecom companies have complete 5G public network construction and maintenance management experience, and have the advantage of cutting into 5G private network construction. From 2021, enterprise private networks will also be structured from NSA to SA. The evolution of the architecture truly implements the acceleration of digital transformation and development of enterprises.

#### 4. Competition Overview

##### 1) Education Business

As the most important subsidiary of the Success Prime Corporation, Chen Li Education Group has been established for 30 years, the first largest educational service group in Taiwan, and the first corporate supplementary education organization in Taiwan.

Chen Li Education has marked itself as the most competitive education enterprise dominating all age groups across the longitudinal national twelve year curriculum. There are eleven provincial branches of the province extending from North to south, and covering from High school mathematics professional field to the general high school education, the general middle school education, and elite elementary education, making Chen-Li one of the leading enterprises in this field.

Over the years, Taiwan's education industry has exhibited fierce competition, Taiwan's supplementary education industry marketing, enrollment, products, management, service quality and exquisite degree have been significantly ahead of China, and Chen Li is no doubt, the experienced leader of Taiwan's supplementary teaching.

The establishment of subsidiary Chen Li Elm Co., Ltd. will expand its focus on preschools and primary schools, improve the one-stop platform and education services, and enhance the competitiveness of higher education and quality education.

##### 2) Optical fiber Business

Products	Current major competitors
Single Mode fiber	Corning 、 Fujikura 、 Furukawa 、 Sumitomo 、 YOFC
Multimode fiber	Corning 、 OFS 、 Draka 、 J-Fiber 、 YOFC 、 Fiber Home
Multimode Pre-body	ShinEtsu Chemical co.,
Passive components	Shàng quán 、 Guāng hóng jiàn shèng 、 Lián zhǎn
High strength boxed Optical cable	OFS 、 Optical Cable Corporation 、 AFL 、 SAMSUNG
MPO Heartwarming optical fiber cable jumping wiring	Shàng quán
Light Peak Multimode fiber	Corning

##### (3) Technology and Innovation Overview

- i. R & D expenses invested in the most recent year and up to the date of publication of the annual report

Unit: in thousands of New Taiwan Dollars

Year/Account	2020	2021 Q1
R&D Expense	14,104	-
Net profit	776,397	-
% of Net profit	1.82%	-

Note: The subsidiary that mainly produces and sells various types of optical fiber cables and other business was disposed in 2020, so there is not R&D expenses incurred during the later half the 2020 and 2021

- ii. Successfully developed technology or product
  - 1. Education Business
    - a. High school general subjects, vocational mathematics, elementary school digital curriculum
    - b. Intelligent Test diagnosis system for middle and high school
    - c. Online Counselling Q&A Services
  - 2. Optical fiber Business
 

The subsidiary that mainly produces and sells various types of optical fiber cables and other business was disposed in 2020. With respect to its confidentiality, there will no explanation regarding the optical fiber business.
- b. Long-term and short-term business development plans
  - i. Education Business
    - 1. Short-term plan
      - a. Continue to increase the market share of the "Chen Li Education" brand in the education market
 

In addition to the existing high school supplementary education business, it will vigorously sprint into the education fields of junior high schools and elementary schools, continue to gradually expand the number of branches with the K-12 (kindergarten to high school) structure, and cooperate with elementary language as well as elite private elementary schools around the world to open various classes in mathematics and STEM To drive the growth of the overall operation.
      - b. Strengthen the services of digital products
 

Actively develop cloud-based smart digital courses in high schools and junior high schools, online Q&A digital platforms, long-term reading camps, three-teaching system consists of online prestigious teachers, offline teachers and strict management, and facilitation of co-learning between parents and students. Improvements on planning different physical curriculum combinations and digital learning products, and generate mutual support for virtual and real teaching.
    - 2. Mid-term plan
      - a. Through digital tools and services, carry out physical sales of digital services, increase revenue and profit.
      - b. Continue to explore the possibility of inter-industry and inter-industry cooperation, including program design courses, robotics courses, artificial intelligence and big data courses so as to provide more diversified products and services across national boundaries.
    - 3. Long-term plan
 

Build a global Chinese education service platform under the Chen Li education brand, integrate world education resources, and make Chen Li Education the most influential Chinese education leading brand.
  - ii. The subsidiary that mainly produces and sells various types of optical fiber cables and other business was disposed in 2020, so there is not related development plan.

## 2) Overview of the market, production and sales

The subsidiary that mainly produces and sells various types of optical fiber cables and other businesses was disposed in 2020, and only the education business will be explained here.

### I. Market analysis

#### i. Major product sales regions

Sales Region	2019		2020	
	Amount	%	Amount	%
Taiwan	722,556	81.96%	721,448	92.92%
China	48,127	5.46%	5,092	0.66%
USA	75,685	8.58%	31,818	4.10%
Others	35,242	4.00%	18,039	2.32%
Total	881,610	100.00%	776,397	100.00%

#### ii. Demand and Supply of Future Markets and Growth

Taiwan's cram school education industry still has substantial demand, though the market showed some saturation. The Chinese market, on the other hand, is showing rising demand, and the demand and growth of the Chinese market in recent years, China's primary and secondary school extracurricular tutoring market growth is large and rapid, private education and training institutions after 20 Years of development, national education and training enterprises began to emerge in large numbers. Face near 1 Trillion education and training market, some private enterprises hope to expand market share by entering the capital market. At present, it seems that the market in some cities fierce competition, but the total amount is not yet saturated, in addition to the first-tier cities, there are still many areas that lack of high market share of strong brands, the future still has a lot of investment opportunities and possibilities. According to the Sohu Institute of Education Survey of the "China K-12 External tutoring industry Status quo and trend ", extracurricular tutoring market has the following characteristics:

##### (A) Large Population

According to statistics from the Ministry of Education of China, as of the end of 2020, there were 24.94 million students in ordinary high schools; 49.14 million students were enrolled in ordinary junior high schools; and 107.25 million students were enrolled in ordinary primary schools. In other words, the K-12 market has more than 180 million potential students.

##### (B) Competitive nature

The overall market of K-12 is highly dispersed, and due to the significant differences in the selection of examinations, propositions, teaching materials and teachers in different provinces and cities, the standardization expansion is difficult. However, the entry threshold is relatively low, and the cash flow in the prepaid mode is good, making the training institutions highly dispersed. And education is difficult to replace, and it happens all the time. Once the performance is not as expected, the possibility of students searching for alternatives is extremely high.

##### (C) Separation

Compared with other consumption, the prominent characteristic of educational consumption is that the selector and the consumers are separated- Parents choose, children spend. This leads to their own attention to the results of the industry coupled with a high degree of information asymmetry, parents' preferences is, therefore, determined by the results of the improvements of their children's academic performances, while neglecting the impact of family education and other unaccounted actors.

##### (D) Long Duration

Compared to vocational, study abroad and other training, its trainees often stop the course after completing a certain period of course and obtaining the corresponding effect. Extracurricular tutoring services throughout students' 12 Years of education, which 12 Years of education often affect the future of a student's life and are

therefore less affected by the economic cycle.

In other words, the overall market demand for training and education in China is relatively too large to be fully satisfied. There have been proposals to expand the market with Internet technology, but with the 10 years development of digital education in China, it can be concluded that the uniqueness of the K-12 education can not to be supplanted by the Internet, and most digital learning is still confined to the area of digital teaching materials, but cannot achieve profit.

However, the 2020 pandemic has also accelerated the growth of K12 online education. Even in the densely populated Taiwan, the acceptance and penetration rate of digital education has also increased significantly due to the outbreak.

Chen Li Education is a physical training institution based on famous teachers, high-quality courses and refined management. The goal is to not only charge physical fees and master the overall course progress, but also develop a one-stop platform for children's STEM literacy, preschool, elementary school, middle school, and high school online courses, one more than double teacher online and offline three teachers online and offline. The development of suitable framework for China's localization of education and training model to capture the Chinese K-12 education market.

### iii. Competitive Niche

As the most important subsidiary of the Success Prime Corporation, Chen Li Education Group has been established for 30 years, the first largest educational service group in Taiwan, and the first corporate supplementary education organization in Taiwan. Chen Li Education has marked itself as the most competitive education enterprise dominating all age groups across the longitudinal national twelve year curriculum. There are eleven provincial branches of the province extending from North to south, and covering from High school mathematics professional field to the general high school education, the general middle school education, and elite elementary education, making Chen-Li one of the leading enterprises in this field.

Over the years, Taiwan's education industry has exhibited fierce competition, Taiwan's supplementary education industry marketing, enrollment, products, management, service quality and exquisite degree have been significantly ahead of China, and Chen Li is no doubt, the experienced leader of Taiwan's supplementary teaching.

The aforementioned shows that core competitiveness of Chen Li Education are as follows:

#### (A) Exceptional management of Teachers and Teaching Resources

The whole Taiwan supplementary education industry mostly starts with the famous teacher, through the famous teacher one person's aura, creates the supplementary teaching myth, so far, the figurehead Chen Li is the only teacher who does not teach in the first line, out for 10 years already. However, Chen Li Education Group has been flourishing since then, and thereby, becoming the leader of the whole Taiwan supplementary/cram school industry.

#### (B) 11 Direct branches all over ten years

Many tutoring industries in Taiwan are mostly expanded by the mode of franchise and chain stores. The direct physical branch schools are limited, and their teaching quality control and brand image are difficult to maintain accurately. Chen Li is conducted in the direct mode of 11 high school branches, which can be met everywhere. Chen Li's brand, each management class is specially trained by Chen Li, teaching, administrative, marketing and multi-talented personnel, from the point of operation to each branch school to operate and layout, in order to maintain operational stability and high quality, which do not fail the students and Parents' expectations.

#### (C) Implementing the three in one business model of teachers, administration and brand management.

The successful three-in-one package that constitute the core of the enterprise is the selfless dedication that takes into account the quality of the teaching teachers, the efficiency of administrative management and brand management. The three components

contribute to the unprecedented success of Chen Li Education Group as one of the earliest education Company to be publicly listed.

- (D) The integration mode of Physical and Visual Education: Physical classroom education with the provision of free virtual service

Subsidiary Chen Li Education Group will take the entity branch as the main operating and charging channel, the establishment of the student market, teaching, enrollment as the main business, and the establishment of virtual education platform and action App, Providing free personalized education services for students and parents in class, providing students with pre-class preview, after-school review, test diagnosis, consulting, class scheduling system, important time-history reminders and other functions, providing parents ' students with absenteeism, learning status and other inquiry service through virtual platform without time limit and no space limit. Hope to be able to turn virtual subscriptions into sales, the use of virtual characteristics, brand reputation and education service recommendations. There is also a free trial and trial service for freshmen, the creation of available benefits on the Web, the encouragement of their entry into the physical market for face-to-face courses, the provision of diagnostic analysis of the students ' large-scale tests, the recommendation of their preparations and crash-courses, and tailor-made learning programs for students to do more with less.

Chen Li Education, which is dominated by high school students, has been rooted in junior high schools and has achieved great success. The overall revenue share has grown from the original 5% to 12%. The Chen Li Elm Co., Ltd, which is specially set up for elementary school children, uses major brands of English teaching institutions as channels to quickly expand STEMath courses, and naturally enter the private schools of major stars with mathematics and science, making it the most competitive elite education supplier. Competitive and differentiated courses, market volume and performance growth in parallel, are the expected growth engine of the group in the future.

iv. Advantages, Disadvantages and Countermeasures of the Future Prospects

(A) Favorable factors

- i. Has more than 30 years of Taiwan's supplementary education industry management experience, has experienced the market from the demand for quality attention, good at mastering the fine team operation process, to create high- quality education services.
- ii. The high cost cultivation of famous teachers, the construction of teaching team as a connection and continuation.
- iii. Standardize R & D, teaching and administrative processes to establish the durability and stability of brand management.
- iv. Individualized tutoring learning strategies to help each child with different learning performance to carry out a comprehensive layout and learning planning, to obtain the best strategy, to win personal learning performance.
- v. For Taiwan's largest all-around integrated teaching industry, through the integration of physical stores and virtual / digital services to maintain high penetration rate.
- vi. China adopts more of a single-subject mode of learning, and the education business of the corporation having gained experience and years of accumulation of general products, real examination of the market and the main needs of the examination market, not only with cross- subject, cross-disciplinary teaching services, but also with cross-disciplinary textbook and constant R & D capabilities and quality.

(B) Unfavorable factors

- i. Due to the small number of children and changes in education policies in the Taiwan market, the high-school, middle school, primary school and digital market sectors have undergone dramatic changes. The Company will prioritize middle and high school markets and will continue to expand kindergarten market as well as enriching its own digital content to accommodate the market trend.
- ii. China's market policy changes greatly which creates uncertainty for Taiwanese firms to operate in mainland.
- iii. The reserve, training and concept identification of China's outstanding talents is a major challenge.
- iv. The Taiwan experience of large group class-teaching cannot be completely replicated in China, which is different from the one-on-one and small class teaching preferences of the Chinese market.
- v. The difference of cross-strait education system, textbook research and development need to restructure and redevelop.
- vi. he teaching teacher must quantify to cope with the huge market demand and the business model, and the staff turnover rate of the part-time teachers, its administrative control and the quality of teaching problems abound.

(C) Countermeasures

- i. Keeping Taiwanese companies on the basis of continuous operation, maintaining stable profits, avoiding excessive shifting of the center of gravity due to the cross-border market, steady and steady, and reducing investment risks.
- ii. To provide free education services with physical branch schools as the main fee field, virtual apps and websites, establish an integrated strategy of real masters and virtual assistants, and control the input costs in accordance with the acceptance of the virtual market.
- iii. Gradually accumulate market familiarity and mastery from cross-strait exchange visits, cooperative joint ventures, direct entry into direct sales, etc. with a gradual annual strategy to cultivate the foundation for future expansion operations and maintain development flexibility.
- iv. The epidemic has accelerated the acceptance of online education, adjustment of the integration between online and offline, the advanced level of mathematics of the 2019 syllabus, learning credential, and independent learning. The expansion of the “One School District, One Chen Li” in various channels, provision of digital platform, courses such as thinking dimension, hands-on project based experiments, club courses and winter and summer vacation camps and improvements of teacher training and high retention rate, all serve to generate high academic performances and profit. The combination of strategic partnerships has become a key growth driver which it is expected to drive the corporation to another peak.

(2) Important uses of major products and production process (optical fiber business)

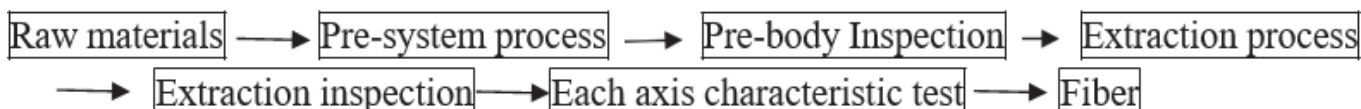
v. Important use of main products

- 1. Single-mode fiber: It has the advantages of low loss, high frequency bandwidth, and immunity to electromagnetic wave interference. It is mainly used in telecommunications networks and cable TV networks. With the rapid development of the Internet, cable TV networks and optical fibers reach the community (FTTC) The network must be widely used.
- 2. Multimode fiber: it has the characteristics of large fiber core and high light receiving aperture, easy to connect and can be matched with low-cost light-emitting diode (LDE) and surface-emitting laser diode (VCSEL), in the multimedia Internet With the rapid development of road applications, multimode fiber will be widely used in high-speed area networks and intranets.
- 3. GGP high-strength bending-resistant optical fiber: Using 3M patented coating technology, the optical fiber has the characteristics of temperature resistance, humidity resistance, pressure resistance and folding resistance. Its bending resistance and long life with high strength make

ordinary users no longer worry about damaging optical fibers during wiring. Its temperature resistance and humidity resistance make the drop cable, which has the requirements of simple indoor structure and harsh outdoor environment, suitable for fiber-to-the-home (FTTH) drop cable, indoor fiber cable and high-strength patch cord applications.

4. Special optical fiber: Due to the rapid development of the global Internet, the new high-density wavelength division multiplexing system (DWDM) technology has gradually matured. The optical fiber active and passive components required in the DWDM system, such as optical amplifiers and optical attenuation. The amount of optical fiber and optical fiber gratings has increased greatly, so that the demand for various special optical fibers required for active and passive components of optical fibers has also grown rapidly, and the prospects are promising.

vi. Production process of main products



II. Supply status of main raw materials (optical fiber business)

Main raw Materials	Supplier area	Supply status
Quartz Tube	Japan, Germany	Good
Chemical raw Materials	Taiwan, China	Good
Gas	Taiwan	Good
Single-mode preformed body	Japan	Good
Overlay materials	China, Korea	Good

IV. Customers who accounted for more than 10% of total purchases (sales) in any of the most recent two years

i. Information on major suppliers in the last two years

Unit: in thousands of New Taiwan Dollars

Project	2019				2020			
	Name	Amount	Percentage of net purchases in the whole year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases in the whole year (%)	Relationship with the issuer
1	036	52,481	18.18	None	036	44,633	15.40	None
2	Others	236,148	81.82	None	Others	245,193	84.60	None
	Net purchases	288,629	100.00		Net purchases	289,826	100.00	

Note: purchases for the educational sector mostly consist of textbook publications and cost of teachers; purchases of mostly raw materials for optical fiber business.

ii. Information on major sales customers in the last two years

The group mainly focuses on education (tutoring business), and its sales are mainly tuition income from physical tutoring classes. Due to the characteristics of the industry, sales customers are more dispersed, and no customers accounted for more than 10% of total sales in the last two years. The combined company's net sales in the of 2019 and 2020 were NT\$881,610,000 and NT\$776,397,000 respectively.

V. Production value in the last two years (optical fiber business)

Unit: Km; in thousands of New Taiwan Dollars

Year Production value Quantity	2019			2020		
	Production capacity	Qty	Output value	Production capacity	Qty	Output value
Fiber	250,000	46,600	81,369	125,000	24,452	40,875
Total	250,000	46,600	81,369	125,000	24,452	40,875

Note 1: Production capacity refers to the quantity that the company can produce under normal operation after measuring the necessary stoppages, holidays and other factors.

Note 2: If the production of each product is substitutable, the production capacity may be combined and annotated.

Note 3: Since the optic fiber cable subsidiary is disposed in 2020, the table only shows the statistics before the disposal.

VI. Sales volume value in the last two years

Unit: Km; in thousands of New Taiwan Dollars

Year Production value Quantity	2019				2020 first half year (note 3)			
	Domestic sales		Abroad sales		Domestic sales		Abroad sales	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Education service and digital information	-	646,544	-	-	-	669,149	-	-
Optical Fiber	-	66,095	-	111,983	-	9,528	-	43,520
Cable	-	28,187	-	28,416	-	42,762	-	11,428
Others	-	100	-	285	-	10	-	-
Total	-	740,926	-	140,684	-	721,449	-	54,948

3) Employees

Account		Year		2019	2020	Till March 31, 2021
Employee Number	Indirect personnel			266	234	228
	Production line employees			13	-	-
	Total			279	234	228
Average age				35.50	34.83	35.28
Average years of service				4.85	4.85	5.15
Education distributed ratio	PHD			-	-	-
	Master			6%	4.7%	4.8%
	College			85%	86.8%	86.4%
	High school			8%	6.8%	7.0%
Below high school				1%	1.7%	1.8%

4) Information on Environmental Protection Expenditure

In the most recent year and up to the date of publication of the annual report, the losses suffered due to pollution of the environment (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the font size of the punishment, the provisions of the statute violation, the content of the statute violation, and the content of the punishment), It also discloses the current and future estimated amounts and corresponding measures. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated: None.

## 5) Labor Relations

I. The company's various employee welfare measures, training, training, retirement systems and their implementation, as well as agreements between labor and management and various employee rights protection measures

i. Employee welfare measures, further education, training

1. In order to enable all employees to work together and create a better future, the company allocates shares to employees in accordance with the company law when increasing capital in cash, and if there is a profit in the annual accounts, except when the company has accumulated losses, Reserve the extra amount in advance, and allocate no less than 3% to all employees as employee compensation.
2. The company insures labor insurance, health insurance, group life insurance and accident insurance for every employee as the most basic employee welfare measures.
3. Employee shareholding: In order to promote employee centripetal force, exert team spirit and participate in the company's growth together, the company provides employee shareholding opportunities to encourage colleagues.
4. The Employee Welfare Committee provides subsidies for marriage, funeral, and public injury leave hospitalization. Every year and depending on the company's profit status, it organizes end-to-end dinners, and occasionally organizes employee tours to promote the friendship of colleagues and relatives, and thus improve work morale.
5. The company has spared no effort in the cultivation of talents. In addition to the education and training methods, it also arranges management personnel to participate in external course training and invite experts and scholars to the company to give speeches to plant human resources.

ii. Retirement system

The pension system managed by our company in accordance with my country's "Labor Standards Law" is a defined welfare retirement plan managed by the government. The pension was originally allocated at 2% of the total monthly salary of employees, and was handed over to the Special Account for Bank of Taiwan in the name of the committee by the Labor Retirement Reserve Supervision Committee. However, the company agreed to suspend the appropriation in accordance with the letter of Zhuhuanzi No. 1080007178 and No. 1070010673 of the Hsinchu Science and Industry Park Administration of the Ministry of Science and Technology on December 31, 2019 and 2018, and the above determination was settled in March 2020 Welfare retirement plan.

The company's employees are subject to the pension system of the "Labor Pension Regulations", which the company has allocated 6% of the employee's personal salary paid to the individual pension fund account of the "Labor Insurance Bureau".

iii. Situation of labor-management agreement

The company continues to listen to the voices of employees through a variety of employee feedback channels, and responds immediately to those concerns. At the same time, labor-management meetings are held regularly in accordance with the law to maintain a transparent communication.

iv. Employee rights protection measures

The Company adopts a positive attitude towards the employees' rights and interests that they should have in accordance with the law. The company will also fully consider the impact of employees' rights and interests when formulating relevant policies. In order to

achieve the maximum balance between the interests of the company and employees, the corporation must pay attention to two-way communication, and strive to provide openness and transparency among supervisors, colleagues and peers at all levels. The objective is to ensure that all colleagues can avoid the fear of discrimination, retaliation, threats or harassment.

Under the circumstances, it is possible to communicate with management and share their thoughts on working conditions, management methods... etc.

- II. In the most recent year and up to the date of publication of the annual report, the losses suffered due to labor disputes (including the labor inspection results that violated the Labor Standards Law, the date of punishment, the font size of the punishment, the provisions of the regulations, the content of the regulations, and the content of the punishment should be listed) , And disclose the estimated amount and corresponding measures that may occur at present and in the future. If it is impossible to reasonably estimate, it should state the fact that it cannot be reasonably estimated.

The agreement between the employer and the employee of the company is based on the Labor Standards Law and relevant laws and regulations, and cooperates with the personnel management regulations, which are stipulated when employees enter the company's services. In the most recent year and up to the date of publication of the annual report, there have been no losses suffered due to major labor disputes.

6) Important contract

As of the date of publication of the annual report, the parties, main contents, restrictions and the date of the contract of the supply and marketing contract, technical cooperation contract, engineering contract, long-term loan contract and other important contracts that affect the shareholders' rights and interests that are still valid and expire in the most recent year.

Nature of the contract	Parties	Contract start and end date	Main content	Restrictions
Purchase raw material contract	Taiwan○○【Note】	2014.07~2021.06	Gas purchase contract	None
Long-term loan contract	Shanghai Commercial Bank	2019.12~2029.12	Mortgage loan with Hsinchu Real Estate	None

Note 1: The full name is not disclosed due to the signing of the confidentiality contract.

Note 2: Since the optic fiber cable subsidiary was disposed in 2020, the related contract was transferred to the counter party.

## VI. Financial Information

### I. Balance Sheet and Income Statement for the last five years

(1) Condensed consolidated balance sheet over the last five years

Unit: in thousands of NT\$

Account		Year	Financial information for the last five years (Note 1)				
			2016	2017	2018	2019	2020
Liquidity			714,753	367,325	363,261	291,797	231,652
Property, plant and equipment			4,982	271,495	304,248	309,114	294,015
Right-of-use assets			-	-	-	222,391	105,685
Intangible assets			70	485,983	488,551	497,860	494,788
Other assets			106,334	135,270	157,267	167,341	137,363
Total assets			826,139	1,260,073	1,313,327	1,488,503	1,263,503
Current liabilities	Before allocation		139,970	473,107	520,771	513,097	366,691
	After allocation		179,370	581,189	589,813	538,988	(note 2)
Non-current liabilities			1,610	5,206	5,744	183,860	85,365
Total liabilities	Before allocation		141,580	478,313	526,515	696,957	452,056
	After allocation		180,980	586,395	595,557	722,848	(note 2)
Equity attributable to the Owner of the parent Company			684,559	781,760	780,324	785,628	807,801
Share Capital			157,600	165,480	174,594	174,594	191,854
Capital reserve			525,655	479,549	367,081	367,081	341,190
Retained surplus	Before allocation		1,304	137,503	262,216	268,509	311,511
	After allocation		130	137,503	193,174	242,618	(note 2)
Other rights			-	(772)	(1,611)	(2,600)	(2,392)
Treasury stock			-	-	(21,956)	(21,956)	(34,362)
Non-controlling interests			-	-	6,488	5,918	3,646
Total Equity	Before allocation		684,559	781,760	786,812	791,546	811,447
	After allocation		645,159	673,678	717,770	765,655	(note 2)

Note 1: The financial information for the year 2016 ~ 2020 has been verified by an accountant.

Note 2: The company's 2020 annual earnings distribution statement has not been approved by the shareholders' meeting, so the amount after distribution is not shown.

## (2) Condensed parent company only balance sheet over the last five years

Unit: in thousands of NT\$

Account		Year	Financial information for the last five years (Note 1)				
			2016	2017	2018	2019	2020
Liquidity			714,753	167,245	245,473	162,052	79,928
Property, plant and equipment			4,982	3,546	6,051	4,639	-
Right-of-use assets			-	-	-	84,596	-
Intangible assets			70	30	694	500	119
Other assets			106,334	743,299	746,440	789,267	776,623
Total assets			826,139	914,120	998,658	1,041,054	856,670
Current liabilities	Before allocation		139,970	131,086	216,322	156,933	29,084
	After allocation		179,370	239,168	285,364	182,824	(note 2)
Non-current liabilities			1,610	1,274	2,012	98,493	19,785
Total liabilities	Before allocation		141,580	132,360	218,334	255,426	48,869
	After allocation		180,980	240,442	287,376	281,317	(note 2)
Equity attributable to the owner of the parent Company			684,559	781,760	780,324	785,628	807,801
Share Capital			157,600	165,480	174,594	174,594	191,854
Capital reserve			525,655	479,549	367,081	367,081	341,190
Retained surplus	Before allocation		1,304	137,503	262,216	268,509	311,511
	After allocation		130	137,503	193,174	242,618	(note 2)
Other rights			-	(772)	(1,611)	(2,600)	(2,392)
Treasury stock			-	-	(21,956)	(21,956)	(34,362)
Non-controlling interests			-	-	-	-	-
Total Equity	Before allocation		684,559	781,760	780,324	785,628	807,801
	After allocation		645,159	673,678	711,282	759,737	(note 2)

Note 1: The financial information for the year 2016 ~ 2020 has been verified by an accountant.

Note 2: The company's 2020 annual earnings distribution statement has not been approved by the resolution of the shareholders' meeting, so the amount after distribution will not be shown for the time being.

## (3) Condensed consolidated income statement over the last five years

Unit: in thousands of NT \$; the earnings per share is NT\$

Account	Year	Financial information for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Operating income		218,525	822,409	917,579	881,610	776,397
Operating margin		77,445	406,489	430,575	394,972	371,972
Operating profit and loss		26,255	148,698	111,810	85,548	71,543
Out-of-business income and expenditure		2,637	7,690	9,269	1,438	12,261
Net profit before tax (loss)		28,892	156,388	121,079	86,986	83,804
Continued business unit net profit for the current period (loss)		29,712	158,757	126,454	76,977	62,913
Loss of closed units		-	-	-	-	-
Net profit for the current period (loss)		29,712	158,757	126,454	76,977	62,913
Other consolidated gains and losses for the current period (NET after-tax amount)		4,003	(1,391)	(992)	(1,772)	858
Total consolidated gains and losses for the current period		33,715	157,366	125,462	75,205	63,771
Net profit belongs to parent Company owner		29,712	154,981	124,866	76,118	62,234
Net profit attributable to non-controlling interests		-	3,776	1,588	859	679
Total combined profit and loss attributable to parent Company owners		33,715	153,741	123,874	74,346	63,092
Total combined profit and loss attributable to non-controlling interests		-	3,625	1,588	859	679
Earnings per share (Loss) (NT\$)		2.76	8.92	7.18	4.01	3.30

Note 1: The financial information for the year 2016 ~ 2020 has been verified and verified by an accountant.

## (4) Condensed parent company only income statement over the last five years

Unit: in thousands of NT \$; the earnings per share is NT\$

Account	Year	Financial information for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Operating income		218,525	285,701	464,440	454,271	323,451
Operating margin		77,445	142,428	182,354	127,068	67,934
Operating profit and loss		26,255	69,836	114,781	48,042	26,789
Out-of-business income and expenditure		2,637	69,599	3,343	30,517	47,291
Net profit before tax (loss)		28,892	139,435	118,124	78,559	74,080
Continued business unit net profit for the current period (loss)		29,712	154,981	124,866	76,118	62,234
Loss of closed units		-	-	-	-	-
Net profit for the current period (loss)		29,712	154,981	124,866	76,118	62,234
Other consolidated gains and losses for the current period (NET after-tax amount)		4,003	(468)	(992)	(1,772)	858
Total consolidated gains and losses for the current period		33,715	153,741	123,874	74,346	63,092
Net profit belongs to parent Company owner		29,712	154,981	124,866	76,118	62,234
Net profit attributable to non-controlling interests		-	-	-	-	-
Total combined profit and loss attributable to parent Company owners		33,715	153,741	123,874	74,346	63,092
Total combined profit and loss attributable to non-controlling interests		-	-	-	-	-
Earnings per share (Loss) (NT\$)		2.76	8.92	7.18	4.01	3.30

Note 1: The financial information for the year 2016 ~ 2020 has been verified and verified by an accountant.

## (5) Independent Auditors' Opinions Over Last Five Fiscal Years

Visa Year	Accounting firm	Name of CPA	Audit opinions
2016	Deloitte & Touche	Jiang Bao Liu Sheng Xiong Yao	An Unqualified Opinion with an explanatory paragraph
2017	Deloitte & Touche	Jian Liang Liu Sheng Xiong Yao	An Unmodified Opinion
2018	Deloitte & Touche	Jin Chuan Shi Shu Lin Liu	An Unmodified Opinion
2019	Deloitte & Touche	Jin Chuan Shi Shu Lin Liu	An Unmodified Opinion
2020	Deloitte & Touche	Jin Chuan Shi Shu Lin Liu	An Unmodified Opinion

## II. Financial Analysis for the Last Five Fiscal Years

### (1) Consolidated Financial Analysis

Items analyzed (Note 4)	Year	Financial analysis for the last Five fiscal years (Note 2)				
		2016	2017	2018	2019	2020
Financial Structure Analysis (%)	Debt ratio	17.14	37.96	40.09	46.82	35.77
	Long-term capital to property, plant and equipment ratio	13,772.96	289.86	260.50	315.54	305.02
Liquidity Analysis (%)	Current ratio	510.65	77.64	69.75	56.86	63.17
	Quick ratio	446.33	64.83	57.28	51.47	60.81
	Interest coverage multiples	43.24	157.54	79.12	14.51	23.97
Operating performance Analysis	Accounts receivable turnover (times)	5.84	25.57	17.72	13.41	21.76
	Days Sales Outstanding	62.50	14.27	20.59	27.21	16.77
	Inventory turnover (times)	2.14	7.85	7.16	6.54	12.06
	Average payable turnover (times)	11.39	26.72	19.61	17.83	17.90
	Average Inventory turnover days	170.56	46.50	50.97	55.81	30.26
	Property, plant and equipment turnover (times)	31.47	5.95	3.19	2.87	2.57
	Total assets turnover (times)	0.45	0.79	0.71	0.62	0.56
Profitability Analysis	Return on total assets (%)	6.30	15.30	9.92	5.86	4.78
	Return on equity (%)	8.13	21.65	16.12	9.75	7.84
	Pre-tax income to paid-in Capital ratio (%)	18.33	94.51	69.35	49.82	43.68
	Net income ratio (%)	13.60	19.30	13.78	8.73	8.10
	Basic Earnings per share (NT\$)	2.76	8.92	7.18	4.01	3.30
Cash flow	Cash flow ratio (%)	16.44	56.50	8.90	38.63	37.62
	Cash flow adequacy ratio (%)	0.79	2.93	1.31	1.49	1.65
	Cash reinvestment ratio (%)	2.72	63.92	(註 1)	40.18	32.98
Leverage	Operating leverage	1.15	1.12	1.17	2.07	2.20
	Financial leverage	1.03	1.01	1.01	1.08	1.05

Analysis of deviation over 20% for the last two years:

1. Debt-to-asset ratio: In 2020, when the optical fiber subsidiary was sold, other payables and lease liabilities were reduced. The amount obtained from the sale of the optical fiber subsidiary was used to repay short-term borrowings. The amount of liabilities was greatly reduced, resulting in a significant decrease in the ratio of liabilities to assets.
2. Interest coverage multiples: In 2020, when the optical fiber subsidiary was sold, the lease liability was reduced, and the interest expense incurred by the lease liability was reduced. The money obtained from the sale of the optical fiber subsidiary was used to repay short-term borrowings, and the related financial costs were also reduced.
3. Account receivable turnover: The sale of the optical fiber subsidiary in 109 resulted in a substantial decrease in accounts receivable and a consequent decrease in average accounts receivable, resulting in an increase in the turnover rate of accounts receivable.
4. Day sales outstanding: Regarding to the aforementioned explanation, the increase in the account receivable turnover indicates the decrease in the days of the sales outstanding.
5. Inventory turnover: In 2020, when the optical fiber subsidiary was sold, this resulted in the decrease in the inventory and the amount of average inventory decreases causing the inventory turnover to increase.
6. Average inventory turnover days: The aforementioned explanation indicates that once the inventory turnover increases, the average inventory turnover days decrease.
7. Earnings per share: Due to the impact of the epidemic in 2020, optical fiber upstream and downstream material supply chain dramatically changed, which impacted the sales of the client business, the profit of the optical fiber department decreased significantly compared to last year, and the net profit after tax decreased.

Note 1: The net cash flow from operating activities is net cash outflow, so it is not planned to calculate the relevant ratio.

Note 2: The financial information for the year 2016 ~ 2020 has been verified by the accountant.

Note 3: The calculation formula of financial analysis is as follows:

1. Financial structure
  - (1) Debt-asset Ratio = Total Liabilities / Total Assets.
  - (2) Long-term Capital to Property, Plant, and Equipment ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant, and Equipment.
  
2. Solvency
  - (1) Current Ratio = Current Assets / Current Liabilities.
  - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
  - (3) Interest coverage multiples = Net income before Tax and Interest / Interest Expenses.
  
3. Operating Performance
  - (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
  - (2) Days Sales Outstanding = 365 / Receivables Turnover Rate.
  - (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
  - (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
  - (5) Average Inventory Turnover Days = 365 / Inventory Turnover Rate.
  - (6) Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
  - (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
  
4. Profitability
  - (1) Return on assets (ROA) = [Net income + Interest expenses x (1 - interest rates)] / Average total asset.
  - (2) Return on Equity = Net Income / Average Total Equity.
  - (3) Net Income ratio = Net Income / Net Sales.
  - (4) Basic Earnings per Share = (Income Attributable to Owners of Parent Company – Dividends on Preferred Stock) / Weighted Average Number of Shares Issued. (Note 2)
  
5. Cash flow
  - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
  - (2) Cash Flow Adequacy Ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
  - (3) Cash Reinvestment Ratio = (Net cash flow from operating activities – cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capital). (Note 3)
  
6. Leverage
  - (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 4).
  - (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

## (2) Parent Company Only Statements of Financial Analysis

Items analyzed (Note 3)		Year	Financial analysis for the last Five fiscal years (Note 2)				
			2016	2017	2018	2019	2020
Financial Structure Analysis (%)	Debt ratio		17.14	14.48	21.86	24.53	5.70
	Long-term capital to property, plant and equipment ratio		13,722.96	22,082.18	12,929.04	19,058.43	-
Liquidity Analysis (%)	Current ratio		510.65	127.58	113.48	103.26	274.81
	Quick ratio		446.33	84.94	85.52	89.14	274.61
	Interest coverage multiples		43.24	199.91	74.37	23.61	54.72
Operating performance Analysis	Accounts receivable turnover (times)		5.84	9.03	6.08	4.89	7.64
	Days Sales Outstanding		62.50	40.42	60.03	74.64	47.77
	Inventory turnover (times)		2.14	2.70	4.15	4.41	7.97
	Average payable turnover (times)		11.39	11.15	13.95	14.13	14.06
	Average Inventory turnover days		170.56	135.19	87.95	82.76	45.79
	Property, plant and equipment turnover (times)		31.47	67.00	96.79	84.99	139.44
	Total assets turnover (times)		0.45	0.33	0.49	0.44	0.34
Profitability Analysis	Return on total assets (%)		6.30	17.88	13.19	7.73	6.67
	Return on equity (%)		8.13	21.14	15.99	9.72	7.81
	Pre-tax income to paid-in Capital ratio (%)		18.33	84.26	67.66	44.99	38.61
	Net income ratio (%)		13.60	54.25	26.89	16.75	19.24
	Basic Earnings per share (NT\$)		2.76	8.92	7.18	4.01	3.30
Cash flow	Cash flow ratio (%)		16.44	68.66	13.75	92.77	221.63
	Cash flow adequacy ratio (%)		0.79	1.49	0.74	1.08	0.98
	Cash reinvestment ratio (%)		2.44	6.24	-	-	-
Leverage	Operating leverage		1.15	1.03	1.02	1.30	1.21
	Financial leverage		1.03	1.01	1.01	1.07	1.05

## Analysis of deviation over 20% for the last two years:

- In 2020, when the optical fiber subsidiary was sold, other payables and lease liabilities were reduced. The amount obtained from the sale of the optical fiber subsidiary was used to repay short-term borrowings. The amount of liabilities was greatly reduced, resulting in a significant decrease in the ratio of liabilities to assets.
- Long-term capital to property, plant and equipment ratio: Due to the transfer of the optical fiber business to the optical fiber subsidiary in 2020, the long-term capital, plant and equipment were all transferred to the subsidiary, resulting in a decrease in the ratio of real estate, plant and equipment, and a decrease in the ratio of long-term funds to real estate, plant and equipment.
- Current ratio: Sale of optical fiber business to optical fiber subsidiary in 2020 has decreased account payable and lease liabilities. In the later half of the year, the amount obtained from the sale of the optical fiber subsidiary was used to repay short-term borrowing; therefore, current liabilities have decreased causing the current ratio to drive up.
- Quick ratio: The sale of optical fiber business to optical fiber subsidiary in 2020 has caused inventory to decrease. In the later half of the year, the amount obtained from the sale of the optical fiber subsidiary was used to repay short-term borrowing; therefore, current liabilities have decreased causing the quick ratio to drive up.
- Interest coverage multiples: The transfer of optical fiber business to optical fiber subsidiary in 2020 has caused lease liabilities to decrease. This implies that interest expense from leasing liabilities has also decreased, and the amount obtained from the sale was used to repay short-term borrowings; the related finance costs are also reduced.
- Account receivables turnovers: due to the sale of optical fiber business to optical fiber subsidiary, the account receivables also decreased, the average account receivable accounts also decreased causing the turnover to increase.
- Day Sales outstanding: From the above explanation, it can be inferred that the account receivable turnover has increased, suggesting that the amount of day sales outstanding also decreased.
- Inventory turnover ratio: The transfer of optical fiber business to optical fiber subsidiary has caused inventory to dramatically decline, which the average inventory amount also decreased, and thereby causing the inventory turnover ratio to rise.
- Average inventory turnover days: The note above indicates that the inventory turnover ratio increases, and the average inventory turnover days decreases.
- Property, plant and equipment turnover (times): due to the transfer of optical fiber business to optical fiber subsidiary in 2020, the assets are also transferred. The gross value of property, plant and equipments decreases causing the turnover to rise.
- Total asset turnover: due to the transfer of optical fiber business to optical fiber subsidiary in 2020, the total assets of the optical fiber business also decreased causing the average amount of assets to decrease and reducing the total asset ratio.
- Earnings per share: due to the impact of the Coronavirus on the optical fiber upstream and downstream supply chain, the sales of the client business also declined. The profit of the optical fiber department fell sharply compared to the numbers of last year, and the net profit after tax decreased.
- Cash flow ratio: The optical fiber business was transferred to the optical fiber subsidiary in 2020 causing other accounts payable and lease liabilities to reduce. The optical fiber subsidiary was sold in the second half of the year, and the money obtained was used to repay short-term borrowings. Although the net cash flow of operating activities decreased, the reduction ratio of current liabilities is greater, resulting in a substantial increase in the cash flow ratio.

Note 1: The financial information for the year 2016 ~ 2020 has been verified by the accountant.

Note 2: The calculation formula for financial analysis is shown on the previous page.

### **III. Audit Committee's Report for the Most Recent Year**

#### **Success Prime Corporation Audit Committee's Report**

The Board of directors made the Company the Republic of China 2020 Annual Business Report, consolidated financial statements individual financial statements and earnings allocation of the bill, including the consolidated financial statements, individual financial statements by CPA Chin-Chuan Shi and Shu-Lin Liu accountants from Deloitte to check the matter. The above business reports consolidated financial statements, Parent company only financial statements and earnings distribution proposals have been reviewed by the Board of Auditors and are not considered to be inconsistent. The report is based on the Securities & Exchange Act Article 14-4 And Corporate Law No.219 and all the relevant information above is open to further inspections and confirmations.

Sincerely,

The Company 2021 Annual meeting of shareholders

March 8, 2021

- IV. The most recent annual financial report certified by the accountant, includes the auditors' audit report, the two-year consolidated balance sheet, the consolidated income statement, the statement of changes in equity, the cash flow statement and the notes or appendix: Pg. 80 to 165.**
- V. Parent Company Only financial report of the company of the most recent year has been certified by the accountant. But does not contain minor accounting items: Pg. 166 to 239.**
- VI. The Company and its related subsidiaries shall, in event of financial difficulties in most recent year and as of annual report published date, specify financial position of Company's financial position: none.**

## VII. Review of Financial Position and Financial Performance Analysis

### 1. Financial situation

Unit: in thousands of NT\$

Items \ Year	2019	2020	Difference	
			Increase and decrease amount	% Change
Current assets	291,797	231,652	(60,145)	(20.61%)
Property, plant and equipment	309,114	294,015	(15,099)	(4.88%)
Right-of-use assets	222,391	105,685	(116,706)	(52.48%)
Other assets	665,201	632,151	(33,050)	(4.97%)
Total assets	1,488,503	1,263,503	(225,000)	(15.12%)
Current liabilities	513,097	366,691	(146,406)	(28.53%)
Other liabilities	183,860	85,365	(98,495)	(53.57%)
Total liabilities	696,957	452,056	(244,901)	(35.14%)
Share capital	174,594	191,854	17,260	9.89%
Capital reserve	367,081	341,190	(25,891)	(7.05%)
Statutory surplus reserve	26,354	33,966	7,612	28.88%
Special surplus reserve	1,611	2,600	989	61.39%
Retained surplus	240,544	274,945	34,401	14.30%
Other rights	(2,600)	(2,392)	208	(8.00%)
Treasury stocks	(21,956)	(34,362)	(12,406)	56.50%
Belong to Parent company owner's rights	785,628	807,801	22,173	2.82%
Total shareholders' equity	791,546	811,447	19,901	2.51%

Analysis of changes in the increase and decrease ratio exceeding 20%:

1. Decrease in current assets: sale of optical fiber subsidiary causing decrease in account receivables and inventory.
2. Decrease in right-of-use assets: due to the sale of optical fiber subsidiary.
3. Decrease in current liabilities: sale of optical fiber subsidiary causing the decrease in the lease liability-current and repaying short-term borrowings.
4. Decrease in other liabilities: sale of optical fiber subsidiary causing the decrease in the lease liability-non-current.
5. Increase in statutory surplus reserve: 10% of the after-tax surplus for the year 2019 was legally stated as a statutory surplus reserve.
6. Increase in special surplus reserve: due to recognition of the exchange difference in the conversion of financial reports of foreign operating agencies and the regulation of maintaining special reserve.
7. Increase in treasury stock: due to the repurchases of treasury stock in 2020.

## 2. Financial performance

Unit: in thousands of NT\$

Items \ Year	2019	2020	Difference	
			Increase and decrease amount	% Change
Net operating income	881,610	776,397	(105,213)	(11.93%)
Operating costs	486,638	404,425	(82,213)	(16.89%)
Operating margin	394,972	371,972	(23,000)	(5.82%)
Operating expenses	309,424	300,429	(8,995)	(2.91%)
Operating Net profit	85,548	71,543	(14,005)	(16.37%)
Out-of-business income and expenditure	1,438	12,261	10,823	752.64%
Net profit before tax	86,986	83,804	(3,182)	(3.66%)
Income Tax Benefits	(10,009)	(20,891)	(10,882)	108.72%
Net profit (loss) for the year	76,977	62,913	(14,064)	(18.27%)
Other consolidated gains and losses	(1,772)	858	2,630	(148.42%)
Total consolidated gains and losses for the year	75,205	63,771	(11,434)	(15.20%)

Analysis of changes in the increase and decrease ratio exceeding 20%:

1. Increase in out-of-business income and expenditure: the sale of optical fiber subsidiary.
2. Increase in income tax expenses: due to the transfer of deferred income tax to income tax expense.
3. Other consolidated gains: due to the recognition of the exchange differences in the conversion of financial reports of foreign operating agencies.

## 3. Cash flow

(1) Liquidity analysis for the last two years

Unit: NT\$ thousands

Items \ Year	2019	2020	Increase % (decrease)
Operating cash outflow	198,252	137,968	(60,284)
Investing cash inflow	(52,859)	48,812	101,671
Financing cash outflow	(167,951)	(188,666)	(20,175)

Analysis of changes in cash flow:

1. Operating cash outflow: Mainly due to the outbreak of the 2020 pandemic, the optical fiber upstream and downstream supply chain has been affected badly and caused an impact in the sales of the client-side business. The profit of optical fiber department decreased significantly compared with last year, which resulted in the decrease in net profit after tax and accounts receivable.
2. Investing cash inflow: Due to the disposal of the optical fiber subsidiary in 2020, and 2019 renovations of the physical classrooms as well as the acquisition of other subsidiaries .
3. Financing cash outflow: Mainly due to the repayment of short-term loans in 2020, the repurchase of treasury stocks and the acquisition of equity in subsidiaries.

(2) Analysis of responses to liquidity risks and cash liquidity in the coming year

Unit: In thousands of NT\$

Cash Balance beginning period (1)	Estimated net cash flow from operating activities throughout the year (2)	Estimated annual cash outflow (3)	Estimated amount of cash surplus (insufficient) (1) + (2) - (3)	Remedy for Liquidity shortfall	
				Investment Plan	Financial Planning
182,752	150,000	187,068	145,684	-	-

Remedial measures and liquidity analysis of expected cash shortfall: None

#### 4. Recent Years Major Capital Expenditures and Impact on Financial and Business: None.

#### 5. Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits / Losses Generated Thereby, the Plan for Improving Re-Investment Profitability, and Investment Plans for the Coming Year

Date: December 31, 2020

Explanation Item	Investment amount (in thousands of NT\$)	Policies	The main reason for profit or loss	Improvement Plan	Other future investment plan
Accuagile Co., Ltd.	4,500	Looking for educational digital training system providers of strategic alliances to establish long-term cooperative relations.	The company 's operation is still in a rudimentary stage.	Not suitable	None

#### 6. Risk Management

##### (1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

###### 1. Interest rate fluctuations

The Company's interest expenses (loan interest from bank) in 2019, and 2020 were NT\$2,048,000, and NT\$965,000 respectively, accounting for 0.23%, and 0.12% of net operating income, respectively, and accounting for net profit before tax 2.35%, and 1.15% respectively, so the impact of changes in interest rates on the company's operating income and net profit before taxation is still limited.

In the future, the company will regularly evaluate bank borrowing interest rates and maintain good relations with banks in order to obtain a more favorable interest rate when there is a demand for borrowing and reduce interest expenses.

###### 2. Foreign exchange rate fluctuations

The company's purchases and sales are mainly denominated in New Taiwan dollars. The exchange (loss) gains in each year are mainly derived from the optical fiber business. The company's exchange (loss) gains in 2019, and 2020 were (NT\$1,341,000), and (NT\$662,000), accounting for (0.15%) and (0.09%) of net operating income, and (1.54%), and (0.79)% of net profit before tax respectively. The optical fiber subsidiary has been disposed of in 2020, and exchange rate changes will not have a significant impact on the company's profit and loss.

###### 3. Inflation

Due to the characteristics of the industry, the company has only a few procurement items, and inflation does not impose significant impact on the company's profit or loss.

##### (2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Loans of funds to Others or Endorsement Guarantees, and Derivatives Transactions

The Company has established the Procedures for Loaning of Funds to Others, the Operating Procedures for Endorsements and Guarantees, the Procedures for Handling Derivatives Transactions, and the Procedures for Acquisition and Disposal of Assets. All processes adhere strictly to these procedures in order to keep operation and financial risks under control.

As of the beginning of 2019 to the printing date of this Annual Report, the Company has not engaged in high-risk and leveraged financial investments. Neither did the Company loan any funds or provide any endorsements/guarantees to other parties.

##### (3) Future R&D Projects and the Expected Expenditure

The Company's R&D expenses are derived from the optical fiber business, and there will be no R&D expenses incurred after the disposal of the optical fiber subsidiary.

##### (4) Changes in Domestic and Overseas Policies and Laws That Have an Impact on the Company's Financial and Business and the Countermeasures:

In addition to the jurisdiction of the Ministry of Education of the central government, the education department of each county and city government also stipulates its individual laws

and regulations. Therefore, the establishment and management of tutorial classes will vary in different counties and cities. Cheng also has differences in different counties and cities, so the company regularly inquires about the latest changes in laws and regulations of each county and city government to reduce the significant impact on the company's financial business.

(5) Impact of Changes in Technology and Industry to the Company's Finance and Business and the Countermeasures: None

(6) Impact of Corporate Image Change on Risk Management and Response Measures: None.

(7) Expected Benefits and Potential Risks of Merger and Acquisition:

The company acquired the remaining 45% equity of Prime Education Consulting Co., Ltd. in September 2020, and changed the company name to "Here Co., Ltd." after the completion of the acquisition. The acquired company has been profitable every year since its establishment; therefore, the acquisition of the company can increase SPC's return on reinvestment.

This acquisition has been carefully evaluated and an external valuation report has been obtained as a basis for price reference, and there should be no significant impact on compliance risk.

(8) Expected Benefits, Potential Risks, and Countermeasures of Factory Expansion: None.

(9) Risks Relating to the Concentration of Purchasing or Sales and the Countermeasures

Since the core of the Corporation is mainly education, its purchase are mainly teaching fees and printing costs. The Corporation generally maintain good long-term liaison with existing suppliers; many projects have more than two suppliers to avoid the risk of supply shortages. Because it is mainly education (tutoring business), its sales are mainly tuition income from physical tutoring classes. Due to industrial characteristics, sales customers are more scattered. There have been no customers who accounted for more than 10% of net sales in the last two years. Therefore, there should be no risk of concentration of sales.

(10) The Impact of Mass Transfer of Equity or Change by Directors, Supervisors, or Shareholders with over than 10% Interest on the Company, Associated Risks and Response Measures

In the most recent year and as of the date of publication of the annual report, the company's directors or large shareholders holding more than 10% of the shares, except for a small number of equity transfers due to investment and financial planning, maintained a generally stable shareholding ratio. Do not cause significant adverse effects.

(11) The Impact of Change of Operating Rights on the Company, Associated Risk and Response Measures: NA.

(12) Litigation or non-litigation events shall list the major litigation of the company and its directors, supervisors, general managers, substantive principals, major shareholders holding more than 10% of the shares and subordinate companies that have been determined by judgment or are still in the department, Non-litigation or administrative litigation events, the results of which may have a significant impact on shareholders' equity or securities prices, should disclose their disputed facts, the amount of the target, the date of the start of the lawsuit, the main parties involved in the litigation and the handling situation as of the date of publication of the annual report: None.

(13) Other Important Risks and Countermeasures:

In terms of information security, the company actively plans to deploy information security measures to continuously improve the information security environment and reduce information security risks. Every year, internal auditors audit the company's information security management system and review the security operation status, risk control, and event improvement to control and reduce security risks. For the problems found in the internal information audit, real-time information security control is carried out through the correction and prevention process to reduce employee leakage of confidential information of the

company and customers; when external information security incidents occur, information security is immediately notified to strengthen the company's information security maturity and improve employees The awareness of preventing external malicious attacks, etc., provides information security for the company's production and operation activities.

**7. Other Significant Events:** None.

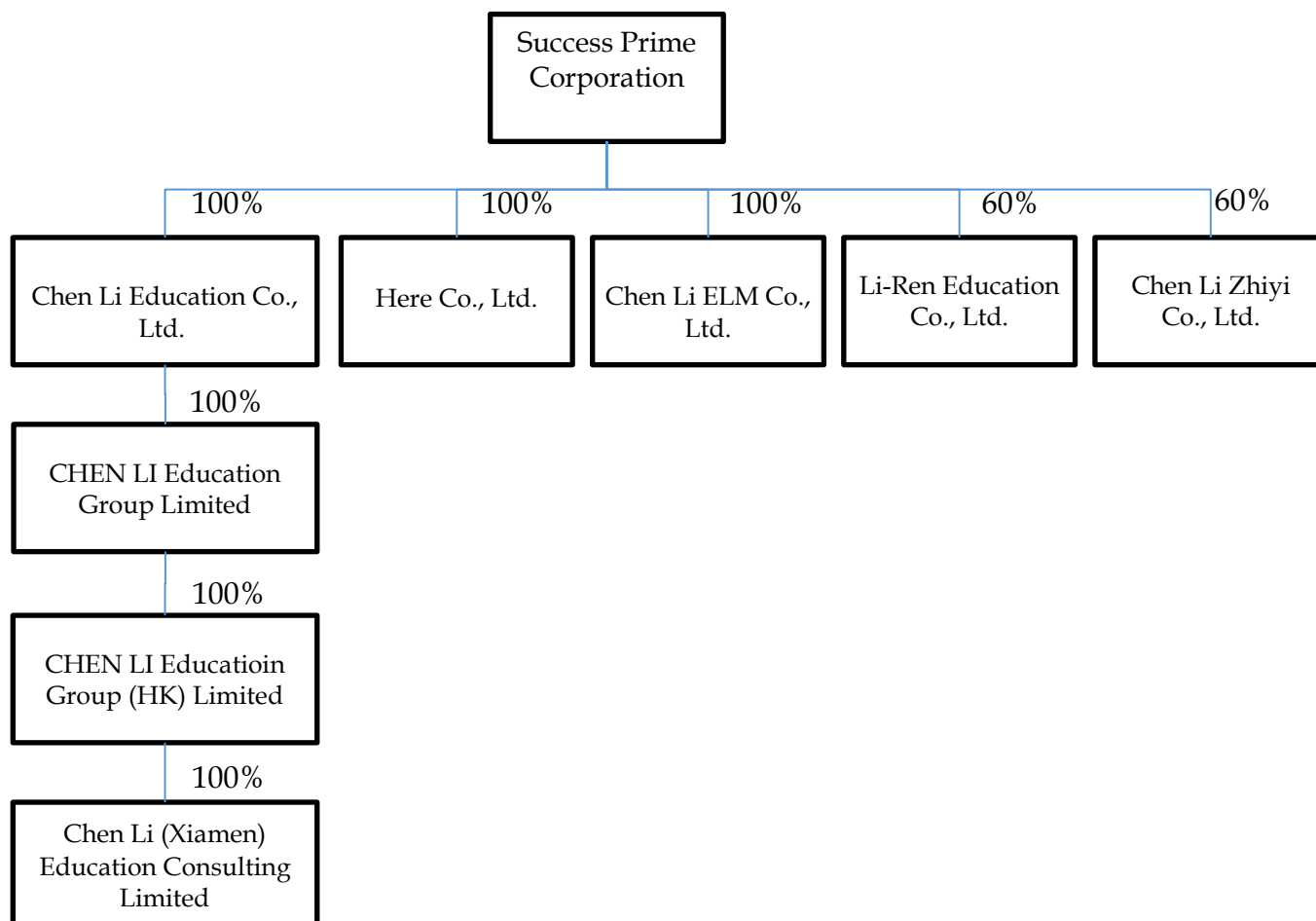
## VIII. Special Disclosure

### 一、Summary of Affiliated Companies

#### (1) Overview of related companies

##### 1. Corporate Affiliation Chart

December 31, 2020



##### 2. Basic information of related subsidiaries

December 31, 2020 ; Units : in thousands of NT\$

Company Name	Date of establishment	Address	Amount of capital received	Main business Operations
Chen Li Education Co., Ltd.	2010/11	17th Floor, No. 17, Xuchang Street, Zhongzheng District, Taipei City	11,200	Education services
CHEN LI Education Group Limited	2014/06	Marcy Building, 2 Floor, Purcell Estate, P.O. Box 2416, Road Town, Tortola, BVI	40,543	Holding Company
CHEN LI Education Group (HK) Limited	2014/07	ROOMS 2103-04, 21/F., WING ON CENTRE 111 CONNAUGHT ROAD CENTRAL HONG KONG	30,059	Holding Company
Chen-Li (Xiamen) Education Consulting Ltd.	2016/06	Unit D, Unit 03, 8th Floor, Building D, Xiamen International Shipping Center, 97 Xiangyu Road, Xiamen Area (Free Trade Zone), China (Fujian) Pilot Free Trade Zone	28,516	Education consulting services
Here Co., Ltd.	2018/01	1F, No.163 Baotai Road, Qianzhen District, Kaohsiung City	10,000	Education consulting services
Chen Li ELM Ltd.	2018/04	17F-1, No. 17, Xuchang Street, Zhongzheng District, Taipei City	15,000	Education services
Li-Ren Education Co., Ltd.	2020/01	9F-4, No. 2, Sec. 1, Kaifeng St., Zhongzheng Dist., Taipei City	5,000	Education services
Chen Li Zhiyi Co., Ltd.	2020/02	6F-1, No. 8, Lane. 379, Sec. 1, Jingguo Rd., East Dist., Hsinchu City	5,000	Education services

3. Presumed to be in Effective Control of the Same Shareholder Information with the Affiliate:  
None.

4. Overall Business Scope of Affiliated Companies

It is mainly engaged in education services for elementary schools, junior high schools and senior high schools, short-term cram school classes and education consulting services.

5. Directors, Supervisors, and President in all Affiliated Companies:

December 31, 2020 ; Units : in thousands of NT\$

Company Name	Title	Name or Representative	Shares Held	
			Number of Shares	%
Success Prime Corporation	Chairman	Min-Chun Chen	115,000	0.60%
	Director	Shu-Ling Tseng	500,728	2.61%
	Corporate Director	Endow Capital Management Inc.	1,890,039	9.85%
		Representative: Xiang-Qi Fang	-	-
		Representative: Jing-Ru Cheng	140,933	0.73%
	Corporate Director	Bash Consultant Incorporated	1,890,039	9.85%
		Representative : Yen-Shuen Chen	-	-
		Representative : Yun Chen	-	-
	Independent Director	Bing-Quan Shi	-	-
Independent Director	Pei-Jun Hong	-	-	
Independent Director	Ying-De Wu	-	-	
Chen Li Education	Corporate Director	Success Prime Corporation	11,200,000	100.00%
		Representative : Shu-Ling Tseng	-	-
CHEN LI Education Group Limited	Corporate Director	Chen Li Education Company	(Contribution) 40,543	100.00%
		Representative : Shu-Ling Tseng	-	-
CHEN LI Education Group (HK) Limited	Corporate Director	CHEN LI Education Group Limited	(Contribution) 30,059	100.00%
		Representative : Shu-Ling Tseng	-	-
Chen-Li (Xiamen) Education Consulting Ltd	Corporate Director	CHEN LI Education Group (HK) Limited	(Contribution) 28,516	100.00%
		Representative : Shu-Ling Tseng	-	-
Here Co., Ltd.	Corporate Director	Success Prime Corporation	1,000,000	51.00%
		Representative : Shu-Ling Tseng	-	-
Chen Li ELM Co., Ltd.	Corporate Director	Success Prime Corporation	1,500,000	100.00%
		Representative : Shu-Ling Tseng	-	-
Li-Ren Education Co., Ltd.	Chairman	Li-Ren Yin	200,000	40.00%
	Corporate Director	Success Prime Corporation	300,000	60.00%
		Representative: Shu-Ling Tseng	-	-
		Representative: Min-Chun Chen	-	-
Supervisor	Wei Chen	-	-	
Chen Li Zhiyi Co., Ltd.	Corporate Director	Success Prime Corporation	300,000	60.00%
		Representative: Shu-Ling Tseng	-	-
	Supervisor	Ya-Feng Zheng	-	-

## 6. Operational Highlights of Affiliated Companies

December 31, 2020; Units : in thousands of NT\$

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	Net Profit (Loss) (after tax)
Success Prime Corporation	191,854	856,670	48,869	807,801	323,451	26,789	62,234
Chen Li Education	112,000	608,543	406,870	201,673	594,418	49,858	32,152
CHEN LI Education Group Limited	40,543	17,786	-	17,786	-	(53)	(10,122)
CHEN LI Education Group (HK) Limited	30,059	17,043	-	17,043	-	(119)	(10,031)
Chen-Li (Xiamen) Education Consulting	28,516	20,457	4,606	15,851	603	(9,986)	(9,850)
Here Co., Ltd.	10,000	23,704	9,008	14,696	52,744	5,309	4,197
Chen Li ELM Co., Ltd	15,000	11,357	3,062	8,295	11,489	(2,584)	(2,452)
Li-Ren Education Co., Ltd	5,000	6,110	987	5,123	8,568	153	123
Chen Li Zhiyi Education Co., Ltd	5,000	8,246	4,253	3,993	2,351	(968)	(1,007)

(2) Consolidated financial statements of Affiliates

### DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Success Prime Corporation as of and for the year ended December 31, 2020 under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10 “Consolidated Financial Statements”. In addition, all the relevant information required to be disclosed in the consolidated financial statements have been disclosed. Hence, we do not prepare a separate set of consolidated financial statements.

Very truly yours,

Success Prime Corporation  
Chairman: Min-Chun Chen  
March 09, 2021

(3) Affiliation Report : None.

**II. Private Placement Securities of the Most Recent Year and Up to the Printing Date of this Annual Report:** None.

**III. Subsidiaries’ Holding or Disposing the Company’s Shares in the Most Recent Fiscal Year and Up to the Printing Date of this Annual Report:** Not applicable.

**IV. Other Necessary Supplement:** None.

**V. The Events Resulting in Significant Impact to Shareholders' Equity or Stock Prices Under Article 36(3) (ii) of Securities and Exchange Act in the Most Recent Fiscal Year and Up to the Printing Date of this Annual Report.:** None.

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Success Prime Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Success Prime Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that

the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of 2020 Success Prime Corporation consolidated financial statements are described as follow:

#### Revenue Recognition of Education Services

Success Prime Corporation's main source of business revenue is from education service, note on its revenue recognition policy please refer to the Consolidated Financial Report Note 4(15). The revenue recognition of the Success Prime Corp. Education Service, collect student prepaid full tuition payment, then calculated and recognized as revenue according to the actual teaching timeline of the course. Due to the wide range of education service revenue from various courses offered, and the large volume of transactions, the auditors believe that the correctness of the revenue calculation from education services may possess potential risks and therefore list it as a key audit matter.

The audit procedure by the Auditors is as follows:

1. Understand and test the effectiveness of the design and implementation of the main internal control system for the calculation process of education service revenue.
2. Verify the correctness of the information related to the Education Service Revenue statement used by the Success Prime Corp., including random spot check on the collection of student tuition matches the prepaid account amount, and check on the consistency between the teaching time periods used for revenue amortization and actual class syllabus schedule.
3. Test the validity of the calculation formulas of the tuition distribution calculation and re-verify the correctness of the calculation spreadsheet.

#### Assessment of Goodwill and Trademark Impairment

The Goodwill and Trademark rights of the Success Prime Corp. are considered as significant assets, displaying high value amount in the consolidated balance sheet. In accordance with the

IFRS Article 36 regulation on "impairment of assets", Success Prime Corp. shall conduct annual impairment testing of Goodwill and Trademark rights, as well as measure the recoverable amount of Goodwill and Trademark rights. When the Management is deciding future operating cash flows, the consideration will base on future business outlook of the projected sales growth rate and profit margin, and calculate the weighted average capital cost rate as the discount rate. As these estimations and judgments of assumptions and management subjective views might be affected by high uncertainty of future markets or economic conditions, they are classified as key audit matters. The disclosure of relevant accounting policies and information of Goodwill and Trademark rights, please refer to the Consolidated Financial Statements Note 4(10), 5 and 14.

The main verification procedures by the accountant for Management impairment assessment of Goodwill and Trademark rights as follows:

1. Assess the professional qualifications, suitability and independence of external independent evaluation experts entrusted by Management to assist the impairment tests implementation, identifying items that impose no effect on their objectivity and no limit on the scope of their work, and that the methods used by the evaluators use are in compliance with regulations.
2. Understand the process and basis of revenue growth rate and profit margin projected by Management to estimate future operational outlook, and whether it takes into account the recent operation results, historical trends and industry profile.
3. Evaluate the recoverable amount calculated by the management base on the value of use model, the weighted average cost rate used, including the assumptions of risk-free compensation interest rate, volatility and overpayment risk, and whether it is consistent with Company's current status and its industry conditions, then re-execute and verify the calculations.

### **Other Matters**

Success Prime Corp. has prepared 2020 and 2019 parent company only financial statements and an Audit Report has been issued by the Auditors, for reference.

### **Responsibility of Management and Governance Units over the Consolidated Financial Statements**

The responsibility of the Management is to formulate the Consolidated Financial Statements in accordance to the financial reports preparation guidelines by securities issuer and be approved by the Financial Supervisory Commission; to release Consolidated Financial Statements that is prepared through effective international Financial Reporting Standards, International

accounting standards, and permissible interpretation notices; to maintain the necessary internal controls relating to the preparation of Consolidated Financial Statements, ensuring that the Consolidated Financial Statements do not contain significant false representations of fraud or error.

In preparing the Consolidated Financial Statements, the responsibilities of the management also include assessing the ability of the Success Prime Corp. to sustain its operations, the disclosure of related matters, and the adoption of the accounting basis for sustainable operations, unless the Management intends to liquidate Success Prime Corp. or terminate business, or other options that are not practical besides than liquidation or closure.

The governance unit of the Success Prime Corp. (the Audit Committee included) has the responsibility to supervise financial reporting procedures.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are  
Chin-Chuan Shih and Shu-Lin Liu.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 17, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

## Success Prime Corporation

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents (note 4 and 6)	\$ 182,752	14	\$ 185,533	13
Financial assets measured at amortized cost (note 4, 8 and 34)	17,265	1	10,046	1
Notes receivables (note 4 and 9)	325	-	546	-
Accounts receivables (note 4 and 9)	6,938	1	57,840	4
Accounts receivables from related parties (note 33)	5,704	-	-	-
Other receivables	2,902	-	1,387	-
Current income tax assets	6,652	1	6,432	-
Inventories (note 4 and 10)	2,516	-	21,316	1
Other current assets (note 17)	6,598	1	8,697	1
<b>Total current assets</b>	<b>231,652</b>	<b>18</b>	<b>291,797</b>	<b>20</b>
<b>Non-current assets</b>				
Financial assets measured at fair value through other comprehensive income (note 4 and 7)	4,500	-	4,500	-
Financial assets measured at amortized cost (note 4 and 8)	4,860	-	4,860	-
Property, plant and equipment (note 4, 12 and 34)	294,015	23	309,114	21
Right-of-use assets (note 4 and 13)	105,685	8	222,391	15
Trademarks (note 4 and 14)	404,144	32	404,144	27
Goodwill (note 14)	81,419	7	81,419	5
Computer softwares (note 4 and 15)	9,225	1	12,297	1
Deferred tax assets (note 4 and 25)	30,723	3	38,365	3
Cash surrender value of term life insurance (note 4 and 16)	83,197	7	83,663	6
Defined benefit assets (note 4 and 21)	-	-	6,662	-
Other non-current assets (note 17 and 33)	14,083	1	29,291	2
<b>Total non-current assets</b>	<b>1,031,851</b>	<b>82</b>	<b>1,196,706</b>	<b>80</b>
<b>Total assets</b>	<b>\$ 1,263,503</b>	<b>100</b>	<b>\$ 1,488,503</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Short-term borrowings (note 4, 18 and 34)	\$ -	-	\$ 80,000	5
Contract liabilities- current (note 23)	239,978	19	253,119	17
Notes payables	29	-	-	-
Accounts payables (note 19)	20,946	2	24,211	2
Other payables (note 20)	43,119	3	72,844	5
Current income tax liabilities	12,806	1	9,758	1
Lease liabilities-current (note 4, 13 and 33)	45,184	4	67,702	5
Current portion of long-term borrowings (note 4, 18 and 34)	2,430	-	2,430	-
Other current liabilities	2,199	-	3,033	-
<b>Total current liabilities</b>	<b>366,691</b>	<b>29</b>	<b>513,097</b>	<b>35</b>
<b>Non-current liabilities</b>				
Long-term borrowings (note 4, 18 and 34)	19,440	2	21,870	1
Provisions	1,620	-	1,700	-
Deferred income tax liabilities (note 4 and 25)	2,397	-	3,710	-
Lease liabilities- non-current (note 4, 13 and 33)	61,908	5	156,580	11
<b>Total non-current liabilities</b>	<b>85,365</b>	<b>7</b>	<b>183,860</b>	<b>12</b>
<b>Total liabilities</b>	<b>452,056</b>	<b>36</b>	<b>696,957</b>	<b>47</b>
<b>Equity attributable to shareholders of the Company (note 22)</b>				
Ordinary shares	191,854	15	174,594	12
Capital surplus	341,190	27	367,081	25
Retained earnings				
Legal reserve	33,966	3	26,354	2
Special reserve	2,600	-	1,611	-
Unappropriated retained earnings	274,945	22	240,544	16
<b>Total retained earnings</b>	<b>311,511</b>	<b>25</b>	<b>268,509</b>	<b>18</b>
Other equity	(2,392)	-	(2,600)	-
Treasury shares	(34,362)	(3)	(21,956)	(2)
<b>Total equity attributable to owners of the Company</b>	<b>807,801</b>	<b>64</b>	<b>785,628</b>	<b>53</b>
<b>Non-controlling interests (note 22)</b>	<b>3,646</b>	<b>-</b>	<b>5,918</b>	<b>-</b>
<b>Total equity</b>	<b>811,447</b>	<b>64</b>	<b>791,546</b>	<b>53</b>
<b>Total liabilities and equity</b>	<b>\$ 1,263,503</b>	<b>100</b>	<b>\$ 1,488,503</b>	<b>100</b>

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

## Success Prime Corporation

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Operating revenue (note 4, 23 and 33)				
Sales revenue	\$ 109,759	14	\$ 235,366	27
Service revenue	<u>666,638</u>	<u>86</u>	<u>646,244</u>	<u>73</u>
Total operating revenue	<u>776,397</u>	<u>100</u>	<u>881,610</u>	<u>100</u>
Operating costs (note 10, 24 and 33)				
Cost of sales	74,499	10	153,888	17
Cost of services	<u>329,926</u>	<u>42</u>	<u>332,750</u>	<u>38</u>
Total operating costs	<u>404,425</u>	<u>52</u>	<u>486,638</u>	<u>55</u>
Gross profit	<u>371,972</u>	<u>48</u>	<u>394,972</u>	<u>45</u>
Operating expenses (note 21 and 24)				
Marketing expenses	73,440	10	72,329	8
General and administrative expenses	212,885	27	209,408	24
Research and development expenses	<u>14,104</u>	<u>2</u>	<u>27,687</u>	<u>3</u>
Total operating expenses	<u>300,429</u>	<u>39</u>	<u>309,424</u>	<u>35</u>
Net Income from operations	<u>71,543</u>	<u>9</u>	<u>85,548</u>	<u>10</u>
Non-operating income and expenses (note 13, 24 and 33)				
Other income	6,564	1	8,279	1
Other gains and losses	8,774	1	( 1,131 )	-
Finance costs	( 3,647 )	-	( 6,434 )	( 1 )
Interest revenue	<u>570</u>	<u>-</u>	<u>724</u>	<u>-</u>
Total non-operating income and expenses	<u>12,261</u>	<u>2</u>	<u>1,438</u>	<u>-</u>

(Continued)

	2020		2019	
	Amount	%	Amount	%
Income before income tax	\$ 83,804	11	\$ 86,986	10
Income tax expense (note 25)	( 20,891 )	( 3 )	( 10,009 )	( 1 )
Net income for the year	<u>62,913</u>	<u>8</u>	<u>76,977</u>	<u>9</u>
Other comprehensive income (loss) (note 21 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	-	-	( 985 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>650</u>	-	<u>202</u>	-
	<u>650</u>	-	( <u>783</u> )	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>208</u>	-	( <u>989</u> )	-
Other comprehensive income (loss) for the year, net of income tax	<u>858</u>	-	( <u>1,772</u> )	-
Total comprehensive income for the year	<u>\$ 63,771</u>	<u>8</u>	<u>\$ 75,205</u>	<u>9</u>
Net income (loss) attributable to:				
Shareholders of the parent	\$ 62,234	8	\$ 76,118	9
Non-controlling interests	<u>679</u>	-	<u>859</u>	-
	<u>\$ 62,913</u>	<u>8</u>	<u>\$ 76,977</u>	<u>9</u>
Total comprehensive income (loss) attributable to:				
Shareholders of the parent	\$ 63,092	8	\$ 74,346	9
Non-controlling interests	<u>679</u>	-	<u>859</u>	-
	<u>\$ 63,771</u>	<u>8</u>	<u>\$ 75,205</u>	<u>9</u>
Earnings per share (note 26)				
Basic	<u>\$ 3.30</u>		<u>\$ 4.01</u>	
Diluted	<u>\$ 3.29</u>		<u>\$ 4.00</u>	

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

(Concluded)

## Success Prime Corporation

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of the Parent										Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus			Retained Earnings			Other Equity			
	Shares (Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange differences on translating foreign operations	Treasury Shares	Total			
Balance at January 1, 2019	17,459	\$ 174,594	\$ 13,868	\$ 772	\$ 247,576	\$ 262,216	(\$ 1,611)	(\$ 21,956)	\$ 780,324	\$ 6,488	\$ 786,812	
Appropriation of 2018 earnings	-	-	-	-	( 12,486 )	-	-	-	-	-	-	
Legal reserve	-	-	12,486	-	( 12,486 )	-	-	-	-	-	-	
Special reserve	-	-	-	839	( 839 )	-	-	-	-	-	-	
Cash dividends distributed by the Company - NT\$4.00 per share	-	-	-	-	( 69,042 )	( 69,042 )	-	-	( 69,042 )	-	( 69,042 )	
Decrease in non-controlling interests-cash dividends issued to non-controlling shareholders by subsidiary	-	-	-	-	-	-	-	-	-	( 1,429 )	( 1,429 )	
Net income (loss) for the year ended December 31, 2019	-	-	-	-	76,118	76,118	-	-	76,118	859	76,977	
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	( 783 )	( 783 )	( 989 )	-	( 1,772 )	-	( 1,772 )	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	75,335	75,335	( 989 )	-	74,346	859	75,205	
Balance at December 31, 2019	17,459	174,594	26,354	1,611	240,544	268,509	( 2,600 )	( 21,956 )	785,628	5,918	791,546	
Appropriation of 2019 earnings	-	-	7,612	-	( 7,612 )	-	-	-	-	-	-	
Legal reserve	-	-	-	989	( 989 )	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Company - NT\$1.00 per share	-	-	-	-	( 17,260 )	( 17,260 )	-	-	( 17,260 )	-	( 17,260 )	
Stock dividends distributed from capital surplus	1,726	17,260	-	-	-	-	-	-	-	-	-	
Cash dividends distributed from capital surplus- NT\$ 0.5 per share	-	-	-	-	-	-	-	-	( 8,631 )	-	( 8,631 )	
Changes in ownership interests in subsidiaries (note 29)	-	-	-	-	( 2,622 )	( 2,622 )	-	-	( 2,622 )	( 6,178 )	( 8,800 )	
Changes in non-controlling interests (note 22)	-	-	-	-	-	-	-	-	-	3,227	3,227	
Net income (loss) for the year ended December 31, 2020	-	-	-	-	62,234	62,234	-	-	62,234	679	62,913	
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	650	650	208	-	858	-	858	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	62,884	62,884	208	-	63,092	679	63,771	
Buy-back of treasury stocks	-	-	-	-	-	-	-	( 12,406 )	( 12,406 )	-	( 12,406 )	
Balance at December 31, 2020	19,185	\$ 191,854	\$ 33,966	\$ 2,600	\$ 274,945	\$ 311,511	(\$ 2,392)	(\$ 34,362)	\$ 807,801	\$ 3,646	\$ 811,447	

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

## Success Prime Corporation

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities		
Income before income tax	\$ 83,804	\$ 86,986
Adjustments to reconcile profit (loss)		
Depreciation expense	82,680	90,166
Amortization expense	3,730	1,536
Finance costs	3,647	6,434
Decrease (increase) in cash surrender value of term life insurance	466	( 108)
Interest income	( 570)	( 724)
Loss on disposal of property, plant and equipment	-	143
Loss on inventory valuation	536	17,027
Net loss on foreign exchange	842	2,467
Gains from bargain purchases	-	( 727)
Gain on disposal of subsidiary	( 9,035)	-
Gain on lease modification	( 588)	-
Loss on the settlement of Labor Retirement Reserve Fund (The Old Fund)	2,611	-
Changes in operating assets and liabilities:		
Notes receivables	221	( 89)
Accounts receivables	5,635	15,318
Accounts receivables- related parties	( 5,704)	-
Other receivables	( 1,665)	( 1,161)
Inventories	( 13,812)	20,258
Other current assets	( 3,598)	1,994
Net defined benefit assets	4,051	( 86)
Notes payable	29	( 527)
Accounts payable	3,415	( 6,317)
Other payables	8,178	( 5,247)
Provisions	( 80)	-
Contract liabilities	( 12,024)	( 5,770)
Other current liabilities	( 615)	( 3,761)
Cash generated from operations	152,154	217,812
Interest received	545	691

(Continued)

	2020	2019
Interest paid	(\$ 3,647)	(\$ 6,434)
Income taxes paid	( 11,084)	( 13,817)
Net cash generated from operating activities	<u>137,968</u>	<u>198,252</u>
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	( 12,800)	( 6,095)
Acquisition of financial assets at fair value through other comprehensive income	-	( 4,500)
Acquisition of net cash outflow from subsidiary (note 27)	-	( 9,410)
Net cash inflow from disposal of subsidiary (note 28)	70,618	-
Acquisition of property, plant and equipment	( 8,699)	( 30,968)
Proceeds from disposal of property, plant and equipment	-	3
Increase in refundable deposits	( 5,998)	( 5,194)
Decrease in refundable deposits	6,349	4,208
Purchases of intangible assets	( 658)	( 903)
Net cash inflow generated from investing activities	<u>48,812</u>	<u>(52,859)</u>
Cash flows from financing activities		
Increase in short-term loans	146,000	384,300
Decrease in short-term loans	( 226,000)	( 439,300)
Long-term debt	-	24,300
Payments of long-term debt	( 2,430)	-
Payments of lease liabilities	( 62,366)	( 66,780)
Issuance of cash dividends	( 25,891)	( 69,042)
Payments of treasury shares buy-back	( 12,406)	-
Acquisition of ownership interests in subsidiaries (note 29)	( 8,800)	-
Changes in non-controlling interests	<u>3,227</u>	<u>(1,429)</u>
Net cash used in financing activities	<u>(188,666)</u>	<u>(167,951)</u>
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	<u>(895)</u>	<u>(1,920)</u>
Net decrease in cash and cash equivalents	( 2,781)	( 24,478)
Cash and cash equivalents at beginning of the year	<u>185,533</u>	<u>210,011</u>
Cash and cash equivalents at end of the year	<u>\$ 182,752</u>	<u>\$ 185,533</u>

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

(Concluded)

## SUCCESS PRIME CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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#### 1. **GENERAL**

Success Prime Corporation (hereinafter referred to as the Group) was established in June 15, 1991, the main business operations are production of optical fiber cables, communication components, system, sensors, digital informatics consulting services, and the management of tutorial academy teachers and curriculum education services. On March 2002, the Company's shares were listed on the Taiwan Stock Exchange (TWSE).

The Group passed the disposal of the optical fiber subsidiary resolution at a board of directors meeting, for the purpose of continuing to focus on the future operations and development of the education businesses, thereby increase the competitiveness and market share of its core businesses.

Subsidiary Chen Li Education Co., Ltd. is mainly engaged in the education service industry targeting primary, middle and high-school curriculums tutorial courses.

The Consolidated Financial Report is expressed in the functional New Taiwan Dollar currency (NT\$).

#### 2. **THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 9, 2021.

#### 3. **APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the FSC.

Except for the following, the initial application of the IFRSs endorsed and issued

into effect by the FSC did not have material impact on the Group’s accounting policies:

i. Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

ii. Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

i. Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- the Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- (i) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (ii) the Group chose the accounting policy from options permitted by the standards;
- (iii) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- (iv) the accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- (v) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

ii. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are

changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii. Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

- i. Assets held primarily for the purpose of trading;
- ii. Assets expected to be realized within 12 months after the reporting period; and
- iii. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- i. Liabilities held primarily for the purpose of trading;
- ii. Liabilities due to be settled within 12 months after the reporting period; and
- iii. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

#### (4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities controlled by the Group (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Table 6 and Table 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

#### (5) Merger of Enterprises

The merger of enterprises adopts the acquisition law. The acquisition related cost is listed at the current period as an expense occurred and labor acquisition.

Goodwill is measured by the fair value of the transfer price, the amount of the fair value of the acquirer's non-controlling interest and previously held interest is measured by the net value of the identifiable assets and liabilities after the acquisition date. A merger that is achieved in stages is measured at the fair value of the acquisition date and is re-measured by the Group's previously

held interest from the acquiree, if any profits or losses are incurred shall be recognized.

A non-controlling interest of the acquiree's current ownership rights and the right to a proportional entitlement to the acquiree's net assets of the acquiree at the time of liquidation shall be measured at fair value. Other non-controlling interests are measured at fair value.

(6) Foreign currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency items are converted at the closing exchange rate on each balance sheet date. The exchange difference arising from the delivery of monetary items or the conversion of monetary items is recognized as a profit or loss in the current period of occurrence.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which profit and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(7) Life Insurance termination cash value

The life insurance termination cash value is the savings life insurance that the Group insured for the employees and the Group is the beneficiary. If the premium paid is the contract termination cash value part, it is listed as the deduction of the annual insurance expenses, and the carrying amount of life insurance termination cash is added. If the period of the insurance expires or the contract is terminated, the amount received will be fully received, and the carrying amount of the life insurance termination cash value will be reduced.

(8) Inventories

Inventories includes raw materials, manufactured goods, in-process products and commodities. Inventory is measured by the cost and the value of net realization, comparing costs with net

realizable value is based on individual items except for those in same inventory category. Net realizable value means under normal circumstances the balance after the estimated cost required to complete the investment and sale is deducted. The weighted average method is adopted to calculate inventory cost.

(9) Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently valued by costs minus the amount of accumulated depreciation. Property, plant and equipment's amortization is measured based on straight-line basis, and each significant depreciation is separately accounted. At each year end, the Group examines the estimated durability, residual value and depreciation methods, and delays the impact of using altered accounting estimates.

In addition to the listing of property, plant and equipment, the difference between the net disposition price and the carrying amount of the asset is recognized as profit and loss.

(10) Goodwill

The goodwill obtained by the merger of enterprises is measured by the amount of goodwill recognized on the date of acquisition as a cost, later valued by the amount after the cost minus the accumulated impairment loss.

For the purpose of the impairment test, goodwill is apportioned among the cash-generating units or groups of cash-generating units ("cash-generating units") that the merger Group expects to benefit from the combined effect.

The cash-generating units of apportioned goodwill carries out the impairment test of that unit each year (and if there are indications that the unit may have already been impaired) by comparing the carrying amount of the unit containing goodwill with its recoverable amount. If the goodwill apportioned to the cash-generating units is obtained by the current merger, the unit shall conduct an impairment test before the end of the year. If the recoverable amount of goodwill's cash-generating units is less than the carrying amount, the impairment loss reduces the carrying amount of the cash-generating units of apportioned goodwill, and thus should reduce the carrying amount of each assets in proportion to the carrying amount of other assets within the unit. Any impairment losses are directly recognized as current losses. The impairment loss of goodwill may not be rotated during the subsequent period.

When disposing an operation of the apportioned goodwill's cash-generating units, the goodwill value related to the disposition of the operation is included in the operation's carrying amount to determine the profit and loss of the disposition.

(11) Intangible assets

i. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line method basis. The estimated useful lives, residual values, and amortization methods are reviewed by the Group at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

ii. Acquired by Merger

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date, subsequently the valuation method is the same as that of the intangible asset acquired separately.

iii. Derecognition

When derecognizing the intangible assets, the difference between the net disposition price and the asset's carrying amount is recognized as the profit and loss of the current period.

(12) Impairment of property, plant and equipment, right-of-use asset and intangible assets (except goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding

asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years (less amortization or depreciation). A reversal of an impairment loss is recognized in profit or loss.

### (13) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### i. Financial Assets

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

##### (i) Measurement Categories

Financial assets are classified into the following categories: Financial assets measured at amortized cost and investments in equity instruments at FVTOCI.

##### A. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on the disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

B. Financial assets measured at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. 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.

Subsequent to initial recognition, financial assets measured at amortized cost, including cash and cash equivalents and trade receivables measured at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- A. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and
- B. Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial assets in subsequent reporting periods.

Cash equivalents include within 3-month time deposits with original maturities, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(ii) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost (including account receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk

since initial recognition. If, on the other hand, the credit risk on such a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

- (iii) The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## ii. Financial liabilities

- (i) Subsequent measurement

All the Group's financial liabilities are measured at amortized cost using the effective interest method.

- (ii) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(14) Provision

The amount recognized as a provision (including the contractual obligation that the lease contract should be maintained or restored before returning it to the lessor) is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Decommissioning cost

The Group shall, within the scope of the duty, rehabilitation or similar obligations of property, plant and equipment, recognize as provision for the costs of the removal or rehabilitation of property, plant and equipment.

(15) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

i. Revenue from the sale of goods

Goods sales revenue comes from the sale of various types of fiber optic cables, optical fiber communication components, optical communication systems and optical sensor component systems. As the above products arrive at the customer's designated location or at the time of departure, the customer has the right to set the price and use of the goods and has the primary responsibility for re-sales, and bear the risk of obsolescence of the goods, the Group should recognize revenue and accounts receivables at the time.

When the material processing is performed, the control of the ownership of the processed product is not transferred, and the income is not recognized when the material is removed.

ii. Revenue from the rendering of services

Labor revenue comes from digital information consulting services and the education tutorial services consisting primary, middle and high school curriculum courses. The revenue related to the digital information consulting services is recognized when the service is provided. The education service revenue is recognized based on the taught proportion of the course (teaching progress).

(16) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

i. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

ii. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease, and there is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions for applicable lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as (other operating income and expenses), in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

(17) Borrowing costs

Borrowing costs are recognized when incurred as a profit or loss at the current period.

(18) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

(19) Employee benefits

i. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

ii. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit

liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement (comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which it occurs, and will not be reclassified to profit or loss afterwards.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## (20) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### i. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined by the Group according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### ii. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

iii. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group’s accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

**6. CASH AND CASH EQUIVALENTS**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 948	\$ 1,309
Checking accounts and demand deposits	176,904	179,919
Cash Equivalents		
Time deposits within 3 months expiration date	<u>4,900</u>	<u>4,305</u>
	<u>\$ 182,752</u>	<u>\$ 185,533</u>

The market interest rate range on the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Term Deposits	0.41%	1.45%

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Investments in equity instruments</u>		
Domestic investments		
Unlisted shares		
Accuagile Co., Ltd ordinary shares	\$ <u>4,500</u>	\$ <u>4,500</u>

In order to enhance its competitive advantage, the Group seeks a strategic alliance of educational digital training system providers and establishes a long-term cooperative relationship. On September 26, 2019, it participated in the cash increase of Accuagile Co., Ltd, and the Group subscribed 1,500 thousand shares. The investment amount is NT\$4,500 thousand in total, and 15% of its equity is acquired.

**8. FINANCIAL ASSETS MEASURED AT AMORTIZED COST**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Performance Security Deposits	\$ -	\$ 5,655
Time deposits with original maturities exceeding 3 months	<u>17,265</u>	<u>4,391</u>
	<u>\$ 17,265</u>	<u>\$ 10,046</u>
Interest rate range	0.56% ~ 1.40%	2.20%
<u>Non-current</u>		
Time deposits	<u>\$ 4,860</u>	<u>\$ 4,860</u>
Interest rate range	0.82%~0.87%	1.09%~1.12%

- (1) According to the regulations of the education bureaus of the counties and cities where the branch is located, after the tutorial school's register has been approved, the time deposit slips in the name of the tutorial school, without governmental approval, should not be put to use.

- (2) The Group assesses that the expected credit risk of the financial assets measured by amortization cost is not high, and its credit risk has not increased after the original recognition.
- (3) For information on the pledge of financial assets measured at amortization costs, please refer to Note 34.

## 9. NOTES RECEIVABLES AND ACCOUNTS RECEIVABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivables</u>		
Measured at amortized costs		
Gross carrying amount	\$ 325	\$ 546
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 325</u>	<u>\$ 546</u>
<u>Accounts receivables</u>		
Measured at amortized costs		
Gross carrying amount	\$ 6,938	\$ 57,840
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 6,938</u>	<u>\$ 57,840</u>

The average credit period for sales of goods was 30~90 days. To mitigate credit risk, the Group's management assigns a dedicated team responsible for the decision of the credit line, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has taken appropriate action. In addition, the Group reviews the recoverable amounts of receivables on the reporting date to ensure that receivables that cannot be recovered include appropriate impairment losses. As result, the Group's management believes that the credit risk has been significantly reduced.

The Group measures the loss allowance for accountsreceivables at an amount equal to lifetime ECLs (excluding special individual payments that listed are as 100% loss). The expected credit losses on accountsreceivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors,

general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to different segments of the Group's customer base.

The Group writes off a accountsreceivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accountsreceivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group measures the allowance loss of accounts receivables in accordance with the preparation matrix as follows:

December 31, 2020

	<u>Not Overdue</u>	<u>Overdue Within 90 Days</u>	<u>Overdue 91-180 Days</u>	<u>Overdue 181-365 Days</u>	<u>Total</u>
Gross carrying amount	\$ 6,938	\$ -	\$ -	\$ -	\$ 6,938
Loss allowance (lifetime ECL)	-	-	-	-	-
Amortized cost	<u>\$ 6,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,938</u>

December 31, 2019

	<u>Not Overdue</u>	<u>Overdue Within 90 Days</u>	<u>Overdue 91-180 Days</u>	<u>Overdue 181-365 Days</u>	<u>Total</u>
Gross carrying amount	\$ 46,252	\$ 11,588	\$ -	\$ -	\$ 57,840
Loss allowance (lifetime ECL)	-	-	-	-	-
Amortized cost	<u>\$ 46,252</u>	<u>\$ 11,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,840</u>

The movements of the allowance for doubtful accounts receivables are as follows:

<u>For the Years Ended December 31</u>	
<u>2020</u>	<u>2019</u>

Balance at January 1	\$ -	\$ 11
Less: Amounts actually written off	<u>-</u>	<u>( 11)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

As of December 31 2020, and 2019, the Group's average period of notes receivable is not overdue.

## 10. INVENTORIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Products	\$ 2,516	\$ 1,848
Finished goods	-	8,853
Raw materials	-	9,858
Work in progress	<u>-</u>	<u>757</u>
	<u>\$ 2,516</u>	<u>\$ 21,316</u>

The cost of inventories sold in 2020 and 2019 were NT\$74,499 thousand and NT\$153,888 thousand respectively. The cost of goods sold in 2020 and 2019 respectively included a net loss of value of inventory of NT\$536 thousand and NT\$17,027 thousand. In 2020, the loss of NT\$43,757 thousand in price of inventory was offset by the sale.

## 11. SUBSIDIARIES

### Listed in Consolidated Financial Statement of Subsidiaries:

The main body of this consolidated financial report is as follows:

<u>Name of Investment Company</u>	<u>Name of Subsidiary</u>	<u>Nature of Business</u>	<u>% of Ownership</u>		<u>Note</u>
			<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Success Prime Corp.	Chen Li Education Co., Ltd. (Chen Li Education)	Education services	100%	100%	-
	Prime Optical Fiber Co., Ltd. (Prime Optical Fiber)	Optical fiber Production	-	100%	Note 4
	Here Enterprise Co., Ltd (Here Enterprise) (Original Prime Education Consulting Services Co., Ltd (Prime Education))	Educational advisory services	100%	51%	Note 5
	Chen Li ELM Co., Ltd. (Chen Li ELM)	Education services	100%	100%	Note 1

	Li-Ren Education Co., Ltd. (Li-Ren Education)	Education services	60%	-	Note 2
	Chen Li Zhiyi Education Co., Ltd. (Chen Li Zhiyi Education)	Education services	60%	-	Note 3
Chen Li Education Co., Ltd.	CHEN LI Education Group Limited	Holding Company	100%	100%	-
CHEN LI Education Group Limited	CHEN LI Education Group (HK) Limited	Holding Company	100%	100%	-
CHEN LI Education Group (HK) Limited	Chen Li (Xiamen) Education Consulting Co., Ltd.	Educational Advisory services	100%	100%	-

Note 1: In order to expand the market share of education market, the Group acquired 100% equity of Chuang-Si Digital Technology Co., Ltd. from related parties through a resolution agreement by the board of directors on October 24, 2019. The transaction base date was October 31, 2019, and the purchase price was NT\$9,900 thousand. After the Group completed the acquisition of Chuang-Si Digital Technology Co., Ltd., the Company name changed to Chen Li ELM, thus the subsidiary's focuses its operation strategy on primary education products and services.

Note 2: To enhance the diversification of education businesses, the Group passed a resolution at the board meeting to establish a joint venture, Li-Ren Education Co., Ltd., On December 19, 2019. The Group invested NT\$3,000 thousand and obtained 60% of its equity, the subsidiary focuses on biology education as its core strategic operations.

Note 3: To expand the tutorial education business to Hsinchu districts, the Group passed a resolution at the board meeting to establish a joint venture, Chen Li Zhiyi Education Co., Ltd., on March 24, 2020. The Group invested NT\$3,000 thousand and acquired 60% of joint venture's equity.

Note 4: In order to achieve specialization of labor and corporate reorganization to improve competitive and operating performances, the board passed a resolution on March 24, 2020 to transfer the optical fiber business (including operations and property) to Prime Optical Fiber Co., Ltd, which is 100% owned by the company. The corporation has obtained the approval letter No. 1090005233 from the Taiwan Stock Exchange. Let its operating value be NT\$86,000 thousands and Prime Optical Fiber will issue 5,000 thousand new shares at a premium of NT\$17.2 per share, each with a par value of NT\$10, as the consideration.

In order to continue to focus on core competences and future operational development of the education businesses, and to grow the market competitiveness and market share of the education industry, hence leveraging existing resources more effectively to bring steady revenue and profit, the Group passed the resolution of disposal of 100% optical fiber

subsidiary's equity on July 3, 2020 board meeting, from this date on, Prime Optical Fiber is no longer a subsidiary of the Group.

Note 5: The Group passed a resolution to acquire 49% equity of Success Prime Education from its related parties on August 12, 2020, making Success Prime Education a 100% owned subsidiary by the Group. Success Prime Education was renamed to Here Enterprise Co., Ltd. Through a passed resolution at the board meeting on October 30, 2020.

## 12. PROPERTY, PLANT, EQUIPMENT

	Own Land	Buildings	Machinery Equipment	Leasing of modified items	Office Equipment	Other Equipment	Total
<u>Cost</u>							
January 1, 2019 Balance	\$ 224,490	\$ 35,075	\$ 5,336	\$ 69,552	\$ 30,657	\$ 1,406	\$ 366,516
Addition	-	-	1,906	20,519	4,669	-	27,094
Disposals	-	-	( 85 )	( 9,721 )	( 7,446 )	-	( 17,252 )
Net Exchange Difference	-	-	-	( 760 )	( 91 )	-	( 851 )
December 31, 2019 Balance	<u>\$ 224,490</u>	<u>\$ 35,075</u>	<u>\$ 7,157</u>	<u>\$ 79,590</u>	<u>\$ 27,789</u>	<u>\$ 1,406</u>	<u>\$ 375,507</u>
<u>Accumulated depreciation</u>							
January 1, 2019 Balance	\$ -	\$ 2,984	\$ 1,087	\$ 42,885	\$ 14,516	\$ 796	\$ 62,268
Depreciation expenses	-	891	1,746	9,863	8,754	241	21,495
Disposals	-	-	( 78 )	( 9,648 )	( 7,380 )	-	( 17,106 )
Net Exchange Difference	-	-	-	( 198 )	( 66 )	-	( 264 )
December 31, 2019 Balance	<u>\$ -</u>	<u>\$ 3,875</u>	<u>\$ 2,755</u>	<u>\$ 42,902</u>	<u>\$ 15,824</u>	<u>\$ 1,037</u>	<u>\$ 66,393</u>
December 31, 2019 Net amount	<u>\$ 224,490</u>	<u>\$ 31,200</u>	<u>\$ 4,402</u>	<u>\$ 36,688</u>	<u>\$ 11,965</u>	<u>\$ 369</u>	<u>\$ 309,114</u>
<u>Cost</u>							
January 1, 2020 Balance	\$ 224,490	\$ 35,075	\$ 7,157	\$ 79,590	\$ 27,789	\$ 1,406	\$ 375,507
Addition	-	-	8,671	2,752	2,428	894	14,745
Disposition	-	-	( 15,736 )	( 30,122 )	( 6,236 )	( 1,088 )	( 53,182 )
Reclassification	-	-	( 92 )	-	92	-	-
Net Exchange Difference	-	-	-	329	39	-	368
December 31, 2020 Balance	<u>\$ 224,490</u>	<u>\$ 35,075</u>	<u>\$ -</u>	<u>\$ 52,549</u>	<u>\$ 24,112</u>	<u>\$ 1,212</u>	<u>\$ 337,438</u>
<u>Accumulated depreciation</u>							
January 1, 2020 Balance	\$ -	\$ 3,875	\$ 2,755	\$ 42,902	\$ 15,824	\$ 1,037	\$ 66,393
Depreciation Fee	-	891	2,322	8,923	6,636	401	19,173
Disposition	-	-	( 5,044 )	( 30,102 )	( 6,236 )	( 942 )	( 42,324 )
Reclassification	-	-	( 33 )	765	( 732 )	-	-
Net Exchange Difference	-	-	-	161	20	-	181
December 31, 2020 Balance	<u>\$ -</u>	<u>\$ 4,766</u>	<u>\$ -</u>	<u>\$ 22,649</u>	<u>\$ 15,512</u>	<u>\$ 496</u>	<u>\$ 43,423</u>

December 31, 2020 Net amount    \$ 224,490    \$ 30,309    \$ -    \$ 29,900    \$ 8,600    \$ 716    \$ 294,015

For the year 2020 and 2019, there was no indication of an impairment loss; therefore, the Group did not perform impairment assessment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	25-32 years
Machinery Equipment	3 years
Leasing of Modified Items	3-7 years
Office Equipment	3-7 years
Other Equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 34.

### 13. LEASE ARRANGEMENTS

#### (1) Rights-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Buildings	<u>\$ 105,685</u>	<u>\$ 222,391</u>
	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 28,879</u>	<u>\$ 10,656</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 63,507</u>	<u>\$ 68,671</u>

Except for the additions and depreciation fee accounted above, the Group's evaluation did not find any sign of transfer or impairment on 2020 and 2019 right-of-use assets.

#### (2) Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	\$ 45,184	\$ 67,702
Non-current	<u>61,908</u>	<u>156,580</u>
	<u>\$107,092</u>	<u>\$224,282</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	1.30% ~ 1.74%	1.63% ~ 1.74%

### (3) Material lease-in activities and terms

As the market conditions severely affected by COVID-19 in 2020, the Group negotiated with the lessor for rent concessions for land lease, the negotiated conditions are as follow:

- i. The Group and the Taipei City Shilin Farmers' Association negotiated the lease of Chen Li Education Shilin Branch. The Taipei City Shilin Farmers' Association agreed to unconditionally reduce the rent for 4 months by 10%.
- ii. The Group and the New Taipei City Banqiao Farmers' Association negotiated the lease of Chen Li Education Banqiao Branch. The New Taipei City Banqiao Farmers' Association agreed to unconditionally reduce the rent for 3 months by 5%.
- iii. The Group and the lessor negotiated the lease for Chenli Education Xinzhuang Branch, and the lessor agreed to unconditionally reduce the rent for 6 months by 5%.
- iv. The Group and Jing Yuan Construction Co., Ltd. negotiated the lease of Chen Li Education Hsinchu Branch, and Jing Yuan Construction Co., Ltd. agreed to unconditionally reduce the rent for 1 month.
- v. The Group and the ROC Buddhist Compassion Relief Tzu Chi Foundation negotiated the lease of Chen Li Education Chiayi Branch. The Tzu Chi Foundation agreed to unconditionally reduce the rent for 3 months by 30%.
- vi. The Group and First Commercial Bank negotiated the lease of Chen Li Education Tainan Branch. First Commercial Bank agreed to unconditionally reduce the rent for 3 months by 10%.
- vii. The Group and Neihu Construction Enterprise Co., Ltd. negotiated the lease of Chen Li Education Neihu branch. Neihu Construction Enterprise Co., Ltd. agreed to unconditionally reduce the rent from July 1, 2020 to June 30, 2021 by 4%.
- viii. The Group and Rongyu Co., Ltd. negotiated the lease of Chen Li ELM Taichung office, and Rongyu Co., Ltd. agreed to unconditionally reduce the rent for 3 months by NT\$5 thousand

per month.

The Group recognized the impact of the aforementioned rent reduction of NT\$575 thousand in 2020 (including other gains and losses).

(4) Other lease information

	For the Years Ended December 31	
	2020	2019
Total cash outflow for leases	<u>\$ 65,048</u>	<u>\$ 71,166</u>

#### **14. GOODWILL AND TRADEMARKS**

	2020	2019
Goodwill	<u>\$ 81,419</u>	<u>\$ 81,419</u>
Trademarks	<u>\$ 404,144</u>	<u>\$ 404,144</u>

The Goodwill and Trademark value of Group's acquisition of Chen Li Education in March 2017, mainly comes from the expected growth of future revenue from Education enterprise.

The intangible asset, trademark, has a legal life of 10 years but is renewable every 10 years at minimal cost. Management believes the Group will renew the trademark continuously and has the ability to do so. Various studies on areas including product life cycles, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supported its opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The Group conducted an impairment test on goodwill and trademark rights on December 31, 2020. After the assessment, the recoverable amount of the cash-generating unit was greater than its carrying amount, so no impairment loss was recognized.

The recoverable amount of the cash-generating unit is determined on the basis of the value-in-use, and the cash flow estimate of the financial management budget approved by the Group for the next 5 years is calculated, and the annual discount rates of 14.09% and 13.80% are calculated in 2020 and 2019 respectively. The cash flow estimate for the financial budget is based on historical data and estimates of future industry changes. The management believes that any reasonably possible change in the key assumptions

underlying the recoverable amount will not result in the total carrying amount of the cash-generating unit to exceed the total recoverable amount.

### 15. COMPUTER SOFTWARE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Computer software	<u>\$ 9,225</u>	<u>\$ 12,297</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software	1 ~ 5 years
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### 16. LIFE INSURANCE TERMINATION CASH VALUE

Information of changes in the cash value of annuity insurance termination is as follows:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Year-Start Balance	\$ 83,663	\$ 83,555
Increase (decrease) in the cash value of life insurance termination this year	( 466 )	108
Year-End Balance	<u>\$ 83,197</u>	<u>\$ 83,663</u>

### 17. OTHER ASSETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepayments and prepaid fees	\$ 6,122	\$ 6,339
Refundable Deposit	-	739

Other	<u>476</u>	<u>1,619</u>
	<u>\$ 6,598</u>	<u>\$ 8,697</u>
 <u>Non-current</u>		
Refundable Deposit	\$ 13,558	\$ 18,917
Prepaid Equipment Payment	<u>525</u>	<u>10,374</u>
	<u>\$ 14,083</u>	<u>\$ 29,291</u>

## 18. BORROWINGS

### (1) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank borrowings	<u>\$ -</u>	<u>\$ 80,000</u>

The interest rates of bank revolving borrowings were 1.55% at December 31, 2019.

### (2) Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank borrowings- Shanghai Commercial and Savings Bank	\$ 21,870	\$ 24,300
Less: Current portion	( <u>2,430</u> )	( <u>2,430</u> )
Long-term borrowings	<u>\$ 19,440</u>	<u>\$ 21,870</u>

The aforementioned long-term and short-term bank borrowings are secured by the Group's freehold land and buildings (see Note 34), in which the long-term bank borrowings maturity date is December 24, 2029. As of December 31, 2020, and 2019, the effective annual interest rate is 1.34% and 1.59% respectively.

## 19. ACCOUNTS PAYABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Hourly fee payables to Teachers	\$ 19,381	\$ 14,802
Accounts Payables	-	5,085
Others	<u>1,565</u>	<u>4,324</u>

\$ 20,946                      \$ 24,211

## **20. OTHER PAYABLES**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 23,113	\$ 29,330
Compensation payable to Employees	2,785	2,805
Compensation payable to Directors	1,164	1,369
Other	<u>16,057</u>	<u>39,340</u>
	<u>\$ 43,119</u>	<u>\$ 72,844</u>

## **21. RETIREMENT BENEFIT PLANS**

### (1) Defined contribution plans

The Group, except for its subsidiaries in China, adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### (2) Defined benefit plans

The defined benefit plans adopted by only partial employees of the Group in accordance with the Labor Standards Act is operated by the ROC government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the

difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Group has no right to influence the investment policy and strategy. The Group has settled the above-mentioned retirement benefit plans in March 2020, retrieved NT\$4,051 thousand and recognized settled losses of NT\$2,611 thousand.

The amounts in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 8,676
Fair value of plan assets	( 15,338 )
Net defined benefit assets	( \$ 6,662 )

Movements in net defined benefit assets were as follows:

	<u>Present Value of the Defined Benefit Obligation</u>	<u>Fair Value of the Plan Assets</u>	<u>Net Defined Benefit Liabilities (Assets)</u>
Balance at January 1, 2019	\$ 7,110	( \$ 14,671 )	( \$ 7,561 )
Net interest expense (revenue)	80	( 166 )	( 86 )
Recognized in profit or loss	80	( 166 )	( 86 )
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	( 501 )	( 501 )
Actuarial loss- demographic assumptions change	46	-	46
Actuarial loss - change in financial assumptions	227	-	227
Actuarial loss - experience adjustments	1,213	-	1,213
Recognized in other comprehensive income	1,486	( 501 )	985
Balance at December 31, 2019	<u>\$ 8,676</u>	<u>( \$ 15,338 )</u>	<u>( \$ 6,662 )</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<u>For the Years Ended December 31, 2019</u>
General and administration expenses (retirement fund profit)	( \$ 86 )

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- i. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- ii. Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- iii. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2019</u>
Discount rate	0.800%
Expected rate of salary increase	1.125%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2019</u>
Discount rate	
0.25% increase	( \$ <u>178</u> )
0.25% decrease	\$ <u>184</u>
Expected rate of salary increase	
0.25% increase	\$ <u>177</u>
0.25% decrease	( \$ <u>172</u> )

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

December 31, 2019

The average duration of the defined benefit obligation

10 years

## 22. EQUITY

### (1) Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Issued and paid shares (in thousands)	<u>19,185</u>	<u>17,459</u>
Issued capital	<u>\$ 191,854</u>	<u>\$ 174,594</u>

The Group has increase cash capital through private financing as follows:

	<u>1<sup>st</sup></u>	<u>2<sup>nd</sup></u>	<u>3<sup>rd</sup></u>	<u>4<sup>th</sup></u>	<u>5<sup>th</sup></u>
Shareholders ' meeting resolution date	2008.10.31	2008.10.31	2013.05.03	2015.05.12	2016.05.09
Private financing base date	2008.11.21	2009.12.31	2013.07.25	2015.06.23	2016.08.31
Number of shares (in thousands)	14,103	16,575	3,000	7,000	8,200
Par value (NT\$)	10.00	10.00	10.00	10.00	10.00
Subscription Price (NT\$)	1.17	1.81	10.00	6.30	73.25
Total private financing amount (in thousands NT\$)	16,500	30,000	30,000	44,100	600,650

In 2008, 2009, 2013, 2015 and 2016, private financing capital stocks successively processed capital reductions to make losses in 2010 and 2016, and then transferred capital reserves to capital increase in 2017, 2018 and 2020, resulting in the increase or decrease of capital of the Group. The number of private financing common shares in each of the years were 381 thousand shares, 448 thousand shares, 533 thousand shares, 1,243 thousand shares and 9,040 thousand shares respectively.

The above rights and obligations of private financing of new shares are the same as those of ordinary shares issued by the Group. However, according to the Securities Exchange Law, after 3 years of delivery of private financing ordinary

shares and reapply public issuance, can apply for listing transaction on the market. The first to fourth and fifth private equity common shares mentioned above were completed on November 23, 2018 and October 30, 2019, respectively.

(2) Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>To make up for losses, issue cash, or stock dividends</u>		
Stock Issue Premium	\$ 334,307	\$ 360,198
<u>Only to make up for losses</u>		
Employees stock options exercised	2,591	2,591
Employees stock options exercised	<u>4,292</u>	<u>4,292</u>
	<u>\$ 341,190</u>	<u>\$ 367,081</u>

The changes in the balance of various capital reserves of the Group in 2020 is as follows:

	<u>Stock issuance premium</u>	<u>Employees stock options exercised</u>	<u>Employees stock options expired</u>	<u>Total</u>
January 1, 2020 Balance	\$ 360,198	\$ 2,591	\$ 4,292	\$ 367,081
Cash distribution	( 8,631 )	-	-	( 8,631 )
Stock distribution	( <u>17,260</u> )	<u>-</u>	<u>-</u>	( <u>17,260</u> )
December 31, 2020 Balance	<u>\$ 334,307</u>	<u>\$ 2,591</u>	<u>\$ 4,292</u>	<u>\$ 341,190</u>

The excess of the capital reserve in excess of the premium amount (including the issuance of common shares with excess in denomination) to cover the losses, when the Group has no loss can be used to issue cash dividends or stock dividends, provided that the amount of share capital is limited to a certain percentage of the collected share capital each year.

(3) Retained Earnings and Dividend Policy

The Group's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Group shall first offset its losses in previous years and then set aside the following items accordingly: Legal capital reserve at 10% of the profits left over, until the accumulated legal

capital reserve equals Group's paid-in capital; special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Group's Articles of Incorporation provide the policy about the profit-sharing bonus to employees, please refer to Note 24 (7).

The dividend policy of the Group shall take into account the environment and surplus status of the industry, the demand for future capital expenditure and the long-term financial planning, and if there is a surplus to distribute dividends, the proportion of cash dividend payment shall not be lower than 10% of the total dividend allocated in the current year, and the rest is distributed in the form of stock dividends.

The appropriation for legal capital reserve shall be made until the reserve equals the Group's paid-in capital. The reserve may be used to offset a deficit or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if the Group incurs no loss.

The Group according to the Financial Commission's issued letter No. 1010012865, No.1010047490, No.1030006415 and "Adoption of international Financial Reporting Standards (IFRSs), a question and answer on the application of the special surplus reserve" and other provisions to mention and rotate the special surplus reserve.

The appropriation of earnings for 2019 and 2018, which had been proposed by the Group's general shareholders meeting on June 18, 2020 and May 2, 2019, respectively. The appropriation and dividends per share were as follows:

	For the Years Ended December 31	
	2019	2018
Legal reserve	<u>\$ 7,612</u>	<u>\$ 12,486</u>
Special reserve	<u>\$ 989</u>	<u>\$ 839</u>
Cash dividends	<u>\$ 17,260</u>	<u>\$ 69,042</u>
Cash dividends per share (NT\$)	\$ 1.00	\$ 4.00

According to the resolution of the shareholders' meeting on June 18, 2020, the Group decided to finance capital using its capital reserve of NT\$1,726 thousand. It is divided into 1,726 thousand shares, each with a par value of NT\$10, all of which are ordinary shares, and a capital reserve of NT\$8,631 thousand is distributed in cash, NT\$0.50 per share.

The proposed appropriation of earnings for 2020 decided by the board meeting on March 9, 2021 is as follows:

	<u>For the Years Ended December 31, 2020</u>
Legal reserve	<u>\$ 6,026</u>
Special reserve	<u>( \$ 208 )</u>
Cash dividends	<u>\$ 56,425</u>
Cash dividends per share (NT\$)	\$ 3.00

According to the resolution of the shareholders' meeting on March 9, 2021, the Group decided to use capital reserve of NT\$28,213 thousand to distribute cash, NT\$1.50 per share.

The appropriation of earnings for 2020 is to be discussed at the shareholders' meeting scheduled on May 28, 2021.

(4) Non-controlling interests

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 5,918	\$ 6,488
Increased non-controlling interest in the establishment of subsidiaries	4,000	-
Net profit for the year	679	859
Subsidiaries issue cash dividends to non-controlling equity shareholders	( 773 )	( 1,429 )
Non-controlling interests arising from acquisition of subsidiaries	( <u>6,178</u> )	<u>-</u>
Balance at December 31	<u>\$ 3,646</u>	<u>\$ 5,918</u>

(5) Treasury shares

<u>Purpose of Buy-back</u>	<u>Shares Transferred to Employees (In Thousands of Shares)</u>
Number of shares at January 1, 2020	199

Increase during the year	<u>178</u>
Number of shares at December 31, 2020	<u><u>377</u></u>

The Treasury shares held by the Group shall not be pledged under the Securities Exchange law, nor shall they enjoy the rights of dividend distribution and voting right.

### **23. REVENUE**

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Client contracts revenue		
Educational service and consultancy	\$ 666,545	\$ 645,789
Optical fiber and cable products	107,248	235,366
Others	<u>2,604</u>	<u>455</u>
	<u>\$ 776,397</u>	<u>\$ 881,610</u>

(1) Explanation on client contracts revenue, please refer to Note 4 (15).

(2) Remaining contracts balance

- i. Notes receivable and accounts receivable balance, please refer to Note 9.
- ii. Contract liabilities – current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract liabilities – current	<u>\$ 239,978</u>	<u>\$ 253,119</u>

Receivables received from customers (tuition fee income from tutoring classes), and the monthly income is transferred when the service is provided. The change in contract liabilities is mainly due to the difference between when the performance obligation is fulfilled and when the customer pays.

### **24. NET PROFIT OF THE YEAR**

(1) Other Revenue

<u>For the Years Ended December 31</u>	
<u>2020</u>	<u>2019</u>

Subsidy revenue	\$ 4,584	\$ 3,984
Verification and technical service revenue	-	1,630
Other	<u>1,980</u>	<u>2,665</u>
	<u>\$ 6,564</u>	<u>\$ 8,279</u>

The subsidy income is mainly the funds subsidized by the Group to implement the A + enterprise innovation research and development plan of the R.O.C Ministry of Economic Affairs.

## (2) Other Profit and Loss

	For the Years Ended December 31	
	2020	2019
Gains on investments disposal (note 28)	\$ 9,035	\$ -
Gains on lease modification	588	-
Losses on net foreign currency exchange (note)	( 662 )	( 1,341 )
Losses on disposal of property, plant and equipment	-	( 143 )
Bargain purchase benefits (note 27)	-	727
Other	( <u>187</u> )	( <u>374</u> )
	<u>\$ 8,774</u>	( <u>\$ 1,131</u> )

Note: The Group's 2020 and 2019 foreign exchange profits and losses are as follows:

	For the Years Ended December 31	
	2020	2019
Total foreign currency exchange profits	\$ 1,110	\$ 1,272
Total foreign currency exchange losses	( <u>1,772</u> )	( <u>2,613</u> )
Net loss	( <u>\$ 662</u> )	( <u>\$ 1,341</u> )

## (3) Financial Costs

	For the Years Ended December 31	
	2020	2019
Interest on bank loans	\$ 965	\$ 2,048

Interest on rental liabilities	<u>2,682</u>	<u>4,386</u>
	<u>\$ 3,647</u>	<u>\$ 6,434</u>

(4) Interest revenue

	For the Years Ended December 31	
	2020	2019
Bank deposits	<u>\$ 570</u>	<u>\$ 724</u>

(5) Depreciation and Amortization

	For the Years Ended December 31	
	2020	2019
Depreciation- property, plant and equipment	\$ 19,173	\$ 21,495
Depreciation- Right-of-use assets	63,507	68,671
Amortization- computer software	<u>3,730</u>	<u>1,536</u>
Total	<u>\$ 86,410</u>	<u>\$ 91,702</u>
An analysis of depreciation by function		
Operating costs	\$ 73,433	\$ 76,853
Operating expenses	<u>9,247</u>	<u>13,313</u>
	<u>\$ 82,680</u>	<u>\$ 90,166</u>
An analysis of amortization by function		
Operating costs	\$ 2,648	\$ 189
Operating expenses	<u>1,082</u>	<u>1,347</u>
	<u>\$ 3,730</u>	<u>\$ 1,536</u>

(6) Employee Benefit Expenses

	For the Years Ended December 31	
	2020	2019
Short term Employee Benefits	\$ 216,901	\$ 229,428
Post-employment benefits		
Defined contribution plans	11,197	8,888
Defined benefit plans (note 21)	-	( 86 )
Resignation benefits	34	1,400
Other employee benefits	<u>8,439</u>	<u>8,841</u>
Total employee benefits expense	<u>\$ 236,571</u>	<u>\$ 248,471</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 7,372	\$ 22,906

Operating expenses	<u>229,199</u>	<u>225,565</u>
	<u>\$ 236,571</u>	<u>\$ 248,471</u>

(7) Employees' compensation and remuneration of directors

In accordance with the provisions of the Articles of Incorporation, the employees' compensations are provided at not less than 3% and remuneration of directors are not more than 5% before deducting the pre-tax benefits of the employees and directors. The estimated 2020 and 2019 employees' compensation and remuneration of directors were decided by the Board on March 9, 2021 and March 24, 2020 respectively as follows:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation		
-Estimated ratio	3%	3%
-Amount	<u>\$ 2,327</u>	<u>\$ 2,468</u>
Remuneration of directors		
-Estimated ratio	1.5%	1.5%
-Amount	<u>\$ 1,164</u>	<u>\$ 1,234</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Group's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## **25. INCOME TAXES**

(1) Major components of income tax expense recognized in profit or loss:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>

Current tax		
In respect of the current year	\$ 11,438	\$ 8,063
Income tax on unappropriated earnings	2,474	2,117
Adjustments for prior year	<u>-</u>	<u>311</u>
	<u>13,912</u>	<u>10,491</u>
Deferred tax		
In respect of the current year	7,074	( 482)
Adjustments in respect to past year	( <u>95</u> )	<u>-</u>
	<u>6,979</u>	( <u>482</u> )
Income tax expense recognized in profit or loss	<u>\$ 20,891</u>	<u>\$ 10,009</u>

A reconciliation of accounting loss and income tax expenses were as follows:

	For the Years Ended December 31	
	2020	2019
Income before tax	<u>\$ 83,804</u>	<u>\$ 86,986</u>
Income tax expense calculated at the statutory rate	\$ 21,457	\$ 21,540
Surtax on Undistributed Retained Earnings	2,474	2,117
Tax-exempt income	( 1,407)	-
Deferred tax effect of earnings of subsidiaries	( 6,580)	( 5,193)
Impact of unrecognized deferred income tax assets	5,042	( 8,766)
Adjustments for prior years' tax	( <u>95</u> )	<u>311</u>
Income tax expense recognized in profit or loss	<u>\$ 20,891</u>	<u>\$ 10,009</u>

(2) Income tax recognized in other consolidated profits and losses

For the Years Ended December 31	
2020	2019

Deferred income tax

In respect of the current year

-Remeasured number of defined  
benefit plan

\$ 650

\$ 202

(3) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the Years Ended December 31, 2020

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in other comprehens ive income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory loss	\$ 8,644	(\$ 8,644)	\$ -	\$ -
Use equity law to identify foreign investment losses	2,019	2,024	-	4,043
Other	<u>1,087</u>	<u>( 235 )</u>	<u>-</u>	<u>852</u>
	<u>11,750</u>	<u>( 6,855 )</u>	<u>-</u>	<u>4,895</u>
Loss carryforwards	<u>26,615</u>	<u>( 787 )</u>	<u>-</u>	<u>25,828</u>
	<u>\$ 38,365</u>	<u>( \$ 7,642 )</u>	<u>\$ -</u>	<u>\$ 30,723</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Land revaluation	\$ 2,232	\$ -	\$ -	\$ 2,232
Defined benefit plans	1,333	( 683 )	( 650 )	-
Bargain purchase gains	145	-	-	145
Gains and loss from life insurance evaluation	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
	<u>\$ 3,710</u>	<u>( \$ 663 )</u>	<u>( \$ 650 )</u>	<u>\$ 2,397</u>

For the Years Ended December 31, 2019

	<u>Opening Balance</u>	<u>Recognized in Profit or</u>	<u>Recognized in other</u>	
--	----------------------------	------------------------------------	--------------------------------	--

		Loss	comprehen sive income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory loss	\$ 5,239	\$ 3,405	\$ -	\$ 8,644
Use equity law to identify foreign investment losses	1,000	1,019	-	2,019
Other	<u>1,255</u>	( <u>168</u> )	<u>-</u>	<u>1,087</u>
	<u>7,494</u>	<u>4,256</u>	<u>-</u>	<u>11,750</u>
Loss carryforwards	<u>30,521</u>	( <u>3,906</u> )	<u>-</u>	<u>26,615</u>
	<u>\$ 38,015</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ 38,365</u>
 <u>Deferred income tax liabilities</u>				
Temporary differences				
Land revaluation	\$ 2,232	\$ -	\$ -	\$ 2,232
Defined benefit plans	1,513	22	( 202 )	1,333
Bargain purchase gains	-	145	-	145
Unrealized net profits of exchange	<u>299</u>	( <u>299</u> )	<u>-</u>	<u>-</u>
	<u>\$ 4,044</u>	( <u>\$ 132</u> )	( <u>\$ 202</u> )	<u>\$ 3,710</u>

(4) Losses deduction of deferred income tax assets not recognized in the balance sheet

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expire in 2021	\$ 25,622	\$ -
Expire in 2022	4,779	4,701
Expire in 2024	2,378	12,191
Expire in 2025	-	24,784
Expire in 2027	-	3,182
Expire in 2028	3,258	17,369
Expire in 2029	908	1,271
Expire in 2030	<u>3,459</u>	<u>-</u>
	<u>\$ 40,404</u>	<u>\$ 63,498</u>

(5) Related information of unused loss carry-forwards

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expire in 2020	\$ -	\$ 15,284
Expire in 2021	62,622	67,323
Expire in 2022	4,779	-
Expire in 2023	13,679	13,679
Expire in 2024	56,056	53,678
Expire in 2025	24,784	24,784
Expire in 2027	-	3,182
Expire in 2028	3,258	17,369
Expire in 2029	908	1,271
Expire in 2030	<u>3,459</u>	<u>-</u>
	<u>\$ 169,545</u>	<u>\$ 196,570</u>

(6) Income Tax Assessments

The Group and its subsidiaries operating in the territory of the Republic of China for profit income tax declaration have been approved by the R.O.C tax collection agency as follows:

<u>Company Name</u>	<u>Approved Year</u>
Success Prime Corporation	2018
Chen Li Education	2017
Here Enterprise	2018
Chen Li ELM	2019
Chen Li Zhiyi Education	Not yet verified
Li-Ren Education	Not yet verified

The authorities of the Republic of China will not proactively issue approval notices

to enterprises. Only in the event of a tax dispute, the payment notice of the year will be issued to each Company and the right to impose additional taxation will be retained.

## 26. EARNINGS PER SHARE

	Unit : NT\$ per share	
	For the Years Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 3.30</u>	<u>\$ 4.01</u>
Diluted earnings per share	<u>\$ 3.29</u>	<u>\$ 4.00</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 31, 2020. The basic and diluted earnings per share adjusted retrospectively For the Years Ended December 31, 2019 were as follows:

	Unit : NT\$ per share	
	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 4.41</u>	<u>\$ 4.01</u>
Diluted earnings per share	<u>\$ 4.40</u>	<u>\$ 4.00</u>

The income and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

	For the Years Ended December 31	
	2020	2019
Profit used in the computation of basic earnings per share for the year attributable to owners of the Company	<u>\$ 62,234</u>	<u>\$ 76,118</u>

## Shares

	Unit : in thousands of shares	
	For the Years Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	18,883	18,986
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>54</u>	<u>48</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>18,937</u>	<u>19,034</u>

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## **27. MERGER OF ENTERPRISES**

### (1) Subsidiaries acquired

	<u>Main operating activities</u>	<u>Acquisition Day</u>	<u>Ownership rights with voting rights /Acquisition ratio(%)</u>	<u>Transfer Price</u>
Chuang-Si Technology Co. Ltd.	Education Service	Oct 31, 2019	100%	<u>\$ 9,900</u>

The Group acquired Chuang-Si Technology, later renamed Chen Li ELM Co. Ltd, for the deployment of primary school education business and expansion of the

operation of the Group.

(2) Transfer Price

	<u>Chen Li ELM</u>
Cash	\$ <u>9,900</u>

Note: The fair value measured by the acquisition date on Oct 31, 2019.

(3) Assets acquired and liabilities incurred on the date of acquisition

	<u>Chen Li ELM</u>
Current assets	
Cash	\$ 490
Accounts receivable and other receivables	1,098
Inventory	562
Prepaid payments and other current assets	457
Non-current assets	
Right-of-use assets	621
Other intangible assets	9,942
Current liabilities	
Accounts payable and other payables	( 1,469)
Lease liabilities	( 621)
Other current liabilities	( <u>453</u> )
	<u>\$ 10,627</u>

(4) Bargain purchase benefits arising from acquisitions

	<u>Chen Li ELM</u>
Transfer price	\$ 9,900
Less: Fair value of identifiable net assets acquired	( <u>10,627</u> )
Bargain purchase benefits arising from acquisitions	( <u>\$ 727</u> )

(5) Net cash outflow from subsidiaries acquisition

	<u>Chen Li ELM</u>
Price of cash payment	\$ 9,900
Less: Cash balance obtained	( <u>490</u> )
	<u>\$ 9,410</u>

(6) The impact of merger on business results

Since the date of acquisition, the operating results from the acquired enterprise are as follows:

	<u>Chen Li ELM</u>
2019 Operating revenue	<u>\$ 2,267</u>
2019 Net profit	<u>\$ 120</u>

If the acquisition date of enterprises merger takes place on the start date of the fiscal year, the proposed 2019 operating revenue of the Group is NT\$888,191 thousand and the proposed net income is NT\$75,035 thousand, these amounts do not reflect the revenue and operating results that the Group can actually generate if the merger is completed on the acquisition start date, nor should it be used as a forecast of future operating results.

Management has taken into account the following factors in the preparation of the proposed operating income and net profit for the acquisition of Chen Li Education at the beginning of the fiscal year, assuming that the Group has acquired:

The fair value of the computer software at the time of the original accounting of the business combination is used as the basis for amortization calculation, rather than calculating the amortization based on the book amount recognized in the financial statements before the acquisition.

## **28. DISPOSAL OF SUBSIDIARIES**

The Group passed the sale agreement resolution in the board meeting to dispose of Success Prime Optical Fiber Limited subsidiary Prime Optical Fiber to a non-related party Gold Sun Technology Co., Ltd.. The disposal was completed on July 3, 2020, from this date on, the Group has no control over Success Prime Optical Fiber Co., Ltd.

(1) Consideration received from disposals

	<u>Prime Optical Fiber</u>
Consideration received in cash and cash equivalents	<u>\$ 98,000</u>

(2) Analysis of assets and liabilities on the date control was lost

	<u>Prime Optical Fiber</u>
Current assets	
Cash and cash equivalents	\$ 27,382
Financial assets measured at amortized cost	5,655
Accounts receivables	45,267
Other receivables	175
Inventories	32,076
Other current assets	5,397
Non-current assets	
Property, plant and equipment	10,858
Right-to-use assets	80,753
Other non-current assets	7,258
Current liabilities	
Accounts payables	( 6,680)
Other payables	( 36,050)
Lease liabilities	( 10,677)
Other current liabilities	( 1,336)
Non-current liabilities	
Lease liabilities	( <u>71,113</u> )
Net assets disposed of	<u>\$ 88,965</u>

(3) Gain on disposal of subsidiaries

	<u>Prime Optical Fiber</u>
Consideration received	\$ 98,000
Net assets disposed of	( <u>88,965</u> )
Gain on disposals	<u>\$ 9,035</u>

(4) Net cash inflow on disposals of subsidiaries

	<u>Prime Optical Fiber</u>
Consideration received in cash and cash equivalents	\$ 98,000
Less: Cash and cash equivalent balances disposed of	( <u>27,382</u> )
	<u>\$ 70,618</u>

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 12, 2020, the Group acquired 49% of shares from Success Prime Education subsidiary from its related parties, making Success Prime Education a 100% owned subsidiary by the Group.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	<u>Success Prime Education</u>
Consideration paid	(\$ 8,800)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>6,178</u>
Differences in equity transactions	(\$ <u>2,622</u> )
	<u>Success Prime Education</u>
<u>Line items adjusted for equity transactions</u>	
Undistributed retained earnings	(\$ <u>2,622</u> )

## 30. CASH FLOW INFORMATION

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Purchase property, plant and equipment		
Increase in property, plant and equipment	\$ 14,745	\$ 27,094
Increase (decrease) prepaid equipment payments	( 7,899)	3,867
Decrease equipment payables	<u>1,853</u>	<u>7</u>
Net cash paid	<u>\$ 8,699</u>	<u>\$ 30,968</u>

## 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group is composed of the Group's net debt (ie borrowings less cash) and equity (ie share capital, capital reserve and retained earnings).

The Group does not need to comply with other external capital requirements.

### 32. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

i. Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-Unlisted shares in ROC	\$ _____ -	\$ _____ -	\$ <u>4,500</u>	\$ <u>4,500</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-Unlisted shares in ROC	\$ _____ -	\$ _____ -	\$ <u>4,500</u>	\$ <u>4,500</u>

ii. Valuation technic and input value used in Level 3 fair value measurement

<u>Category of financial instruments</u>	<u>Evaluation of technology and input values</u>
Unlisted equity investments	Market Method: Assess the fair value of the investment by reference to the recent operating activity of the subject or the market transaction price and market conditions of the investment subject or other similar subjects.

iii. Fair value assessment for Level 3 can reasonably replace assumptions of sensitivity

analysis

The Group's fair value measurement of financial instruments is reasonable, and no self-built evaluation model is used for level 3 fair value measurement, so there is no need to perform a sensitivity analysis that may replace hypotheses.

(3) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Measured at amortized costs (note 1)	\$ 234,304	\$ 279,868
Measured at FVTOCI- equity investment instrument	4,500	4,500
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	85,964	201,355

Note 1: The balance consists of cash and cash equivalents, notes and accounts receivables, other receivables and refundable deposits (other non-current assets), which are measured at amortized cost.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise, notes payable and trade payables (including payables to related parties), other payables (including other payables to related parties), payable for purchases of equipment and long-term loans (including current portion).

(4) Financial risk management objectives and policies

The main financial instruments of the Group include cash and cash equivalents, financial assets measured at amortized cost, bills receivable, accounts receivable, equity investment instruments, bills payable, accounts payable, borrowings and lease liabilities. The financial management department of the Group provides services for each business unit, coordinates the operation of entering the domestic and international financial markets, and monitors and manages the financial risks related to the operation of the Group by analyzing the risk internal risk report according to the degree of risk and breadth. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

i. Market Risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below), and in interest rates (see (2) below).

(i) Foreign currency risk

For the carrying amount of monetary assets and liabilities denominated in the non-functional currency at the balance sheet date, refer to Note 36.

Sensitivity analysis

The Group is mainly affected by fluctuations in the US dollar (USD) and Chinese Yuan (CNY) exchange rates.

The sensitivity analysis only includes foreign currency monetary items that are in circulation and the conversion at the end of the period is adjusted by 1% of the exchange rate change. When the New Taiwan dollar appreciates by 1% against each relevant currency, it reduced the net profit before tax of the Group in 2020 and 2019 by NT\$131 thousand and NT\$555 thousand respectively. When the New Taiwan dollar depreciates by 1% against each foreign currency, its impact on net profit before tax will be a positive amount of the same amount.

(ii) Interest Rate Risk

The Group is exposed to fluctuating interest rate risk from outstanding bank loans. Changes in interest rates would affect the future cash flows but not the fair value.

The financial assets and liabilities balance for which the Group is subject to interest rate risk on the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest rate risk with fair value		
-Financial assets	\$ -	\$ 5,655
Cash flow interest rate risk		
-Financial assets	203,916	193,444
-Financial liabilities	21,870	104,300

Assume that the floating borrowing rate at the end of the reporting period is held during the entire reporting period. When the interest rate increases/decreases by 0.1%, the net profit before tax for the Group's 2020 and 2019 will increase by NT\$182 thousand and NT\$89 thousand respectively, while all other variables remain fixed.

## ii. Credit Risk

Credit risk refers to the risk that the counterparty defaults on the contractual obligations resulting in financial losses to the Group. As the major trading counterparty are all creditworthy financial institutions and corporate organizations, no significant credit risk is expected.

## iii. Liquidity Risk

The Group reduces the impact of cash flow fluctuations by managing and maintaining sufficient cash. The Management supervises the available quotas of bank financing and ensures compliance with the terms of the loan contract. The consolidated liabilities were higher than the current assets on December 31, 2020. However, the current liabilities mainly consisted of advance receipt of tuition fees (accounted as contract liabilities). Non-financial liabilities did not result in the outflow of future cash from the Group. Therefore, the Group evaluates little liquidity risk.

Bank borrowing is an important source of liquidity for the Group. As of December 31, of 2020 and 2019, the unused financing capital was NT\$300,000 thousand and NT\$239,345 thousand respectively.

### Liquidity and interest rate risk statement for non-derivative financial liabilities

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the undiscounted cash flows of financial liabilities (including principal and estimated interest) based on the date which the Group is required to repay. Therefore, regardless whether the bank immediately executes its rights, the Group may be required to immediately repay the bank loan by the earliest period in the following table; other non-derivative financial liability maturity analysis is prepared according to the agreed repayment date.

Interest cash flow paid at floating interest rate, its outstanding interest amount is derived from the balance sheet daily interest rate curve.

### December 31, 2020

	<u>1-6 months</u>	<u>6 months - 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 42,658	\$ 21,436	\$ -
Fluctuating interest rates instruments	<u>1,215</u>	<u>1,215</u>	<u>19,440</u>
	<u>\$ 43,873</u>	<u>\$ 22,651</u>	<u>\$ 19,440</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>Total</u>
Lease liabilities	\$ 47,560	\$ 59,411	\$ 4,440	\$ 111,411

December 31, 2019

	<u>1-6 Months</u>	<u>6 months - 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 75,346	\$ 21,709	\$ -
Fluctuating interest rates instruments	<u>81,215</u>	<u>1,215</u>	<u>21,870</u>
	<u>\$ 156,561</u>	<u>\$ 22,924</u>	<u>\$ 21,870</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>Total</u>
Lease liabilities	\$ 70,761	\$ 119,116	\$ 45,265	\$ 235,142

### **33. TRANSACTION WITH RELATED PARTIES**

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

(1) Related parties and their relationships associated with the Group:

<u>Related parties</u>	<u>Relationship with the Group</u>
Shu-Ling Tseng	CEO of the Group
Min-Chun Chen	Founder of the Subsidiary (Since January 30, 2019, as the Chairman of the Group)
Wei-Ru Chen	Related party

Chuang-Si Technology Co. Ltd. (Chuang-Si Technology)	Related party (Since November 1, 2019 included in the Group parent company)
Kaohsiung City Private Jianjia Art and Science Short-term Tuition Class (Jianjia)	Related party
Kaohsiung City Private Yihe Arts and Science Short-term Tutoring Class (Yihe)	Related party
Kaohsiung City Private Yihe Arts and Science Short-term Tuition Class Zhongzheng Division (Yihe Zhongzheng)	Related party
Prime Optical Fiber Co., Ltd. ( Prime Optical Fiber )	The chairman of the board is a director of the Group (the chairman of the board was dismissed as a director of the Group on September 30, 2020, thus he is not a related party of the Group from this date on)

(2) Service revenue

<u>Related party Category / Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Related parties		
Jianjia	\$ 16,762	\$ -
Yihe	10,903	-
Other	<u>307</u>	<u>-</u>
	<u>\$ 27,972</u>	<u>\$ -</u>

The Group provides services income from related parties, and its transaction prices and payment conditions are not significantly different from those of non-related parties.

(3) Service cost

<u>Related party Category / Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Related party		
Chuang-Si Technology	<u>\$ -</u>	<u>\$ 3,301</u>

The Group provides services cost from related parties, and its transaction prices and payment conditions are not significantly different from those of non-related parties.

(4) Purchases of goods

<u>Related party Category / Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Related party		
Prime Optical Fiber	<u>\$ 7,991</u>	<u>\$ -</u>

Compared with other manufacturers, there is no significant difference between the Group's trading conditions for the purchase of related parties.

(5) Refundable Deposit (other non-current assets included in the account)

<u>Related party Category / Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Main Management		
Shu-Ling Tseng	\$ 1,960	\$ 1,960
Min-Chun Chen	<u>880</u>	<u>880</u>
	<u>\$ 2,840</u>	<u>\$ 2,840</u>

As mentioned in (7) below, the Group pays the refundable deposit of the lease to the related party according to the market conditions.

(6) Receivables from related parties

<u>Line Item</u>	<u>Related party Category / Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivables	Related party		
	Jianjia	\$ 3,314	\$ -
	Yihe	2,067	-
	Other	<u>323</u>	<u>-</u>
		<u>\$ 5,704</u>	<u>\$ -</u>

(7) Leasing Agreement

<u>Line Item</u>	<u>Related party Category / Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease liabilities	Main Management		
	Shu-Ling Tseng	\$ 7,143	\$ 15,531
	Min-Chun Chen	<u>7,143</u>	<u>14,162</u>
		<u>\$ 14,286</u>	<u>\$ 29,693</u>

<u>Related party Category / Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Interest fees</u>		
Main Management		
Shu-Ling Tseng	\$ 191	\$ 336
Min-Chun Chen	<u>181</u>	<u>302</u>
	<u>\$ 372</u>	<u>\$ 638</u>

The Group leases offices and teaching venues from related parties, and the lease conditions are equivalent to those of general non-related parties.

(8) Rental agreement

Leasing revenue summarized as below:

<u>Related party Category / Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Related party		
Chuang-Si Technology	<u>\$ -</u>	<u>\$ 257</u>

The Group subleases part of the office area to related parties, and the lease conditions are the same as those of non-related parties.

(9) Acquisition of financial assets

For the Years Ended December 31, 2020

<u>Related party Category / Name</u>	<u>Line Item</u>	<u>Number of shares transaction</u>	<u>Transaction subject</u>	<u>Price obtained</u>
Related party				

Wei-Ru Chen	Investment using equity method (note)	490 thousand shares	Success Prime Education	<u>\$ 8,800</u>
-------------	---------------------------------------	---------------------	-------------------------	-----------------

Note: The number of related subjects in this transaction has been written off when preparing the consolidated financial statements.

The Group passed the resolution in the board meeting to purchase 49% of the equity of Success Prime Education from the related party Wei-Ru Chen in August 2020.

For the Years Ended December 31, 2019

<u>Related party Category / Name</u>	<u>Line Item</u>	<u>Number of shares transaction</u>	<u>Transaction subject</u>	<u>Price obtained</u>
Main Management				
Shu-Ling Tseng	Investment using equity method	1,000 thousand shares	Chuang-Si Technology	<u>\$ 6,600</u>
Min-Chun Chen	Investment using equity method	500 thousand shares	Chuang-Si Technology	<u>\$ 3,300</u>

The Group acquired 100% equity of Chuang-Si Technology on October 31, 2019, making it a subsidiary of the Group, please refer to Note 27.

(10) Remuneration of Key Management Levels

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short term Employee Benefits	\$ 13,985	\$ 19,354
Post-employment benefits	<u>260</u>	<u>376</u>
	<u>\$ 14,245</u>	<u>\$ 19,730</u>

The remuneration of directors and other key management levels are determined by the Compensation Committee based on individual performance and market trends.

**34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets have been provided as collateral for short-term and long-term bank borrowings:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Freehold land and buildings	\$254,315	\$ 255,173
Pledged deposits (classified as financial assets at amortized cost)	<u>-</u>	<u>5,655</u>

\$ 254,315

\$ 260,828

### 35. OTHERS

The management of the Group has assessed that the global pandemic COVID-19 has not had a significant impact on the Group's ability to continue operations, asset impairment and financing capabilities.

### 36. INFORMATION ON FOREIGN CURRENCY ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

The following information is aggregated in foreign currencies other than the functional currency of the Group. The exchange rate disclosed is the exchange rate of the foreign currency into the functional currency. The foreign currency assets and liabilities that have significant impact are as follows:

December 31, 2020

	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>Balance</u>
<u>Foreign currency assets</u>			
<u>Monetary accounts</u>			
US Dollars	\$ 277	28.480	\$ 7,889
RMB	1,188	4.377	5,200

December 31, 2019

	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>Balance</u>
<u>Foreign currency assets</u>			
<u>Monetary accounts</u>			
US Dollars	\$ 2,768	29.580	\$ 81,877
RMB	2,223	4.208	9,354

Foreign currency liabilities

Monetary accounts

US Dollars	1,209	29.580	35,762
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The Group has realized and unrealized the foreign currency exchange gains and losses in the 2020 and 2019. Please combine the consolidated income statement. Due to the large number of foreign currency transactions, it is impossible to disclose the exchange gains and losses according to each significant foreign currency.

**37. NOTES DISCLOSURE ITEMS**

(1) Main transaction items and

(2) Information related to the transfer of investment business:

- i. Loans to others: Table 1.
- ii. Endorsement for others: Table 2.
- iii. Holding securities at the end of the period (excluding investment in subsidiaries): Table 3.
- iv. Accumulatively buy or sell the same marketable securities amounting to NT\$300 million or paid-up capital of more than 20%: None.
- v. The amount of property acquired is NT\$300 million or over 20% of paid-up capital: none.
- vi. The disposition of property amounts to NT\$300 million or over 20% of paid-up capital: none.
- vii. The amount of import and sales with related parties amounts to NT\$100 million or over 20% of paid-up capital: Table 4.
- viii. The receivables from the related party amounted to NT\$100 million or more than 20% of the paid-up capital: none.
- ix. Engage in derivatives transactions: None.
- x. Others: Business relationship, significant transactions and amounts between parent and subsidiaries and between the subsidiary companies themselves: Table 5.
- xi. Information on the investee Company: Table 6.

(3) China Investment Information:

- i. The name of the China's Company as investee, the main business operation, the amount of capital received, the mode of investment, the export of funds, the proportion of shareholding, the profit and loss of investment, the carrying amount of the final investment, the profit and loss of the remitted investment and the investment limit to the mainland region: Table 7.
- ii. Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
  - (i) The amount and percentage of the purchase and the closing balance and percentage of the relevant payables.
  - (ii) The amount and percentage of goods sold and the closing balance and percentage of related receivables.
  - (iii) The amount of the property transaction and the amount of profit and loss it generates.
  - (iv) The closing balance of the bill endorsement or the provision of the collateral and its purpose.
  - (v) The maximum balance, closing balance, interest rate range and total interest in the current period of the facility.
  - (vi) Other transactions that have a significant impact on the profits and losses or financial position of the current period, such as the provision or receipt of services.

(4) Key shareholders information: The shareholder name, shareholding amount and proportion of shareholders with a shareholding ratio of 5% or more. (Table 8)

### **38. DEPARTMENTAL INFORMATION**

Information provided to key operational decision makers to allocate resources and assess departmental performance, focusing on the types of products or services that are delivered or provided. The Group should report the 2020 and 2019 departments as below:

**Optical Fiber Enterprise Division-** main fiber manufacturing and sales business.

**Education Enterprise Division-** engaged in primary, middle, high school curriculum tutorial services, and provide customized digital information and consulting business.

#### (1) Departmental revenue and operating results

Revenue and operating results of the Group based on the reporting department analyses as follows:

For the Years Ended December 31, 2020

	<u>Optical fiber enterprise division</u>	<u>Education Enterprise Division</u>	<u>Total</u>
Revenue from external customers	<u>\$ 107,248</u>	<u>\$ 669,149</u>	<u>\$ 776,397</u>
Consolidated revenue	<u>\$ 107,248</u>	<u>\$ 669,149</u>	<u>\$ 776,397</u>
Departmental gains and losses	<u>(\$ 1,984)</u>	<u>\$ 73,527</u>	\$ 71,543
Interest revenue			570
Gain on lease modification			588
Gains on investment disposal			9,035
Net foreign currency exchange losses			( 662)
Financial cost			( 3,647)
Other revenue			6,564
Other losses			<u>( 187)</u>
Net profit before tax			<u>\$ 83,804</u>

For the Years Ended December 31, 2019

	<u>Optical fiber enterprise division</u>	<u>Education Enterprise Division</u>	<u>Total</u>
Revenue from external customers	<u>\$ 235,066</u>	<u>\$ 646,544</u>	<u>\$ 881,610</u>
Consolidated revenue	<u>\$ 235,066</u>	<u>\$ 646,544</u>	<u>\$ 881,610</u>
Departmental gains and losses	<u>\$ 21,590</u>	<u>\$ 63,958</u>	\$ 85,548
Interest revenue			724
Bargain purchase gains			727
Disposition of property, plant and equipment losses			( 143 )
Net foreign currency exchange losses			( 1,341 )
Financial cost			( 6,434 )
Other revenue			8,279
Other losses			( <u>374</u> )
Net profit before tax			<u>\$ 86,986</u>

Departmental interests refer to profits earned by various departments and do not include interest revenue, remeasures of original holdings of acquired equity, net foreign currency exchange losses, gains on lease modification, gains on disposal of investment, financial costs, other revenue, other profit and losses, and income tax expenses. This measure is provided to key operational decision makers to allocate resources to departments and evaluate their performance.

(2) Revenue from major products and services

The revenue analysis of the Group's main products and services is as follows:

	For the Years Ended December 31	
	2020	2019
Education services and information	\$ 669,149	\$ 646,544
Optical Fiber	53,048	178,078
Cable	54,461	57,098
Other	<u>10</u>	<u>385</u>
	776,668	882,105
Less: Return and discount of sales	( <u>271</u> )	( <u>495</u> )
Total	<u>\$ 776,397</u>	<u>\$ 881,610</u>

(3) Regional Information

The Group's continuing business revenue from external customers is divided according to the operation location and non-current assets information of by asset location is as follows:

	Revenue from external customers		Non-current assets	
	2020	2019	December 31, 2020	December 31, 2019
Taiwan	\$ 721,448	\$ 722,556	\$ 895,734	\$ 1,043,519
China	5,092	48,127	12,837	15,137
United States	31,818	75,685	-	-
Other	<u>18,039</u>	<u>35,242</u>	<u>-</u>	<u>-</u>
	<u>\$ 776,397</u>	<u>\$ 881,610</u>	<u>\$ 908,571</u>	<u>\$ 1,058,656</u>

Non-current assets do not include financial assets classified as financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost, life insurance termination cash value, deferred income tax assets and net defined benefit assets.

(4) Main Customer Information

The main customer group of the Company is general public student groups. Therefore, there is not one single customer who accounts for more than 10% of the operating income on the income statement in 2020 and 2019.

### SUCCESS PRIME CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	SPC	Chen Li Education	Other receivables — related party	Yes	\$ 50,000	\$ 50,000	\$ -	1.30%	(2)	\$ -	Business turnover	\$ -	-	\$ 80,780 (Note 3)	\$ 323,120 (Note 3)	-	
1	Chen Li Education	Chen Li (Xiamen) Education Consulting Co., Ltd.	Other receivables — related party	Yes	8,690	8,690	4,377	1.40%	(2)	-	Business turnover	-	-	20,167 (Note 4)	80,669 (Note 4)	-	

Note 1 : The numbering column is described as follows :

(1) Issuer fill in 0 .

(2) Companies as investee are numbered sequentially starting from 1 .

Note 2 : The subject receiving the loan shall be limited to the following circumstances:

(1) Subject companies with business relations with the SPC.

(2) Necessary party with short-term financing capital.

Note 3 : The total amount of capital loans of the company and the limits of individual objects are as follows:

(1) The total amount of funds loaned by the company to others shall not exceed 40% of the net value of the company's most recent financial statements.

(2) The total limit of the company's short-term financial loans and others shall not exceed 30% of the company's most recent net value of financial statements.

(3) The loan amount of individual target funds shall not exceed 10% of the net value of the company's most recent financial statements.

Note 4 : The total amount of Chen Li Education's fund loan and the limits of individual objects are as follows:

(1) The total amount of Chen Li Education's funds loaned to others shall not exceed 40% of the net value of Chen Li Education's latest financial statements.

(2) The loan amount of individual target funds shall not exceed 10% of the net value of Chen Li Education's latest financial statements.

## SUCCESS PRIME CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Chen Li Education	SPC	(3)	\$ 302,509	\$ 288,000	\$ 288,000	\$ -	\$ -	142.81%	\$ 302,509	N	Y	N	-

Note 1 : The numbering column is described as follows:

- (1) Issuer fills in 0.
- (2) Companies as investee are numbered sequentially starting from 1.

Note 2 : The relationship between the endorser and guarantor has the following 7 types, just indicate the type:

- (1) A company with business dealings.
- (2) A company that directly and indirectly holds more than 50% of the voting shares.
- (3) Companies that directly and indirectly hold more than 50% of the voting shares of the company.
- (4) Inter-company companies where the company directly and indirectly holds more than 90% of the voting shares.
- (5) A company that is mutually insured according to the contract between inter-industries or co-founders based on the needs of the contracted project.
- (6) A company whose endorsement is guaranteed by all capital shareholders according to their shareholding ratio due to a joint investment relationship.
- (7) The inter-industry is engaged in the performance guarantee and joint guarantee of the pre-sale house sales contract regulated by the Consumer Protection Law.

Note 3 : The limit amount of the foreign endorsement guarantees of Chen Li Education Co., Ltd. are as follows:

- (1) For companies that directly and indirectly hold more than 50% of the voting rights of Chen Li Education, the total amount of endorsement guarantees and endorsement guarantees of Chen Li Education for a single object are based on Chen Li Education's most recent audit or review by an accountant the net value of the financial statements is 150%.
- (2) The net value is based on the most recent financial statements (2020) reviewed by Chen Li Education by accountants.

**TABLE 3****SUCCESS PRIME CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
SPC	Taiwan unlisted shares Accuagile Co., Ltd	None	Financial assets at FVTOCI	1,500,000	\$ 4,500	15	\$ 4,500

Note : Fair value is based on the most recent evaluation results.

**TABLE 4**

**SUCCESS PRIME CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
SPC	Chen Li Education	Subsidiary	Service revenue	(\$ 218,877)	( 68% )	Month end 30 days	Note 1	-	\$ 22,361	100%	Note 2
Chen Li Education	The Group	Parent Company	Service costs	218,877	63%	Month end 30 days	Note 1	-	( 22,361 )	( 93% )	Note 2

Note 1 : There are no other transactions of the same type available for comparison, and the terms of collection are agreed by both parties.

Note 2 : It was written off when preparing the consolidated financial report.

## SUCCESS PRIME CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	SPC	Chen Li Education	1	Service revenue and costs	\$ 218,877	There are no other transactions of the same type available for comparison, and the terms of payment are agreed by both parties.	28%
"	"	"	1	Accounts receivables and payables	22,361	There are no other transactions of the same type available for comparison, and the terms of payment are agreed by both parties.	2%
"	"	Success Prime Optical Fiber (Note 5)	1	Sales revenue and costs	31,581	There are no other transactions of the same type available for comparison, and the terms of payment are agreed by both parties.	4%

Note 1 : The business transactions between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the numbers is as follows:

(1) The parent company fills in 0.

(2) Subsidiaries are numbered sequentially by the Arabic number 1 according to the company.

Note 2 : There are three types of relationship with the trader. The type of mark can be used. (If it is the same transaction between the parent company or each subsidiary, there is no need to repeat the disclosure. For example, the parent company's transaction to the subsidiary, if the parent company it has been revealed that there is no need to repeat the disclosure of the subsidiary part; if the subsidiary's transaction to the subsidiary is disclosed, if another subsidiary has been disclosed, the other subsidiary does not need to disclose it repeatedly):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiaries to subsidiaries.

Note 3 : The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item, the accumulated amount in the period accounts for the combined total. The method of receipt is calculated.

Note 4 : The relevant account amount of the above transaction has been written off when preparing the consolidated financial statements.

Note 5 : It is the transaction amount before SPC sold its equity in SPOF.

## SUCCESS PRIME CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (in thousands)	%			
SPC	Chen Li Education	Taiwan	Education services	\$ 711,369	\$ 711,369	11,200	100%	\$ 32,152	\$ 32,113	Note 2
	Prime Optical Fiber	Taiwan	Wire & Cable Manufacturing	-	10,000	-	-	813	813	Note 3
	Here Enterprise	Taiwan	Education Consulting Services	13,900	5,100	1,000	100%	4,197	3,165	Note 2
	Chen Li ELM	Taiwan	Education services	9,900	9,900	1,500	100%	( 2,452 )	( 2,452 )	Note 2
	Li-Ren Education	Taiwan	Education services	3,000	-	300	60%	123	74	Note 2
	Chen Li Zhiyi	Taiwan	Education services	3,000	-	300	60%	( 1,007 )	( 604 )	Note 2
Chen Li Education	CHEN LJ Education Group Limited	British Virgin Islands	Holding Company	( USD 40,543 1,292 )	( USD 40,543 1,292 )	-	100%	( 10,122 )	Note 1	Note 2
CHEN LJ Education Group Limited	CHEN LJ Education Group (HK) Limited	Hong Kong	Holding Company	( USD 30,059 952 )	( USD 30,059 952 )	-	100%	( 10,031 )	Note 1	Note 2

Note 1 : The profit and loss of the invested company is included in its investment company. To avoid confusion, it will not be expressed here.

Note 2 : In the preparation of the consolidated financial statements, it has been fully written off.

Note 3 : The Group passed the resolution at the board meeting on July 3, 2020 to sell 100% equity of its subsidiary, Prime Optical Fiber. Therefore, from that date, Prime Optical Fiber is no longer a subsidiary of the company.

The recognized investment gains and losses are the amount before SPC successfully sold its equity of Prime Optical Fiber.

**TABLE 7**

**SUCCESS PRIME CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment by the Group	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Chen Li (Xiamen) Education Consulting Co., Ltd.	Engaged in educational consulting services and other business	RMB 6,000	Through the third regional company CHEN LI Education Group (HK) Limited investment	\$ 28,516	\$ -	\$ -	\$ 28,516	(\$ 9,850)	100%	(\$ 9,850)	\$ 15,851	\$ -	—
<b>Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020</b>				\$28,516 (RMB 60,000)		<b>Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA</b>							
													\$121,004 (Note 2)

Note 1 : Investment gains and losses are recognized based on the financial statements verified by the parent company certified accountant in Taiwan.

Note 2 : It is calculated based on 60% of the net value of Chen Li Education's most recent financial statements.

**TABLE 8****SUCCESS PRIME CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.85%
Far East International Commercial Bank entrusted custody of Endow Capital Management Co., Ltd. Investment Special Account	1,890,039	9.85%
Taipei Fubon Commercial Bank entrusted with the custody of Optimistic Forward Investment Account	1,760,177	9.17%
Witty Sino Holdings Co., Ltd.	1,741,020	9.07%
Shu-Cheng Tseng	1,003,564	5.23%

Note 1 : The main shareholder information in this table is based on the last business day of the quarter at the end of the quarter, and the shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to different or different calculation bases.

Note 2 : In the case of the above information, if a shareholder delivers shares to the trust, it is disclosed in individual accounts by the trustor who opened the trust account by the trustee. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their holdings include their own shareholding plus the shares delivered to the trust and have the right to use the trust property. For information on insider's equity declarations, please refer to the Market Observation Post System.

The Board of Directors and Shareholders  
Success Prime Corporation

### **Opinion**

We have audited the accompanying financial statements of Success Prime Corporation (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements for the year ended December 31, 2020 are stated as follows:

#### **Investments impairment assessment using the equity method**

On each balance sheet date, the management should assess whether there are any signs of impairment of the investments using the equity method. The assessment of whether the book amount has been reduced involves subjective judgments and discounts made by the management of SPC on its future cash flow forecasts. The current rate and other assumptions

are estimated, so the auditors list it as a key audit matter. For the disclosure of relevant accounting policies and relevant information, please refer to Notes 4, 5 and 11 of the Parent Company Only Financial Statements.

Our key audit procedures performed by the Auditors are as follows:

1. We obtained the asset impairment self-evaluation reports by management.
2. We evaluated the reasonableness of the identification of the assets which were considered impaired and the assumptions and sensitivity analysis used in the asset impairment assessments of SPC.

### **Responsibility of Management and Those Charged with Governance for the Financial Statements**

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

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

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

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chin-Chuan Shih and Shu-Lin Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 17, 2021

Notice to Readers

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.*

## Success Prime Corporation

### PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents (note 4 and 6)	\$ 47,698	5	\$ 70,098	7
Financial assets measured at amortized cost (note 4, 8 and 33)	9,800	1	5,655	1
Accounts receivables (note 4 and 9)	-	-	42,492	4
Accounts receivables- related parties (note 4 and 32)	22,361	3	19,747	2
Current income tax assets	10	-	10	-
Inventories (note 4 and 10)	-	-	20,871	2
Other current assets (note 15)	59	-	3,179	-
Total current assets	<u>79,928</u>	<u>9</u>	<u>162,052</u>	<u>16</u>
<b>Non-current assets</b>				
Financial assets measured at fair value through other comprehensive income (note 4 and 7)	4,500	1	4,500	-
Investments accounted for using equity method (note 4, 5 and 11)	713,958	83	695,366	67
Property, plant and equipment (note 4 and 12)	-	-	4,639	-
Right-of-use assets (note 4 and 13)	-	-	84,596	8
Net investment property (note 4, 14 and 33)	32,317	4	32,474	3
Computer software	119	-	500	-
Deferred income tax assets (note 4 and 23)	25,848	3	35,903	4
Defined benefit assets (note 4 and 19)	-	-	6,662	1
Other non-current assets (note 15)	-	-	14,362	1
Total non-current assets	<u>776,742</u>	<u>91</u>	<u>879,002</u>	<u>84</u>
Total assets	<u>\$ 856,670</u>	<u>100</u>	<u>\$ 1,041,054</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Short-term borrowings (note 4 and 16)	\$ -	-	\$ 80,000	8
Accounts payables (note 17)	16,551	2	19,325	2
Accounts payables- related parties (note 32)	44	-	407	-
Other payables (note 18)	7,246	1	40,543	4
Other payables- related parties (note 32)	-	-	56	-
Current income tax liabilities	2,469	1	2,104	-
Lease liabilities- current (note 4 and 13)	-	-	10,372	1
Current portion of long-term borrowings (note 4, 16 and 33)	2,430	-	2,430	-
Other current liabilities	344	-	1,696	-
Total current liabilities	<u>29,084</u>	<u>4</u>	<u>156,933</u>	<u>15</u>
<b>Non-current liabilities</b>				
Long-term borrowings (note 4, 16 and 33)	19,440	2	21,870	2
Deferred income tax liabilities (note 4 and 23)	145	-	1,478	-
Lease liabilities- non-current (note 4 and 13)	-	-	74,945	8
Guarantee deposits received (note 32)	200	-	200	-
Total non-current liabilities	<u>19,785</u>	<u>2</u>	<u>98,493</u>	<u>10</u>
Total liabilities	<u>48,869</u>	<u>6</u>	<u>255,426</u>	<u>25</u>
<b>Equity (note 20)</b>				
Ordinary shares	191,854	22	174,594	17
Capital surplus	341,190	40	367,081	35
Retained earnings				
Legal reserve	33,966	4	26,354	3
Special reserve	2,600	-	1,611	-
Unappropriated retained earnings	274,945	32	240,544	23
Total retained earnings	<u>311,511</u>	<u>36</u>	<u>268,509</u>	<u>26</u>
Other equity	(2,392)	-	(2,600)	(1)
Treasury shares	(34,362)	(4)	(21,956)	(2)
Total equity	<u>807,801</u>	<u>94</u>	<u>785,628</u>	<u>75</u>
Total liabilities and equity	<u>\$ 856,670</u>	<u>100</u>	<u>\$ 1,041,054</u>	<u>100</u>

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

## Success Prime Corporation

### PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Operating revenue (note 4, 21 and 32)				
Sales revenue	\$ 104,057	32	\$ 235,066	52
Service revenue	<u>219,394</u>	<u>68</u>	<u>219,205</u>	<u>48</u>
Total operating revenue	<u>323,451</u>	<u>100</u>	<u>454,271</u>	<u>100</u>
Operating costs (note 10, 22 and 32)				
Cost of sales	86,152	27	153,713	34
Cost of services	<u>169,365</u>	<u>52</u>	<u>173,490</u>	<u>38</u>
Total operating costs	<u>255,517</u>	<u>79</u>	<u>327,203</u>	<u>72</u>
Gross profit	<u>67,934</u>	<u>21</u>	<u>127,068</u>	<u>28</u>
Operating expenses (note 19, 22 and 32)				
Marketing expenses	4,657	2	17,143	4
General and administrative expenses	26,483	8	34,188	8
Research and development expenses	<u>10,005</u>	<u>3</u>	<u>27,695</u>	<u>6</u>
Total operating expenses	<u>41,145</u>	<u>13</u>	<u>79,026</u>	<u>18</u>
Net income from operations	<u>26,789</u>	<u>8</u>	<u>48,042</u>	<u>10</u>
Non-operating income and expenses (note 4, 22 and 32)				
Other income	5,855	2	7,075	2
Other gains and losses	9,643	3	( 48 )	-
Finance costs	( 1,379 )	-	( 3,474 )	( 1 )
Share of profit or loss of subsidiaries	33,109	10	26,796	6
Interest revenue	<u>63</u>	<u>-</u>	<u>168</u>	<u>-</u>
Total non-operating income and expenses	<u>47,291</u>	<u>15</u>	<u>30,517</u>	<u>7</u>

(Continued)

	2020		2019	
	Amount	%	Amount	%
Income before income tax	\$ 74,080	23	\$ 78,559	17
Income tax expense (note 23)	( 11,846)	( 4)	( 2,441)	-
Net income for the year	<u>62,234</u>	<u>19</u>	<u>76,118</u>	<u>17</u>
Other comprehensive income (loss) (note 19 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	-	-	( 985)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>650</u>	<u>1</u>	<u>202</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>650</u>	<u>1</u>	( 783)	-
Other comprehensive income (loss) for the year, net of income tax	<u>208</u>	<u>-</u>	( 989)	( 1)
Items that may be reclassified subsequently to profit or loss:				
	<u>858</u>	<u>1</u>	( 1,772)	( 1)
Total comprehensive income for the year	<u>\$ 63,092</u>	<u>20</u>	<u>\$ 74,346</u>	<u>16</u>
Earnings per share (Note 24)				
Basic	<u>\$ 3.30</u>		<u>\$ 4.01</u>	
Diluted	<u>\$ 3.29</u>		<u>\$ 4.00</u>	

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

(Concluded)

## Success Prime Corporation

### PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings				Other Equity		Total Equity	
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange differences on translating foreign operations		Treasury Shares
Balance at January 1, 2019	17,459	\$ 174,594	\$ 367,081	\$ 13,868	\$ 772	\$ 247,576	\$ 262,216	(\$ 1,611)	(\$ 21,956)	\$ 780,324
Appropriation of 2018 earnings	-	-	-	12,486	-	( 12,486)	-	-	-	-
Legal reserve	-	-	-	-	839	( 839)	-	-	-	-
Special reserve	-	-	-	-	-	( 69,042)	( 69,042)	-	-	( 69,042)
Cash dividends distributed by the Company - NT\$4.00 per share	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the year ended December 31, 2019	-	-	-	-	-	76,118	76,118	-	-	76,118
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	( 783)	( 783)	( 989)	-	( 1,772)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	75,335	75,335	( 989)	-	74,346
Balance at December 31, 2019	17,459	174,594	367,081	26,354	1,611	240,544	268,509	( 2,600)	( 21,956)	785,628
Appropriation of 2019 earnings	-	-	-	7,612	-	( 7,612)	-	-	-	-
Legal reserve	-	-	-	-	989	( 989)	-	-	-	-
Special reserve	-	-	-	-	-	( 17,260)	( 17,260)	-	-	( 17,260)
Cash dividends distributed by the Company - NT\$1.00 per share	-	-	-	-	-	-	-	-	-	-
Stock dividends distributed from capital surplus	1,726	17,260	( 17,260)	-	-	-	-	-	-	-
Cash dividends distributed from capital surplus- NT\$ 0.5 per share	-	-	( 8,631)	-	-	-	-	-	-	( 8,631)
Changes in ownership interests in subsidiaries (note 27)	-	-	-	-	-	( 2,622)	( 2,622)	-	-	( 2,622)
Net income (loss) for the year ended December 31, 2020	-	-	-	-	-	62,234	62,234	-	-	62,234
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	650	650	208	-	858
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	62,884	62,884	208	-	63,092
Treasury stocks purchase	-	-	-	-	-	-	-	-	( 12,406)	( 12,406)
Balance at December 31, 2020	19,185	\$ 191,854	\$ 341,190	\$ 33,966	\$ 2,600	\$ 274,945	\$ 311,511	(\$ 2,392)	(\$ 34,362)	\$ 807,801

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

## Success Prime Corporation

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities		
Income before income tax	\$ 74,080	\$ 78,559
Adjustments to reconcile profit (loss)		
Depreciation expense	5,346	14,291
Amortization expense	381	194
Finance costs	1,379	3,474
Interest income	( 63 )	( 168 )
Share of (profit) loss of subsidiaries accounted for using equity method	( 33,109 )	( 26,796 )
Loss on disposal of property, plant and equipment	-	4
Loss on inventory valuation	634	3,178
Net loss on foreign exchange	536	17,027
Gains from bargain purchases	-	( 727 )
Disposal of subsidiary investments gains accounted for using the equity method	( 9,035 )	-
Loss on the settlement of Labor Retirement Reserve Fund (The Old Fund)	2,611	-
Changes in operating assets and liabilities:		
Accounts receivables	4,240	40,744
Accounts receivables- related parties	( 2,614 )	19,747
Inventories	20,335	20,141
Other current assets	1,135	( 154 )
Net defined benefit assets	4,051	( 86 )
Notes payable	-	( 22 )
Accounts payables	24,531	( 6,873 )
Accounts payables- related parties	( 363 )	-
Other payables	( 25,514 )	1,619
Other payables- related parties	( 56 )	56
Other current liabilities	( 619 )	( 3,027 )
Cash generated from operations	67,886	161,181
Interest received	63	168
Interest paid	( 1,379 )	( 3,474 )
Income taxes paid	( 2,109 )	( 12,283 )
Net cash generated from operating activities	<u>64,461</u>	<u>145,592</u>

(Continued)

	2020	2019
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	\$ -	(\$ 4,500)
Acquisition of financial assets at fair value through other comprehensive income	( 9,800)	( 5,655)
Acquisition of net cash outflow from subsidiary	( 14,800)	( 9,900)
Net cash inflow from disposal of subsidiary	98,000	-
Acquisition of property, plant and equipment	( 2,171)	( 4,682)
Proceeds from disposal of property, plant and equipment	-	3
Increase in refundable deposits	( 979)	( 4,800)
Decrease in refundable deposits	-	4,563
Dividends received from subsidiaries	23,938	1,488
Net cash outflow from sale of subsidiary	( <u>56,251</u> )	-
Net cash inflow generated from investing activities	<u>37,937</u>	( <u>23,483</u> )
Cash flows from financing activities		
Increase in short-term loans	60,000	304,300
Decrease in short-term loans	( 140,000)	( 359,300)
Long-term debt	-	24,300
Payments of long-term debt	( 2,430)	-
Payments of lease liabilities	( 3,437)	( 10,194)
Issuance of cash dividends	( 25,891)	( 69,042)
Payments of treasury shares buy-back	( <u>12,406</u> )	-
Net cash used in financing activities	( <u>124,164</u> )	( <u>109,936</u> )
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	( <u>634</u> )	( <u>2,399</u> )
Net increase (decrease) in cash and cash equivalents	( 22,400)	9,774
Cash and cash equivalents at beginning of the year	<u>70,098</u>	<u>60,324</u>
Cash and cash equivalents at end of the year	<u>\$ 47,698</u>	<u>\$ 70,098</u>

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

(Concluded)

## SUCCESS PRIME CORPORATION

### NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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#### 1. **GENERAL**

Success Prime Corporation (hereinafter referred to as the Company) was established in June 15, 1991, the main business operations are production of optical fiber cables, communication components, system, sensors, digital informatics consulting services, and the management of tutorial academy teachers and curriculum education services. On March 2002, the Company's shares were listed on the Taiwan Stock Exchange (TWSE).

The Company passed the disposal of the optical fiber subsidiary resolution at a board of directors meeting, for the purpose of continuing to focus on the future operations and development of the education businesses, thereby increase the competitiveness and market share of its core businesses.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

#### 2. **THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issue by the Board of Directors on March 9, 2021.

#### 3. **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the FSC.

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies, except for the following explanations:

i. Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the financial statements do not include immaterial information that may obscure material information.

ii. Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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	January 1, 2023

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

i. Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- the Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- (i) the Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
  - (ii) the Company chose the accounting policy from options permitted by the standards;
  - (iii) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
  - (iv) the accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
  - (v) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.
- ii. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial

statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the

equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- i. Assets held primarily for the purpose of trading;
- ii. Assets expected to be realized within 12 months after the reporting period; and
- iii. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- i. Liabilities held primarily for the purpose of trading;
- ii. Liabilities due to be settled within 12 months after the reporting period; and
- iii. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Merger of enterprises

The merger of enterprises adopts the acquisition law. The acquisition related cost is listed at the current period as an expense occurred and labor acquisition.

Goodwill is measured by the fair value of the transfer price, the amount of the fair value of the acquirer's non-controlling interest and previously held interest is measured by the net value of the identifiable assets and liabilities after the acquisition date. A merger that is achieved in stages is measured at the fair value of the acquisition date and is re-measured by the Company's previously held interest from the acquiree, if any profits or losses are incurred shall be recognized.

(5) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency items are converted at the closing exchange rate on each balance sheet date. The exchange difference arising from the delivery of monetary items or the conversion of monetary items is recognized as a profit or loss in the current period of occurrence.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which profit and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

(6) Inventories

Inventories includes raw materials, manufactured goods, in-process products and commodities. Inventory is measured by the cost and the value of net realization, comparing costs with net realizable value is based on individual items except for those in same inventory category. Net realizable value means under normal circumstances the balance after the estimated cost required to complete the investment and sale is deducted. The weighted average method is adopted to calculate inventory cost.

(7) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss. When acquiring a subsidiary that does not execute business operations, the acquisition cost is appropriately allocated to the acquired identifiable assets (including intangible assets) and the assumed share of liabilities, without generating goodwill or current benefits.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the

parent's company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent's company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(8) Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently valued by costs minus the amount of accumulated depreciation. Property, plant and equipment's amortization is measured based on straight-line basis, and each significant depreciation is separately accounted. At each year end, the Company examines the estimated durability, residual value and depreciation methods, and delays the impact of using altered accounting estimates.

In addition to the listing of property, plant and equipment, the difference between the net disposition price and the carrying amount of the asset is recognized as profit and loss.

(9) Investment property

Investment Property is properties held for the purpose of earning rent or capital appreciation or both. Investment property also includes land that has not yet been determined for future use. Investment property is initially measured at cost (including transaction costs) and subsequently measured at cost minus accumulated depreciation and accumulated impairment losses. Investment property is depreciated on a straight-line basis.

When derecognition of investment property, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(10) Intangible assets

i. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line method basis. The estimated useful lives, residual values, and amortization methods are reviewed by the Company at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

ii. Derecognition

When derecognizing the intangible assets, the difference between the net disposition price and the asset's carrying amount is recognized as the profit and loss of the current period.

(11) Impairment of property, plant and equipment, right-of-use asset and intangible assets (except goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years (less amortization or depreciation). A reversal of an impairment loss is recognized in profit or loss.

(12) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs

directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i. Financial Assets

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

(i) Measurement Category

Financial assets are classified into the following categories: Financial assets measured at amortized cost and investments in equity instruments at FVTOCI.

A. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on the disposal of the equity investments; instead, they will be transferred to retained earnings. Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

B. Financial assets measured at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. 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.

Subsequent to initial recognition, financial assets measured at amortized

cost, including cash and trade receivables measured at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- A. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and
- B. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

Cash equivalents include within 3-month time deposits with original maturities, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(ii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost (including accounts receivables).

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on such a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a

financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(iii) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

ii. Financial liabilities

(i) Subsequent measurement

All the Company's financial liabilities are measured at amortized cost using the effective interest method.

(ii) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(13) Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

i. Revenue from the sale of goods

Goods sales revenue comes from the sale of various types of fiber optic cables, optical fiber communication components, optical communication systems and optical sensor component systems. As the above products arrive at the customer's designated location or at the time of departure, the customer has the right to set the price and use of the goods and has the primary responsibility for re-sales, and bear the risk of obsolescence of the goods, the Company should recognize revenue and accounts receivables at the time.

When the material processing is performed, the control of the ownership of the processed product is not transferred, and the income is not recognized when the material is removed.

ii. Revenue from the rendering of services

Service revenue comes from digital information consulting services and management of teacher and academic curriculum services.

The service income is recognized as income in proportion to the performance of service.

(14) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

i. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

ii. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the

commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease, and there is no substantive change to

other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions for applicable lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as (other operating income and expenses), in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability. In 2020, the Company did not have the aforementioned related rent negotiation.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

(15) Borrowing Costs

Borrowing costs are recognized when incurred as a profit or loss at the current period.

(16) Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

(17) Employee Benefits

i. Short term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

ii. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement (comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which it occurs, and will not be reclassified to profit or loss afterwards.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## (18) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### i. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined by the Company according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### ii. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is

probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

iii. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its

critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Impairment of Investment Subsidiary

When there are signs of impairment indicating that the investment in the subsidiary may have been impaired and the carrying amount may not be recovered, the Company immediately evaluated the asset impairment associated with the subsidiary from the perspective of the financial statements as a whole. The Company's management is based on the future cash flow projections of the cash-generating units of the relevant assets, including assumptions such as the estimated sales growth rate and profit margin of the management, and determines the appropriate discount rate used to calculate the present value to assess the impairment.

**6. CASH AND CASH EQUIVALENTS**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ -	\$ 211
Checking demand deposits	42,798	69,887
Cash Equivalents		
Time deposits within 3 months expiration date	4,900	-
	<u>\$ 47,698</u>	<u>\$ 70,098</u>

The market interest rate range on the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Term Deposits	0.41%	-

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Investments in equity instruments</u>		
Domestic investments		
Unlisted shares		
Accuagile Co., Ltd ordinary shares	\$ <u>4,500</u>	\$ <u>4,500</u>

In order to enhance its competitive advantage, the Company seeks a strategic alliance of educational digital training system providers and establishes a long-term cooperative relationship. On September 26, 2019, it participated in the cash increase of Accuagile Co., Ltd, and the Company subscribed 1,500 thousand shares. The investment amount is NT\$4,500 thousand in total, and 15% of its equity is acquired.

#### 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Performance Security Deposits	\$ -	\$ 5,655
Time deposits with original maturities exceeding 3 months	<u>9,800</u>	<u>-</u>
	<u>\$ 9,800</u>	<u>\$ 5,655</u>
Interest rate range	0.56% ~ 0.58%	-

- (1) The Company assesses that the expected credit risk of the financial assets measured by amortization cost is not high, and its credit risk has not increased after the original recognition.
- (2) For information on the pledge of financial assets measured at amortization costs, please refer to Note 33.

#### 9. ACCOUNTS RECEIVABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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Measured at amortized costs

Total carrying amount	\$ -	\$ 42,492
Less: Allowance for loss	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 42,492</u>

The average credit period for sales of goods was 30~60 days. To mitigate credit risk, the Company's management assigns a dedicated team responsible for the decision of the credit line, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has taken appropriate action. In addition, the Company reviews the recoverable amounts of receivables on the reporting date to ensure that receivables that cannot be recovered include appropriate impairment losses. As result, the Company's management believes that the credit risk has been significantly reduced.

The Company measures the loss allowance for account receivables at an amount equal to lifetime ECLs (excluding special individual payments that listed are as 100% loss). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Company estimates expected credit losses based on the number of days for which receivables are past due. As the Company's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to different segments of the Company's customer base.

The Company writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Company measures the allowance loss of account receivables in accordance with the preparation matrix as follows:

December 31, 2019

<u>Not</u>	<u>Overdue</u>	<u>Overdue</u>	<u>Overdue</u>	<u>Total</u>
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	Overdue	Within 90 Days	91-180 Days	181-365 Days	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Gross carrying amount	\$30,904	\$11,588	\$ -	\$ -	\$42,492
Loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$30,904</u>	<u>\$11,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$42,492</u>

The Company assessed that there was no need to recognize impairment losses for the year ended December 31, 2019.

## 10. INVENTORIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ -	\$ 8,853
Raw materials	-	9,858
Work in progress	-	757
Products	<u>-</u>	<u>1,403</u>
	<u>\$ -</u>	<u>\$ 20,871</u>

The cost of inventories sold in 2020 and 2019 were NT\$86,152,000 and NT\$153,713,000 respectively. The cost of goods sold in 2020 and 2019 respectively included a net loss of value of inventory of NT\$536,000 and NT\$17,027,000. In 2020, the loss of NT\$43,757,000 in price of inventory was offset by the sale.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investment in subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unlisted Company		
Chen Li Education Group Co., Ltd. (Chen Li Education)	\$ 685,497	\$ 676,308
Prime Optical Fiber Co., Ltd. (Prime Optical Fiber)	-	2,152
Here Co., Ltd. (Here Enterprise) (Note)	14,696	6,159
Chen Li ELM Co., Ltd. (Chen Li ELM)	8,295	10,747
Li-Ren Education Co., Ltd. (Li-Ren Education)	3,074	-
Chen Li Zhiyi Education Co., Ltd. (Chen Li Zhiyi Education)	<u>2,396</u>	<u>-</u>
	<u>\$ 713,958</u>	<u>\$ 695,366</u>

Name of Subsidiary	<u>Percentage of equity rights and voting rights</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Chen Li Education	100%	100%
Prime Optical Fiber	-	100%
Here Enterprise	100%	51%
Chen Li ELM	100%	100%
Li-Ren Education	60%	-
Chen Li Zhiyi Education	60%	-

Note: Original Prime Education Consulting Co., Ltd. (Prime Education).

In order to expand the market share of education market, the Company acquired 100% equity of Chuang-Si Digital Technology Co., Ltd. from related parties through a resolution agreement by the board of directors on October 24, 2019. The transaction base date was October 31, 2019, and the purchase price was NT\$9,900,000. After the Company completed the acquisition of Chuang-Si Digital Technology Co., Ltd., the Company name changed to Chen Li ELM, thus the subsidiary's focuses its operation strategy on primary education products and services.

To enhance the diversification of education businesses, the Company passed a resolution at the board meeting to establish a joint venture, Li-Ren Education Co., Ltd., on December 19, 2019. The Company invested NT\$3,000,000 and obtained 60% of its equity, the subsidiary focuses on biology education as its core strategic operations.

To expand the tutorial education business to Hsinchu districts, the Company passed a

resolution at the board meeting to establish a joint venture, Chen Li Zhiyi Education Co., Ltd., on March 24, 2020. The Company invested NT\$3,000,000 and acquired 60% of joint venture's equity.

In order to achieve specialization of labor and corporate reorganization to improve competitive and operating performances, the board passed a resolution on March 24, 2020 to transfer the optical fiber business (including operations and property) to Prime Optical Fiber Co., Ltd, which is 100% owned by the company. The Company has obtained the approval letter No. 1090005233 from the Taiwan Stock Exchange. Let its operating value be NT\$86,000 thousands and Prime Optical Fiber will issue 5,000 thousand new shares at a premium of NT\$17.2 per share, each with a par value of NT\$10, as the consideration.

In order to continue to focus on core competences and future operational development of the education businesses, and to grow the market competitiveness and market share of the education industry, hence leveraging existing resources more effectively to bring steady revenue and profit, the Company passed the resolution of disposal of 100% optical fiber subsidiary's equity on July 3, 2020 board meeting, from this date on, Prime Optical Fiber Co., Ltd. is no longer a subsidiary of the Company.

The Company passed a resolution to acquire 49% equity of Success Prime Education from its related parties on August 12, 2020, making Success Prime Education a 100% owned subsidiary by the Company. Success Prime Education was renamed to Here Enterprise Co., Ltd. through a passed resolution at the board meeting on October 30, 2020.

The company's profit and loss and other comprehensive profit and loss shares of the subsidiary using the equity method in 2019 and 2020, except that Chen Li Education is recognized according to the financial report verified by the accountant, the rest have not been verified by the accountant, but the management of the company believes that the above If the financial report of the verified subsidiary is verified by accountant, no major adjustments will be made.

For details of the investment subsidiaries held by the Company, please refer to Table 5.

## **12. PROPERTY, PLANT, EQUIPMENT**

	Leasing of modified items	Office Equipment	Other Equipment	Total
<u>Cost</u>				
January 1, 2019 Balance	\$ 29,223	\$ 5,337	\$ 867	\$ 35,427
Addition	-	1,814	-	1,814
Disposition	-	(85)	-	(85)
December 31, 2019 Balance	<u>\$ 29,223</u>	<u>\$ 7,066</u>	<u>\$ 867</u>	<u>\$ 37,156</u>
<u>Accumulated depreciation</u>				
January 1, 2019 Balance	\$ 27,838	\$ 1,087	\$ 451	\$ 29,376
Depreciation Fee	1,342	1,743	134	3,219
Disposition	-	(78)	-	(78)
December 31, 2019 Balance	<u>\$ 29,180</u>	<u>\$ 2,752</u>	<u>\$ 585</u>	<u>\$ 32,517</u>
December 31, 2019 Net amount	<u>\$ 43</u>	<u>\$ 4,314</u>	<u>\$ 282</u>	<u>\$ 4,639</u>
 <u>Cost</u>				
January 1, 2020 Balance	\$ 29,223	\$ 7,066	\$ 867	\$ 37,156
Addition	-	8,672	-	8,672
Disposition	(29,223)	(15,738)	(867)	(45,828)
December 31, 2020 Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Accumulated depreciation</u>				
January 1, 2020 Balance	\$ 29,180	\$ 2,752	\$ 585	\$ 32,517
Depreciation Fee	16	1,495	39	1,550
Disposition	(29,196)	(4,247)	(624)	(34,067)
December 31, 2020 Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2020 Net amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the year 2020 and 2019, there was no indication of an impairment loss; therefore, the Company did not perform impairment assessment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasing of Modified Items	3-8years
Office Equipment	3-5years
Other Equipment	3years

### 13. LEASE ARRANGEMENTS

(1) Rights-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Buildings	\$ <u>          -</u>	\$ <u>84,596</u>
	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Depreciation charge for right-of-use assets		
Buildings	\$ <u>3,639</u>	\$ <u>10,915</u>

Except for the additions and depreciation fee accounted above, the Company's evaluation did not find any sign of impairment on 2019 right-of-use assets.

(2) Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Current	\$ -	\$ 10,372
Non-current	<u>-</u>	<u>74,945</u>
	<u>\$ -</u>	<u>\$ 85,317</u>

The discount rate for lease liabilities was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	-	1.74%

(3) Other lease information

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>3,920</u>	\$ <u>11,761</u>

**14. INVESTMENT PROPERTY**

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
January 1 and December 31, 2019 Balance	\$ <u>27,394</u>	\$ <u>5,316</u>	\$ <u>32,710</u>
<u>Accumulated depreciation</u>			
January 1, 2019 Balance	\$ -	\$ 79	\$ 79
Depreciation Fee	<u>-</u>	<u>157</u>	<u>157</u>
December 31, 2019 Balance	\$ <u>-</u>	\$ <u>236</u>	\$ <u>236</u>
December 31, 2019 Net amount	\$ <u>27,394</u>	\$ <u>5,080</u>	\$ <u>32,474</u>
<u>Cost</u>			
January 1 and December 31, 2020 Balance	\$ <u>27,394</u>	\$ <u>5,316</u>	\$ <u>32,710</u>
<u>Accumulated depreciation</u>			
January 1, 2020 Balance	\$ -	\$ 236	\$ 236
Depreciation Fee	<u>-</u>	<u>157</u>	<u>157</u>
December 31, 2020 Balance	\$ <u>-</u>	\$ <u>393</u>	\$ <u>393</u>
December 31, 2020 Net amount	\$ <u>27,394</u>	\$ <u>4,923</u>	\$ <u>32,317</u>

Investment property is the properties held by the Company to earn rental income. It is leased to the subsidiary Chen Li Education as a tutorial school.

The depreciation fee is based on the straight-line basis for the following number of years of durability:

Buildings	32years
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The fair value of investment property has not been evaluated by independent evaluators and is only measured by the Company's management level using the evaluation model commonly used by market participants in the third level input value. The evaluation is based on market evidence similar to the transaction price of the property, and the fair value obtained is evaluated.

<u>December 31, 2020</u>	<u>December 31, 2019</u>
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Fair Value	<u>\$ 35,540</u>	<u>\$ 36,550</u>
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The lease period of investment real estate is 3-5years, which is a fixed lease payment.

In 2020 and 2019, leased investment real estate under operating leases will receive the total lease payments in the future as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 1,143	\$ 1,143
Year 2	1,143	571
Year 3	1,143	-
Year 4	1,143	-
Year 5	1,143	-
Year 6	<u>571</u>	<u>-</u>
	<u>\$ 6,286</u>	<u>\$ 1,714</u>

For the amount of investment real estate set as loan guarantee, please refer to Note 33.

## **15. OTHER ASSETS**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other account receivables	\$ -	\$ 1,001
Prepaid fees	59	769
Refundable Deposit	-	739
Other	<u>-</u>	<u>670</u>
	<u>\$ 59</u>	<u>\$ 3,179</u>
<u>Non-current</u>		
Prepaid Equipment Payment	\$ -	\$ 10,374
Refundable Deposit	<u>-</u>	<u>3,988</u>
	<u>\$ -</u>	<u>\$ 14,362</u>

## 16. BORROWINGS

### (1) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank borrowings	\$ <u>          -</u>	\$ <u>80,000</u>

The interest rates of bank revolving borrowings were 1.55% at December 31, 2019.

### (2) Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank borrowings- Shanghai Commercial and Savings Bank	\$ 21,870	\$ 24,300
Less: Current portion	( <u>2,430</u> )	( <u>2,430</u> )
Long-term borrowings	\$ <u>19,440</u>	\$ <u>21,870</u>

The aforementioned long-term and short-term bank borrowings are secured by the Company's investment properties as collateral (see Note 33), in which the long-term bank borrowings maturity date is December 24, 2029. As of December 31, 2020, and 2019, the effective annual interest rate is 1.34% and 1.59% respectively.

## 17. ACCOUNTS PAYABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Hourly fee payable to Teachers	\$ 16,551	\$ 14,242
Trade Payable	<u>          -</u>	<u>5,083</u>
	\$ <u>16,551</u>	\$ <u>19,325</u>

## 18. OTHER PAYABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 1,180	\$ 8,999
Compensation payable to Employees	2,327	2,468
Compensation payable to Directors	1,164	1,234
Operational tax payable	1,030	868
Service payable	1,018	1,643
Other	<u>527</u>	<u>25,331</u>
	\$ <u>7,246</u>	\$ <u>40,543</u>

## 19. RETIREMENT BENEFIT PLANS

### (1) Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### (2) Defined benefit plans

The defined benefit plans adopted by only partial employees of the Company in accordance with the Labor Standards Act is operated by the ROC government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy. The Company has settled the above-mentioned retirement benefit plans in March 2020, retrieved NT\$4,051,000 and recognized settled losses of NT\$2,611,000.

The amounts in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 8,676
Fair value of plan assets	( 15,338 )
Net defined benefit assets	( \$ 6,662 )

Movements in net defined benefit assets were as follows:

<u>Present Value of the Defined Benefit</u>	<u>Fair Value of the Plan Assets</u>	<u>Net Defined Benefit Liabilities</u>
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	Obligation		(Assets)
Balance at January 1, 2019	<u>\$ 7,110</u>	(\$ 14,671)	(\$ 7,561)
Net interest expense (revenue)	<u>80</u>	( <u>166</u> )	( <u>86</u> )
Recognized in profit or loss	<u>80</u>	( <u>166</u> )	( <u>86</u> )
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	( 501)	( 501)
Actuarial loss- demographic assumptions change	46	-	46
Actuarial loss - change in financial assumptions	227	-	227
Actuarial loss - experience adjustments	<u>1,213</u>	<u>-</u>	<u>1,213</u>
Recognized in other comprehensive income	<u>1,486</u>	( <u>501</u> )	<u>985</u>
Balance at December 31, 2019	<u>\$ 8,676</u>	(\$ 15,338)	(\$ 6,662)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Years Ended December 31, 2019
General and administration expenses (retirement fund profit)	( <u>\$ 86</u> )

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- i. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- ii. Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- iii. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the

salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2019</u>
Discount rate	0.800%
Expected rate of salary increase	1.125%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2019</u>
Discount rate	
0.25% increase	( \$ <u>178</u> )
0.25% decrease	<u>\$ 184</u>
Expected rate of salary increase	
0.25% increase	<u>\$ 177</u>
0.25% decrease	( <u>\$ 172</u> )

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2019</u>
The average duration of the defined benefit obligation	10 years

## **20. EQUITY**

### (1) Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Issued and paid shares (in thousands)	<u>19,185</u>	<u>17,459</u>
Issued capital	<u>\$ 191,854</u>	<u>\$ 174,594</u>

The Company has increase cash capital through private financing as follows:

	<u>1<sup>st</sup></u>	<u>2<sup>nd</sup></u>	<u>3<sup>rd</sup></u>	<u>4<sup>th</sup></u>	<u>5<sup>th</sup></u>
Shareholders' meeting resolution date	97.10.31	97.10.31	102.05.03	104.05.12	105.05.09
Private financing base date	97.11.21	98.12.31	102.07.25	104.06.23	105.08.31
Number of shares (in thousands)	14,103	16,575	3,000	7,000	8,200
Par value (NT\$)	10.00	10.00	10.00	10.00	10.00
Subscription Price (NT\$)	1.17	1.81	10.00	6.30	73.25
Total private financing amount (in thousands NT\$)	16,500	30,000	30,000	44,100	600,650

In 2008, 2009, 2013, 2015 and 2016, private financing capital stocks successively processed capital reductions to make losses in 2010 and 2016, and then transferred capital reserves to capital increase in 2017, 2018 and 2020, resulting in the increase or decrease of capital of the Company. The number of private financing common shares in each of the years were 381,000 shares, 448,000 shares, 533,000 shares, 1,243,000 shares and 9,040,000 shares respectively.

The above rights and obligations of private financing of new shares are the same as those of ordinary shares issued by the Company. However, according to the Securities Exchange Law, after 3 years of delivery of private financing ordinary shares and reapply public issuance, can apply for listing transaction on the market. The first to fourth and fifth private equity common shares mentioned above were completed on November 23, 2018 and October 30, 2019, respectively.

(2) Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>To make up for losses, issue cash, or stock dividends</u>		
Stock Issue Premium	\$334,307	\$360,198
<u>Only to make up for losses</u>		
Employees stock options exercised	2,591	2,591
Employees stock options exercised	<u>4,292</u>	<u>4,292</u>

\$341,190

\$367,081

The changes in the balance of various capital reserves of the Company in 2020 is as follows:

	Stock issuance premium	Employees stock options exercised	Employees stock options expired	Total
January 1, 2020 Balance	\$ 360,198	\$ 2,591	\$ 4,292	\$ 367,081
Cash distribution	( 8,631 )	-	-	( 8,631 )
Stock distribution	( <u>17,260</u> )	<u>-</u>	<u>-</u>	( <u>17,260</u> )
December 31, 2020 Balance	<u>\$ 334,307</u>	<u>\$ 2,591</u>	<u>\$ 4,292</u>	<u>\$ 341,190</u>

The excess of the capital reserve in excess of the premium amount (including the issuance of common shares with excess in denomination) to cover the losses, when the Company has no loss can be used to issue cash dividends or stock dividends, provided that the amount of share capital is limited to a certain percentage of the collected share capital each year.

### (3) Retained Earnings and Dividend Policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly: Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals Company's paid-in capital; special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Company's Articles of Incorporation provide the policy about the profit-sharing bonus to employees, please refer to Note 22 (7).

The dividend policy of the Company shall take into account the environment and surplus status of the industry, the demand for future capital expenditure and the long-term financial planning, and if there is a surplus to distribute dividends, the proportion of cash dividend payment shall not be lower than 10% of the total dividend allocated in the current year, and the rest is distributed in the form of stock dividends.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if the Company

incurs no loss.

The Company according to the Financial Commission's issued letter No. 1010012865, No.1010047490, No.1030006415 and "Adoption of international Financial Reporting Standards (IFRSs), a question and answer on the application of the special surplus reserve" and other provisions to mention and rotate the special surplus reserve.

The appropriation of earnings for 2019 and 2018, which had been proposed by the Company's general shareholders meeting on June 18, 2020 and May 2, 2019, respectively. The appropriation and dividends per share were as follows:

	For the Years Ended December 31	
	2019	2018
Legal reserve	<u>\$ 7,612</u>	<u>\$ 12,486</u>
Special reserve	<u>\$ 989</u>	<u>\$ 839</u>
Cash dividends	<u>\$ 17,260</u>	<u>\$ 69,042</u>
Cash dividends per share (NT\$)	\$ 1.00	\$ 4.00

According to the resolution of the shareholders' meeting on June 18, 2020, the Company decided to finance capital using its capital reserve of NT\$1,726,000. It is divided into 1,726,000 shares, each with a par value of NT\$10, all of which are ordinary shares, and a capital reserve of NT\$8,631,000 is distributed in cash, NT\$0.50 per share.

The proposed appropriation of earnings for 2020 decided by the board meeting on March 9, 2021 is as follows:

	For the Years Ended December 31, 2020
Legal reserve	<u>\$ 6,026</u>
Special reserve	<u>( \$ 208 )</u>
Cash dividends	<u>\$ 56,425</u>
Cash dividends per share (NT\$)	\$ 3.00

According to the resolution of the shareholders' meeting on March 9, 2021, the Company decided to use capital reserve of NT\$28,213,000 to distribute cash, NT\$1.50 per share.

The appropriation of earnings for 2020 is to be discussed at the shareholders' meeting scheduled on May 28, 2021.

(4) Treasury shares

<u>Purpose of Buy-back</u>	<u>Shares Transferred to Employees (In Thousands of Shares)</u>
Number of shares at January 1, 2020	199
Increase during the year	<u>178</u>
Number of shares at December 31, 2020	<u><u>377</u></u>

The Treasury shares held by the Company shall not be pledged under the Securities Exchange law, nor shall they enjoy the rights of dividend distribution and voting right.

**21. REVENUE**

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Client contracts revenue		
Educational service and consultancy	\$ 104,057	\$ 235,066
Optical fiber and cable products	<u>219,394</u>	<u>219,205</u>
	<u>\$ 323,451</u>	<u>\$ 454,271</u>

(1) Explanation on client contracts revenue, please refer to Note 4 (13).

(2) Remaining contracts balance

Accounts receivable balance, please refer to Note 9.

**22. NET PROFIT OF THE YEAR**

(1) Other Revenue

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidy revenue	\$ 4,584	\$ 3,984

Verification and technical service revenue	-	1,630
Other	<u>1,271</u>	<u>1,461</u>
	<u>\$ 5,855</u>	<u>\$ 7,075</u>

The government subsidy income is mainly the funds subsidized by the Company to implement the A + enterprise innovation research and development plan of the R.O.C Ministry of Economic Affairs.

(2) Other Profit and Loss

	For the Years Ended December 31	
	2020	2019
Bargain purchase gains (Note 1)	\$ -	\$ 727
Gains on investment disposal	9,035	-
Gains (losses) on net foreign currency exchange (Note 2)	608	( 771)
Losses on disposal of property, plant and equipment	<u>-</u>	<u>( 4)</u>
	<u>\$ 9,643</u>	<u>(\$ 48)</u>

Note 1: The company's 2020 consolidated financial report for the bargain purchase gains arising from the acquisition of 100% equity of Chen Li ELM on October 31, 2019, please refer to consolidated financial statements Note 27.

Note 2: The Company's 2020 and 2019 foreign exchange profits and losses are as follows:

	For the Years Ended December 31	
	2020	2019
Total foreign currency exchange profits	\$ 674	\$ 1,842
Total foreign currency exchange losses	<u>( 66)</u>	<u>( 2,613)</u>
Net profits (loss)	<u>\$ 608</u>	<u>(\$ 771)</u>

(3) Financial Costs

	For the Years Ended December 31	
	2020	2019
Interest on bank loans	\$ 896	\$ 1,907
Interest on rental liabilities	<u>483</u>	<u>1,567</u>
Total	<u>\$ 1,379</u>	<u>\$ 3,474</u>

(4) Interest revenue

	For the Years Ended December 31	
	2020	2019
Bank deposits	<u>\$ 63</u>	<u>\$ 168</u>

(5) Depreciation and Amortization

	For the Years Ended December 31	
	2020	2019
Depreciation- property, plant and equipment	\$ 1,550	\$ 3,219
Depreciation- right-of-use assets	3,639	10,915
Depreciation- investment property	157	157
Amortization- computer software	<u>381</u>	<u>194</u>
Total	<u>\$ 5,727</u>	<u>\$ 14,485</u>

An analysis of depreciation by function

Operating costs	\$ 3,786	\$ 13,511
Operating expenses	<u>1,560</u>	<u>780</u>
	<u>\$ 5,346</u>	<u>\$ 14,291</u>

An analysis of amortization by function

Operating expenses	<u>\$ 381</u>	<u>\$ 194</u>
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(6) Employee Benefit Expenses

	For the Years Ended December 31	
	2020	2019
Short term Employee Benefits	\$ 25,611	\$ 53,456
Post-employment benefits		
Defined contribution plans	3,443	1,430
Defined benefit plans (Note 19)	-	( 86)
Resignation benefits	34	1,400
Other employee benefits	<u>1,060</u>	<u>2,125</u>
Total employee benefits expense	<u>\$ 30,148</u>	<u>\$ 58,325</u>
Operating costs	\$ 4,930	\$ 15,894
Operating expenses	<u>25,218</u>	<u>42,431</u>
	<u>\$ 30,148</u>	<u>\$ 58,325</u>

(7) Employees' compensation and remuneration of directors

In accordance with the provisions of the Articles of Incorporation, the employees' compensations are provided at not less than 3% and remuneration of directors are not more than 5% before deducting the pre-tax benefits of the employees and directors. The estimated 2020 and 2019 employees' compensation and remuneration of directors were decided by the Board on March 9, 2021 and March 24, 2020 respectively as follows:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation		
-Estimated ratio	3%	3%
-Amount	<u>\$ 2,327</u>	<u>\$ 2,468</u>
Remuneration of directors		
-Estimated ratio	1.5%	1.5%
-Amount	<u>\$ 1,164</u>	<u>\$ 1,234</u>

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## **23. INCOME TAXES**

(1) Major components of income tax expense recognized in profit or loss:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax		
Income tax on unappropriated earnings	\$ 2,474	\$ 2,117
Adjustments for prior year	<u>-</u>	<u>( 5 )</u>
	<u>2,474</u>	<u>2,112</u>
Deferred tax		
In respect of the current year	9,367	329

Adjustments for prior year	<u>5</u>	<u>-</u>
	<u>9,372</u>	<u>329</u>
Income tax expense recognized in profit or loss	<u>\$ 11,846</u>	<u>\$ 2,441</u>

A reconciliation of accounting loss and income tax expenses were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Income before tax	<u>\$ 74,080</u>	<u>\$ 78,559</u>
Income tax expense calculated at the statutory rate	\$ 14,816	\$ 15,712
Surtax on Undistributed Retained Earnings	2,474	2,117
Tax-exempt income	( 1,407)	-
Deferred tax effect of earnings of subsidiaries	( 6,622)	( 5,359)
Impact of unrecognized deferred income tax assets	2,580	( 10,024)
Adjustments for prior years' tax	<u>5</u>	<u>( 5)</u>
Income tax expense recognized in profit or loss	<u>\$ 11,846</u>	<u>\$ 2,441</u>

(2) Income tax recognized in other consolidated profits and losses

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Deferred income tax</u>		
In respect of the current year		
- Remeasured number of defined benefit plan	<u>\$ 650</u>	<u>\$ 202</u>

(3) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the Years Ended December 31, 2020

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in other comprehensive income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				

Temporary differences				
Allowance for inventory loss	\$ 8,644	(\$ 8,644)	\$ -	\$ -
Other	<u>644</u>	<u>( 624)</u>	<u>-</u>	<u>20</u>
	<u>9,288</u>	<u>( 9,268)</u>	<u>-</u>	<u>20</u>
Loss carryforwards	<u>26,615</u>	<u>( 787)</u>	<u>-</u>	<u>25,828</u>
	<u>\$ 35,903</u>	<u>(\$ 10,055)</u>	<u>\$ -</u>	<u>\$ 25,848</u>

Deferred income tax liabilities

Temporary differences				
Defined benefit plans	\$ 1,333	(\$ 683)	(\$ 650)	\$ -
Bargain purchase gains	<u>145</u>	<u>-</u>	<u>-</u>	<u>145</u>
	<u>\$ 1,478</u>	<u>(\$ 683)</u>	<u>(\$ 650)</u>	<u>\$ 145</u>

For the Years Ended December 31, 2019

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in other comprehensive income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory loss	\$ 5,239	\$ 3,405	\$ -	\$ 8,644
Other	<u>604</u>	<u>40</u>	<u>-</u>	<u>644</u>
	<u>5,843</u>	<u>3,445</u>	<u>-</u>	<u>9,288</u>
Loss carryforwards	<u>30,521</u>	<u>( 3,906)</u>	<u>-</u>	<u>26,615</u>
	<u>\$ 36,364</u>	<u>(\$ 461)</u>	<u>\$ -</u>	<u>\$ 35,903</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 1,513	\$ 22	(\$ 202)	\$ 1,333
Bargain purchase gains	-	145	-	145
Unrealized net profits of exchange	<u>299</u>	<u>( 299)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,812</u>	<u>(\$ 132)</u>	<u>(\$ 202)</u>	<u>\$ 1,478</u>

(4) Losses deduction of deferred income tax assets not recognized in the balance sheet

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expire in 2021	\$ 25,622	\$ -
Expire in 2024	-	12,191
Expire in 2025	<u>-</u>	<u>24,784</u>
	<u>\$ 25,622</u>	<u>\$ 36,975</u>

(5) Related information of unused loss carry-forwards

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expire in 2020	\$ -	\$ 15,284
Expire in 2021	62,622	62,622
Expire in 2023	13,679	13,679
Expire in 2024	53,678	53,678
Expire in 2025	<u>24,784</u>	<u>24,784</u>
	<u>\$ 154,763</u>	<u>\$ 170,047</u>

(6) Income Tax Assessments

The Company's tax returns through 2018 have been assessed by the tax authorities.

**24. EARNINGS PER SHARE**

Unit : NT\$per share

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 3.30</u>	<u>\$ 4.01</u>
Diluted earnings per share	<u>\$ 3.29</u>	<u>\$ 4.00</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 31, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit : NT\$per share

	<u>Before Retrospective Adjustment</u>	<u>After Retrospective Adjustment</u>
Basic earnings per share	<u>\$ 4.41</u>	<u>\$ 4.01</u>

Diluted earnings per share	<u>\$ 4.40</u>	<u>\$ 4.00</u>
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The income and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Income for the year attributable to owners of the Company	<u>\$ 62,234</u>	<u>\$ 76,118</u>

Shares

Unit : in thousands of shares

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	18,883	18,986
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>54</u>	<u>48</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>18,937</u>	<u>19,034</u>

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## **25. ACQUIRED INVESTMENT SUBSIDIARY**

	<u>Main operating activities</u>	<u>Acquisition Day</u>	<u>Ownership rights with voting rights /Acquisition ratio(%)</u>	<u>Transfer Price</u>
Chuang-Si Technology Co. Ltd.	Education Service	Oct 31, 2019	100%	<u>\$ 9,900</u>

The Company acquired Chuang-Si Technology, later renamed Chen Li ELM Co. Ltd (hereinafter as Chen Li ELM), for the deployment of primary school education business and expansion of the operation of the company. For the explanation on the acquisition of Chen Li ELM School, please refer to Note 27 of the Company's 2020 consolidated financial report.

## **26. DISPOSAL OF SUBSIDIARIES**

The Company passed the sale agreement resolution in the board meeting to dispose of Success Prime Optical Fiber Limited Subsidiary Prime Optical Fiber Co., Ltd. to a non-related party Gold Sun Technology Co., Ltd. The disposal was completed on July 3, 2020, from this date on, the Company has no control over Success Prime Optical Fiber Co., Ltd. For details on the disposal of Prime Optical Fiber, please refer Note 28 of the Group's consolidated financial statements.

## **27. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL**

On August 12, 2020, the Company's board of directors decided to acquire 49% equity of the Company's subsidiary, Prime Education (renamed as Here Enterprise Co., Ltd.), and make it a 100% owned subsidiary by the Company.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the partial disposal of Prime Education Limited, please refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2020.

## **28. TRANSFER OF BUSINESS**

The company's board of directors passed a resolution on March 24, 2020 to transfer the Company's optical fiber business (including business and property) to Prime Optical Fiber Co., Ltd.

### (1) Consideration received

	<u>Consideration received</u>
Prime Optical Fiber ordinary shares	<u>\$ 86,000</u>

### (2) Analysis of assets and liabilities of the business transfer

	<u>Optical Fiber Division</u>
Current assets	
Cash and cash equivalents	\$ 56,251
Financial assets measured at amortized cost	5,655
Accounts receivables	38,252
Other receivables	41
Refundable deposits	3,490
Other current assets	1,204
Non-current assets	
Property, plant and equipment	11,761
Right-to-use assets	80,957
Refundable deposits	2,216
Equipment prepayments	2,160
Current liabilities	
Accounts payables	\$ 27,500
Other payables	5,874
Other current liabilities	733
Non-current liabilities	
Lease liabilities	<u>81,880</u>
Net assets disposed of	<u>\$ 86,000</u>

(3) Gain on transfer of business

	<u>Optical Fiber Division</u>
Consideration received	\$ 86,000
Net assets disposed of	( <u>86,000</u> )
Gain on disposals	<u>\$ _____</u> -

(4) Net cash inflow on transfer of business

	<u>Optical Fiber Division</u>
Total net cash outflow	( <u>\$ 56,251</u> )

## **29. CASH FLOW INFORMATION**

Simultaneously affect the investment and financing activities of cash and non-cash items:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Purchase property, plant and equipment		
Increase in property, plant and equipment	\$ 8,672	\$ 1,814
Increase (decrease) prepaid equipment payments	( 8,214 )	3,867
Decrease (increase) equipment payables	<u>1,713</u>	( <u>999</u> )
Net cash paid	<u>\$ 2,171</u>	<u>\$ 4,682</u>

## **30. CAPITAL MANAGEMENT**

The Company manages its capital to ensure that the Company will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders

through the optimization of the debt and equity balance.

The capital structure of the Company is composed of the Company's net debt (ie borrowings less cash) and equity (ie share capital, capital reserve and retained earnings).

The Company does not need to comply with other external capital requirements.

### 31. FINANCIAL INSTRUMENTS

#### (1) Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

#### (2) Fair value of financial instruments measured at fair value on a recurring basis

##### i. Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-Unlisted shares in ROC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-Unlisted shares in ROC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>

##### ii. Valuation technic and input value used in Level 3 fair value measurement

<u>Category of financial instruments</u>	<u>Evaluation of technology and input values</u>
Unlisted equity investments	Market Method: Assess the fair value of the investment by reference to the recent operating activity of the subject or the market transaction price and market conditions of the investment subject or other similar subjects.

##### iii. Fair value assessment for Level 3 can reasonably replace assumptions of sensitivity analysis

The Company's fair value measurement of financial instruments is reasonable, and no

self-built evaluation model is used for level 3 fair value measurement, so there is no need to perform a sensitivity analysis that may replace hypotheses.

(3) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Measured at amortized costs (Note 1)	\$ 79,859	\$143,720
Measured at FVTOCI		
- equity investment instrument	4,500	4,500
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	45,911	164,831

Note 1: The balance consists of cash, accounts receivables (including related parties), other receivables (other current assets) and refundable deposits (other current and other non-current assets), which are measured at amortized cost.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise, short-term borrowings, notes payable, trade payables, other payables (including payables to related parties), long-term loans (including current portion), and refundable deposits.

(4) Financial risk management objectives and policies

The main financial instruments of the Company include cash, financial assets measured at amortized cost, accounts receivable, equity investment instruments, bills payable, accounts payable, borrowings and lease liabilities. The financial management department of the Company provides services for each business unit, coordinates the operation of entering the domestic and international financial markets, and monitors and manages the financial risks related to the operation of the Company by analyzing the risk internal risk report according to the degree of risk and breadth. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

i. Market Risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below), and in interest rates (see (2) below).

(i) Foreign currency risk

For the carrying amount of monetary assets and liabilities denominated in the non-functional currency at the balance sheet date, refer to Note 35.

Sensitivity analysis

The Company had no foreign currency assets and liabilities as of December 31, 2020, and for year ended December 31, 2019 was mainly affected by fluctuations in the exchange rate of the U.S. dollar.

The sensitivity analysis only includes foreign currency monetary items that are in circulation and the conversion at the end of the period is adjusted by 1% of the exchange rate change. When the New Taiwan dollar appreciates by 1% against each relevant currency, it increases the net profit before tax of the Company in 2019 by NT\$385,000. When the New Taiwan dollar depreciates by 1% against each foreign currency, its impact on net profit before tax will be a positive amount of the same amount.

(ii) Interest Rate Risk

The Company is exposed to fluctuating interest rate risk from outstanding bank loans. Changes in interest rates would affect the future cash flows but not the fair value.

The financial assets and liabilities balance for which the Company is subject to interest rate risk on the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest rate risk with fair value		
-Financial assets	\$ -	\$ 5,655
Cash flow interest rate risk		
-Financial assets	57,498	69,887
-Financial liabilities	21,870	104,300

Assume that the floating borrowing rate at the end of the reporting period is held during the entire reporting period. When the interest rate increases/decreases by 0.1%, the net profit before tax for the Company's

2020 and 2019 will increase/decrease by NT\$36,000 and decrease/increase NT\$34,000 respectively, while all other variables remain fixed.

ii. Credit Risk

Credit risk refers to the risk that the counterparty defaults on the contractual obligations resulting in financial losses to the Company. As the major trading counterparty are all creditworthy financial institutions and corporate organizations, no significant credit risk is expected.

iii. Liquidity Risk

The Company reduces the impact of cash flow fluctuations by managing and maintaining sufficient cash. The Management supervises the available quotas of bank financing and ensures compliance with the terms of the loan contract.

Bank borrowing is an important source of liquidity for the Company. As of December 31, of 2020 and 2019, the unused financing capital (note) was NT\$288,000,000 and NT\$190,245,000 respectively.

Note: As of December 31, 2020, and 2019, the amount used jointly by the Company and its subsidiary Chen Li Education was NT\$288,000,000 and NT\$170,900,000 respectively.

Liquidity and interest rate risk statement for non-derivative financial liabilities

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the undiscounted cash flows of financial liabilities (including principal and estimated interest) based on the date which the Company is required to repay. Therefore, regardless whether the bank immediately executes its rights, the Company may be required to immediately repay the bank loan by the earliest period in the following table; other non-derivative financial liability maturity analysis is prepared according to the agreed repayment date.

Interest cash flow paid at floating interest rate, its outstanding interest amount is derived from the balance sheet daily interest rate curve.

December 31, 2020

	<u>1~6 Months</u>	<u>6 months ~ 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing	\$ 19,457	\$ 4,384	\$ 200

liabilities			
Fluctuating interest rates instruments	<u>1,215</u>	<u>1,215</u>	<u>19,440</u>
	<u>\$ 20,672</u>	<u>\$ 5,599</u>	<u>\$ 19,640</u>

December 31, 2019

	<u>1~6 Months</u>	<u>6 months ~ 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 56,629	\$ 3,702	\$ 200
Fluctuating interest rates instruments	<u>81,215</u>	<u>1,215</u>	<u>21,870</u>
	<u>\$ 137,844</u>	<u>\$ 4,917</u>	<u>\$ 22,070</u>

### **32. TRANSACTION WITH RELATED PARTIES**

In addition to those disclosed in other notes, detail of transactions between the Company and related parties are disclosed below.

(1) Related parties and their relationships associated with the Company:

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Shu-Ling Tseng	CEO of the Company
Min-Chun Chen	Founder of the Subsidiary (Since January 30, 2019, as the Chairman of the Company)
Wei-Ru Chen	Related party
Chuang-Si Technology Co. Ltd. (Chuang-Si Technology)	Related party (Since November 1, 2019 included in the Company parent company)
Prime Optical Fiber	Subsidiary of the Company (The Company disposed the subsidiary on July 2020, but the company chairman was a director of the company, and the chairman of the company was dismissed as a director of the company on September 30, 2020. Therefore, the company has no relationship with the company since that date.)
Chen Li Education	Subsidiary of the Company
Chen Li ELM	Subsidiary of the Company

## Li-Ren Education

## Subsidiary of the Company

## (2) Service revenue

Line Items	Related party category / name	For the Years Ended December 31	
		2020	2019
Sales revenue	Subsidiary		
	Prime Optical Fiber	<u>\$ 31,581</u>	<u>\$ -</u>
Service revenue	Subsidiary		
	Chen Li Education	<u>\$ 218,877</u>	<u>\$ 219,091</u>

The Company sells goods to related parties and provides related parties' labor services, and there is no significant difference between the transaction prices and payment conditions of the company and non-related parties.

## (3) Service cost

Related party category / name	For the Years Ended December 31	
	2020	2019
Subsidiary		
Chen Li ELM	\$ 245	\$ 761
Chen Li Education	5	-
Li-Ren Education	<u>443</u>	<u>-</u>
	<u>\$ 693</u>	<u>\$ 761</u>

The Company provides services cost from related parties, and its transaction prices and payment conditions are not significantly different from those of non-related parties.

## (4) Purchases of goods

Related party category / name	For the Years Ended December 31	
	2020	2019
Related party		
Prime Optical Fiber	<u>\$ 7,991</u>	<u>\$ -</u>

Compared with other manufacturers, there is no significant difference between the Company's trading conditions for the purchase of related parties.

(5) Accounts receivables

<u>Related party category / name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary		
Chen Li Education	<u>\$ 22,361</u>	<u>\$ 19,747</u>

There is no guarantee for payment due from related parties outstanding. The amounts due from related parties in 2020 and 2019 were not provided as allowances for losses.

(6) Accounts Payable to related parties

<u>Line Item</u>	<u>Related party category / name</u>	<u>For the Years Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Account payables	Subsidiary		
	Chen Li ELM	\$ -	\$ 407
	Li-Ren Education	<u>44</u>	<u>-</u>
		<u>\$ 44</u>	<u>\$ 407</u>
Other payables	Subsidiary		
	Prime Optical Fiber	<u>\$ -</u>	<u>\$ 56</u>

The balance of payments due to related parties outstanding is not guaranteed.

(7) Acquisition of financial assets

For the Years Ended December 31, 2020

<u>Related party category / name</u>	<u>Line Item</u>	<u>Number of shares transaction</u>	<u>Transaction subject</u>	<u>Price obtained</u>
Related party				

Wei-Ru Chen	Investment using equity method	490,000 shares	Success Prime Education shares	<u>\$ 8,800</u>
-------------	--------------------------------	----------------	--------------------------------	-----------------

The company passed the resolution in the board meeting to purchase 49% of the equity of Success Prime Education from the related party Wei-Ru Chen in August 2020, please refer to Note 29 of the Group's consolidated financial statements notes for year ended December 31, 2020.

For the Years Ended December 31, 2019

Related party category / name	Line Item	Number of shares transaction	Transaction subject	Price obtained
<u>Key Management</u>				
Shu-Ling Tseng	Investment using equity method	1,000,000 shares	Chuang-Si Technology	<u>\$ 6,600</u>
Min-Chun Chen	Investment using equity method	500,000 shares	Chuang-Si Technology	<u>\$ 3,300</u>

The Company acquired 100% equity of Chuang-Si Technology on October 31, 2019, making it a subsidiary of the Company, please refer to Note 27 of the Group's consolidated financial statements notes for year ended December 31, 2020.

(8) Obtain Endorsement Guarantee

<u>Related party category / name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Subsidiary</u>		
Chen Li Education		
Guaranteed Amount	<u>\$ 288,000</u>	<u>\$ 250,900</u>

(9) Rental Revenue

<u>Related party category / name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Subsidiary</u>		
Chen Li Education	<u>\$ 1,145</u>	<u>\$ 1,145</u>

As stated in Note 14, the investment property of the Company is leased to the subsidiary Chen Li Education, whose rent is based on the market rent and receives a deposit of NT\$200,000.

(10) Leasing Agreement

<u>Line Items</u>	<u>Related party category / name</u>	<u>For the Years Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Lease expense	Subsidiary		
	Prime Optical Fiber	<u>\$ -</u>	<u>\$ 160</u>

(11) Loans to related parties

Interest Revenue

<u>Related party category / name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary		
Chen Li Education	<u>\$ 14</u>	<u>\$ -</u>

Please refer to Attached Table 1 for the Company's capital loans to related parties.

(12) Remuneration of Key Management Levels

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short term Employee Benefits	\$ 6,518	\$ 11,127
Post-employment benefits	<u>141</u>	<u>188</u>
	<u>\$ 6,659</u>	<u>\$ 11,315</u>

The remuneration of directors and other key management levels are determined by the Compensation Committee based on individual performance and market trends.

### **33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets have been provided as collateral for short-term and long-term bank

borrowings:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment property- land ( Note )	\$ 27,394	\$ 27,394
Investment property- buildings ( Note )	4,923	5,080
Pledged deposits (classified as financial assets at amortized cost-current)	<u>-</u>	<u>5,655</u>
	<u>\$ 32,317</u>	<u>\$ 38,129</u>

Note: The investment property land and buildings held by the company are used as collateral for long-term bank loans.

### **34. OTHERS**

The management of the Company has assessed that the global pandemic COVID-19 has not had a significant impact on the Company's ability to continue operations, asset impairment and financing capabilities.

### **35. INFORMATION ON FOREIGN CURRENCY ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT**

The following information is aggregated in foreign currencies other than the functional currency of the Company. The exchange rate disclosed is the exchange rate of the foreign currency into the functional currency. The foreign currency assets and liabilities that have significant impact are as follows:

December 31, 2019

	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>Balance</u>
<u>Foreign currency assets</u>			
<u>Monetary accounts</u>			
US Dollars	\$ 2,503	29.580	\$ 74,039
RMB	57	4.208	240
 <u>Foreign currency liabilities</u>			
<u>Monetary accounts</u>			
US Dollars	1,209	29.580	35,792

The Company has realized and unrealized the foreign currency exchange gains and losses

in the 2019. Please combine the parent company only income statement. Due to the large number of foreign currency transactions, it is impossible to disclose the exchange gains and losses according to each significant foreign currency.

### **36. NOTES DISCLOSURE ITEMS**

(1) Main transaction items and

(2) Information related to the transfer of investment business:

- i. Loans to others: Table 1.
- ii. Endorsement for others: Table 2.
- iii. Holding securities at the end of the period (excluding investment in subsidiaries): Table 3.
- iv. Accumulatively buy or sell the same marketable securities amounting to NT\$300 million or paid-up capital of more than 20%: None.
- v. The amount of property acquired is NT\$300 million or over 20% of paid-up capital: none.
- vi. The disposition of property amounts to NT\$300 million or over 20% of paid-up capital: none.
- vii. The amount of import and sales with related parties amounts to NT\$100 million or over 20% of paid-up capital: Table 4.
- viii. The receivables from the related party amounted to NT\$100 million or more than 20% of the paid-up capital: none.
- ix. Engage in derivatives transactions: None.
- x. Information on the investee Company: Table 5.

(3) China Investment Information:

- i. The name of the China's Company as investee, the main business operation, the amount of capital received, the mode of investment, the export of funds, the proportion of shareholding, the profit and loss of current portion investment, the carrying amount of the final investment, the profit and loss of the remitted investment and the investment limit to the mainland region: Table 6.
- ii. Any of the significant transactions with investee companies in mainland China,

either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None

- (i) The amount and percentage of the purchase and the closing balance and percentage of the relevant payables.
  - (ii) The amount and percentage of goods sold and the closing balance and percentage of related receivables.
  - (iii) The amount of the property transaction and the amount of profit and loss it generates.
  - (iv) The closing balance of the bill endorsement or the provision of the collateral and its purpose.
  - (v) The maximum balance, closing balance, interest rate range and total interest in the current period of the facility.
  - (vi) Other transactions that have a significant impact on the profits and losses or financial position of the current period, such as the provision or receipt of services.
- (4) Key shareholders information: The shareholder name, shareholding amount and proportion of shareholders with a shareholding ratio of 5% or more. (Table 7)

### **38. DEPARTMENTAL INFORMATION**

The company has disclosed relevant operating department information in the consolidated financial statements in accordance with regulations.

**SUCCESS PRIME CORPORATION**

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	Chen Li Education	Other receivables —related party	Yes	\$ 50,000	\$ 50,000	\$ -	1.30%	2	\$ -	Business turnover	\$ -	\$ -	\$ 80,780 (Note 3)	\$ 323,120 (Note 3)	—	
1	Chen Li Education	Chen Li (Xiamen) Education Consulting Co., Ltd.	Other receivables —related party	Yes	8,690	8,690	4,377	1.40%	(2)	-	Business turnover	-	-	20,167 (Note 4)	80,669 (Note 4)	—	

Note 1 : The numbering column is described as follows :

(1) Issuer fill in 0 .

(2) Companies as investee are numbered sequentially starting from 1.

Note 2 : The subject receiving the loans shall be limited to the following circumstances:

(1) Subject companies with business relations with the SPC.

(2) Necessary party with short-term financing capital.

Note 3 : The total amount of capital loans of the company and the limits of individual objects are as follows:

(1) The total amount of funds loaned by the company to others shall not exceed 40% of the net value of the company's most recent financial statements.

(2) The total limit of the company's short-term financial loans and others shall not exceed 30% of the company's most recent net value of financial statements.

(3) The loan amount of individual target funds shall not exceed 10% of the net value of the company's most recent financial statements.

Note 4 : The total amount of Chen Li Education's fund loan and the limits of individual objects are as follows:

(1) The total amount of Chen Li Education's funds loaned to others shall not exceed 40% of the net value of Chen Li Education's latest financial statements.

(2) The loan amount of individual target funds shall not exceed 10% of the net value of Chen Li Education's latest financial statements.

## SUCCESS PRIME CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Chen Li Education	The Company	(3)	\$ 302,509	\$ 288,000	\$ 288,000	\$ -	\$ -	142.81%	\$ 302,509	N	Y	N	-

Note 1 : The numbering column is described as follows:

- (1) Issuer fills in 0.
- (2) Companies as investee are numbered sequentially starting from 1.

Note 2 : The relationship between the endorser and guarantor has the following 7 types, just indicate the type:

- (1) A company with business dealings.
- (2) A company that directly and indirectly holds more than 50% of the voting shares.
- (3) Companies that directly and indirectly hold more than 50% of the voting shares of the company.
- (4) Inter-company companies where the company directly and indirectly holds more than 90% of the voting shares.
- (5) A company that is mutually insured according to the contract between inter-industries or co-founders based on the needs of the contracted project.
- (6) A company whose endorsement is guaranteed by all capital shareholders according to their shareholding ratio due to a joint investment relationship.
- (7) The inter-industry is engaged in the performance guarantee and joint guarantee of the pre-sale house sales contract regulated by the Consumer Protection Law.

Note 3 : The limit amount of the foreign endorsement guarantees of Chen Li Education Co., Ltd. are as follows:

- (1) For companies that directly and indirectly hold more than 50% of the voting rights of Chen Li Education, the total amount of endorsement guarantees and endorsement guarantees of Chen Li Education for a single object are based on Chen Li Education's most recent audit or review by an accountant the net value of the financial statements is 150%.
- (2) The net value is based on the most recent financial statements (2020) reviewed by Chen Li Education by accountants.

**TABLE 3****SUCCESS PRIME CORPORATION****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
The Group	Taiwan unlisted shares Accuagile Co., Ltd	None	Financial assets at FVTOCI	1,500,000	\$ 4,500	15	\$ 4,500

Note : Fair value is based on the most recent evaluation results.

**TABLE 4**

**SUCCESS PRIME CORPORATION**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
The Company	Chen Li Education	Subsidiary	Service revenue	(\$ 218,877)	( 68% )	Month end 30 days	Note	-	\$ 22,361	100%
Chen Li Education	The Company	Parent Company	Service costs	218,877	63%	Month end 30 days	Note	-	( 22,361 )	( 93% )

Note : There are no other transactions of the same type available for comparison, and the terms of collection are agreed by both parties.

TABLE 5

## SUCCESS PRIME CORPORATION

## INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (in thousands)	%			
The Company	Chen Li Education	Taiwan	Education services	\$ 711,369	\$ 711,369	11,200	100%	\$ 32,152	\$ 32,113	Subsidiary
The Company	Prime Optical Fiber	Taiwan	Wire & Cable Manufacturing	-	10,000	-	-	813	813	Note 2
The Company	Here Enterprise	Taiwan	Education Consulting Services	13,900	5,100	1,000	100%	4,197	3,165	Subsidiary
The Company	Chen Li ELM	Taiwan	Education services	9,900	9,900	1,500	100%	( 2,452 )	( 2,452 )	Subsidiary
The Company	Li-Ren Education	Taiwan	Education services	3,000	-	300	60%	123	74	Subsidiary
The Company	Chen Li Zhiyi	Taiwan	Education services	3,000	-	300	60%	( 1,007 )	( 604 )	Subsidiary
Chen Li Education	CHEN LJ Education Group Limited	British Virgin Islands	Holding Company	( USD 40,543 1,292 )	( USD 40,543 1,292 )	-	100%	( 10,122 )	Note 1	Sub-subsubsidiary
CHEN LJ Education Group Limited	CHEN LJ Education Group (HK) Limited	Hong Kong	Holding Company	( USD 30,059 952 )	( USD 30,059 952 )	-	100%	( 10,031 )	Note 1	Sub-subsubsidiary

Note 1 : The profit and loss of the invested company is included in its investment company. To avoid confusion, it will not be expressed here.

Note 2 : The Company passed the resolution at the board meeting on July 3, 2020 to sell 100% equity of its subsidiary, Prime Optical Fiber. Therefore, from that date, Prime Optical Fiber is no longer a subsidiary of the company.

The recognized investment gains and losses are the amount before SPC successfully sold its equity of Prime Optical Fiber.

**TABLE 6**

**SUCCESS PRIME CORPORATION**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment by the Group	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Chen Li (Xiamen) Education Consulting Co., Ltd.	Engaged in educational consulting services and other business	RMB 6,000	Through the third regional company CHEN LI Education Group (HK) Limited investment	\$ 28,516	\$ -	\$ -	\$ 28,516	(\$ 9,850)	100%	(\$ 9,850)	\$ 15,851	\$ -	—
<b>Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020</b>				\$ 28,516	\$ -	\$ -	\$ 28,516	(\$ 9,850)					
<b>Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA</b>													
				\$ 28,516 (RMB 60,000)			\$ 121,004 (Note 2)						

Note 1 : Investment gains and losses are recognized based on the financial statements verified by the parent company certified accountant in Taiwan.

**TABLE 7****SUCCESS PRIME CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.85%
Far East International Commercial Bank entrusted custody of Endow Capital Management Co., Ltd. Investment Special Account	1,890,039	9.85%
Far East International Commercial Bank entrusted with the custody of Optimistic Forward Investment Account	1,760,177	9.17%
Witty Sino Holdings Co., Ltd.	1,741,020	9.07%
Shu-Cheng Tseng	1,003,564	5.23%

Note 1 : The main shareholder information in this table is based on the last business day of the quarter at the end of the quarter, and the shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the Company's parent company only financial report and the actual number of shares delivered without physical registration may be different due to different or different calculation bases.

Note 2 : In the case of the above information, if a shareholder delivers shares to the trust, it is disclosed in individual accounts by the trustor who opened the trust account by the trustee. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their holdings include their own shareholding plus the shares delivered to the trust and have the right to use the trust property. For information on insider's equity declarations, please refer to the Market Observation Post System.