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Champion Building Materials Co. Ltd.

2020

# Annual Report



<http://group.champion.com.tw/>

Published on 20 May, 2021

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- VI. Company Website <http://group.champion.com.tw/>

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## Chapter 1. Letter to Shareholders

### I. 2020 Business Report

#### (I) Implementation Results of the 2020 Business Plan

Look back on 2020, due to the demand changes in Taiwan's domestic real estate market, houses built for supply were primarily small-scale products with low total prices. The sales volume was equivalent to that of 2019; however, the tile market was materially impacted by the low-priced import products, and the average sales price dropped. The outbreak of COVID-19 occurred to the world at the beginning of the year. Our production cost was significantly decreased due to a massive drop in the price of natural gas that is necessary for the production of ceramic tiles resulted from the decrease in production activities in nations, and we recorded an increase in the operating profit in 2020 from 2019. Furthermore, our operating subsidiary in Mainland introduced a strategic operating partner GuangZhou Seagull Kitchen and Bath Products Co., Ltd. (a company listed on Shenzhen Stock Exchange in Mainland) in April 2020. Both parties made co-investments to expand the channels for tiles and enter the installation market for the improvement of sales and the reaching out to the installation market and downstream customers; they also increased the sales of functional tiles (such as sintered stone slabs and slabs). As the changes in the operating model of our subsidiary in Mainland, we recorded a consolidated loss after tax of NT\$402,867 thousand in 2020 due to the losses incurred in 2020 caused by the recognition of the plant's fixed cost as our current cost and the increase in the expenses for canceling labor contracts arising from the employee streamlining resulted from the decrease in the sales and production volume.

In 2020, the net consolidated operating income was NT\$3,609,001 thousand, the sales cost was NT\$2,918,008 thousand, the gross sales profit was NT\$690,993 thousand, the profit margin was 19.15%, the net loss after tax was NT\$402,867 thousand, and the net profit margin was (11.16%); the comparison with 2019 is as follows:

Unit: NT\$000'

Item	2020	2019	Increase (decrease) in amount	Increase (decrease)
Sales income	3,609,001	4,730,243	(1,121,242)	(23.70)
Sales cost	2,918,008	3,645,027	(727,019)	(19.95)
Sales gross profit	690,993	1,085,216	(394,223)	(36.33)
Net profit after Tax	(402,867)	(425,190)	22,323	5.25

(II) Budget Execution: According to the requirements under the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company is exempted from preparing the 2020 financial forecast.

(III) Analysis on Financial Income and Expense and Profitability:

The analysis on the consolidated financial income and expense and profitability of the Company and its subsidiaries for the latest two years are summarized as follows:

Item		2020	2019	
Financial income and expense (NT\$000')	Net cash inflows from operating activities	331,348	207,287	
	Net cash outflows from investing activities	(87,915)	27,701	
	Net cash inflows (outflows) from financing activities	70,532	(637,770)	
Profitability (%)	Return on assets (%)	(3.43)	(3.28)	
	Return on equity (%)	(7.04)	(6.89)	
	Ratio to paid-in capital (%)	Operating profits	(8.08)	(7.07)
		Net profit before tax	(7.22)	(9.64)
	Net profit margin (%)	(11.16)	(8.99)	
	Earnings per share after tax (NT\$)	(0.93)	(0.98)	

#### (IV) R&D Status

The Company is committed to product R&D and the optimization of production cost, and actively invests in developing high-value products of high imitation stone (such as digital slate brick in sizes of 30×60 cm, 60×60 cm, 45×90 cm, 90×90 cm, and 60×120 cm, digital timber tiles series products in sizes of 15×75 cm and 15×90 cm, new thick bricks in sizes of 60×120×2 cm and 60×60×2 cm, and marble series in sizes of 30×60 cm and 60×60 cm). On the other hand, we continue to improve the add-value of our products and our competitive strength leveraging on our equipment and R&D capacity.

## II. Summary of Operating Plans for 2021

### (I) Operating Policy

The Company has a comprehensive sales network. We will expand the sales services for our channels, upgrade our outlets, and increase our market share. The Company is proactively transforming itself into a marketing service-oriented company to provide optimal products and services for consumers and satisfy the demand of customers and consumers in the residential building material market.

### (II) Significant Production and Marketing Policy

1. Improve the sales network to satisfy consumers' demand by way of channel services, form our brand value through the added-value of our products, and increase our market share.
2. For R&D and innovation, actively develop new products, guide the trend of tiles, and lead the market with our quality.
3. Reduce costs, conserve energy, and execute relevant measures to achieve our targets of energy-saving, carbon emission reduction, and green environmental protection.

## III. Future Development Strategies of the Company

- (I) Value environmental protection and cultivation, and energy-saving: Develop and produce

environmental-friendly green tiles at the automated, energy-saving, and environmental-friendly “green tiles” production base to achieve sustainable development.

(II) R&D and innovation: Adhere to R&D and innovation to maintain our leading status in the market, reinforce the design and improve our equipment to develop new trending products, and maintain our high-value and mid-to-high price brand.

(III) Sales under multiple brands: “Champion Tiles” is the top-notch MIT brand in the tile industry, our quality bestows the actual value of buildings. “Marcobelli Tiles” inherit the design concept of a famous Italian designer and possess the brand nature of Italian style. Marcobelli tiles are aesthetical tiles with European style and natural patterns produced and created in Taiwan. “Marvelous Living” imports tiles under European high-end brands, provides worry-free and premium services to satisfy the demand for diverse products and services of architects, designers, and top-notch villa customers.

#### IV. Effects of External Competitive Environment, Regulatory Environment, and Macroeconomic Environment

##### (I) Effects of External Competitive Environment

The market in Taiwan is under the effects of low-priced imported tiles. Partial low-priced imported tiles have a poor quality that is harmful to consumers’ rights. The lack of subsequent services had caused multiple consumer disputes, which materially affected the order of the market and production and sales. To strengthen our brand image in consumers’ minds, the Company continues to improve our product quality and brand value and emphasize “local production and local services” to distinguish with tiles illegally imported. We also implemented our “15-year warranty for household use” services to provide the optimal products and services to consumers so as to faithfully realize our corporate commitments and become the “choice of a lifetime” of consumers. We delivered the concept of “designating MIT tiles for the quality insurance of tiles” to nationals when selecting and purchasing tiles.

##### (II) Effects of Regulatory Environment

The Company adheres to the due performance of social responsibility and the national requirements related to environmental and quality. We test all sources of pollution each year regularly and from time to time to comply with the environmental protection and pollution prevention measures, striving for quality monitoring and complying with the emission standards required for environmental protection. The Company will attach more attention to studying regulations to ensure the interests of all shareholders.

##### (III) Effects of Macroeconomic Environment

COVID-19 affected the global layout, and the economic prospects became conservative; however, the ceramic industry shall constantly innovate to create niches for the tile industry. Regarding the demand for real estate and residence, the rigid market recorded in recent years was primarily supported by the self-use demand. As a professional supplier for the supply of property materials, the Company adheres to our product quality,

reinforces our brand image, and improves the added-value of products to satisfy the demand of consumers and the market.

Facing the increase in manufacturing cost, the Company proactively seeks alternative new raw materials and continues to strictly implementing specified measures related to energy-saving to achieve the targets of energy-saving, carbon emission reduction, and green environmental protection. Furthermore, we effectively reduce the cost of raw materials and develop new products with the concept of energy-saving and environmental protection to create a new blue ocean market.

Chairman: Lin, Jung-Te

Manager: Lin, Jung-Te

Chief Accountant: Liao, Hui-Yi

## Chapter 2. Company Profile

I. Date of Establishment: 24 November 1972.

### II. History

1972 to 1981: Establishment Stage  
Established the Company with “Champion” as our trademark through an investment of NT\$3.7 million.

1982 to 1991: Development Stage  
Applied for the supplementary public offering with our capital increased to NT\$458 million.  
Actively expanded foreign sales and newly installed the first “computer-controlled two-layer roller kiln” of Far East and developed super hardness crystal tiles and large holomagnetized floor tiles.

1992 to 2020: Mature and Stable Stage

1992: Champion Shiron received the Innovative Product Award and National Premium Product Selection Label from China Gold Trademark Promotion Commission.

Passed by the Securities and Exchange Commission (SEC), shares of the Company formally listed for trading.

Cooperated with China Productivity Center to introduce a new corporate identification system (CIS).

1993: Total capital increased to NT\$1,140,000 thousand, and SEC approved the listing of preferred shares.

Successfully completed the phase I expansion plan for Plant II (Zhaoqiao).

Developed the 5<sup>th</sup> generation Champion stone and formally commenced the mass production.

Newly installed the triple kilning processing equipment to improve our product manufacturing skills. Restructured our CIS to reinforce the operating nature of the Company and re-shaped our unique corporate culture. Duly implemented the promotion of the 6A plan, improved product and service quality, and strictly implemented the practices of increasing income and reducing expenditure to enhance the Company’s competitive strength

1994: Capital increase from earning and capital reserve; our capital after the capital increase was NT\$1,562,400 thousand.

Recorded a significant growth in results with annual sales amounted to NT\$2,315,000, secured the leading status within the industry, and became the top one professional ceramic and tile production plant in Taiwan.

Zhaoqiao Plant II successfully and comprehensively put into production. After the material expansion in production capacity, Sinyih Ceramics became the ceramic and tile plant with automated production and the most advanced equipment in the tile industry

- across Asia.
- The Company was the first domestic company to received the ISO-9002 quality certification from the Commodity Inspection Bureau, Ministry of Economic Affairs (MOEA).
- 1995: Capital increase from earning and capital reserve of NT\$598,140 thousand; our capital after the capital increase was NT\$2,160,540 thousand.
- Former president Lee, Teng-Hui and government ministers visited Zhaoqiao Plant for a tour.
- Established the Construction Business Division to engage in construction engineering business development.
- Expanded overseas marketing joints (Southern China and Eastern China).
- 1996: Capital increase from earning and employee bonuses of NT\$458,885; our capital after the capital increase was NT\$2,619,425 thousand.
- The Company was the first domestic company to received the ISO-9001 quality certification from the Commodity Inspection Bureau, MOEA.
- Launched the high-rise “Sinyi Champion Building” with 18 floors on Minzu Street, Zhunan.
- 1997: Capital increase from earning and employee bonuses of NT\$121,971; our capital after the capital increase was NT\$2,741,396 thousand.
- 1998: Capital increase from earning and employee bonuses of NT\$494,279 thousand; our capital after the capital increase was NT\$3,235,676 thousand.
- The investee subsidiary in Mainland (Kunshan Plant) was put into use in May and received the highest quality certification under ISO-9001, becoming one of the major plants across the world.
- 1999: Newly installed the first “MTP multiple auto-feed” equipment from Italy in Taiwan and introduced the hi-tech skills from Italy to produce special crystal products with high added value.
- “Champion Crystal,” “Marcobelli Vatican,” and “ROTO COLOR Laser Technology Roller Printed Wall Tiles” received National Excellence Award.
- 2000: Successfully launched the matte crystalized tiles with natural patterns identical to natural stones.
- Commenced technical cooperations with a renowned tile design company in Italy.
- 2001: Carried out the combination of plant and office in July; the Company’s offices and Zhunan Plant's equipment were relocated to Zhaoqiao Plant. Meanwhile, we streamlined and delayered our organization, reinforced management and communication functions, and saved on management and sales expenses.
- 2002: Applied for a capital decrease to compensate losses; the paid-in capital decreased from NT\$3,293,000 thousand to NT\$2,348,000 thousand.
- 2003: The Company was renamed Champion Building Materials Co., Ltd. in June 2003.
- Introduced the latest computer program from Italy to control the feed

- equipment with multiple pipelines and launched the Marmi series with extra-large high-end tiles resembling stones.
- 2004: Capital increase in cash by way of private offering of 65,200 thousand shares; our capital after the capital increase was NT\$3,000,000 thousand.
- Launched the extra-large polished crystal tiles with a size of 80×80CM, and the tiles successfully entered the market.
- 2005: Received the nanoMark certification for external tiles.
- Launched the extra-large polished crystal tiles with a size of 100×100CM, and the tiles successfully entered the market.
- 2006: Established the “Marvelous Living” flagship store for European branded tiles.
- Marcobelli Tiles’ “Wright Stone Series” was the only product that received the National Excellence Label in the tile industry.
- Received the ISO-14001 national quality assurance from the Commodity Inspection Bureau, MOEA. The Company became an authorized supplier with ISO-9001 and ISO-14001 quality and environmental protection certifications.
- 2007: Issued secured convertible corporate bonds of NT\$300 million; capital increase in cash by the issuance of new shares of NT\$230,000 thousand and capital increase from earning and employee bonuses of NT\$153,754 thousand; our capital after the capital increase was NT\$3,383,754 thousand.
- The Train of Hope for New Journeys – Taiwan No. 1 Kiln – the No. 19 Kiln was officially put into use.
- “MIT – Largest of the Domestic Production”; launched the exquisite polished crystal tiles with a size of 120×120CM.
- Received the “Outstanding Function Award” and “Market Specification Award” under the construction category from the 2007 Selected Exhibition of New Ceramic Works.
- Received the only tile green building material label certificate in Taiwan on 19 December 2007.
- 2008: Capital increase from earning and employee bonuses of NT\$175,782 thousand; our capital after the capital increase was NT\$3,569,023 thousand.
- A tile plant received the Taiwan Excellence Award.
- Received the “Excellent Participant Corporate Image Award” from Taipei International Building, Construction & Decoration Exhibition.
- 2009: Issued the 2<sup>nd</sup> domestic secured convertible corporate bonds of NT\$300 million; capital increase in cash by the issuance of 8,000,000 new shares and capital increase from earning and employee bonuses for the issuance of 4,296,861 new shares; corporate bonds converted into 20,827,942 ordinary shares; our capital after the capital increase was NT\$3,900,271 thousand.
- The official opening of the first tile industry tourism factory in Taiwan.
- The initial and only offering of a ten-year warranty for household use products in the building material industry.

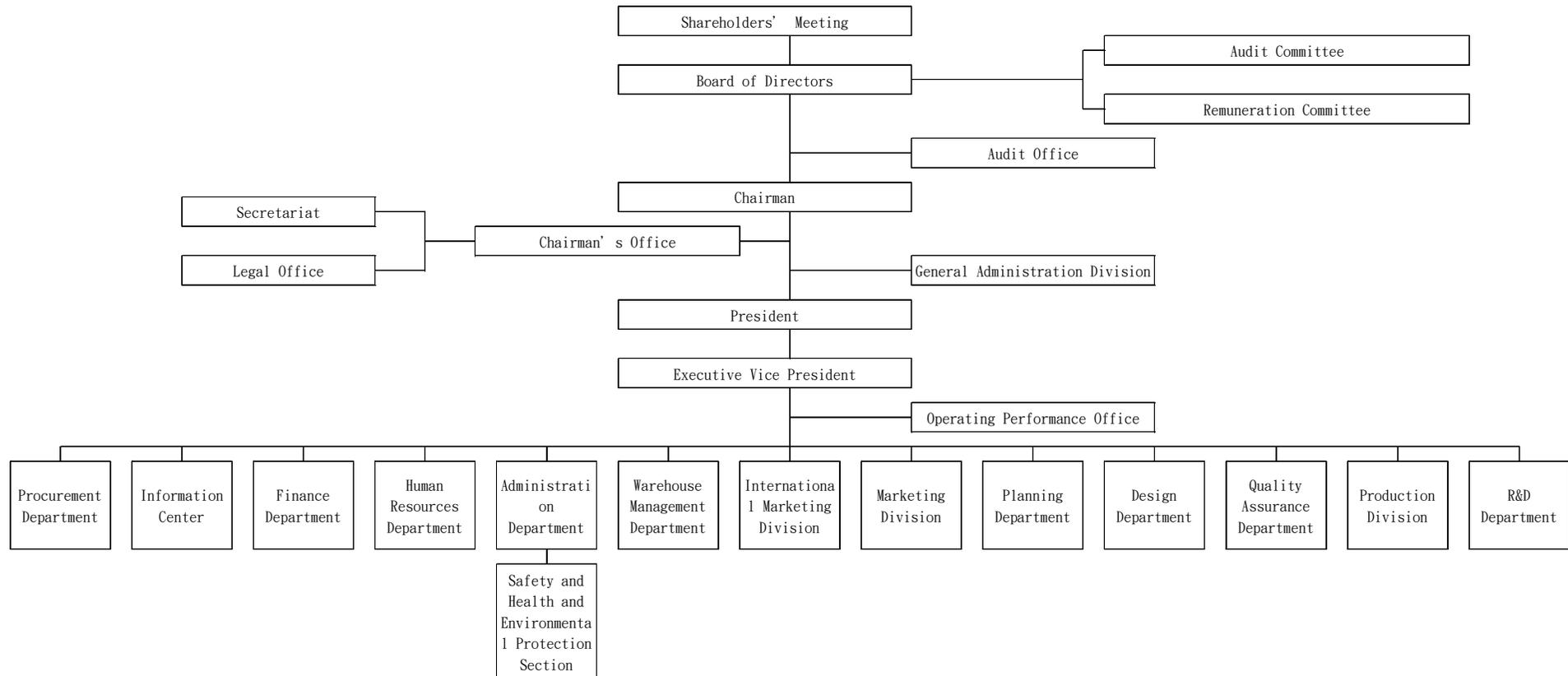
- 2010: Firstly received the “MIT” smile label certification in Taiwan.  
Seven innovative products in the tile industry received the National Excellence Award.
- 2011: Firstly received the BSI PAS2050 carbon footprint verification for the tile industry globally.  
Champion Green Concept Hall received the silver label certification for green buildings.
- 2012: Zhaoqiao Plant of Champion Building Materials received the “2012 Excellent Energy-saving Performance Award – Excellent Award.”  
Received the “EU Eco-label” and the title of “Top 100 Brands in Taiwan” from MOEA.  
Zhunan Office Building received the “golden” label for green buildings from the Ministry of Interior.
- 2013: Received the first green factory label in the ceramics industry; promoted environment-friendly process, in the long run, to bring about the transformation and upgrade of the industry.  
The quality of Champion Building Materials is well-recognition by receiving the “MIT Smile Contractor” certification.
- 2014: Received the golden medal for the 2014 talent quality-management system (TTQS).  
Received SGS international certification and ISO50001 certification.
- 2015: Our products received five awards from the Taiwan Excellence Award, and we received Authorized Enterprises with Outstanding Green Product Sales Performance from the Environmental Protection Administration  
Champion Building Materials was recognized by the 1<sup>st</sup> National Gold Seal Award.
- 2016: Marble tiles in the size of 80x80 cm were newly launched.  
Champion Green Concept Hall received the tourism factory certification from MOEA.
- 2017: The third generation marble tiles in the size of 80x80 cm were newly launched.  
Champion’s and Macrobelli’s brands won the double winners as the ideal brands by MyHome magazine.
- 2018: Macrobelli Tiles – Lipica and Galaxy marble tiles received the 2018 Golden Selection Award.
- 2019: Champion Tiles’ “Cherry Wood Brick” and Macrobelli Tiles’ “Lavagrigia, Artist – Flower series, and Impression Marble Tile Series” received the 2019 MIT Taiwan Golden Selection Award.  
Selected as the top 20 “Happiness Enterprises” under the metal and non-metal category through a survey made by 1111 Job Bank.
- 2020: Invested and established the Seagull Champion Limited through subsidiary Sinyih Ceramic (China) Co., Ltd.  
Champion Tiles’ New Century Marble Tiles and Vesta received the Taiwan Golden Selection Award.  
Launched Champion Tiles’ New Century Marble Tiles in the size of 90X90 and 60X120.  
Launched Macrobelli Tiles’ marble tiles in a size of 90X90 and the Impression marble tiles in the size of 60X120.

## Chapter 3. Corporate Governance Report

### I. Organization

#### (I) Organizational Structure

### Champion Building Materials Co., Ltd. Organizational Chart



(II) Business of Primary Segments

Department	Scope of Business
President	Manage the overall execution and coordination of the Company's businesses, establish business targets, and instruct and monitor subordinates to process businesses.
Audit Office	<ol style="list-style-type: none"><li>1. Formulation, integration, execution, and examination of the internal control operations.</li><li>2. Execution of audit operations, preparation of audit reports, and subsequent follow-up on improvements for deficiencies found during the audit.</li><li>3. Assist departments and offices in executing self-evaluation, internal control, and educational training for internal audit knowledge.</li><li>4. Regularly submit audit reports to the Board of Directors (the "Board") and explain the execution results.</li></ol>
Marketing Division	Coordinate the domestic marketing business of the Company, grasp the demand for products in the market, be responsible for the Company's sales strategies and market analysis, coordinate the Company's marketing plans and policies, grasp market information, set intended product selling prices, be responsible for exploring new business opportunities, new product promotions, development of new customers, and coordination between production and marketing.
Planning Department	Responsible for advertisement strategies and planning, preparation of printed literature and advertisement, planning for the educational training for sales personnel and distributors, planning for domestic exhibitions, positioning of brand image, and study and execution of market strategies.
Design Department	Coordinate the design and development of the Company's products, the design of sales promotion items, and relevant businesses.
International Marketing Division	Coordinate the foreign marketing business of the Company, grasp the demand for products in the market, be responsible for the Company's sales promotion strategies, grasp market information, set intended product selling prices, explore new business opportunities, new product promotions, development of new customers, and planning for foreign exhibitions.
Production Division	Coordinate the Company's product manufacturing businesses and be responsible for production management, raw material processing, manufacturing and packaging of products, and repair, maintenance, and improvement services of production equipment.
R&D Department	Responsible for new product development, study and improvement of raw material formula and alternative materials, preparation, analysis, and execution of mid-to-long-term R&D plans.
Finance Department	Responsible for the preparation and analysis of the Company's financial, accounting, stock affairs, and financial accounting information, finance management, capital management, and investment management, and the coordination of the preparation and control of the Company's budget and relevant affairs.
Procurement Department	Coordinate the procurement of resources and materials required by the Company's operations.
Quality Assurance Department	Responsible for establishing and amending quality plans and the due execution to ensure the stability of product quality.

Department	Scope of Business
Human Resources Department	Organize and develop systems of the Company's human resources management system to allow the entire operations of organizational and human resources and ensure healthy and harmonious labor-capital relationships.
Information Center	Responsible for the planning and maintenance of the computer operating systems, program design, and information management.
Warehouse Management Department	Coordinate the Company's product storage, finished good shipping schedule, and material storage management.
Administration Department (including Safety and Health and Environmental Protection Section)	Coordinate the Company's administrative management affairs and administrative businesses, and facilitate the rationale of the Company's labor safety and environmental protection work according to the Company's operating goals and policies, and duly implement the Company's labor safety and environmental protection works.

II. Information on Directors, Supervisors, President Vice President, Assistant Vice President, and Superiors of Departments and Branches

(I) Information on Directors and Supervisors

Information on Directors and Supervisors (I)

30 April 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Office	Date Initially Elected	Shares Held When Elected		Current Number of Shares Held		Current Number of Shares Held by Spouse and Minors		Shares Held in the Name of Others Shares Held in the Name of Others		Major Experience (Educational Background)	Current Positions in the Company and Other Companies	Other Executives, Directors, or Supervisors Who Are Spouse or Relatives within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding			Title	Name	Relationship	
Chairman	Taiwan	Tai Yu Investment Co, Ltd	None	1070626	Three years	920606			19,047,510	4.39%	0	0%	0	0%	None	Chairman and President of the Company; chairman of Swanview Internation, Ltd.; chairman of Super Universal Limited; chairman of Tai Yu Investment Co, Ltd; chairman of Guan Zhong Trading Co., Ltd.; chairman of Champion Highwealth Co., Ltd; chairman of Taiwan Ceramic Industries Association; chairman of Sinyih Ceramic (China) Co., Ltd.; chairman of Sinyih Ceramic (Penglai) Co., Ltd.; director of Champion Ceramics (Anhui) Co., Ltd; director of Seagull Champion Limited	Senior special assistant	Lin Wang, Kuei-Feng	Spouse	Note 1
	Taiwan	Representative: Lin, Jung-Te	Male				19,047,510	4.36%			26,222,000	6.04%	2,987,067	0.69%	0					
Director	Taiwan	Tai Yu Investment Co, Ltd	None	1070626	Three years	1010621			19,047,510	4.39%	0	0%	0	0%	None	Director and Executive President of the Company; supervisor of Deqian Investment Co., Ltd.; chairman of Quicheng Investment Co., Ltd.; chairman of Champion Ceramics (Anhui) Co., Ltd; director of Sinyih Ceramic (China) Co., Ltd.; director of Seagull Champion Limited	Chairman	Lin, Jung-Te	Father and son	Note 1
	Taiwan	Representative: Lin, You-Yu	Male				19,047,510	4.36%			2,457,427	0.57%	0	0%	0					

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Office	Date Initially Elected	Shares Held When Elected		Current Number of Shares Held		Current Number of Shares Held by Spouse and Minors		Shares Held in the Name of Others Shares Held in the Name of Others		Major Experience (Educational Background)	Current Positions in the Company and Other Companies	Other Executives, Directors, or Supervisors Who Are Spouse or Relatives within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding			Title	Name	Relationship	
Director	Taiwan	Hua Yi Industrial Co, Ltd	None	26 June 2018	Three years	26 May 2000	7,658,052	1.75%	7,658,000	1.77%	0	0%	0	0%	None	Director of the Company; director of Sinyih Ceramic (China) Co., Ltd.; director of Sinyih Ceramic (Penglai) Co., Ltd.; director of Guan Zhong Trading Co., Ltd.; director of Champion Highwealth Co., Ltd.	None	None	None	
	Taiwan	Representative: Lin, He-Cun	Male						3,487,855	0.80%	0	0%	0	0%	0					
Director	Taiwan	Hua Yi Industrial Co, Ltd	None	26 June 2018	Three years	21 June 2012	7,658,052	1.75%	7,658,000	1.77%	0	0%	0	0%	None	Director of the Company, director of Lin Mu Lin Tian Cun Culture and Education Foundation	None	None	None	
	Taiwan	Representative: Chen, Jung-Yang	Male						0	0%	0	0%	0	0%	0					
Independent Director	Taiwan	Wu, Yung-Ku	Male	26 June 2018	Three years	16 June 2015	0	0%	0	0%	0	0%	0	0%	Chengchi University/ Master of Accounting Department	Independent Director, Audit Committee's member, and Remuneration Committee's member of the Company; accountant of Defeng	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Office	Date Initially Elected	Shares Held When Elected		Current Number of Shares Held		Current Number of Shares Held by Spouse and Minors		Shares Held in the Name of Others Shares Held in the Name of Others		Major Experience (Educational Background)	Current Positions in the Company and Other Companies	Other Executives, Directors, or Supervisors Who Are Spouse or Relatives within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding			Title	Name	Relationship	
																Accounting Firm; independent director, remuneration committee's member of Fu Chan High Pile Co., Ltd.; independent director, audit committee's member, and remuneration committee's member of Geosat Aerospace & Technology Inc.				
Independent Director	Taiwan	Chen Yin-Ho	Male	26 June 2018	Three years	26 June 2018	0	0%	0	0%	0	0%	0	0%	Chinese Culture University/ Master of Enterprise Planning, Urban Design Institute; Chinese Culture University/ Department of Architecture	Independent Director, Audit Committee's member, Remuneration Committee's member, and architect of the Company	None	None	None	
Independent Director	Taiwan	Lin, Tse-Tsang	Male	26 June 2018	Three years	26 June 2018	0	0%	0	0%	0	0%	0	0%	China University of Political Science and Law/Doctor of Procedural law	Independent Director, Audit Committee's member, and Remuneration Committee's member of the Company; director of Yang Chen Cross-strait Law Firm	None	None	None	

Note 1: When the Chairman and the President or equivalent positions (chief managerial officer) are held by the same person, spouse, or relatives within the first degree of kinship, the reason, relevant information on the reasonableness, necessity, and corresponding measures shall be explained (such as methods of increasing the number of seats for Independent Directors and the majority Directors not concurrently being employees or managers):

Chairman Lin possesses extensive industry experience and is familiar with the Company's business development and operational management; the Company requires his insights and instructions to guide the future development and operations of the Company. Furthermore, the Company has three Independent Directors and its Audit Committee in place to enhance the supervision on the Board; the Company has no circumstance of the majority Directors concurrently being employees or managers.

Table 1 Major Shareholders of Corporate Shareholders

30 April 2021

Name of corporate shareholders	Major shareholders of corporate shareholders
Tai Yu Investment Co, Ltd	Champion Building Materials Co., Ltd 39.98%; Founden Industrial Co., Ltd. 40.48%; Founder Industrial Co., Ltd. 19.52%
Hua Yi Industrial Co, Ltd	Lin Wang, Kuei-Feng 98%

Table 2 Major Shareholders of Corporate Major Shareholders in Table 1

30 April 2021

Name of corporate shareholders	Major shareholders of corporate shareholders
Founden Industrial Co., Ltd.	Lin Wang, Kuei-Feng 64%
Founder Industrial Co., Ltd.	Lin Wang, Kuei-Feng 66%

Information on Directors and Supervisors (II)

Name	Condition	At least five years of working experiences and meet the following professional qualifications			Independence attribute												Number of other publicly listed companies in which the Director concurrently holding the position as an independent director		
		An instructor or higher position in a department of commerce, law, finance, accounting, or other departments related to the business requirements of the company in public or private universities and colleges	A judge, public prosecutor, attorney, CPA, or other professional or technical specialists who passed the national examination and had been awarded a certificate related to the business requirements of the company	Working experiences in the fields of commerce, law, finance, accounting, or otherwise related to the business requirements of the company	1	2	3	4	5	6	7	8	9	10	11	12			
Chairman	Tai Yu Investment Co, Ltd Representative Lin, Jung-Te			∨															0
Director	Tai Yu Investment Co, Ltd Representative Lin, You-Yu			∨			∨												0

Name		Condition	At least five years of working experiences and meet the following professional qualifications			Independence attribute												Number of other publicly listed companies in which the Director concurrently holding the position as an independent director	
			An instructor or higher position in a department of commerce, law, finance, accounting, or other departments related to the business requirements of the company in public or private universities and colleges	A judge, public prosecutor, attorney, CPA, or other professional or technical specialists who passed the national examination and had been awarded a certificate related to the business requirements of the company	Working experiences in the fields of commerce, law, finance, accounting, or otherwise related to the business requirements of the company	1	2	3	4	5	6	7	8	9	10	11	12		
Director	Hua Yi Industrial Co, Ltd Representative Lin, He-Cun				∨	∨			∨	∨	∨			∨	∨	∨	∨	∨	0
Director	Hua Yi Industrial Co, Ltd Representative Chen, Jung-Yang				∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0
Independent Director	Wu, Yung-Ku			∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	2
Independent Director	Chen, Yin-Ho			∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0
Independent Director	Lin, Tse-Tsang			∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0

## (II) Information on President, Vice Presidents, Assistant Vice Presidents, Superiors of Departments and Branches

## Information on President, Vice Presidents, Assistant Vice Presidents, Superiors of Departments and Branches

30 April 2021

Title	Nationality	Name	Gender	Date Elected (of Assumption)	Shares Held by Spouse and Minors		Shares Held in the Name of Others		Shares Held by Spouse and Minors		Major Experience (Educational Background)	Current Positions in the Company and Other Companies	Managers Who Are Spouse or Relatives within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding			Title	Name	Relationship	
President	Taiwan	Lin, Jung-Te	Male	1 January 2007	26,222,000	6.04%	2,987,067	0.69%	0	0%	Pacific Western University/Department of Business Administration; Chengchi University/EMBA (attended)	Chairman of the Company Chairman of Swanview Internation, Ltd. Chairman of Tai Yu Investment Co, Ltd Chairman of Sinyih Ceramic (China) Co., Ltd. Chairman of Sinyih Ceramic (Penglai) Co., Ltd. Director of Champion Ceramics (Anhui) Co., Ltd Chairman of Guan Zhong Trading Co., Ltd. Chairman of Champion Highwealth Co., Ltd Chairman of Taiwan Ceramic Industries Association Director of Seagull Champion Limited	Senior special assistant Assistant Vice President	Lin Wang, Kuei-Feng Lin, Meng-Yu	Spouse Father and daughter	Note
Executive Vice President	Taiwan	Lin, You-Yu	Male	12 August 2020	2,457,427	0.57%	0	0%	0	0%	Pepperdine University/Department of Finance	Chairman of Champion Ceramics (Anhui) Co., Ltd Director of Sinyih Ceramic (China) Co., Ltd.; Supervisor of Deqian Investment Co., Ltd. Chairman of Quicheng Investment Co., Ltd. Director of Seagull Champion Limited	Chairman Senior special assistant	Lin, Jung-Te Lin Wang, Kuei-Feng	Father and son Mother and son	

Title	Nationality	Name	Gender	Date Elected (of Assumption)	Shares Held by Spouse and Minors		Shares Held in the Name of Others		Shares Held by Spouse and Minors		Major Experience (Educational Background)	Current Positions in the Company and Other Companies	Managers Who Are Spouse or Relatives within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding			Title	Name	Relationship	
Senior Special Assistant	Taiwan	Lin Wang, Kuei-Feng	Female	1 April 2008	2,987,067	0.69%	26,222,000	6.04%	0	0%	Yuanpei University of Medical Technology/Health Administration	Director of Tai Yu Investment Co., Ltd Director of Singyih Ceramic (Penglai) Co., Ltd Supervisor of Champion Highwealth Co., Ltd	Chairman President Assistant Vice President	Lin, Jung-Te  Lin, Meng-Yu	Spouse  Mother and daughter	
Assistant Vice President	Taiwan	Lin, Jen-Hsiung	Male	1 April 2008	7,699	0.00%	1,586	0.00%	0	0%	National United University Ceramic Engineering	None	None	None	None	
CFO	Taiwan	Liao, Hui-Yi	Female	7 December 2007	10,930	0.00%	0	0%	0	0%	Soochow University/ Department of Accounting (Master)	Supervisor of Seagull Champion Limited	None	None	None	
Assistant Vice President	Taiwan	Lin, Meng-Yu	Female	7 February 2013	1,864,394	0.43%	0	0%	0	0%	Pepperdine University/ Department of Science and Business	Director of Guan Zhong Trading Co., Ltd. Director of Champion Highwealth Co., Ltd Chairman of Deqian Investment Co., Ltd. Supervisor of Quicheng Investment	Chairman President Senior	Lin, Jung-Te  Lin Wang, Kuei-Fen	Father and daughter  Mother and	
Assistant Vice President	Taiwan	Chang, Chih-Chung	Male	7 October 2007	0	0%	0	0%	0	0%	Da-yeh University/ Department of Information	None	None	None	None	

Title	Nationality	Name	Gender	Date Elected (of Assumption)	Shares Held by Spouse and Minors		Shares Held in the Name of Others		Shares Held by Spouse and Minors		Major Experience (Educational Background)	Current Positions in the Company and Other Companies	Managers Who Are Spouse or Relatives within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding			Title	Name	Relationship	
											Management					
Assistant Vice President	Taiwan	Jang, Shiuan-Ming	Male	5 October 2008	1	0.00%	0	0%	0	0%	Nan Kai University of Technology/Department of Electrical and Electronic Engineering	None	None	None	None	
Assistant Vice President	Taiwan	Chang, Cing-Fu	Male	2 August 2019	0	0.00%	0	0%	0	0%	Army Ordnance School/Department of Vehicle Maintenance	None	None	None	None	
Special Assistant	Taiwan	Chen, Yue-Nan	Male	8 March 2021	878	0.00%	0	0%	0	0%	Tamkang University/Department of International Business	None	None	None	None	

Note 1: When the President and the Chairman or equivalent positions (chief managerial officer) are held by the same person, spouse, or relatives within the first degree of kinship, the reason, relevant information on the reasonableness, necessity, and corresponding measures shall be explained (such as methods of increasing the number of seats for Independent Directors and the majority Directors not concurrently being employees or managers):

Chairman Lin possesses extensive industry experience and is familiar with the Company's business development and operational management; the Company requires his insights and instructions to guide the future development and operations of the Company. Furthermore, the Company has three Independent Directors and its Audit Committee in place to enhance the supervision on the Board; the Company has no circumstance of the majority Directors concurrently being employees or managers.

## (III) Remuneration Paid to Directors, Supervisors, President, and Vice President for the Latest Year

## Remuneration to General Directors, Independent Directors, Supervisors, President, and Vice President

## (1) Remuneration to General Directors and Independent Directors

Unit: NT\$000'

Title	Name	Remuneration of Directors								Ratio of the sum of items A, B, C, and D to net profit after tax (%) (Note 10)		Relevant remuneration received by Directors who are also employees						Ratio of the sum of items A, B, C, D, E, F, and G to net profit after tax (%) (Note 10)		Receive remuneration from investee companies other than subsidiaries or from the parent company (Note 11)		
		Compensation (A) (Note 2)		Severance pay and retirement pension (B)		Remuneration of Directors (C) (Note 3)		Allowances for Business Execution (D) (Note 4)				Salaries, bonus, and allowance (E) (Note 5)		Remuneration of Directors (F)		Remuneration of Employees (G) (Note 6)						
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)		The Company	All companies in the financial report (Note 7)
Chairman	Tai Yu Investment Co, Ltd Representative Lin, Jung-Te	0	0	0	0	0	0	410	540	(0.10)	(0.13)	2,478	2,737	0	0	0	0	0	0	(0.72)	(0.81)	0
Director	Tai Yu Investment Co, Ltd Representative Lin, You-Yu	0	0	0	0	0	0	410	436	(0.10)	(0.11)	693	1,017	42	42	0	0	0	0	(0.28)	(0.37)	0
Director	Hua Yi Industrial Co, Ltd	0	0	0	0	0	0	410	410	(0.10)	(0.10)	0	0	0	0	0	0	0	0	(0.10)	(0.10)	0

Title	Name	Remuneration of Directors								Ratio of the sum of items A, B, C, and D to net profit after tax (%) (Note 10)		Relevant remuneration received by Directors who are also employees						Ratio of the sum of items A, B, C, D, E, F, and G to net profit after tax (%) (Note 10)		Receive remuneration from investee companies other than subsidiaries or from the parent company (Note 11)		
		Compensation (A) (Note 2)		Severance pay and retirement pension (B)		Remuneration of Directors (C) (Note 3)		Allowances for Business Execution (D) (Note 4)				Salaries, bonus, and allowance (E) (Note 5)		Remuneration of Directors (F)		Remuneration of Employees (G) (Note 6)						
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company		All companies in the financial report (Note 7)		The Company	All companies in the financial report (Note 7)			
												Amount in cash	Amount in shares	Amount in cash	Amount in shares							
	Representative Lin, He-Cun																					
Director	Hua Yi Industrial Co, Ltd Representative Chen, Jung-Yang	0	0	0	0	0	0	410	410	(0.10)	(0.10)	0	0	0	0	0	0	0	0	(0.10)	(0.10)	0
Independent Director	Wu, Yung-Ku	0	0	0	0	0	0	710	710	(0.18)	(0.18)	0	0	0	0	0	0	0	0	(0.18)	(0.18)	0
Independent Director	Chen, Yin-Ho	0	0	0	0	0	0	480	480	(0.12)	(0.12)	0	0	0	0	0	0	0	0	(0.12)	(0.12)	0
Independent Director	Lin, Tse-Tsang	0	0	0	0	0	0	710	710	(0.18)	(0.18)	0	0	0	0	0	0	0	0	(0.18)	(0.18)	0

1. Please explain the payment policies, systems, standards, and structures for remuneration of Independent Directors and explain the connection between factors (such as duties, risks, and time invested) and the amount of remuneration paid:

According to the Articles of Association of the Company (the “Articles”), the Board (advised by the Remuneration Committee) is authorized to determine the compensation of Directors based on their participation in the Company’s operations and the value of their contributions with reference to the common standards within the industry. Independent Directors of the Company do not receive Directors’ remuneration distribution and other bonus distribution; the Board may determine the offering of traffic allowance for Directors with reference to the common standards within the industry.

2. Except for the disclosures in the above table, remuneration received by Directors for providing services (such as being consultants who are not employees) to all companies in the financial report for the latest year was NT\$720,000.

Note 1: A driver is assigned to Chairman Lin, Jung-Te, and the driver’s compensation was NT\$1,113,193. Note 2: The severance pay and retirement pension were the amounts provided.

## (2) Remuneration to President and Vice President

Unit: NT\$000’

Title	Name	Salaries (A)		Severance pay and retirement pension (B)		Bonuses and allowance (C)		Remuneration of Employees (D)				Ratio of the sum of items A, B, C, and D to net profit after tax (%)		Receive remuneration from investee companies other than subsidiaries or from the parent company
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report (Note 5)	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
President	Lin, Jung-Te	2,010	2,269	0	0	468	468	0	0	0	0	(0.62)	(0.68)	0
Executive Vice President	Wang, Kai-Ming (Resigned on 31 August 2020)	1,400	1,400	17	17	587	587	0	0	0	0	(0.50)	(0.50)	0
Executive Vice President	Lin, You-Yu (Note)	693	693	42	42	0	0	0	0	0	0	(0.18)	(0.18)	0

Note: 1. The severance pay and retirement pension were the amounts provided. 2. Lin, You-Yu was appointed as Vice President on 22 July 2020 and appointed and Executive Vice President on 11 August 2020.

(3-1) Remuneration to Chief Executives with Top Five Highest Remuneration of the Listed Company (Disclose the Name and the Corresponding Remuneration Separately) :

Unit: NT\$000'

Title	Name	Salaries (A) (Note 2)		Severance pay and retirement pension (B)		Bonuses and allowance (C) (Note 3)		Remuneration of Employees (D) (Note 4)				Ratio of the sum of items A, B, C, and D to net profit after tax (%) (Note 6)		Receive remuneration from investee companies other than subsidiaries or from the parent company (Note 7)
		The Comp any	All compa nies in the financi al report (Note 5)	The Co mpa ny	All compa nies in the financi al report (Note 5)	The Co mpa ny	All compa nies in the financi al report (Note 5)	The Company		All companies in the financial report (Note 5)		The Compa ny	All compa nies in the financi al report (Note 5)	
								Amou nt in cash	Amou nt in shares	Amou nt in cash	Amou nt in shares			
President	Lin, Jung-Te	2,010	2,269	0	0	468	468	0	0	0	0	(0.62)	(0.68)	0
CFO	Liao, Hui-Yi	1,271	1,271	79	79	508	508	0	0	0	0	(0.46)	(0.46)	0
Assistant Vice President	Lin, Jen-Hsiung	1,391	1,391	0	0	173	173	0	0	0	0	(0.39)	(0.39)	0
CIO	Chang, Chih-Chung	1,259	1,259	76	76	173	173	0	0	0	0	(0.37)	(0.37)	0
Assistant Vice President	Chang, Cing-Fu	1,394	1,394	80	80	94	94	0	0	0	0	(0.39)	(0.39)	0

## Names of the Manager for the Distribution of Employee's Bonuses and the Distribution

31 December 2020; unit: NT\$000'

	Title	Name	Amount in shares	Amount in cash	Total	Ratio of the total sum to net profit after tax (%)
Manager	Not applicable.					

(IV) Compare and Explain the Analysis on the Ratio of the Total Remuneration Paid to the Company's Directors, Supervisors, President, and Vice Presidents by the Company and All Companies in the Consolidated Statements to the Net Profit After Tax in the Individual or Separate Financial Report for the Latest Two Year, Respectively, and Explain the Policies, Standards, and Packages for Remuneration Payment, Procedures for Determining the Remunerations, and the Connection with Operating Performance and Future Risks.

1. Analysis on the Ratio of the Total Remuneration Paid to the Company's Directors, Supervisors, President, and Vice Presidents to the Net Profit After Tax in the Individual Financial Report for the Latest Two Year

	2020		2019	
	Ratio of the total remuneration paid to the Company's Directors, supervisors, President, and Vice Presidents by the Company to the net profit after tax in the individual or separate financial report (%)	Ratio of the total remuneration paid to the Company's Directors, supervisors, President, and Vice Presidents by all companies in the consolidated statements to the net profit after tax in the individual or separate financial report (%)	Ratio of the total remuneration paid to the Company's Directors, supervisors, President, and Vice Presidents by the Company to the net profit after tax in the individual or separate financial report (%)	Ratio of the total remuneration paid to the Company's Directors, supervisors, President, and Vice Presidents by all companies in the consolidated statements to the net profit after tax in the individual or separate financial report (%)
Directors	(0.88%)	(0.92%)	(0.91%)	(1.05%)
President and Vice Presidents	(1.30%)	(1.36%)	(1.52%)	(2.05%)

Note: The Company established its Audit Committee to replace the functions of supervisors on 26 June 2018.

2. Policies, Standards, and Packages for Remuneration Payment

- (1) The Company has established its Remuneration Committee to evaluate the remuneration policies and systems for the Company's Directors and managers and make recommendations to the Board for them to make reference upon making decisions.
- (2) According to the Company's Articles, the compensation of Directors for executing their duties shall be determined by the Board according to individual Directors' level of participation and value of contributions with reference to the general standards within the industry. The Board may determine to provide traffic allowance to Directors with reference to the common standards within the industry. In addition, where the Company records any profits, the Company shall appropriate no more than 1.5% of such profits as remuneration to Directors according to Article 19 of the Company's Articles.
- (3) Remuneration policies for the Company's employees: The remuneration of managers are determined based on the hierarchy, duties, personal work experiences, expertise, and responsibilities of managers with reference to salary and benefit policies of companies within the same categories and natures in the human resources market and the Company. Annual performance evaluations are determined based on personal work performances and the Company's operating status, and are positively related to operating performance. Furthermore, where the Company records any profits, the Company shall appropriate 3% to 5% of such profits as remuneration to employees according to Article 19 of the Company's Articles. The standards for the compensation paid to the Company's managers are also determined by the Board based on individual performances, contributions to the Company's overall operations, and requirements under relevant rules and regulations of the Company with reference to the payment standards in the market.

(4) The remuneration stated in the Remuneration Committee Charter includes cash compensation, share option, share bonuses, retirement benefits, or severance pay, allowances, and other measures with real incentives; the scope is consistent with the relevant remuneration to Directors and managers in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

### 3. Procedures for Determining the Remunerations

The performance evaluation of Directors and managers shall be based on the “Regulations for the Board of Directors’ Performance Evaluation” and “Regulations for the Execution of Performance Evaluation” applicable to managers and employees. For the remunerations, reasonable compensations are provided based on the Company’s overall operating performance, future risks and development trend of the industry, personal performance achievement rate, and level of contributions to the Company. Relevant performance evaluations and rationale of remunerations are reviewed by the Remuneration Committee and the Board; the remuneration systems are examined from time to time according to the actual operating status and market standards to seek a balance between sustainable operations and risk control of the Company.

### 4. Connection with Operating Performance and Future Risks

The examination of relevant payment standards and systems primarily considers the Company’s overall operating status. The payment standards are determined based on the performance achievement rate and level of contributions to improve the overall functions of organizational teams of the Board and management departments. Furthermore, the Company refers to the remuneration standards within the industry to ensure the remunerations for the Company’s management remain competitive within the industry to retain outstanding management talents.

The result of the mutual connections between the Company’s operating results and the performance and remuneration of the management positively facilitate the overall performance of the Company, and in turn realize the maximum shareholders’ interest.

Significant decisions of the Company’s management are made after considering various risk factors. The performance of such decisions reflects in the profit status of the Company, and in turn relate to the remuneration of the management.

### III. Operations of Corporate Governance

#### (I) Operations of the Board of Directors

### (1) Information on the Operations of the Board of Directors

5 (A) meetings had been held for the Board in the latest year, and the attendance of Directors and supervisors is as follows:

Title	Name (Note 1)	Number of actual attendance	Attenda nce by proxy	Actual attendance (presence) rate <b>【 B/A 】</b> (Note 2)	Remark
Chairman	Tai Yu Investment Co, Ltd Representati ve Lin, Jung-Te	5	0	100%	
Director	Tai Yu Investment Co, Ltd Representati ve Lin, You-Yu	5	0	100%	
Director	Hua Yi Industrial Co, Ltd Representati ve Lin, He-Cun	5	0	100%	
Director	Hua Yi Industrial Co, Ltd Representati ve Chen, Jung-Yang	5	0	100%	
Independen t Director	Wu, Yung-Ku	5	0	100%	
Independen t Director	Chen, Yin-Ho	5	0	100%	
Independen t Director	Lin, Tse-Tsang	5	0	100%	

Other Matters to be Disclosed:

I. here any of the following circumstances occurred in the operations of the Board, the Company shall set out the date of the Board meeting, the session, the content of the resolution, opinions of all Independent Directors, and measures adopted by the Company for the opinions of the Independent Directors:

(I) Matters set out in Article 14-3 of the Securities Exchange Act: For significant resolutions made by the Board for 2020 and as of the date of publishing the Annual Report, please refer to page 7 of the Annual Report.

(II) Except for the above matter, other resolutions at the meeting of the Board where Independent Directors expressed opposing or qualified opinions with records or written declarations: None.

II. For the execution of the Director's recusal from resolutions in which they have interests, the Company shall set out the name of Directors, the content of the resolution, the reason for the abstention due to interests, and the participation status of voting: None.

III. Listed Companies shall disclose the evaluation cycle and period, evaluation scope, method, and evaluation content for the self- (or peer) evaluations of the Board and complete Schedule II (2) Execution of the Board Evaluation.

Please refer to page 21.

IV. Objectives for strengthening the functions of the Board (such as the establishment of the Audit Committee and improvement of information transparency) during the current year and the latest year and the execution evaluation.

1. At the Board meeting on 11 August 2020, the Company reported and explained the responsibility insurance purchased for Directors and managers from Fubon Insurance; the insurance premium is \$1 million, and the insurance period is from 24:00 on 3 September 2020 to 24:00 on 3 September 2021.

2. According to Letter Jin-guan-zhen-jiao-zi No. 1080311451 from the Financial Supervisory Commission (FSC) on 24 April 2019, the Board passed the amendments to the Company's "Articles of Association" and "Regulations for the Election of Directors"; the key amendment was that the election of the Company's Directors shall adopt the candidate nomination system.

3. According to Letter Jin-guan-zhen-jiao-zi No. 10803619346 from the FSC on 15 January 2020, the Board meeting on 27 March 2020 passed the (1) amendments to the content of the provisions of the Company's "Rules of Procedure for Board Meetings": ① for Board meetings convened by the majority of Directors, a chairperson shall be elected among the Directors, and ② for spouses or blood relatives within the second degree of kinship of Directors, or companies subordinated to or controlled by Directors with interests in matters proposed at the Board meeting, such interests shall be deemed as the interests of Directors in such matters; and (2) amendments to the "Audit Committee Charter": For spouses or blood relatives within the second degree of kinship of Audit Committee's member with interests in matters proposed at the Audit Committee's meeting, such interests shall be deemed as the interests of Audit Committee's member in such matters.

4. According to Letter Jin-guan-zhen-jiao-zi No. 10803411346 from the FSC on 12 February 2020, the Board meeting on 27 March 2020 passed the amendments to the "Procedures for Ethical Management and Guidelines for Conducts": (1) for spouses or blood relatives within the second degree of kinship of Directors, or companies subordinated to or controlled by Directors with interests in matters proposed at the Board meeting, such interests shall be deemed as the interests of Directors in such matters; and (2) the Company shall require Directors and senior management to issue the declaration of observing the ethical management policies and state in the employment conditions that employees shall observe the ethical management policies.

5. We clearly stated the independence of the Remuneration Committee's members to

promote corporate governance and avoid the conflict of interest when Remuneration Committee's members are discussing their own remunerations. To effectively exert the functions of the Board, the Board meeting on 27 March 2020 passed the amendments to procedures of "Regulations for the Management of Remuneration Committee's Operations."

6. The Board meeting on 11 August 2020 passed the (1) amendments to the "Rules of Procedure for Shareholders' Meeting"; (2) amendments to "Regulations for the Election of the Board of Directors"; (3) amendments to the "Rules for the Scope of Duties of Independent Directors"; (4) amendments to the "Audit Committee Charter"; (5) amendments to the "Regulations for Financial Operations between Affiliates"; (6) amendments to "Regulations for the Performance Evaluation of the Board"; and (7) amendments to the "Code of Ethical Conducts."

7. The Board meeting on 12 November 2020 passed the amendments to the "Remuneration Committee Charter."

8. The Board meeting on 30 March 2021 passed the (1) amendments to "Rules of Procedure for Shareholders' Meeting"; (2) amendments to the "Rules of Procedure for Board Meetings"; (3) amendments to the "Regulations for the Supervision on Subsidiaries"; (4) amendments to the "Ethical Management Principles"; and (5) amendments to the "Corporate Governance Principles."

## (2) Execution of Board Evaluation

### (2-1) Evaluation Cycle, Period, Evaluation Scope, Method, and Evaluation Content for the Self-evaluations of the Company's Board

Cycle of evaluation	Period of evaluation	Scope of evaluation	Method of evaluation	Content of evaluation
Execute once a year	1 January 2020 to 31 December 2020	Board, individual Directors, and functional committees.	Use the "Board Performance Self-evaluation Questionnaire" for the overall Board internal self-evaluation.	The measurement items in the "Board Performance Self-evaluation Questionnaire" include five aspects of participation in the operation of the Company improvement of the quality of the Board's decision-making, composition and structure of the Board, election and continuing education of the Directors, and internal control, and internal control, and a total of 45 evaluation indicators.
			Use the "Director Performance Self-evaluation Questionnaire" for Director internal self-evaluation.	The measurement items in the "Director Performance Self-evaluation Questionnaire" include six aspects of alignment of the goals and missions of the Company, awareness of the duties of a Director, participation in the operation of the Company, management of internal relationships and communication, the Director's professionalism and continuing

Cycle of evaluation	Period of evaluation	Scope of evaluation	Method of evaluation	Content of evaluation
				education, and internal control, and a total of 23 evaluation indicators.
			Use the “Functional Committee Performance Self-evaluation Questionnaire” for functional committee internal self-evaluation.	The measurement items in the “Functional Committee Performance Self-evaluation Questionnaire” include five aspects of participation in the operation of the Company, awareness of the duties of the functional committee, improvement of the quality of the functional committee's decision-making, composition and election of the functional committee's members, and internal control, and a total of 25 and 21 evaluation indicators for the Audit Committee and the Remuneration Committee, respectively.

(2-2) The results of the 2020 performance evaluation were submitted to the Board of the Company on 30 March 2021.

(2-3) Evaluation Results: The overall performance evaluation results for the Board, individual Directors, the Audit Committee, and the Remuneration Committee of the Company were “85, 92, 84, and 83,” respectively, representing that the overall operations of the Board, individual Directors, the Audit Committee, and the Remuneration Committee of the Company were complete and healthy and in compliance with corporate governance.

## (II) Operations of the Audit Committee

### Information on the Operations of the Audit Committee

4 (A) meetings had been held for the Audit Committee in the latest year, and the attendance of Independent Directors is as follows:

Title	Name	Number of actual attendance	Attendance by proxy	Actual attendance (presence) rate (B/A) (Note)	Remark
Independent Director	Wu, Yung-Ku	4	0	100%	
Independent Director	Chen, Yin-Ho	4	0	100%	
Independent Director	Lin, Tse-Tsang	4	0	100%	

Other Matters to be Disclosed:

- I. Where any of the following circumstances occurred in the operations of the Audit Committee, the Company shall set out the date of the Audit Committee meeting, the session, the content of the resolution, resolution results of the Audit Committee, and measures adopted by the Company for the opinions of the Audit Committee.
- (I) Matters set out in Article 14-5 of the Securities Exchange Act: For significant resolutions for 2020 and as of the date of publishing the Annual Report, please refer to page 23 of the Annual Report.
- (II) Except for the above matter, other resolutions not passed by the Audit Committee but received consent from two-thirds of all Directors: None.
- II. For the execution of Independent Director's recusal from resolutions in which they have interests, the name of the Independent Directors, the content of the resolution, the reason for the recusal due to interests, and the participation in voting shall be set out: None.
- III. Communication between Independent Directors and Chief Internal Auditor and CPAs (the content shall include significant matters, methods, and results communicated regarding the Company's finance and business conditions).
- Communication between the Audit Committee and Chief Internal Auditor and CPAs:
1. The audit report for the preceding month is submitted to the Independent Directors/Audit Committee each month.
  2. The Chief Internal Auditor reports to the Independent Directors/Audit Committee regarding the following executions of audit operations at the quarterly meeting; when necessary, the Independent Directors/Audit Committee would directly contact the Chief Internal Auditor for communications.

Date	Matter of communication	Communication target
27 March 2020	Report on the execution of the audit operations from October to December in 2019 and from January to February in 2020	Independent Directors and the Audit Committee
12 May 2020	Report on the execution of the audit operations in March 2020	Independent Directors and the Audit Committee
11 August 2020	Report on the execution of the audit operations from April to June in 2020	Independent Directors and the Audit Committee
12 November 2020	Report on the execution of the audit operations from July to September in 2020	Independent Directors and the Audit Committee
30 March 2021	Report on the execution of the audit operations from October to December in 2020 and from January to February in 2021	Independent Directors and the Audit Committee

3. Communication with CPAs: In
4. Communication with CPAs: Independent Directors directly contact CPAs for communication for significant investment or financing matters, or before the issuance of financial reports, and when necessary.

Date	Matter of communication
27 March 2020	Discussion on the audit scope and methods for the 2019 consolidated and individual financial report The type of auditor's report with CPAs issuing unqualified opinions,

	key audit matters, and significant audit findings
12 May 2020	Discussion on the review scope and methods for the 2020 Q1 consolidated financial report The type of auditor's report other than those with CPAs issuing unqualified opinions and the review findings on the content Updates on significant regulation
11 August 2020	Discussion on the review scope and methods for the 2020 Q2 consolidated financial report The type of auditor's report other than those with CPAs issuing unqualified opinions and the review findings on the content Updates on significant accounting standards or letter of explanation, laws and regulations related to securities administration, and laws and regulations related to taxation
12 November 2020	Discussion on the review scope and methods for the 2020 Q3 consolidated financial report The type of auditor's report other than those with CPAs issuing unqualified opinions and the review findings on the content Updates on significant accounting standards or letter of explanation, laws and regulations related to securities administration, and laws and regulations related to taxation
30 March 2021	Discussion on the audit scope and methods for the 2020 consolidated and individual financial report The type of auditor's report other than those with CPAs issuing unqualified opinions and the review findings on the content Updates on significant accounting standards or letter of explanation, laws and regulations related to securities administration, and laws and regulations related to taxation

IV. Annual Work Focus and Operations of the Audit Committee:

- (I) The Audit Committee of the Company comprises of three Independent Directors; the Audit Committee assists the Board in monitoring the appropriate expressions of the Company's financial statements, the appointment (dismissal), independence, and performance of CPAs, the effective implementations of the internal control system, the Company's compliance with relevant laws, regulations, and rules, the control of the Company's existing or potential risks.
- (II) 4 meetings had been held for the Audit Committee in 2020; for details on the content of the proposals and subsequent measures adopted, please refer to page 23 of the Annual Report:

Primary work focus:

1. Independence evaluation of CPAs for the year.
2. Amendments to the Procedures for the Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee, and Procedures for Loan to Others.
3. Amendments to the internal control system.
4. Loans to subsidiaries and endorsement and guarantee.
5. Review of financial reports.
6. Preparation for the annual audit plan.

Significant resolutions for 2020 and as of the date of publishing the Annual Report:

Audit Committee	Content of the proposal and subsequent measures adopted		Matters set out in Article 14-5 of the Securities Exchange Act	Opposing or qualified opinions from members
27 March 2020 7 <sup>th</sup> meeting of the 1 <sup>st</sup> session of the Audit Committee	1	Discussion on the Company's 2019 business report, individual financial statements, and consolidated financial statements.	V	
	2	Proposal for the preparation of compensation of losses in 2019.		
	3	Proposal of the issuance of the Statement of Internal Control after the completion of the internal control self-evaluation of the Company for 2019.	V	
	4	Discussion on the regular evaluation of CPAs' independence and competency and the appointment of KPMG (Taiwan) for services of audit and certification, review, and review certification of the 2020 financial reports.	V	
	5	Discussion on the proposal of providing a loan of RMB100 million to subsidiary Singyih Ceramic (China) Co., Ltd.	V	
	6	Discussion on the proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary that intends to negotiate the financing limits with financial institutions due to the requirements of operating development.	V	
	7	Amendments to the Company's "Articles of Association."	V	
	8	Amendments to the Company's "Rules of Procedure for Shareholders' Meeting."	V	
	9	Amendments to the Company's "Regulations for the Election of Directors."	V	
	10	Amendments to the Company's "Rules of Procedure for the Board Meeting."	V	
	11	Amendments to the Company's "Remuneration Committee Charter," "Regulations for the Management of Operations of the Remuneration Committee," and "Regulations for the Remuneration Payment to Directors, Managers, and Members of Functional Committees."	V	
	12	Amendments to the Company's "Audit Committee Charter."	V	
	13	Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conducts."	V	
	14	Review and Discussion on the "Regulations for the Distribution of Performance Achievement Bonuses of Managers in 2019 and 2020" (including standards and policies of performance evaluations).		

Audit Committee	Content of the proposal and subsequent measures adopted	Matters set out in Article 14-5 of the Securities Exchange Act	Opposing or qualified opinions from members
	Opinions of members: None. Measures adopted by the Company for opinions of members: None. Resolution results: All attending members passed the resolution as proposed with no opposing opinions.		
12 May 2020 8 <sup>th</sup> meeting of the 1 <sup>st</sup> session of the Audit Committee	1 Discussion on the Company's 2020 Q1 consolidated financial report.	V	
	2 Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Guan Zhong Trading Co, Ltd. that intends to negotiate the financing limits of NT\$20,000 thousand with Mega Commercial Bank due to the requirements of operating development.	V	
	3 Resolution on the replacement of CPAs for the Company's financial certifications and the evaluation on the independence and competency of CPAs.	V	
	Opinions of members: None. Measures adopted by the Company for opinions of members: None. Resolution results: All attending members passed the resolution as proposed with no opposing opinions.		
11 August 2020 9 <sup>th</sup> meeting of the 1 <sup>st</sup> session of the Audit Committee	1 Discussion on the Company's 2020 Q2 consolidated financial report.	V	
	2 Discussion on whether the material overdue accounts (pass the normal credit period of three months) as of 31 July 2020 were capital funding.	V	
	3 Discussion on the proposal of providing a loan of RMB50 million to subsidiary Singyih Ceramic (China) Co., Ltd.	V	
	4 Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Swanview International, Ltd that intends to negotiate the financing limits of \$3 million with The Shanghai Commercial & Savings Bank, Ltd. due to the requirements of operating development.	V	
	5 Discussion on the proposed amendments to the Company's internal management regulations. (1) Amendments to the Company's "Rules of Procedure for Shareholders' Meeting." (2) Amendments to the Company's "Regulations for the Election of the Board of Directors." (3) Amendments to the Company's "Rules for the Scope of Duties of Independent Directors." (4) Amendments to the Company's "Remuneration Committee Charter." (5) Amendments to the Company's "Regulations for	V	

Audit Committee	Content of the proposal and subsequent measures adopted		Matters set out in Article 14-5 of the Securities Exchange Act	Opposing or qualified opinions from members
	Financial Operations between Affiliates.” (6) Amendments to Company’s “Regulations for the Performance Evaluation of the Board.” (7) Amendments to the Company’s “Code of Ethical Conducts.”			
Opinions of members: None. Measures adopted by the Company for opinions of members: None. Resolution results: All attending members passed the resolution as proposed with no opposing opinions.				
12 November 2020 10 <sup>th</sup> meeting of the 1 <sup>st</sup> session of the Audit Committee	1	Discussion on the Company’s 2020 Q3 consolidated financial report.	V	
	2	Discussion on whether the material overdue accounts (pass the normal credit period of three months) as of 31 October 2020 were capital funding.	V	
	3	Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company’s subsidiary Singyih Ceramic (Penglai) Co., Ltd that intends to negotiate the financing limits of \$2 million with Bank SinoPac Hsinchu Branch due to the requirements of operating development.	V	
	4	Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company’s subsidiary Guan Zhong Trading Co, Ltd. that intends to negotiate the financing limits of \$0.5 million with First Bank Zhunan Branch due to the requirements of operating development.	V	
	5	Proposal for the establishment of the 2021 audit plan according to the requirements under the “Regulations Governing Establishment of Internal Control Systems by Public Companies.”	V	
	6	Amendments to the Company’s “Remuneration Committee Charter.”	V	
Opinions of members: None. Measures adopted by the Company for opinions of members: None. Resolution results: All attending members passed the resolution as proposed with no opposing opinions.				
30 March 2021 11 <sup>th</sup> meeting of the 1 <sup>st</sup> session of the Audit Committee	1	Discussion on the Company’s 2020 business report, individual financial statements, and consolidated financial statements.	V	
	2	Proposal for the preparation of compensation of losses in 2020.		
	3	Proposal of the issuance of the Statement of Internal Control after the completion of the internal control self-evaluation of the Company for 2020.	V	

Audit Committee	Content of the proposal and subsequent measures adopted		Matters set out in Article 14-5 of the Securities Exchange Act	Opposing or qualified opinions from members
	4	Proposal on the material overdue accounts (pass the normal credit period of three months) as of 28 February 2021 were not capital funding.	V	
	5	Proposal for the Company to implement the 4 <sup>th</sup> treasury share repurchase to protect the Company's credibility and shareholders' interests.	V	
	6	Discussion on the proposal of providing a loan of RMB100 million (new borrowings for the repayment of the existing borrowings) to subsidiary Singyih Ceramic (China) Co., Ltd.	V	
	7	Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary that intends to negotiate the financing limits with financial institutions due to the requirements of operating development.	V	
	8	Proposal for the regular evaluation of CPAs' independence and competency and the appointment of KPMG (Taiwan) to assign CPAs for services of audit and certification, review, and review certification of the 2021 financial reports.	V	
	9	Amendments to the Company's "Rules of Procedure for Shareholders' Meeting."	V	
	10	Amendments to the Company's "Rules of Procedure for the Board Meeting."	V	
	11	Amendments to the Company's "Regulations for the Supervision on Subsidiaries."	V	
	12	Proposal for the amendments to the Company's "Ethical Management Principles."	V	
	13	Proposal for the amendments to the Company's "Corporate Governance Principles."	V	
<p>Opinions of members: None.  Measures adopted by the Company for opinions of members: None.  Resolution results: All attending members passed the resolution as proposed with no opposing opinions.</p>				

(III) Operations of Corporate Governance and Its Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Operations of Corporate Governance and Its Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Has the Company established and disclosed its Corporate Governance Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established its Corporate Governance Principles; the Principles were initially passed by the Board on 28 March 2016, and the latest amendments were made on 30 March 2021; the Principles were disclosed on the Market Observation Post System (MOPS) and the Company's website.	No significant deviation.
II. Equity structure of the Company and shareholders' interests				
(I) Has the Company established an internal operating procedure to process shareholders' recommendations, suspicions, disputes, and litigations, and implemented such process based on the procedure?	✓		(I) The Company has a spokesperson and an acting spokesperson in place, and it engages a stock affair company and has dedicated personnel for stock affairs; the Company established a section for investors' inquiries to process shareholders' recommendations or disputes.	No significant deviation.
(II) Does the Company possess the list of its major shareholders and the ultimate controlling parties of the major shareholders?	✓		(II) The Company keeps close contact with internal parties.	

Evaluation Item	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(III) Has the Company established and executed the risk control and firewall system with its affiliates?	✓		(III) The management rights and responsibilities of the Company's personnel and property are explicitly specified. The Company has established regulations to control the management of related party transactions, endorsement and guarantee, loans to others between affiliates, and such matters are subject to the Company's "Procedures for the Related Party Transaction."	
(IV) Has the Company established its internal regulations to forbid internal parties to use information undisclosed to the market in trading securities?	✓		(IV) The Company has established its "Procedures for the Prevention of Insider Trading" for execution. The Company held a communication session of three hours for five persons (including Directors, managers, and relevant personnel) in 2020; the content of the session includes the introduction to the latest regulations and prevention operations related to insider tradings and specifications related to the declaration of internal parties' equity.	
III. Composition and responsibilities of the Board				
(I) Has the Board developed and implemented a diversification policy for its composition?	✓		(I) The composition of the Company's Board focuses on the element of diversification; members generally possess knowledge, skills, and literacy required for the execution of their duties (please refer to page 43 of the Annual Report).	No significant deviation.
(II) Has the Company voluntarily established other functional committees in addition to the Remuneration Committee and the		✓	(II) The Company has established its Remuneration Committee according to the law and established its Audit Committee on 26 June 2018.	There is no other functional committee in place at present.

Evaluation Item	Operations (Note 1)		Summary	Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
Audit Committee established according to the law?				
(III) Has the Company established the regulations for the performance evaluation of the Board and its evaluation methods, regularly carried out the regular performance evaluation each year, reported to the Board regarding the results of the performance evaluation, and used the results as a reference for the remuneration and nomination for re-appointment of the individual Directors?	✓		<p>(III) The Board passed the Company's "Regulations for the Performance Evaluation of the Board" on 10 August 2018, stating that the Board shall at least execute the performance evaluations for the Board, Directors, and functional committees once a year.</p> <p>For the execution of the performance evaluations of the Board and functional committees, please refer to pages 21 to 22.</p> <p>The Finance Department is responsible for the execution of the evaluations by adopting the method of internal questionnaires. The evaluations are divided into four aspects of Board's operations, Directors' level of participation, operations of the Remuneration Committee, and operations of the Audit Committee, where Directors evaluate the operations of Directors, Directors evaluate their self-participation, Remuneration Committee' members evaluate the operations of the Committee, and Audit Committee members evaluate the operations of the Committee. The results of the above performance evaluations shall serve as the reference and basis for selecting or nominating Directors, and the results of the performance evaluations of Directors and functional committees' members shall serve as the reference and basis for establishing their remunerations, respectively.</p>	No significant deviation

Evaluation Item	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(IV) Has the Company regularly evaluated the independence of CPAs?	✓		<p>(IV) 1. The Company ensures that the CPAs appointed are not the Directors, supervisors, managers, employees, or shareholders of the Company or its affiliates and are not stakeholders of the Company, which complies with the requirements for the judgment on independence stipulated by the competent authority.</p> <p>For the evaluation on the independence of CPAs, please refer to page 31 of the Annual Report).</p> <p>2. The Company regularly (once a year) evaluates CPAs' professionalism and independence each year, and CPAs also issue the declaration of independence for the engaged audit operations. The appointment and compensation for CPAs for financial and taxational certifications in 2020 were passed by the Audit Committee on 27 March 2020 and were submitted to and passed by the Board.</p> <p>3. Due to the internal personnel changes of the CPA firm engaged by the Company, CPAs of the Company changed in the second quarter of 2020. The CPAs also issue the declaration of independence for the engaged audit operations. Such matters were passed by the Audit Committee on 12 May 2020 and were submitted to and passed by the Board.</p>	No significant deviation.

Evaluation Item	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
IV. Has the listed company allocated an appropriate number of persons in charge of corporate governance who are appropriate for such positions and designated a Chief of Corporate Governance to be responsible for affairs related to corporate governance (including but not limited to providing data required for the execution of businesses to Directors and supervisors, assisting Directors and supervisors in legal compliance, handling matters related to meetings of the Board and shareholders' meeting according to the law, and preparing meeting minutes for meetings of the Board and shareholders' meetings)?			On 11 May 2021, the Board appointed the CFO of the Company as the Chief of Corporate Governance to be responsible for affairs related to corporate governance, including handling matters related to meetings of the Board, meetings of the Audit Committee, and shareholders' meeting according to the law, corporate registrations and alteration registrations, and preparing meeting minutes for meetings of the Board, meetings of the Audit Committee, and shareholders' meetings)	No significant deviation.
V. Has the Company established communication channels with stakeholders (including but not limited to			The Company has a spokesperson and an acting spokesperson in place; their detailed contact information of telephone number and e-mail are disclosed on the Company's website to provide communication channels for stakeholders. For communication status with different groups of stakeholders for the latest year, please refer	No significant deviation.

Evaluation Item	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and duly responded to significant issues of corporate social responsibility concerned by stakeholders?			to pages 85 to 87 of the Annual Report.	
VI. Has the Company appointed a professional stock affair agency to process affairs related to shareholders' meetings?	✓		The Company appointed SinoPac Securities Corporation as its stock affair agency for processing affairs related to shareholders' meetings.	No significant deviation.
VII. Open information (I) Has the Company established its website to disclose information on its financial operations and corporate governance? (II) Has the Company adopted other methods for information disclosure (such as building an English website, appointing dedicated personnel to be responsible for the information collection and disclosure, implementing a spokesperson system, and uploading the	✓  ✓		(I) The Company has established its corporate website and disclosed information related to financial operations and corporate governance under the stakeholder section. The Company's website is <a href="http://group.champion.com.tw/">http://group.champion.com.tw/</a> . (II) The Company has appointed dedicated personnel to be responsible for the collection and disclosure of the Company's information. A spokesperson and acting spokesperson system is also in place to serve as the communication channel for external parties. We upload announcements to MOPS according to requirements.	No significant deviation.

Evaluation Item	Operations (Note 1)		Summary	Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
course of investor conferences on the Company's website)?				
(III) Has the Company published and declared its annual financial report within two months after the end of a fiscal year and published and declared its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?			(III) The Company publishes and declared its financial reports and its operating status for each month before the specified deadline according to Article 36 of the Securities Exchange Act. At present, the Company is unable to publish and declare its annual financial report within two months after the end of a fiscal year and published and declares its financial reports for the first, second, and third quarters before the specified deadline.	Comply with requirements under the Securities Exchange Act; the Company will make adjustments according to future demand.
VIII. Is there any other significant information to facilitate a better understanding of the Company's corporate governance operations (including but not limited to employees' interests, care for employees, investor relations, supplier relations, rights of stakeholders, Directors and supervisors' continuing education records, the execution of risk management policies and risk evaluation standards,	✓		<ol style="list-style-type: none"> <li>1. Currently, the Company has not established relevant regulations for the promotion and performance of social responsibility; however, the management sets creating maximum interests for shareholders as its major target; the Company align interests of employees and shareholders by way of employees' bonuses and employee stock option plans.</li> <li>2. In response to the social development, the Company creates a work environment with gender equality and prioritizes employees' abilities for the recruitment and promotion of employees.</li> <li>3. The Company purchased labor insurance and health insurance for all employees according to the law and purchased group insurance to offer more comprehensive protection to employees.</li> <li>4. The Company encourages employees to voluntarily participate in activities of social</li> </ol>	No significant deviation.

Evaluation Item	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
the execution of customer policies, and the purchase of responsibility insurance for Directors and supervisors)?			<p>contribution and social services.</p> <p>5. Except for declaring information on MOPS according to requirements, the Company publishes real-time significant information related to significant policies or financial operations and information that have effects on its operations to provide sufficient real-time information for investors.</p> <p>6. Continuing education of Directors and supervisors: To reinforce the promotion of corporate governance, the Company informs Directors of laws and regulations related to corporate governance and their updates; please refer to page 43 of the Annual Report.</p> <p>7. The execution of risk management policies and risk evaluation standards: The management of the Company discloses and reports relevant information in accordance with relevant laws and regulations. For the financial aspect, the management reviews our financial structure to prevent excessive financial risks; for the internal control aspect, the management has auditors in place to perform audits on the Company's internal control system regularly and from time to time and submit reports.</p> <p>8. Execution of consumer protection or customer policies: Except for maintaining our usual operations and realize the maximization of shareholders' interests, the Company concurrently focuses on consumers' rights, environmental protection of communities and public welfare, and values the Company's social responsibility.</p> <p>9. Purchase of responsibility insurance for Directors and supervisors: The Company purchases responsibility insurance from Fubon Insurance for its Directors and</p>	

Evaluation Item	Operations (Note 1)		Summary	Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			supervisors; please refer to page 43 of the Annual Report.	

IX. According to the results of the Corporate Governance Evaluation by the Corporate Governance Center of TWSE for the Latest Year, explain the improvements, and propose the matters to be improved first and measures regarding any conditions not improved:

The Company's results in the 7<sup>th</sup> Corporate Governance Evaluation for 2020 fell in the ranges from 66% to 80%.

To improve our corporate governance, the Company continues to make improvements according to the results of the Corporate Governance Evaluation and reinforce items we failed to secure scores.

## Independence Evaluation of CPAs

Evaluation Item	Evaluation Standard	Comply with Independence
1. Whether CPAs have any direct or significant indirect financial interests with the Company.	No	Yes
2. Whether CPAs have any financing or guarantee with the Company or the Company's Directors.	No	Yes
3. Whether CPAs have any close business relationship with the Company or any potential employment relationship.	No	Yes
4. Whether CPAs and members of the audit team were Directors, managers, or held positions of significant effect on the audit work of the Company currently or in the latest two years.	No	Yes
5. Whether CPAs provide any non-audit service items that may directly affect the audit work.	No	Yes
6. Whether CPAs are brokers of shares or other securities issued by the Company.	No	Yes
7. Whether CPAs hold positions as the Company's defender or represent the Company in negotiating conflicts with other third parties.	No	Yes
8. Whether CPAs are relatives of Directors, managers, or persons of significant effect on the audit case of the Company.	No	Yes

## (IV) Composition, Duties, and Operations of the Remuneration Committee:

**(1) Information on the Members of the Remuneration Committee**

Identity (Note 1)	Condition Name	At least five years of working experiences and meet the following professional qualifications			Independence attribute (Note 2)										Number of other publicly listed companies in which the member concurrently holding the position as a member of the remuneration committee
		An instructor or higher position in a department of commerce, law, finance, accounting, or other department related to the business requirements of the company	A judge, public prosecutor, attorney, CPA, or other professional or technical specialists who passed the national examination and had been awarded a certificate related to the business requirements of the company	Working experiences in the fields of commerce, law, finance, accounting, or otherwise related to the business requirements of the company	1	2	3	4	5	6	7	8	9	10	
Independent	Wu, Yung-Ku		∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	2
Independent	Chen, Yin-Ho		∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0
Independent	Lin, Tse-Tsang		∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0

**(2) Information on the Operations of the Remuneration Committee**

I. The Company's Remuneration Committee comprises three members.

II. Term of the Committee members: The 4<sup>th</sup> session from 26 June 2018 to 25 June 2021. All members attended in person. 3 (A) meetings had been held for the Remuneration Committee in the latest year, and the attendance of members is as follows (2 meetings and 1 meeting had been held for the Remuneration Committee in 2020 and from 1 January to 30 April 2021):

Title	Name	Number of actual attendance (B)	Attendance by proxy	Actual attendance (presence) rate (B/A) (Note)	Remark
Convener	Wu, Yung-Ku	3	0	100	
Independent Director	Chen, Yin-Ho	3	0	100	
Independent Director	Lin, Tse-Tsang	3	0	100	

Other Matters to be Disclosed:

- I. Where the Board refused to adopt or amended recommendations from the Remuneration Committee, the Company shall set out the date of the Board meeting, the session, the content of the resolution, resolution results of the Board, and measures adopted by the Company for the opinions of the Remuneration Committee (where the remuneration passed by the Board was favorable than the recommendations from the Remuneration Committee, the deviation and reasons thereof shall be described): None.
- II. For resolutions of the Remuneration Committee where members expressed opposing or qualified opinions with records or written declarations, the Company shall set out the date of the Remuneration Committee meeting, the session, the content of the resolution, opinions of all members, and measures adopted by the Company for the opinions of the Remuneration Committee.: None.
- III. Reason of discussion and resolution results of the Remuneration Committee in the latest year:

Remuneration Committee	Content of the resolution and subsequent measures adopted	Resolution results	Measures adopted by the Company for the opinions of the Remuneration Committee
4 <sup>th</sup> meeting of the 4 <sup>th</sup> session 27 March 2020	<ol style="list-style-type: none"> <li>Evaluation of the remuneration (standards and structures) of the Company's Directors and managers (including those newly appointed).</li> <li>Discussion on the "regulations for the distribution of performance achievement of managers for 2020" (including performance evaluation standards and policies).</li> <li>Discussion on amendments to the "Regulations for the Operations of the Remuneration Committee," "Remuneration Committee Charter," and "Regulations for the Remuneration Payments to</li> </ol>	All attending members passed the resolution as proposed with no opposing opinions.	Not applicable

		Directors, Managers, and Members of Functional Committees.”		
	5 <sup>th</sup> meeting of the 4 <sup>th</sup> session 12 November 2020	1. Evaluation of the remuneration (standards and structures) of the Company’s Directors and managers (including those newly appointed). 2. Discussion on amendments to the “Remuneration Committee Charter.”	All attending members passed the resolution as proposed with no opposing opinions.	Not applicable
	6 <sup>th</sup> meeting of the 4 <sup>th</sup> session 30 March 2021	1. Discussion on the distribution of year-end bonuses and performance achievement bonuses of managers for 2020. 2. Discussion on and the evaluation of the remuneration (standards and structures) of the Company’s Directors and managers (including those newly appointed). 3. Discussion on the lease of vehicle assigned to the Company’s Chairman and President.	All attending members passed the resolution as proposed with no opposing opinions.	Not applicable

### (3) Scope of Duty of the Remuneration Committee

The Committee shall exercise the due care of a good administrator and faithfully perform the following functions, and submit the recommendations proposed to the Board for discussion:

- I. Establish and regularly examine the policies, systems, standards, and structures of the performance evaluation and remuneration of the Company’s Directors and managers.
- II. Regularly evaluate the remuneration of the Company’s Directors and managers.

When performing functions in the above paragraph, the Committee shall base on the following principles:

- I. With reference to the general payment standards within the industry, the Committee shall consider personal performance, the Company’s operating results, and the rationale of the connection to future risks for the performance evaluation and remuneration of Directors and managers.
- II. The Committee shall not procure Directors and managers to engage in conducts exceeding the Company’s risk appetite in pursuit of remunerations.
- III. The Committee shall consider the industry features and the Company’s business nature to determine the ratio of bonuses for short-term performances and the payment time for variable remuneration of Directors and managers.
- IV. Members of the Committee may not participate in the discussion and voting for their personal remuneration.

The remuneration in the above paragraphs includes cash compensation, share option, share bonuses, retirement benefits, or severance pay, allowances, and other measures with real incentives; the scope is consistent with the relevant remuneration to Directors and managers in the Regulations Governing Information to be Published in Annual Reports of Public Companies. Managers shall include:

- I. President and persons of the equivalent hierarchy.
- II. Vice President and persons of the equivalent hierarchy.
- III. Assistant Vice President and persons of the equivalent hierarchy.
- IV. CFO.
- V. Chief Accountant.
- VI. Other persons authorized to manage affairs and sign for the Company.

For the remuneration of the directors and managers of the Company's subsidiaries determined based on the decentralization of responsibility of subsidiaries that shall be approved by the Company's Board, the Committee shall propose recommendations before submitting to the Board for discussion.

(V) Performance of Corporate Social Responsibility

Performance of Corporate Social Responsibility and Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
I. Has the Company conducted risk evaluations on environmental, social, and corporate governance issues related to the Company's operations, and established relevant risk management policies or strategies based on the materiality principle? (Note 3)		√	The Company has not established relevant risk management policies or strategies.	The Company will make arrangements in accordance with actual demand in the future or regulations.
II. Has the Company established a dedicated (or concurrently dedicated) department to promote corporate social responsibilities? Has the Board authorized the senior management to handle and report to the Board regarding the handling status?		√	The Company has not established a dedicated (or concurrently dedicated) department to promote corporate social responsibilities.	The Company will make arrangements in accordance with actual demand in the future or regulations.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
<p>III. Environmental issues</p> <p>(I) Has the Company set up an appropriate environmental management system based on the characteristics of the industry in which it operates?</p>	✓		<p>(I) The Company has established an environmental management system that passed the ISO14001:2015 based on the characteristics of the industry in which it operates and has a dedicated department in place to protect the environment. Certifying organization for the ISO14001:2015 certification of the Company: Metal Industries Research &amp; Development Centre (MIRDC); valid period: 12 December 2020 to 11 December 2022; certification date: 1 December 2006; certification number: 4XBE002-05.</p>	No significant deviation.
<p>(II) Has the Company endeavored to improve the utilization rate of various resources and use renewable materials that have lower impacts on the environmental load?</p>	✓		<p>(II) To improve the utilization efficiency of resources, the Company promotes internal management for energy-saving and carbon emission reduction and continues to improve the efficacy of process machines and equipment that consumes energy and water during the production to save water resources and improve the energy efficiency, and prioritizes the use of reusable consumables and packaging materials. Internally, the Company adopts e-signature for approval to minimize the burden on the environment. Also, the Company obtained the ISO50001:2011 certification from the international certifying institution SGS.</p>	No significant deviation.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
(III) Has the Company evaluated current and future potential risks and opportunities arising from climate change and adopted responding measures for issues related to climate?	✓		<p>Certifying organization for the ISO50001:2011 certification of the Company: SGS; valid period: 5 December 2017 to 1 December 2020; certification date: 15 January 2015; certification number: TW15/10072.</p> <p>(III) The Company promotes the following energy-saving programs:</p> <ol style="list-style-type: none"> <li>1. Replacement of traditional lighting with LED lighting equipment (40 mercury vapor lamps and 600 fluorescent lamps).</li> <li>2. Energy-saving by the control of variable frequency for the drive motor of the spray fan.</li> <li>3. Energy-saving by pumping back the residual heat generated from the quenching heat-exchanger of kilns to the combustion fan of front-end curers to increase the temperature of the kiln's combustion air.</li> <li>4. Energy-saving by reducing the rotation speed of drums.</li> <li>5. Energy-saving by installing heat preservation cotton on the dryers' body and top to reduce heat losses.</li> </ol>	No significant deviation.

Evaluation Item	Operation (Note 1)		Summary (Note 2)	Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
(IV) Has the Company prepared statistics on its greenhouse gases (GHG) emissions, water use, and the total weight of wastes for the past two years and established management policies related to energy-saving, carbon emission reduction, GHG reduction, water use reduction, or other wastes?	✓		<p>(IV) The Company continue to make integration and improvements for water, electricity, and oil gas at its primary production bases (such as fully replace the fuel oil system with the natural gas system, examination on water recycling, recycling, and reuse of waste gas produced during the production process, recycling waste products for use, and green supplies procurements) and include the energy-saving and carbon emission reduction of the production process as its annual performance target for control. The targets of the energy-saving and carbon emission reduction of the production process for 2020 and 2021 are 1,000 tons CO<sub>2</sub>e and 1,000 tons CO<sub>2</sub>e, respectively. Regarding the Company's Zhaoqiao Plant, the GHG emission in 2019 and 2020 was 92,743.623 tons CO<sub>2</sub>e and 92,496.392 tons CO<sub>2</sub>e, respectively; the total water use in 2019 and 2020 was 132,499 cubic meter and 137,296 cubic meter, respectively, the total waste in 2019 and 2020 was 15,668.25 tons and 20,533.70 tons, respectively.</p> <p>Afnor Asia Ltd. executed the GHG emission verification in 2020, and two audits were completed on 25 February and 9 March 2021, respectively. The Company registered the content on the National Greenhouse Gas (GHG) Registry provided by the Environmental Protection Administration, Executive Yuan. The GHG emission verification statement (No.: TEGHG15090-00) covers the period from 1 January 2020 to 31 December 2020.</p> <p>Achievement of the Company: The GHG emission was reduced by 0.27%, the water usage increased by 3.62, and the total waste increased by 31.05% compared to the preceding year.</p>	No significant deviation.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
IV. Social issues				
(I) Has the Company established appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	√		(I) The Company has established relevant management policies and procedures for employees according to regulations related to labor to protect employees' legal rights, appropriated retirement pension, and established the Employee Benefits Committee to process benefit matters.	No significant deviation.
(II) Has the Company established and implemented reasonable employee benefit measures (including remuneration, paid leaves, and other benefits) and reflected its operating performance or results in employees' remunerations?			(II) According to Article 19 of the Company's Articles, where the Company records any profits, the Company shall appropriate 3% to 5% of such profits as remuneration to employees 1. For the remuneration policies of employees, please refer to page 19 of the Annual Report. 2. For the employees' benefit measures and implementation status, please refer to page 77 of the Annual Report.	No significant deviation.
(III) Has the Company provided a safe and healthy work environment for employees and organized training on health and safety for its employees on a regular basis?	√		(III) The Company regularly arranges fire security inspections and organizes health and safety inspections for employees. The Company makes requirements to the workplace and implements environmental safety and health educational training according to regulations related to environmental protection, labor safety, and fire control. For the protection measures for employees' personal safety	No significant deviation.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
(IV) Has the Company established effective career development training plans for its employees?	✓		and work environment and the implementation status, please refer to page 83 of the Annual Report.  (IV) The Company establishes educational training programs according to its policies and employees' personal career development, encourages employees to participate in continuing education and improve their personal abilities. For continuing education and training for employees, please refer to page 78 of the Company.	No significant deviation.
(V) Has the Company complied with relevant laws and international standards and established policies related to the protection of consumers' interests and complaint procedures for customers' health and safety, customer privacy, marketing, and label of its products and services?	✓		(V) 1. The Company has established its "Regulations for Customers' Feedback on Quality" to follow-up on and ensure our products' quality comply with customers' requirements, maintain customer relationship, and communicate with customers for confirming matters to be improved, and in turn examine and prepare the improvement countermeasures for improving our products' quality and services. We also provide complaint channels for customers and has established the internal procedures for processing customers' complaints and improvement, ensuring customers' opinions are included in the examination for actual improvement. In 2020, we received several	No significant deviation.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
(VI) Has the Company established its supplier management policies to require suppliers to observe relevant regulations on issues related to environmental protection, occupational safety and health, or labor human rights, as well as their implementation status?		✓	<p>customer complaint cases related to the improvement of quality management; we completed improvements after comprehensive communications with customers.</p> <p>2. The labels of the Company's products comply with relevant regulations and international standards.</p> <p>(VI) The Company has established its "Regulations for the Management of Suppliers" and "Rules for the Safety and Health Management of Contractors." Before engaging in business dealings with a supplier, the Company considers its historical credibility and reputation and keeps abreast of its current record for affecting the environment of violating occupational safety and health or labor's human rights at all times. The Company and suppliers are jointly committed to the improvement of corporate social responsibility.</p>	No significant deviation.
V. Has the Company referred to internationally common standards or guidelines for the preparation of reports to prepare reports disclosing non-financial information of the Company, such as		✓	The Company has not prepared any CSR report.	The Company will prepare its information related to corporate social responsibility based on its operating status

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
CSR report? Have the reports mentioned obtained certifications or assurance opinions from any certifying institution?				and disclose such information on the Company's website and MOPS in the future.
<p>VI. Where the Company has established its Corporate Social Responsibility Principles according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its operations and the deviation from the Principles established:</p> <p>At present, the Company has not established the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies." However, for Corporate Social Responsibility Principles, the Company has considered its current status and the requirements under laws and regulations and implemented step by step; there is no significant deviation.</p>				
<p>VII. Other significant information to facilitate a better understanding of the Company's corporate social responsibility operations:</p> <p>1. Environmental protection: The Company adheres to its route for green development, sustainable development in respect of environmental protection, health, and intelligence is our long pursuit. Our investments in plants and equipment in Taiwan and China are four times higher than the plant construction costs of companies within the industry in Mainland. In our production process, we utilize four major environmental-friendly processes of "hot air recycling for kilns," "improvement of the electricity system," "water resource reuse," "brick recycling" and invest immense efforts in energy-saving, carbon emission reduction, and green environmental protection. We believe such commitments are worthwhile and see them as our major mission for our social commitments. Through fields of green technologies, green process, green energy, green label, and recycling, we constantly reduce our carbon emissions from production to consumption, imposing less burden on the earth. We obtained the ISO14001 environmental management system verification in 2006 and received ISO-50001 energy management system quality certification from SGS and TAF. For our outlets, we received the "Outstanding Green Product Sales Performance from the Environmental Protection Administration." We hope that our efforts would set an example for other parties to follow. We invite all sectors to join hands in protecting the earth and create a future with green environmental protection, leaving a premium living environment for our next generation. Our green concept hall exhibits tiles that convey green environmental protection concepts to consumers by using its brand-new design concept.</p> <p>Upholding our operating concepts that attach attention to environmental protection and cultivation and energy-saving, we firstly consider the effects of building materials and house owners on earth. In recent years, we constantly introduced new products and developed products complying with the international trends to produce our green concept products achieving the world standards, rendering new decorations to consumers' household aesthetics, and contributing to the sustainability of the earth.</p> <p>2. Community participation, social contributions, social services, and social welfare: Over the years, we adopt actual actions to provide services to places that require assistance and respond to the idea of public welfare through our humble contributions and the realization of corporate social responsibility, for creating a stable and peaceful society. To show sympathy, respect, and care for vulnerable families and persons receiving assistance and maintain the dignity of families receiving assistance, for all vulnerable families and persons receiving assistance to have more confidence and courage in facing challenges in lives instead of</p>				

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
			<p>shivering at the edge of the society in poor conditions without help and losing their hopes for living, we believe that the integrated power of public welfare groups and the respect to demands and current conditions of families receiving assistance are the keys to maximize the efficacy of such support.</p> <p>Realizing the spirit of corporate citizens and implementing the concept of “Taken from Society and Give Back to Society,” we actively engage in various charitable public welfare activities. Since 1996, we organized the “One Dollar Charitable Tiles” event since 1996, in which we appropriate NT\$1 for the sales of each box of tiles to make long-term charitable donations to vulnerable groups; the amount of such donations has exceeded NT\$100 million; we took actual actions to care for domestic vulnerable groups and students in poverty in the hope of stirring up the public to care for our society and set an example for other parties to follow.</p> <p>One Dollar Charitable Tiles – “Local Care and Happy Households” – brought fruitful results; the scope of donation comprises of three major directions of “talent, education, and environmental transformation.” Except for cultivating skills for those with disabilities, the program also provides scholarships for vulnerable children or those with economic difficulties. Furthermore, we assisted social welfare groups in conducting environmental transformation to spread the charitable ideas of One Dollar Charitable Tiles to every corner of society.</p> <p>In recent years, the design and cultural creativity industry recorded booming development across Taiwan. As a leading brand in the tile industry in Taiwan, we believe that the tile design in Taiwan may be fully applied in our daily lives. In 2020, Champion Tiles joined hands with artist Yousifu to create a large-scale art wall made with mosaic tiles. The Company provided partial materials to jointly complete the first art wall made with mosaic tiles in Taiwan, adding a new highlight to Country Highway No. 193 that is already attractive. By doing so, there are opportunities to create emerging tribal industries through the development of experiencing tribal cultures. Also, the artistic value of tiles may be exerted through the artist’s skills.</p> <p>3. Consumers’ rights: Quality Assurance and Permanent Commitment</p> <p>The creation of maximum value for customers is the primary task of all Champion’s employees. We adhere to our corporate concepts of “insisting the production of tiles with premium quality” and “integrity-based” to provide satisfactory products and services to customers, realizing our corporate commitments and becoming the “choice of the lifetime.”</p> <p>To allow consumers to immediately enjoy the high quality of home-used tiles and the high-standard protection upon purchasing the Company’s products, we launched the upgrade of our ten-year warranty to a “15-year warranty,” setting the first domestic example within the industry to transform our corporate concept of optimized products and services into actual actions. By doing so, we set a new benchmark for consumer services and satisfy the high-quality requirements of modern people regarding the household environment to achieve the sustainable building material industry and premium living environment.</p> <p>4. Human rights and safety and health: Taking care of employees’ lives after retirement, we make appropriations from employees’ personal salary to their retirement pension accounts according to the new retirement system promulgated by the Labor Insurance Bureau in the hope that all employees may have worry-free retirement lives. Furthermore, we also established the Employee Benefits Committee to ensure employees’ rights. We have safety and health technicians, operational superiors, or construction security evaluation personnel who regularly participate in training in place to provide a safe and healthy working environment.</p>	

(VI) Performance of Ethical Management and Measures Adopted:  
Performance of Ethical Management and Deviation from the Ethical Corporate  
Management Best Practice Principles for TWSE/TPEX Listed Companies and  
Reasons Thereof

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Establishment of ethical management policies and programs				
(I) Has the Company established its ethical management policies passed by the Board, and expressively declared its ethical management policies and measures in its rules and documents for external parties, and the commitments made by the Board and the senior management to actively implement the operating policies?	✓		(I) The Company has established its "Ethical Management Principles" and "Procedures for Ethical Management and Guidelines for Conducts" to expressively state the Company's ethical operating policies, practices, and the commitment of the Board and the management in actively implementing such operational policies. In addition, the Company also disclosed its "Ethical Management Principles" and "Procedures for Ethical Management and Guidelines for Conducts" on its website.	No significant deviation.
(II) Has the Company established an evaluation system for the risk of unethical behaviors, regularly analyzed and evaluated operating activities with higher risks of unethical behaviors within its scope of business, and established an unethical behavior preventive plan that at least covering the preventive measures for behaviors set out in paragraph 2 under Article 7 of the "Ethical Corporate Management Best Practice Principles for	✓		(II) The Company has established its "Procedures for Ethical Management and Guidelines for Conducts" to prevent unethical behaviors; the content of the Procedures and Guidelines for Conducts covers the preventive measures for behaviors set out in paragraph 2 under Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."	No significant deviation.

Evaluation Item  TWSE/TPEX Listed Companies"?	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(III) Has the Company stated the operating procedures, behavioral guidelines, punishments for violations, and the complaint system in its unethical behavior preventive plan, duly implemented the plan, and regularly examined and amended the abovementioned plan?	√		(III) The Company promulgated its "Procedures for Ethical Management and Guidelines for Conducts" and disclosed its ethical management policies, carried out ethical management evaluation before having business relationships, explained ethical operating policies to business partners, avoided transactions with companies having unethical management, and stated the due execution clauses of ethical management based on the principles of the Procedures and Guidelines for Conducts. Furthermore, the Company shall organize ethical management educational training or communication for the Company's employees at least once a year for them to fully understand the Company's determination, policies, preventive programs related to ethical management, and the consequences of violating ethical behaviors.	No significant deviation.
II. Realize ethical management (I) Has the Company evaluated business partners' ethical records and include clauses related to ethical management in contracts with business partners?	√		(I) The Company stated clauses for ethical behaviors in our business contracts to prevent unethical behaviors.	No significant deviation.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(II) Has the Company established a dedicated department supervised by the Board to be in charge of corporate ethical management? Has the dedicated department regularly (at least once a year) reported to the Board regarding the ethical management policies, unethical behavior preventive plan, and the execution of supervision?		√	(II) The Company has not established a dedicated (part-time) department for the promotion of ethical corporate management.	No significant deviation.
(III) Has the Company established policies to prevent conflicts of interest and provide appropriate communication channels, and implemented such policies?	√		(III) The Company's "Procedures for Ethical Management and Guidelines for Conducts" stated the policies and processing status for recusals due to interests for the Company's Directors and all employees. It is stated that when discovering others involving in receiving unjust benefits, employees of the Company shall report to their direct supervisor and inform the dedicated department.	No significant deviation.
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical management, with the internal audit department being responsible for devising relevant audit plans based on the evaluation results of the risk of involvement in unethical behaviors, and examined, accordingly, the compliance with the unethical behavior preventive plan, or engaged	√		(IV) The Company has established a comprehensive and effective accounting system and internal control system. Except for regular audits performed by the internal audit department, KPMG (Taiwan) also regularly reviews the Company's financial statements.	No significant deviation.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
CPAs to carry out the audit?				
(V) Has the Company regularly held internal and external educational training on ethical management?	✓		(V) In 2020, the Company organized internal and external educational training and programs related to ethical management issues; there were 37 participants, and each of them received 81 hours of training.	No significant deviation.
III. Operations of the Company's whistleblowing system				
(I) Has the Company established concrete whistleblowing and incentive system, established convenient whistleblowing channels, and appointed appropriate dedicated handling personnel for the targets being reported?	✓		(I) The Company has established its "Procedures for Ethical Management and Guidelines for Conducts," which sets out the whistleblowing channels; legal personnel of the Company would assist in processing such matters.	No significant deviation.
(II) Has the Company established standard operating procedures for investigating the matters being reported and relevant confidentiality systems?	✓		(II) The Company's "Procedures for Ethical Management and Guidelines for Conducts" has relevant specifications in place for managing the report of unethical behaviors. The responsible department shall conduct the investigations, and the course of the investigation and relevant documents shall remain confidential throughout the course.	No significant deviation.
(III) Has the Company adopted measures to protect whistleblowers from being mistreated due to whistleblowing?	✓		(III) The Company adopts protective measures to protect whistleblowers from being mistreated due to whistleblowing.	No significant deviation.

Evaluation Item	Operation (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
IV. Improve information disclosure Has the Company disclosed the content of its Ethical Management Principles and the results of its implementation on the Company's website and MOPS?	✓		The Company has set up its corporate website and published relevant corporate governance information in the stakeholder section. The Company's website is <a href="http://group.champion.com.tw/">http://group.champion.com.tw/</a> .	No significant deviation.
V. Where the Company has established its Ethical Management Principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe its operations and the deviation from the Principles: No significant deviation.				
VI. Other important information to facilitate a better understanding of the Company's ethical management operations (such as review on and amendments to the Ethical Management Principles):				
<ol style="list-style-type: none"> <li>1. The Company observes the Company Act, Securities Exchange Act, Business Entity Accounting Act, rules and regulations related to TWSE/TPEX listed companies, or other laws and regulations related to business activities as the basis for implementing ethical management.</li> <li>2. The Company's "Rules of Procedure for Board Meetings" sets out the interest recusal system for Directors; when Directors or the corporate they represented have interests in the proposals at the Board meeting that may harm the Company's interest, such Directors may describe their opinions and answer to inquiries; they may not participate in discussions and voting, and shall recuse themselves from discussion and voting, and may not exercise voting rights on behalf of other Directors.</li> <li>3. On 27 March 2020, the Board passed the amendments to the Company's "Procedures for Ethical Management and Guidelines for Conducts": (1) When Directors' spouses or relatives within the second degree of kinship or companies controlled by or subordinated to the Directors have interests in the proposals at the Board meeting, such interests shall be deemed as the Directors' interest in such proposals. (2) The Company shall require Directors and the management to issue a statement for the observation of ethical management policies and require the employees to observe the ethical management policies in the employment conditions.</li> <li>4. On 30 March 2021, the Board passed the amendments to the "Ethical Management Principles" to add the prohibition on the infringement of intellectual property rights, the prohibition on unfair competition, and preventing products or services from harming stakeholders.</li> </ol>				

(VII) The Company established its code for corporate governance, and relevant rules and regulations shall disclose the inquiry method: Currently, the Company has established its Code of Ethics, Ethical Management Principles, Procedures for Ethical Management and

Guidelines for Conducts, Rules of Procedure for Shareholders' Meeting, and comprehensive internal control system and internal audit system to realize the operations and promotion of corporate governance. Relevant rules and regulations are disclosed on the Company's website.

(VIII) Other information enabling a better understanding of the Company's corporate governance operations shall be disclosed:

1. Currently, the Company has not established relevant regulations for the promotion and performance of social responsibility; however, the management sets creating maximum interests for shareholders as its major target; the Company align interests of employees and shareholders by way of employees' bonuses and employee stock option plans.
2. In response to social development, the Company creates a work environment with gender equality and prioritizes employees' abilities for the recruitment and promotion of employees.
3. The Company purchased labor insurance and health insurance for all employees according to the law and purchased group insurance to offer more comprehensive protection to employees.
4. The Company encourages employees to voluntarily participate in activities of social contribution and social services.
5. Except for declaring information on MOPS according to requirements, the Company publishes real-time significant information related to significant policies or financial operations and information that have effects on its operations to provide sufficient real-time information for investors.
6. Continuing education of Directors and supervisors: To reinforce the promotion of corporate governance, the Company informs Directors of laws and regulations related to corporate governance and their updates.

The term of the current Directors is from 26 June 2018 to 25 June 2021; the continuing education for 2020:

Title	Name	Date of continuing education		Organizer	Name of the course	Hours of continuing education	Whether the continuing training complies with the requirements
		From	To				
Independent Director	Wu, Yung-Ku	11 December 2020	11 December 2020	Taiwan Corporate Governance Association	Corporate Governance Decision-making Core – Board of Directors	3.0	Yes

Title	Name	Date of continuing education		Organizer	Name of the course	Hours of continuing education	Whether the continuing training complies with the requirements
		From	To				
		11 December 2020	11 December 2020	Taiwan Corporate Governance Association	Directors' Responsibility in Corporate Merger Transactions	3.0	Yes

7. The execution of risk management policies and risk evaluation standards: The management of the Company discloses and reports relevant information in accordance with relevant laws and regulations. For the financial aspect, the management reviews our financial structure to prevent excessive financial risks; for the internal control aspect, the management has auditors in place to perform audits on the Company's internal control system regularly and from time to time and submit reports.
8. Execution of consumer protection or customer policies: Except for maintaining our usual operations and realize the maximization of shareholders' interests, the Company concurrently focuses on consumers' rights, environmental protection of communities and public welfare, and values the Company's social responsibility.
9. Purchase of responsibility insurance for Directors and supervisors: The Company purchase responsibility insurance for Directors and supervisors and has reported such matters at the 4<sup>th</sup> Board meeting on 11 August 2020.

Item	Content Summary
Insured company	Champion Building Materials Co., Ltd.
Insured persons	Directors, supervisor, and managers
Insured amount	\$1,000,000
Insurance period	109.9.3~110.9.3
Insurance company	Fubon Insurance Co., Ltd.
Insurance coverage	<ol style="list-style-type: none"> <li>1. Insurance coverage for responsibilities of Directors and managers</li> <li>2. Insurance coverage for corporate compensation</li> <li>3. Insurance coverage for investigation and lawsuit expenses</li> <li>4. Insurance coverage for securities claims</li> <li>5. Insurance coverage for employment behavior responsibilities</li> </ol>

10. The Company has established the policy of Board diversification: The Company has established its Corporate Governance Principles, which state the policy of Board diversification.

### Chapter 3 Strengthening the Board Functions

#### Section 1 Board Structure

#### Article 20: (Overall Abilities to be Possessed by the Board)

The Board of the Company shall be held responsible for the shareholders' meeting. For the operations and arrangements of the corporate governance system, the Company shall ensure that the Board exercises its functions according to laws and regulations, Articles, or resolutions made at shareholders' meetings.

For the structure of the Company's Board, an appropriate number of Directors above five persons shall be determined based on the scale of business development of the Company, shareholdings of major shareholders, and the requirement of actual operations.

The composition of the Board shall attach attention to gender equality, and the Directors shall generally possess knowledge, skills, and literacy for the execution of their duties. To achieve the ideal target of corporate governance, the Board shall generally possess the following abilities:

1. Ability to make business judgments.
2. Accounting and financial analysis abilities.
3. Business management ability.
4. Crisis management capability.
5. Industry knowledge.
6. Global market viewpoint.
7. Leadership skills.
8. Decision-making abilities.

The current Board of the Company has seven Directors; Directors who are employees accounted for 29% of the Board, and the three Independent Directors accounted for 43% of the Board

One of the Independent Directors had held the position for five to six years; two of the Independent Directors had held the position for less than three years; four of the Directors age above 70; two of the Directors age between 60 to 65; one of the Director ages 37.

The current Directors possess expertise in business management, leadership and decision-making, finance, laws, and industry. The Company attaches attention to the gender equality of the Board composition and set the target to have one female Director. Currently, the Company has no female Director, and it is estimated to have a female director at the Board re-election in 2021 to achieve its target. The status of Board diversification is set out in the following table:

Core items for diversification	Gender	Business management	Leadership and decision-making	Industry knowledge	Finance and accounting	Laws
Name of Directors						
Lin, Jung-Te	Male	✓	✓	✓		
Lin, You-Yu	Male	✓	✓	✓		
Lin, He-Cun	Male	✓				✓
Chen, Jung-Yang	Male			✓		✓
Wu, Yung-Ku	Male	✓	✓		✓	
Chen, Yin-Ho	Male	✓	✓	✓		
Lin, Tse-Tsang	Male	✓	✓			✓

(IX) Execution of the Internal Control System

1. Statement of Internal Control:

Champion Building Materials Co. Ltd.  
Statement of Internal Control System

Date: 30 March 2021

Based on the results of the self-evaluation on the internal control system for 2020, the Company hereby stated as follows:

- I. The Company acknowledges that establishing, implementing, and maintaining the internal control system is the responsibility of the Company's Board and managers. The Company had established the system. The purpose of which is to provide reasonable assurance on the achievements of objectives such as effects and efficiency of operations (including profits, performance, and protection of assets' safety), credibility, timeliness, and transparency of reports, compliance with relevant regulations and relevant laws, regulations, and rules.
- II. An internal control system has inherent limitations. Regardless of the comprehensive design, an effective internal control system may merely provide reasonable assurance on achieving the three objectives mentioned above. Moreover, the effectiveness of an internal control system is subject to changes in the environment and circumstances. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company adopts immediate remedial actions in response to any identified deficiencies.
- III. The Company established the determination items for the effectiveness of its internal control system based on the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Regulations") to determine whether the design and execution of its internal control system are effective. The determination items for the internal control system adopted by the "Regulations" divide the internal control system into five key components based on the course of management and control: 1. control environment; 2. risk evaluation; 3. control operations; 4. information and communications; and 5. supervisory operations. For the items mentioned above, please see the requirements under the "Regulations."
- IV. The Company adopted the abovementioned determination items for the internal control system to evaluate the effectiveness of the internal control system's design and execution.
- V. Based on the evaluation results above, the Company considered that the design and execution of the internal control system (including supervision and management of subsidiaries) as at 31 December 2020 are effective (including the understanding of the level of achievement regarding the objectives of operations' effects and efficiency, credibility, timeliness, and transparency of reports, compliance with relevant regulations and relevant laws, regulations, and rules), and the internal control system is able to provide reasonable assurance on the achievement of the above objectives.
- VI. The Statement is a major part of the Company's annual report and prospectus disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, Article 32, Article 171, and Article 174 of the

Securities and Exchange Act.

- VII. The Statement was passed at the meeting of the Board on 30 March 2021. It is hereby stated that seven Directors who attended the meeting have agreed on the content of the Statement.

Champion Building Materials Co. Ltd. /with seal/  
Chairman Lin, Jung-Te /with seal/

2. Where CPAs were engaged to conduct a project audit on the internal control system, the audit report shall be disclosed: Not applicable.

(X) For Penalties Imposed upon the Company and Its Internal Personnel According to Law or Penalties Imposed by Company on Its Internal Personnel for the Violation of the Internal Control System with Results that May Have Significant Effects on Shareholders' Equity or Securities Prices for the Latest Year and as of the Date of Publishing the Annual Report, the Content of Punishment, Principal Deficiencies, and Improvement shall be Stated: None.

(XI) Significant Resolutions Made by the Shareholders' Meetings and Board Meetings for the Latest Year and as of the Date of Publishing the Annual Report.

1. Significant Resolutions of the 2020 Annual Shareholders' Meeting

Description	Resolution and execution status
(1) Ratification of the 2019 business report and financial statements.	Relevant statements and documents have been archived by the competent authority, announced, and declared according to the Company Act and relevant laws and regulations. Passed after voting; the number of votes in favor: 265,552,942 votes (including voting rights exercised in electronic methods: 45,527,296 votes), accounted for 98.38% of the total voting rights; the number of votes in objection: 76,016 votes (including voting rights exercised in electronic methods: 76,016 votes), accounted for 0.02% of the total voting rights; the number of invalid votes: 0, accounted for 0% of the total voting rights; the number of renunciation or unused votes: 4,274,347 votes (including voting rights exercised in electronic methods: 4,008,442 votes), accounted for 1.58% of the total voting rights; the number of voting rights of the attending shareholders: 269,903,305 votes.
(2) Ratification for the 2019 earning compensation statement.	The table of earning distribution and loss compensation was passed at the 2020 shareholders' meeting as a resolution. The execution had been completed according to the resolution made by the shareholders' meeting. Passed after voting; the number of votes in favor: 265,652,004 votes (including voting rights exercised in electronic methods: 45,626,358 votes), accounted for 98.42% of the total voting rights; the number of votes in objection: 81,134 votes (including voting rights exercised in electronic methods:

Description	Resolution and execution status
	81,134 votes), accounted for 0.02% of the total voting rights; the number of invalid votes: 0, accounted for 0% of the total voting rights; the number of renunciation or unused votes: 4,170,167 votes (including voting rights exercised in electronic methods: 3,904,262 votes), accounted for 1.58% of the total voting rights; the number of voting rights of the attending shareholders: 269,903,305 votes.
(3) Amendments to the Company’s “Articles of Association.”	The amendments were passed at the 2020 shareholders’ meeting and published on MOPS and the Company’s website. Passed after voting; the number of votes in favor: 265,658,210 votes (including voting rights exercised in electronic methods: 45,632,564 votes), accounted for 98.42% of the total voting rights; the number of votes in objection: 127,032 votes (including voting rights exercised in electronic methods: 45,632,564 votes), accounted for 0.04% of the total voting rights; the number of invalid votes: 0, accounted for 0% of the total voting rights; the number of renunciation or unused votes: 4,118,063 votes (including voting rights exercised in electronic methods: 3,852,158 votes), accounted for 1.52% of the total voting rights; the number of voting rights of the attending shareholders: 269,903,305 votes.
(4) Amendments to the Company’s “Rules of Procedure for Shareholders’ Meeting.”	The amendments were passed at the 2020 shareholders’ meeting and published on MOPS and the Company’s website. Passed after voting; the number of votes in favor: 265,708,191 votes (including voting rights exercised in electronic methods: 45,682,545 votes), accounted for 98.44% of the total voting rights; the number of votes in objection: 77,047 votes (including voting rights exercised in electronic methods: 77,047 votes), accounted for 0.02% of the total voting rights; the number of invalid votes: 0, accounted for 0% of the total voting rights; the number of renunciation or unused votes: 4,118,067 votes (including voting rights exercised in electronic methods: 3,852,162 votes), accounted for 1.52% of the total voting rights; the number of voting rights of the attending shareholders: 269,903,305 votes.
(5) Amendments to the Company’s “Regulations for the Election of the Board of Directors.”	The amendments were passed at the 2020 shareholders’ meeting and published on MOPS and the Company’s website. Passed after voting; the number of votes in favor: 265,700,202 votes (including voting rights exercised in electronic methods: 45,674,556 votes), accounted for 98.44% of the total voting rights; the number of votes in objection: 77,032 votes (including voting rights exercised in electronic methods: 77,032 votes), accounted for 0.02% of the total voting rights; the number of invalid votes: 0, accounted for 0% of the total voting rights; the number of renunciation or unused votes: 4,126,071 votes (including voting rights exercised in electronic methods: 3,860,166 votes), accounted for 1.52% of the total voting rights; the number of voting rights of the

Description	Resolution and execution status
	attending shareholders: 269,903,305 votes.

2. Significant Resolutions at the 2020 Board Meetings :

2020:

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
1 <sup>st</sup> meeting in 2020 9 March 2020	1. Discussion on matters related to the Mainland subsidiary Singyih Ceramic (China) Co., Ltd introduces the cooperative investor (GuangZhou Seagull Kitchen and Bath Products Co., Ltd.) to improve operating performance and operations and the joint operation of tile business and adjustments to business cooperation.	V	
	Opinions of Independent Directors: None. Measures adopted by the Company for opinions of Independent Directors: None. Resolution results: All attending Directors passed the resolution as proposed with no opposing opinions.		
2 <sup>nd</sup> meeting in 2020 27 March 2020	1. Discussion on the Company's 2019 business report, individual financial statements, and consolidated financial statements.	V	
	2. Proposal for the preparation of compensation of losses in 2019.		
	3. Proposal of the issuance of the Statement of Internal Control after the completion of the internal control self-evaluation of the Company for 2019.	V	
	4. Discussion on the Company's 2020 business plan.		
	5. Discussion on the regular evaluation of CPAs' independence and competency and the appointment of KPMG (Taiwan) for services of audit and certification, review, and review certification of the 2020 financial reports.	V	
	6. Discussion on the proposal of the convening date, time, venue, major proposals, and matters related		

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
	<p>to accepting shareholders' proposals for the Company's 2020 annual shareholders' meeting.</p> <p>7. Discussion on the proposal of providing a loan of RMB100 million to subsidiary Singyih Ceramic (China) Co., Ltd.</p> <p>8. Discussion on the proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary that intends to negotiate the financing limits with financial institutions due to the requirements of operating development.</p> <p>9. Discussion on the proposal of the Company's intention to negotiate the financing limits with financial institutions due to the requirements of operating development.</p> <p>10. Amendments to the Company's "Articles of Association."</p> <p>11. Amendments to the Company's "Rules of Procedure for Shareholders' Meeting."</p> <p>12. Amendments to the Company's "Regulations for the Election of Directors."</p> <p>13. Amendments to the Company's "Rules of Procedure for the Board Meeting."</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>	
	<p>14. Amendments to the Company's "Remuneration Committee Charter," "Regulations for the Management of Operations of the Remuneration Committee," and "Regulations for the Remuneration Payment to Directors, Managers, and Members of Functional Committees."</p> <p>15. Amendments to the Company's "Audit Committee Charter."</p> <p>16. Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conducts."</p> <p>17. Evaluation of the remuneration (standards and structures) of the Company's Directors and managers (including those newly appointed).</p> <p>18. Review and Discussion on the "Regulations for the Distribution of Performance Achievement Bonuses of Managers in 2019 and 2020" (including standards and policies of performance evaluations).</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
	<p>19. Proposal for the dismissal of managers.</p> <p>Opinions of Independent Directors: None. Measures adopted by the Company for opinions of Independent Directors: None. Resolution results: All attending Directors passed the resolution as proposed with no opposing opinions.</p>		
<p>3<sup>rd</sup> meeting in 2020 12 May 2020</p>	<p>1. Discussion on the Company's 2020 Q2 consolidated financial report.</p> <p>2. Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Guan Zhong Trading Co, Ltd. that intends to negotiate the financing limits of NT\$20,000 thousand with Mega Commercial Bank due to the requirements of operating development.</p> <p>3. Proposal of the Company's intention to negotiate the financing limits with financial institutions due to the requirements of operating development.</p> <p>4. Resolution on the replacement of CPAs for the Company's financial certifications and the evaluation on the independence and competency of CPAs.</p> <p>5. Proposal for the dismissal of managers.</p> <p>Opinions of Independent Directors: None. Measures adopted by the Company for opinions of Independent Directors: None. Resolution results: All attending Directors passed the resolution as proposed with no opposing opinions.</p>	<p>V</p> <p>V</p> <p>V</p>	
<p>4<sup>th</sup> meeting in 2020 8 November 2020</p>	<p>1. Discussion on the Company's 2020 Q2 consolidated financial report.</p> <p>2. Discussion on whether the material overdue accounts (pass the normal credit period of three months) as of 31 July 2020 were capital funding.</p> <p>3. Discussion on the proposal of providing a loan of RMB50 million to subsidiary Singyih Ceramic (China) Co., Ltd.</p> <p>4. Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Swanview International, Ltd that intends to negotiate the financing limits of \$3 million with The Shanghai Commercial &amp; Savings Bank, Ltd. due to the requirements of operating development.</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
	5. Proposal of the Company's intention to negotiate the financing limits with financial institutions due to the requirements of operating development. 6. Discussion on the proposed amendments to the Company's internal management regulations. (1) Amendments to the Company's "Rules of Procedure for Shareholders' Meeting." (2) Amendments to the Company's "Regulations for the Election of the Board of Directors." (3) Amendments to the Company's "Rules for the Scope of Duties of Independent Directors." (4) Amendments to the Company's "Remuneration Committee Charter." (5) Amendments to the Company's "Regulations for Financial Operations between Affiliates."	V	
	(6) Amendments to Company's "Regulations for the Performance Evaluation of the Board." (7) Amendments to the Company's "Code of Ethical Conducts." 7. Proposal for the dismissal of managers.		
	Opinions of Independent Directors: None. Measures adopted by the Company for opinions of Independent Directors: None. Resolution results: All attending Directors passed the resolution as proposed with no opposing opinions.		
5 <sup>th</sup> meeting in 2020 12 November 2020	1. Discussion on the Company's 2020 Q3 consolidated financial report. 2. Discussion on whether the material overdue accounts (pass the normal credit period of three months) as of 31 October 2020 were capital funding. 3. Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Singyih Ceramic (Penglai) Co., Ltd that intends to negotiate the financing limits of \$2 million with Bank SinoPac Hsinchu Branch due to the requirements of operating development. 4. Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Guan Zhong Trading Co, Ltd. that intends to negotiate the financing limits of	V  V  V  V	

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
	<p>\$0.5 million with First Bank Zhunan Branch due to the requirements of operating development.</p> <p>5. Proposal of the Company’s intention to negotiate the financing limits with financial institutions due to the requirements of operating development.</p> <p>6. Proposal for the establishment of the 2021 audit plan according to the requirements under the “Regulations Governing Establishment of Internal Control Systems by Public Companies.”</p> <p>7. Evaluation of the remuneration (standards and structures) of the Company’s Directors and managers (including those newly appointed).</p> <p>8. Amendments to the Company’s “Remuneration Committee Charter.”</p> <p>9. Proposal for the dismissal of managers.</p>	<p>V</p> <p>V</p>	
<p>Opinions of Independent Directors: None.</p> <p>Measures adopted by the Company for opinions of Independent Directors: None.</p> <p>Resolution results: All attending Directors passed the resolution as proposed with no opposing opinions.</p>			

2021:

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
<p>2<sup>nd</sup> meeting of 2021 30 March 2021</p>	<p>1. Discussion on the Company’s 2020 business report, individual financial statements, and consolidated financial statements.</p> <p>2. Proposal for the preparation of compensation of losses in 2020.</p> <p>3. Proposal of the issuance of the Statement of Internal Control after the completion of the internal control self-evaluation of the Company for 2020.</p> <p>4. Discussion on the Company’s 2021 business plan.</p> <p>5. Proposal on the material overdue accounts (pass the normal credit period of three months) as of 28</p>	<p>V</p> <p>V</p> <p>V</p>	

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
	February 2021 were not capital funding.		
	<p>6. Discussion on the proposal of the convening date, time, venue, major proposals, and matters related to accepting shareholders' proposals for the Company's 2021 annual shareholders' meeting.</p> <p>7. Proposal for the re-election of the Company's Directors.</p> <p>8. Proposal for the Company to implement the 4<sup>th</sup> treasury share repurchase to protect the Company's credibility and shareholders' interests.</p> <p>9. Proposal of the Company's intention to negotiate the financing limits with financial institutions due to the requirements of operating development.</p> <p>10. Discussion on the proposal of providing a loan of RMB100 million (new borrowings for the repayment of the existing borrowings) to subsidiary Singyih Ceramic (China) Co., Ltd.</p> <p>11. Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary that intends to negotiate the financing limits with financial institutions due to the requirements of operating development.</p> <p>12. Proposal for the regular evaluation of CPAs' independence and competency and the appointment of KPMG (Taiwan) to assign CPAs for services of audit and certification, review, and review certification of the 2021 financial reports.</p> <p>13. Proposal for the appointment of managers.</p> <p>14. Proposal for the dismissal of managers.</p> <p>15. Discussion on the distribution of year-end bonuses and performance achievement bonuses of managers for 2020.</p> <p>16. Evaluation of the remuneration (standards and structures) of the Company's Directors and managers (including those newly appointed).</p> <p>17. Discussion on the lease of vehicle assigned to the Company's Chairman and President.</p> <p>18. Amendments to the Company's "Rules of Procedure for Shareholders' Meeting."</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>	

Board meeting	Significant resolution of Board meetings	Matters stated in Article 14-3 of the Securities Exchange Act	Opposing or qualified opinions of Independent Directors
	19. Amendments to the Company's "Rules of Procedure for the Board Meeting."	V	
	20. Amendments to the Company's "Regulations for the Supervision on Subsidiaries."	V	
	21. Proposal for the amendments to the Company's "Ethical Management Principles."	V	
	22. Proposal for the amendments to the Company's "Corporate Governance Principles."	V	
<p>Opinions of Independent Directors: None.  Measures adopted by the Company for opinions of Independent Directors: None.  Resolution results: All attending Directors passed the resolution as proposed with no opposing opinions.</p>			

(XII) The Primary Content of Directors or Supervisors' Opposing Opinions with Records or Written Declarations on Significant Resolutions Passed by the Board of Directors for the Latest Year and as of the Date of Publishing the Annual Report: None.

(XIII) Summary of Separation and Dismissal of Parties Related to the Financial Report (Including Chairman, General Manager, Chief Accountant, and Chief Internal Auditor) for the Latest Year and as of the Date of Publishing the Annual Report:

#### Table of Summary for the Separation and Dismissal of Parties Related to the Company

31 March 2021

Title	Name	Date of assumption	Date of dismissal	Reason of separation or dismissal
Executive Vice President	Wang, Kai-Ming	12 May 2019	12 August 2020	Duty adjustment

IV. Information on Audit Fees

Information on Audit Fees

CPA firm	Name of CPAs		Audit period	Remark
KPMG (Taiwan)	Tseng, Guo-Yang	Lai, Li-Zhen	1 January 2020 to 31 March 2020	
	Chen, Chung-Che	Lai, Li-Zhen	1 April 2020 to 31 December 2020	

Unit: NT\$000'

Amount range		Item	Audit fees	Non-audit fees	Total
1	Below NT\$2,000 thousand			39	39
2	NT\$2,000 thousand (inclusive) to NT\$4,000 thousand				
3	NT\$6,000 thousand (inclusive) to NT\$6,000 thousand		4,510		4,510
4	NT\$6,000 thousand (inclusive) to NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive) to NT\$10,000 thousand				
6	Above NT\$10,000 thousand (inclusive)				

(I) Where the Non-Audit Fees Paid to the CPAs, CPA's Firm, and Its Affiliates Accounted for One-Fourth of the Audit Fees and Above, the Audit and Non-Audit Fees and the Content of the Non-Audit Services Shall Be Disclosed:

Unit: NT\$000'

CPA firm	Name of CPAs	Audit fees	Non-audit fees					Audit period	Remark
			System design	Business registration	Human resource	Others	Sub-total		
KPMG (Taiwan)	Tseng, Guo-Yang	4,510	0	9	30	0	39	1 January 2020 to 31 December 2020	
	Lai, Li-Zhen								
KPMG Advisory Services Co., Ltd.	—	0	0	0	0	1,068	1,068	3 August 2020 to January 2021	Factory performance improvement consultation service project

(II) When Changing the Accounting Firm and the Audit Fees Paid for the Year in which the Change Took Place Are Lower than Those Paid for the Year Preceding the Change, the Decrease in the Amount of the Audit Fees, the Ratio, and the Reason Shall be Disclosed: None.

(III) When the Audit Fees Decreased by 10% and Above as Compared with the Preceding Year, the Decrease in the Amount of the Audit Fees, the Ratio, and the Reason Shall be Disclosed: None.

V. Information on the Replacement of CPA: None.

VI. VI. When the Chairman, President, Managers Responsible for Financial or Accounting Affairs of the Company Had Taken Office in the CPA Firm or its Affiliates for the Latest Year, Names, Titles, and the Period Taken Office in the CPAs' Firm or Its Affiliates shall be Disclosed: None.

VII. Changes in Equity Transfer and Pledge by Directors, Supervisors, Managers, and Shareholders with Shareholdings Over 10% for the Latest Year and as of the Date of Publishing the Annual Report

Changes in Equity Held by Directors, Supervisors, Managers, and Major Shareholders

Title	Name	2020		Current year as of 31 March	
		Increase (decrease) in number of shares held			
Chang, Cing-Fu	Tai Yu Investment Co, Ltd	0	0	0	0
	Representative: Lin, Jung-Te	0	0	0	0
Chang, Cing-Fu	Tai Yu Investment Co, Ltd	0	0	0	0
	Representative: Lin, You-Yu	0	0	0	0
Chang, Cing-Fu	Hua Yi Industrial Co, Ltd	3,377,000	0	0	0
	Representative: Lin, He-Cun	0	0	0	0
Chang, Cing-Fu	Hua Yi Industrial Co, Ltd	3,377,000	0	0	0
	Representative: Chen, Jung-Yang	0	0	0	0
President	Lin, Jung-Te	0	0	0	0

Title	Name	2020		Current year as of 31 March	
		Increase (decrease) in number of shares held			
Executive Vice President	Lin, You-Yu	0	0	0	0
Senior Special Assistant	Lin Wang, Kuei-Feng	0	0	0	0
Assistant Vice President	Lin, Jen-Hsiung	0	0	0	0
Assistant Vice President	Lin, Meng-Yu	0	0	0	0
CFO	Liao, Hui-Yi	0	0	0	0
Assistant Vice President	Chang, Chih-Chung	0	0	0	0
Assistant Vice President	Jang, Shiuan-Ming	0	0	0	0
Assistant Vice President	Chang, Cing-Fu	0	0	0	0
Special Assistant	Chang, Cing-Fu	0	0	0	0

### Information on Equity Transfer

Name (Noe 1)	Reason of equity transfer (Note 2)	Transactio n date	Transaction counterparty	Relationship between the transaction counterparty and the Company, Directors, supervisors, managers, and shareholders with shareholdings over 10%	Number of shares	Transacti on price
None						

### Information on Equity Pledge

Name (Noe 1)	Reason of changes in pledge (Note 2)	Date of changes	Transaction counterparty	Relationship between the transaction counterparty and the Company, Directors, supervisors, managers, and shareholders with shareholdings over 10%	Number of shares	Share holdin g	Pledge d percent age	Amount borrowed (redeeme d)
None								

VIII. Information on Shareholders with Top Ten Shareholdings Who Are Related Parties or Spouses or Relatives within the Second Degree of Kinship

**Information on Relationships between Shareholders with Top Ten Shareholdings**

31 April 2021

Name (Note 1)	Shares held by the shareholders		Shares held by spouse and minors		Shares held in the name of others		Title, name, or relationship of shareholders with top ten shareholdings who are related parties or spouses or family members within the second degree of kinship. (Note 3)		Remark
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Title (or name)	Relationship	
Investment account in the custody of Citi Bank entrusted by Capital Union Bank Co., Ltd.	32,151,024	7.41%	0	0	0	0	None	None	
Deqian Investment Co., Ltd. Representative: Lin, Meng-Yu	29,214,182	6.73%	0	0	0	0	None	None	
	1,864,394	0.43%	0	0	0	0	Lin, Jung-Te Lin, You-Yu	Direct relative Relative within the second degree of kinship	
Quicheng Investment Co., Ltd. Representative: Lin, You-Yu	27,534,312	6.35%	0	0	0	0	None	None	
	2,457,427	0.57%	0	0	0	0	Lin, Jung-Te Lin, Meng-Yu	Direct relative Relative within the second degree of kinship	
Lin, Jung-Te	26,222,000	6.04%	2,987,067	0.69%	0	0	Tai Yu Lin, Meng-Yu Lin, You-Yu	Chairman Direct relative Direct relative	
Founder Industrial Co., Ltd. Representative: Wang, Chun-Tian	25,347,235	5.84%	0	0	0	0	None	None	Chairman of Chung Yang, Founden, Hua Yi, and Founder are the same person.
	0	0	0	0	0	0	None	None	
Chung Yang Industrial Co., Ltd. Representative: Wang, Chun-Tian	25,207,957	5.81%	0	0	0	0	None	None	Chairman of Chung Yang, Founden, Hua Yi, and Founder are the same person.
	0	0	0	0	0	0	None	None	
Founden Industrial Co., Ltd. Representative: Wang, Chun-Tian	23,743,702	5.47%	0	0	0	0	None	None	Chairman of Chung Yang, Founden, Hua Yi, and Founder are the same person.
	0	0	0	0	0	0	None	None	
Tai Yu Investment Co, Ltd	19,047,510	4.39%	0	0	0	0	None	None	

Name (Note 1)	Shares held by the shareholders		Shares held by spouse and minors		Shares held in the name of others		Title, name, or relationship of shareholders with top ten shareholders who are related parties or spouses or family members within the second degree of kinship. (Note 3)		Remark
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Title (or name)	Relationship	
Representative: Lin, Jung-Te	26,222,000	6.04%	2,987,067	0.69%	0	0	Lin, Meng-Yu Lin, You-Yu	Direct relative Direct relative	
Shi, Shan-Hsiung	18,152,000	4.18%	0	0	0	0	None	None	
Hua Yi Industrial Co, Ltd Representative: Wang, Chun-Tian	11,035,000	2.54%	0	0	0	0	None	None	Chairman of Chung Yang, Founden, Hua Yi, and Founder are the same person.
	0	0	0	0	0	0	None	None	

IX. Shareholdings of the Company, the Company's Directors, Supervisors, Managers, and Companies Directly or Indirectly Controlled by the Company in the Same Investee Companies, and the Consolidated Shareholding Ratio in Aggregation

Consolidated Shareholding Ratio

Unit: Share; %

Investee Company	Investments of the Company		Investments of Directors, supervisors, managers, and companies directly or indirectly controlled by the Company		Consolidated Shareholding	
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding
Swanview International, Ltd	93,906,266	100.00%	0	0.00%	93,906,266	100.00%
Guan Zhong Trading Co, Ltd.	9,600,000	100.00%	0	0.00%	9,600,000	100.00%
Champion Highwealth Co., Ltd	1,800,000	100.00%	0	0.00%	1,800,000	100.00%

## Chapter 4. Fund-raising

### I. Capital and Shares

#### (I) Source of share capital

Unit: Share; NT\$1

Month and Year	Issue price	Authorized capital		Paid-up capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Properties other than cash in substitution of share capital	Others
November 1972	10	370,000	3,700,000	370,000	3,700,000	Establishment		
May 1974	10	1,500,000	15,000,000	1,500,000	15,000,000	Capital increase by cash of NT\$11,300,000		
May 1995	10	1,960,000	19,600,000	1,960,000	19,600,000	Capital increase by cash of NT\$4,600,000		
May 1983	10	5,096,000	50,960,000	5,096,000	50,960,000	Capital increase by cash of NT\$26,656,000 Capital increase from capital reserve of NT\$4,704,000		
January 1996	10	6,115,200	61,152,000	6,115,200	61,152,000	Capital increase by cash of NT\$10,192,000		
May 1989	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase by cash of NT\$38,848,000		
November 1989	10	15,000,000	150,000,000	15,000,000	150,000,000	Capital increase by cash of NT\$50,000,000		
March 1990	10	19,900,000	199,000,000	19,900,000	199,000,000	Capital increase by cash of NT\$38,500,000 Capital increase from capital reserve of NT\$10,500,000		
May 1990	10	24,550,000	245,500,000	24,550,000	245,500,000	Capital increase from earnings of NT\$46,500,000		
April 1992	10	45,800,000	458,000,000	45,800,000	458,000,000	Capital increase by cash of 11,190,000 Capital increase from earnings of NT\$201,310,000		Approved by Letter (81) Tai-cai-zheng (Yi) No. 12611 on 22 June 1992
July 1992	10	60,000,000	600,000,000	60,000,000	600,000,000	Capital increase from earnings of NT\$142,000,000		Approved by Letter (81) Tai-cai-zheng (Yi) No. 01542 on 8 July 1992

Month and Year	Issue price	Authorized capital		Paid-up capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Properties other than cash in substitution of share capital	Others
August 1993	10	78,000,000	780,000,000	78,000,000	780,000,000	Capital increase from earnings of NT\$180,000,000		
May 1994	10	120,240,000	1,202,400,000	120,240,000	1,202,400,000	Capital increase from earnings of 319,800,000 Capital increase from capital reserve of NT\$102,600,000		
June 1995	10	180,054,000	1,800,540,000	180,054,000	1,800,540,000	Capital increase from earnings of 480,960,000 Capital increase from capital reserve of NT\$117,180,000		Approved by Letter (84) Tai-cai-zheng (Yi) No. 22981 on 6 May 1995
August 1996	10	225,942,500	2,259,425,000	225,942,500	2,259,425,000	Capital increase from earnings of NT\$458,885,000		Approved by Letter (85) Tai-cai-zheng (Yi) No. 36690 on 8 June 1996
August 1997	10	355,000,000	3,550,000,000	238,139,625	2,381,396,250	Capital increase from earnings of NT\$121,971,250		Approved by Letter (81) Tai-cai-zheng (Yi) No. 36690 on 8 June 1996 Approved by Letter (86) Tai-cai-zheng (Yi) No. 46160 on 11 June 1997
August 1998	10	355,000,000	3,550,000,000	287,567,550	2,875,675,500	Capital increase from earnings of NT\$494,279,250		Approved by Letter (87) Tai-cai-zheng (Yi) No. 52458 on 11 June 1998
September 1999	10	355,000,000	3,550,000,000	293,300,000	2,933,000,000	Capital increase from earnings of NT\$57,324,500		Approved by Letter (88) Tai-cai-zheng (Yi) No. 62205 on 7 July 1999
February 2001	20	355,000,000	3,550,000,000	329,300,000	3,293,000,000	Preferred shares converted into ordinary shares of NT\$360,000,000		Approved by Letter (90) Tai-cai-zheng (San) No. 100590 on 31 January 2001
October 2002	10	300,000,000	3,000,000,000	234,800,000	2,348,000,000	Capital reduction of 945,000,000		Tai-cai-zheng-yi-zi No. 0910143329 on 10 September 2002
August 2004	10	300,000,000	3,000,000,000	269,800,000	2,698,000,000	Capital increase in cash by private offering of NT\$350,000,000		Jing-shou-shang-zi No. 09301162170 on 31 August 2004
December 2004	10	300,000,000	3,000,000,000	300,000,000	3,000,000,000	Capital increase in cash by private offering of NT\$302,000,000		Jing-shou-shang-zi No. 09401000820 on 5 January 2005
July	10	400,000,000	4,000,000,000	315,375,400	3,153,754,000	Capital increase from earnings of		Jin-guan-zheng-yi No. 0960039591 on 27 July

Month and Year	Issue price	Authorized capital		Paid-up capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Properties other than cash in substitution of share capital	Others
2007			0		0	NT\$153,754,000		2007
September 2008	10	400,000,000	4,000,000,000	338,375,400	3,383,754,000	Capital increase in cash of NT\$230,000,000		Jin-guan-zheng-yi No. 0960047987 on 7 September 2007
April 2008	10	400,000,000	4,000,000,000	339,324,117	3,393,241,170	Conversion of corporate bonds of NT\$9,487,170		
July 2008	10	400,000,000	4,000,000,000	356,902,323	3,569,023,230	Capital increase from earnings of NT\$175,782,060		Jin-guan-zheng-yi-zi No. 0970036936 on 22 July 2008
October 2009	10	450,000,000	4,500,000,000	361,199,184	3,611,991,840	Capital increase from earnings of NT\$42,968,610		Jing-shou-shang-zi No. 09801242470 on 22 October 2009
November 2009	10	450,000,000	4,500,000,000	369,199,184	3,691,991,840	Capital increase in cash of NT\$80,000,000		Jing-shou-shang-zi No. 09801262400 on 13 November 2009
February 2010	10	450,000,000	4,500,000,000	390,027,126	3,900,271,260	Conversion of corporate bonds of NT\$208,279,420		Jing-shou-shang-zi No. 09901025350 on 4 February 2010
May 2010	10	450,000,000	4,500,000,000	396,650,214	3,966,502,140	Conversion of corporate bonds of NT\$66,230,880		Jing-shou-shang-zi No. 09901096620 on 12 May 2010
July 2010	10	450,000,000	4,500,000,000	397,502,716	3,975,027,160	Conversion of corporate bonds of NT\$8,525,020		Jing-shou-shang-zi No. 09901171570 on 30 July 2010
September 2010	10	450,000,000	4,500,000,000	418,012,428	4,180,124,280	Capital increase from earnings of NT\$205,097,120		Jing-shou-shang-zi No. 09901201940 on 6 September 2010
October 2010	10	450,000,000	4,500,000,000	422,106,626	4,221,066,260	Conversion of corporate bonds of NT\$40,941,980		Jing-shou-shang-zi No. 09901234200 on 18 October 2010
May 2011	10	450,000,000	4,500,000,000	427,672,646	4,276,726,460	Conversion of corporate bonds of NT\$55,660,200		Jing-shou-shang-zi No. 10001094540 on 11 May 2011
June 2011	10	450,000,000	4,500,000,000	422,672,646	4,226,726,460	Cancellation of treasury shares of NT\$50,000,000		Jing-shou-shang-zi No. 10001112870 on 1 June 2011
August 2011	10	450,000,000	4,500,000,000	424,012,266	4,240,122,660	Conversion of corporate bonds of NT\$13,396,200		Jing-shou-shang-zi No. 10001180610 on 5 August 2011
November	10	450,000,000	4,500,000,000	429,965,078	4,299,650,780	Conversion of		Jing-shou-shang-zi No.

Month and Year	Issue price	Authorized capital		Paid-up capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Properties other than cash in substitution of share capital	Others
November 2011			0		0	corporate bonds of NT\$59,528,120		10001253130 on 3 November 2011
February 2012	10	450,000,000	4,500,000,000	433,755,078	4,337,550,780	Conversion of corporate bonds of NT\$37,900,000		Jing-shou-shang-zi No. 10101023790 on 20 February 2012
April 2012	10	450,000,000	4,500,000,000	437,335,078	4,373,350,780	Conversion of corporate bonds of NT\$35,800,000		Jing-shou-shang-zi No. 10101072050 on 24 April 2012
December 2018	10	450,000,000	4,500,000,000	433,782,078	4,337,820,780	Cancellation of treasury shares of NT\$3,553,000		Jing-shou-shang-zi No. 10701149490 on 4 December 2018

Category of shares	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	433,782,078	66,217,922	500,000,000	433,782,078 listed shares

### Summary of Information Related to the Declaration System

Category of securities	Estimated issuance amount		Issued amount		Issuance purpose and estimated effects of the issued shares	Estimated issuance period for the unissued shares	Remark
	Total number of shares	Approved amount	Number of shares	Price			
Ordinary shares	500,000,000	5,000,000,000	433,782,078	4,337,820,780			

### (II) Shareholders' Structure

#### Shareholders' Structure

28 June 2021

Shareholder structure \ Quantity	Government agencies	Financial institutions	Other corporates	Individuals	Foreign institutions and foreign individuals	Total
Number of shareholders	0	3	118	35,049	87	35,257
Number of shares held	0	33,645	168,841,851	218,109,396	46,797,186	433,782,078
Shareholding	0	0.01%	38.92%	50.28%	10.79%	100%

### (III) Equity Dispersion

#### Equity Dispersion

Nominal value of NT\$10 per share

28 June 2021

Range of shareholding	Number of shareholders	Number of shares held	Shareholding (%)
1 to 999	20,324	2,710,552	0.63
1,000 to 5,000	10,779	23,136,516	5.33
5,001 to 10,000	2,070	16,987,216	3.92
10,001 to 15,000	612	7,697,760	1.78
15,001 to 20,000	470	8,911,744	2.05
20,001 to 30,000	363	9,540,632	2.20
30,001 to 50,000	287	11,813,947	2.72
50,001 to 100,000	184	13,763,382	3.17

Range of shareholding	Number of shareholders	Number of shares held	Shareholding (%)
100,001 to 200,000	73	10,585,703	2.44
200,001 to 400,000	40	11,364,608	2.62
400,001 to 600,000	13	6,582,000	1.52
600,001 to 800,000	6	4,129,885	0.95
800,001 to 1,000,000	5	4,309,000	0.99
Ranges shall be provided for above 1,000,001 according to the circumstances	31	302,249,133	69.68
Total	35,257	433,782,078	100.00

(IV) List of Major Shareholders

List of Major Shareholders

28 June 2021

Title of major shareholders	Shares	Number of shares held	Shareholding (%)
Investment account in the custody of Citi Bank entrusted by Capital Union Bank Co., Ltd.		32,151,024	7.41%
Deqian Investment Co., Ltd.		29,214,182	6.73%
Quicheng Investment Co., Ltd.		27,534,312	6.35%
Lin, Jung-Te		26,222,000	6.04%
Founder Industrial Co., Ltd.		25,347,235	5.84%
Chung Yang Industrial Co., Ltd.		25,207,957	5.81%
Founden Industrial Co., Ltd.		23,743,702	5.47%
Tai Yu Investment Co, Ltd		19,047,510	4.39%
Shi, Shan-Hsiung		18,152,000	4.18%
Hua Yi Industrial Co, Ltd		11,035,000	2.54%

(V) Market Price Per Share, Net Value, Earnings, Dividends, and relevant Information for the Latest Two Years

Information on Market Price Per Share, Net Value, Earnings, and Dividend

Item		Year	2019	2020	Current year and as of 31 March 2021
Market price per share	Ordinary share	Highest	7.59	7.99	9.06
		Lowest	6.26	3.90	6.98
		Average	6.76	5.79	8.06
Net	Before distribution		13.68	12.72	12.47

Item		Year	2019	2020	Current year and as of 31 March 2021
value per share	After distribution		13.68	—	—
Earnings per share	Weighted average number of shares		433,782,078	433,782,078	433,782,078
	Earnings per share (before retrospective adjustments)		(0.98)	(0.93)	(0.39)
	Earnings per share (after retrospective adjustments)		(0.98)	(0.93)	(0.39)
Dividends per share	Cash dividends		0	0	0
	Right issue	Share allotment from earning	0	0	0
		Share allotment from capital reserve	0	0	0
	Accumulated unpaid dividends		0	0	0
Analysis of investment return	P/E ratio		(6.90)	(6.23)	(20.67)
	Price to dividend ratio		0	0	0
	Dividend yield		0	0	0

#### (VI) Dividend Policy of the Company and the Execution

1. Dividend policy: Where the Company records any profits for the year, the Company shall appropriate 3% to 5% and no more than 1.5% of such profits as remuneration to employees and remuneration for Directors, respectively. However, when the Company still has accumulated losses, it shall preserve the amount for compensation.

The profits for the year refer to the profit before tax of the year and before deducting the remuneration to employees and remuneration to Directors.

The distribution of the remuneration to employees and remuneration to Directors shall receive consent from the majority of the attending Director at a Board meeting with two-thirds of Directors attended, and the distribution shall be reported to the shareholders' meeting.

Targets for the remuneration to employees in shares or cash included employees from subsidiaries fulfilling certain conditions; such conditions shall be established by the Board.

Shall there be earnings from the final account, the Company shall pay taxation, compensate losses from prior years, and appropriate 10% of the remaining earnings as the statutory surplus reserve. However, when the statutory surplus reserve has reached the Company's paid-in capital, such appropriation may be exempted. Furthermore, the Company shall appropriate or reverse special surplus reserve, the remaining earnings, together with the undistributed earnings at the beginning of the period shall

be used for the distribution of dividends, and the Board shall prepare the earning distribution proposal and submit it to the shareholders' meeting for the determination of distribution.

At present, the development of the Company's business is in the mature stage with stable profits and a healthy financial structure. To pursue sustainable operations and long-term development, based on the future capital demand and long-term business planning of the Company, the Board may prepare dividend distribution proposal in accordance with the operating status at the time, with equal considerations given to shareholders' interests, balanced dividend policies, and capital requirements, and submit the proposal to the shareholders' meeting for determination.

Earning distribution may be distributed in cash dividend or share dividend; however, the distribution percentage of share dividend shall not exceed 50% of the total dividend.

2. Dividends Distribution Intended at the Shareholders' Meeting:

The Table for Earning Distribution and Loss Compensation for 2020 is as follows:

Champion Building Materials Co., Ltd.

Table for Earning Distribution and Loss Compensation

2020

Amount: NT\$1

Balance at the beginning of the period	419,320,579
Add: Net profit (loss) after tax for the year	(402,867,198)
Other comprehensive income transferred to accumulated gains or loss	(2,307,239)
Earnings available for distribution	14,146,142
Less: 10% appropriation as statutory surplus reserve	0
Distribution items:	
Shareholders' dividend – Cash dividend	0
Shareholders' dividend – Share dividend	0
<b>Undistributed earnings at the end of the period</b>	<b>14,146,142</b>

(VII) Effects of the Right Issue Discussed at the Shareholders' Meeting on the Operating Performance and Earning per Share of the Company: None.

(VIII) Remuneration of Employees, Directors, and Supervisors

1. The ratio or scope of remuneration of employees and Directors set out in the Articles of Association:

**Dividend policy:** Where the Company records any profits for the year, the Company shall appropriate 3% to 5% and no more than 1.5% of such profits as remuneration to employees and remuneration for Directors, respectively. However, when the Company still has accumulated losses, it shall preserve the amount for compensation.

The profits for the year refer to the profit before tax of the year and before deducting the remuneration to employees and remuneration to Directors.

The distribution of the remuneration to employees and remuneration to Directors shall receive consent from the majority of the attending Director at a Board meeting with two-thirds of Directors attended, and the distribution shall be reported to the shareholders' meeting.

Targets for the remuneration to employees in shares or cash included employees from subsidiaries fulfilling certain conditions; such conditions shall be established by the Board.

2. The estimation basis for the estimation regarding the amount of remuneration of employees, Directors, and supervisors, the calculation basis for the number of shares for share distribution as remuneration of employees, and the accounting for differences between the actual distribution amount or the estimation amount: As we recorded losses for 2020, the Company has not distributed remuneration to Directors or remuneration to employees according to the requirements under Article 19 of the Company's Articles.

3. Distribution of remuneration passed by the Board:

(1) Amount of remuneration of employees and remuneration of Directors and supervisors made in cash or share distribution.

The Company's Table for Earning Distribution and Loss Compensation for 2020 was passed by the Board as a resolution on 30 March 2021. The net loss after tax for 2020 was NT\$402,867,198; therefore, no distribution of remuneration to employees and remuneration to Directors and supervisors shall be made.

The amount of remuneration to employees and remuneration to Directors and supervisors for 2020 was NT\$0. The estimation basis was calculated by the amount of net profit before tax for such periods before deducting the remuneration to employees and remuneration to Directors and supervisors multiplied by the distribution ratios for remuneration to employees and remuneration to Directors and supervisors in the Company's Articles, and such distribution shall be reported as the operating costs or operating expenses for such periods. Where the actual distribution amount in the following year differs from the estimated amount, the Company would process such differences as changes in the accounting estimation, and the effect of such changes shall be recognized as the gains or loss in the following year.

(2) Amount of remuneration of employees in shares and the ratios of the remuneration to the net profit after tax and to the total sum of remuneration of employees in the individual or separate financial report for the period: Not applicable.

4. Actual distribution of the remuneration of employees and Directors for the preceding year (including the number of share and amount distributed and share price), the differences with the recognized remuneration of employees and Directors, and the explanations on the differences, reasons, and processing status:

The Company's Table for Earning Distribution and Loss Compensation for 2019 was passed by the Board as a resolution on 16 June 2020; no distribution of shareholders' dividend or remuneration to employees and remuneration to Directors and supervisors shall be made

The Company recognized remuneration to employees and remuneration to Directors and supervisors of NT\$0 in 2018; there is no difference between the actual distribution and the amount recognized in the financial report. Where the actual distribution amount differs from the estimated amount, the Company would deem such

differences as changes in the estimation, and recognized them as gains or losses in the following year.

(IX) Repurchase of the Company's Shares by the Company:

Repurchase of the Company's Shares by the Company (In Progress)

Tranche of repurchase	4 <sup>th</sup> time (tranche)
Purpose of repurchase	Maintain the Company's credibility and shareholders' interests
Category of share repurchase	Ordinary shares
Cap of the total amount for share repurchase	NT\$300,000,000
Period of the estimated repurchase	6 April 2021 to 28 May 2021
Quantity of the estimated repurchase	25,000,000 shares
Price range of repurchase	NT\$6.00 to NT\$12.00
Category and quantity of shares repurchased	0 ordinary share
Amount of shares repurchased	NT\$0
Ratio of quantity repurchased to the estimated quantity repurchase (%)	0%
Remark	As the period of repurchase has not ended, the actual execution status shall be calculated between the period from 6 April 2021 to 11 May 2021.

II. Corporate Bond: The Company has not issued any corporate bond for the latest year and as of the date of publishing the Annual Report.

III. Preferred Shares: None.

IV. Global Depository Receipt: None.

V. Employee Stock Option: None.

VI. Mergers with or Transfers of Other Companies' Shares for the Issuance of New Shares: None.

## VII. Execution of the Capital Utilization Plan

### (I) Content of the Plan

Regarding previous issuance or private offering of securities that had not been completed or had been completed for the latest three years but the effects of the plan had not shown, the content of the plan for each issuance or private offering of securities shall be explained in detail: None.

(II) Execution Status: None.

## Chapter 5. Business Overview

### I. Scope of Business

#### (I) Scope of Business

1. The Company's scope of business is as follows:
  - C901010 Ceramic and Ceramic Products Manufacturing
  - C901070 Cutting, Shaping and Finishing of Stone
  - H701040 Specific Area Development
  - H701060 New County and Community Construction and Investment
  - C901060 Manufacture of Refractory Products
  - C802990 Other Chemical Products Manufacturing
  - ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
2. Operating Proportion

Amount: NT\$000'

Year	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Tiles	3,609,001	100.00	4,721,031	99.81	5,026,376	100.00
Construction engineering income	0	0	9,212	0.19	0	0
Total	3,609,001	100.00	4,730,243	100.00	5,026,376	100.00

#### 3. Products

Amount: NT\$000'

Product	2020	2019	2018
Polished tiles	1,174,982	1,486,331	1,545,811
External tiles	499,856	458,898	387,662
Slate tiles	1,277,615	1,844,080	2,352,568
Floor tiles	49,647	104,686	176,330
Wall tiles	168,802	401,109	424,046
Others	438,099	435,139	139,959
Total	3,609,001	4,730,243	5,026,376

#### 4. New Products to be Developed

- (1) Development of slate tile series product in the sizes of 45×90 cm, 90×90 cm, and 60×120 cm.
- (2) Development of porcelain wall tile series product in the sizes of 30×60 cm and 60×60 cm.
- (3) Development of new series digital slate tiles in the sizes of 30×60cm and 60×60 cm.
- (4) Development of new thick brick products in the sizes of 90×90×2 cm, 60×60×2 cm, and 75×150×2 cm.
- (5) Development of new large-scale slab products in the size of 75×150×2 cm.
- (6) Development of porcelain marble tile series product in the sizes of 90×90 cm and 60×120 cm.

(7) Development of new polished tile series.

(II) Industry Overview

## 1. Current Condition and Development of the Industry:

Tiles are one of the building materials widely used in the fitting and decoration of households, shops, and offices. Under constant self-request, ceramics in Taiwan has been continuously upgraded, diversified, and refined with respect to equipment, manufacturing, design, and R&D, and the faith for fine quality has never changed. Through the extensive experiences accumulated by major domestic ceramic suppliers and constant growth with the time, Taiwan has actively developed exclusive products and created versatile tiles in Taiwan. MIT tiles in Taiwan comply with the CNS (National Standards of the Republic of China) inspection and passed multiple quality verification by receiving the MIT smile label, ISO international certification label, CNS mark, green building material label, and environmental protection label. Passing all levels of national quality inspection, MIT tiles represent safety and health upon use. MIT tiles are deeply preferred and recognized by architects, designers, professionals, and consumers, are on par with the design and texture of Western tiles, and play the part as an essential building material of significance preferred by nationals.

The production cost of the ceramic industry is relatively higher, and companies within the industry in Taiwan are majorly SMEs; however, SMEs possess the advantage of the clustering effect. Through the close production system from upstream, mid-stream to downstream and advanced technologies in Taiwan, as well as international trends, SMEs have purchased the latest equipment and improved their technologies to inherit the solid foundation of traditional ceramics produced in Taiwan. They are transforming into aesthetic creators in the hope of breaking through the difficulties arising from price competition with tiles from Mainland, Southeast Asia, and India and create the value of high-end premium building materials equivalent to that of Europe leverage on the aesthetic soft power.

We cater to the diverse requirements of consumers and concurrently provide a 15-year warranty for household use consumptions. The overall housing market has gradually turned positive; however, the consumption trend remains conservative, and the tile market is thus affected; the effect of price on consumers has been enlarged.

Catering to the requirements of all environments and spaces, our product functions have their unique merits. Our corporate commitment to provide the best materials for homes for life remains unchanged. Champion Building Materials integrate tiles with VR technology by utilizing modern technologies to allow designers to see the 3D realistic picture of tiles in space utilization by way of 720-degree VR. Such immersive experiences provide real-scene senses that allow customers to pick tiles at ease.

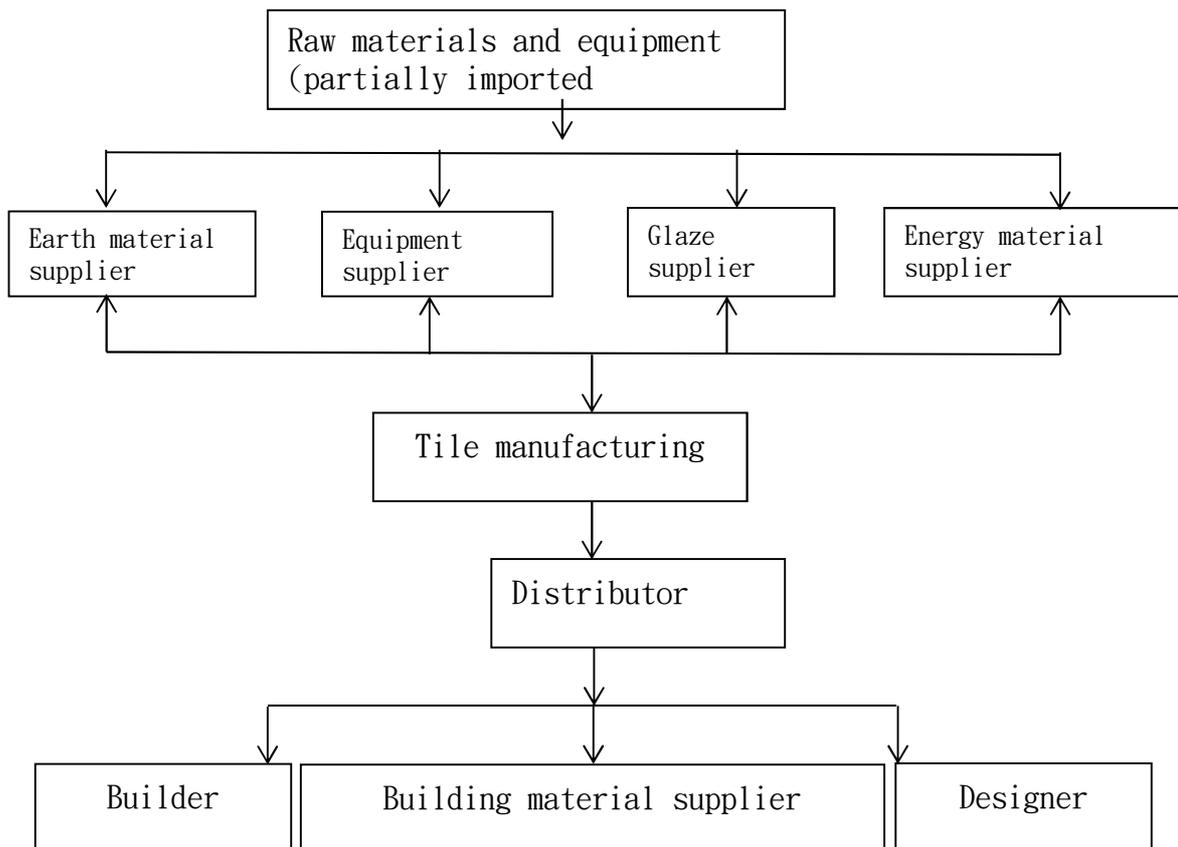
Mainland market: In 2020, the investment in the development of real estate in Mainland China reached RMB1,414.43 billion, representing a growth of 7% from 2019; among such investments, investment in residences was RMB1,044.46 billion, representing a growth of 7.6%; the ratio of investment in residences to the investment in the development of real estates was 70.8%. The sales of commercial houses were RMB1,760.86 billion, representing a growth of 2.6%. The sales of residences grew by 3.2%, the sales of office buildings decreased by 10.4%, and the sales of commercial business houses decreased by 8.7%. In 2020, real estate builders recorded a slowdown in the economic development. The Central Economic Work Conference explicitly stated that houses are for living instead of flipping properties and rolled out multiple policies with adjusted measures to local conditions to facilitate the stable and healthy development of the real estate market. It emphasized that greater attention shall be attached to the construction of indemnificatory apartments for lease. The establishment of comprehensive rental house policies shall be accelerated to gradually allow rented or purchased houses to be entitled to equal rights in terms of public services.

Good news arises after the outbreak as the fitting demand began to increase significantly, the impulsion for the second fitting was driven by the isolation for

Foreign sales market: From the commencement of the trade war between China and the US, together with the impacts of COVID-19 on the entire world, the Company continues to introduce foreign trends into Taiwan to create indoor design values. On the other hand, we face challenges imposed by imported low-priced tile products. The Company will continue to adhere to concepts of low-carbon emission, energy-saving, and environmental protection for its tiles. Under the unfavorable macroeconomy, we will focus on different niche markets and sell premium MIT products to the international market.

2. Connection between the Upstream, Midstream, and Downstream of the Industry:

Vertical integration is applicable to the ceramic industry, instead of horizontal integration. Therefore, upstream suppliers and downstream customers have clear divisions and show a sign of vertical work division. The ceramic industry has a high entry barrier and requires advanced equipment and professional technologies, posing higher entry barriers for competitors. The primary raw materials for tile manufacturing are earth materials and building stones as the foundation, glaze on the surface, the energy for fire, and packaging materials. After completing product manufacturing, as the sales volume is large and professional engineering is required, it is difficult to directly face building material retailers or users. Products are resold to building material suppliers, specialty stores or directly sold to customers via distributors and agencies in different regions.



### 3. Development Trend of Macroeconomics and the Industry:

At present, the globe faces environmental issues related to environmental protection and the lack of natural resources. It is challenging to acquire natural stone materials, and the design and color of products may not be supplied in a large amount, and it is difficult to control the quality; furthermore, wood materials are difficult to acquire due to environmental protection factors where trees may not be chopped down in a large amount; therefore, natural products have higher prices as they are rare. Tiles produced by using industrial standardized and digital technologies, the simulation fidelity has been significantly improved. Products have exquisite visual and touch senses equivalent to that of natural stone materials and wood materials. Our products have physical attributes of compression resistance, wear resistance, and may durability, and their quality and quantity can replace the use of natural stone materials and wood, complying with the modern design requirements and consumers' demand, further replacing the use of natural materials.

Tiles have characteristics of durability and convenience in maintaining and cleaning. For derived uses of wall and floor material, there is space for unlimited development. Due to the advance in technology, the use of materials developed from natural stone materials into fields of wood, cement (architectural concrete), metal, fashion, rattan, bamboo mat. In particular, the development of marble tiles rolled out different designs and colors of stone materials, creating a new trend for households. Without the natural defects of marble, we provide tiles with natural color and texture to create unique household styles, which is a pursuit of modern people for quality lives.

In 2020, there is a trend of diverse large-scale designs, and there are more diverse specifications and sizes. Black, white, and gray remained as the mainstream. Together with the latest digital inkjet printing technologies, we created delicate natural textures true to nature and allowed tiles utilization to expand from floor and wall to desktop and tabletop furniture, providing more diverse new aspects of tiles. Tile manufacturers attach more attention to the detail and texture of products and realize stereoscopic surfaces through different crafts such as unique glaze, dry granular, and mold to allow versatile and delicate hand feeling and layer. Furthermore, due to the aging society, the demand for anti-slip tiles has increased significantly, which gave rise to the booming development of many anti-slip products.

With the progress of digital printing technologies, Champion Building Materials made its tile products true to nature and natural. In 2020, Champion adopted the theme “Urban Jungle” for its new products. It derived its ideas from new trends of fields of global architecture and indoor design, and model clothes to formulate the major structure of its theme and connect color, texture, and application atmosphere. Macrobelli Tiles focused on “Diverse Culture” to exhibit the vibrant color and cultural charisma exclusive to Macrobelli and launch individualized products with vibrant colors and vigorous energy. Macrobelli made use of natural materials’ texture of marble, cement, and wood grain as the foundation and infused creative ideas in texture exhibition, tiling combination, and humanized design. By using digital inkjet printing for special application design, we managed to produce products that possess diverse tile surface textures exhibiting a wide range of simulated wood grain, cement textures, and natural stone material textures. The exquisite color and textural changes equivalent to natural stone materials or natural wood made a breakthrough from the traditional concept of single-colored tiles. By using slate tiles, brick with wood finish, ceramic wall tiles, marble tiles, and digital external tiles, new colors and styles overthrowing the traditions may be displayed in space. Champion Building Materials spares no effort in keeping up with the world-advanced equipment, materials, and design, to allow consumers to purchase top-notch tile products without spending a large amount of capital. Also, we provide premium after-sale services and a 15-year warranty for our products for consumers to have worry-free experiences.

### (III) Technology and R&D Overview

1. For the current year and as of the date of publishing the Annual Report, we had invested R&D expenses amounted to NT\$7,785 thousand.
2. Technology or products successively developed
  - (1) Development of slate tile series products in the sizes of 90×90 cm and 60×120 cm.
  - (2) Development of ceramic marble tile series products in the sizes of 60×120 cm, 60×60 cm, and 90×90 cm.
  - (3) Development of new digital slate tile series in the sizes of 30×60 cm and 60×60 cm.
  - (4) Development of thick brick series products in the sizes of 60×120×2 cm and 60×60×2 cm.
3. Development in the Future
  - (1) Development of slate tile series products in the sizes of 45×90 cm, 90×90 cm, and 60×120 cm.
  - (2) Development of ceramic wall tile series products in the sizes of 30×60 cm and 60×60 cm.
  - (3) Development of new digital slate tile series in the sizes of 30×60cm and 60×60 cm.
  - (4) Development of new thick brick products in the sizes of 90×90×2 cm, 60×60×2 cm, and 75×150×2 cm.
  - (5) Development of new large-scale slab products in the size of 75×150×2 cm.
  - (6) Development of ceramic marble tile series products in the sizes of 90×90 cm and 60×120 cm.
  - (7) Development of new polished tile series.

(IV) Long-term and Short-term Business Development Plan

1. Short-term Development Direction:

**Domestic Market:**

Benefitted from the environment of low-interest rate and capital investment trend, the purchases in the housing market recorded a booming increase. In 2020, there were 326,000 buildings traded and transferred across Taiwan; the number has been increasing for a consecutive four years and achieved a new high among the past seven years, representing an annual growth rate of 8.6% as compared with approximately 300,000 buildings in 2019. Given the effects of the outbreak in the first half of 2020, with appropriate control on the outbreak and the low-interest rate environment, the purchasing trend of the housing market resumed rapidly; the outbreak had minor effects on the recovering trend of the housing market. Apart from the thriving residence market, the investment momentum for commercial and industrial real estate was also considerable. According to the statistics of the Ministry of the Interior, the area for building permits issued of commercial category and office service category was 327,000 ping and 712,000 ping. The repatriated Taiwanese enterprises brought about the demand and area for the building permits of industrial warehouse category in Taiwan for the last year achieved 3,085,000 ping, reaching a new height.

The quantity of old buildings over 30 years across Taiwan has exceeded 4 million buildings, with approximately one in every two houses are old buildings. The “Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings” has driven the trend of urban renewal and old building reconstruction and gave rise to business opportunities for old building renovation and re-fitting.

- (1) Channel transformation: To arrange and formulate a comprehensive sales network, we will create a boutique-level space exhibition at exhibition centers across Taiwan to splendidly display the characteristics of tiles, and the updates will be completed successively this year. We will improve the added value of our product sales by providing comprehensive outlet space, professional design, and engineering services. From exhibition centers to contracted building material suppliers across Taiwan, we will exert the point, line, and surface benefits to satisfy consumers’ requirements and reinforce our sales management and consultancy.
- (2) Brand rebuilding for the improvement of MIT advantages: For the three product brands, we would carry out positioning examination based on the changes in the market and customers’ requirements and continue to strategically invest in advertising operations and public relation promotions to comprehensively communicate our product advantages and brand concepts with customers and consumers, upholding. Our quality advantages extend brand recognition. We will create our brand values through our innovative design features and our leading specifications within the industry to improve our brand preference and awareness for the creation of localized happiness by using MIT products.
- (3) Expand our market share with our product reputation. We received the title of “Top 100 Brands in Taiwan” and have won the Taiwan Household Ideal Brands for a consecutive seven years. Our brands have become the number one choice of household ideal brand for the tile category recognized by consumers and professionals.

- (4) Product innovation: We perform brand segregation based on the brand positioning and consumers' demands to rearrange our product portfolio and improve the specification variation for increasing the value. We have been the leading brand for the provision of marble tiles in the sizes of 90X90 cm and 60X120 cm, 2-cm thick brick series, designer's series products, diverse digital slate tiles, and other products of variation to cater to consumers' demand. Furthermore, we developed the most products with varied specifications within the industry, such as renewable green building materials, nano tiles, antibacterial tiles, and cleaning tiles. We developed Vesta new technology products with anti-slip functions complying with the aging trend and international testing standards, received well recognition from consumers, and satisfied the market demand.
- (5) Designer operations: With Champion Tiles, Macrobelli Tiles, and Marvelous Living, our extensive products are able to secure the existing customer bases; we will also attract designer customers to use our products to provide convenience for consumers in purchasing the right products.
- (6) Cementer operations: Premium products require excellent cementers to carefully manage the engineering details of the masonry engineering, from stone-breaking removal, waster clearing, brickwork, masonry finish, water-proof work, and tiling. We value cementers and deem them as our good partners. We hold seminars to share new materials and new construction methods so as to jointly create a premium living environment.

**Mainland Market:**

The sales channels of the domestic sales market in Mainland are primarily divided into engineering channels and outlet channels. In April 2020, Singyih Ceramic (China) Co., Ltd (the "Singyih China") and GuangZhou Seagull Kitchen and Bath Products Co., Ltd. (the "Seagull Kitchen and Bath") achieved a cooperation agreement, in which Seagull Kitchen and Bath acquired 56.54% equity of the subsidiary Seagull Champion Limited invested and established by Singyih China. Both parties further improved the business and production capacities by integrating industry chains to facilitate the high-end tiles and the development of the bath installation business to expand their product categories and improve the sales service capacities. By doing so, it comprehensively improves Champion Tiles' capacities in branding, products, promotion, channels, services, and terminal training to allow Champion Tiles to become a high-end, fashionable, and internationalized tile brand with green functions.

2. Long-term Business Plan:

The Group will transform into a marketing service company to provide premium products and services to consumers, satisfy all demands of customers and consumers, and further satisfy the market demand for building materials for high-end residences. Our business policies include:

- (1) Innovative trend: We will continue investing in the Italian digital inkjet printing equipment to align ourselves with the European design style and infuse art and aesthetics with digital inkjet printing to create simulated products equivalent to natural stone materials or wood. We will maintain the natural style and feature to create unlimited possibilities for the space application of digital inkjet printing tiles and dominate the trend and fashion of the tile sector in Taiwan.

- (2) Connect to the international market: We envision our global layout and actively expand into the international market to achieve our prospect of “Global Layout with Roots in Taiwan.” We participate in the International Exhibition of Ceramic Tile and Bathroom Furnishings to connect to the international market.
- (3) Green environmental protection: We uphold and value our business concept of environmental protection and cultivation and energy-saving and continue to develop green-oriented products and green building material products complying with the international trend. We adhere to adopt environmental production technologies such as hot air recycling, energy-saving, and waste recycling during the production to create a premium living environment for consumers and focus on environmental protection to make contributions to earth.
- (4) Outlet image and module optimization: We will improve the added-value of products through design and space arrangement to display the major products for consumers, and provide products for customers to observe and experience.

## II. Market, Production, and Marketing Overview

### (I) Market Analysis

1. Material recession of the global economy resulted in a significant decrease in trading:

In 2020, the global economic performance was dominated by the outbreak of COVID-19. The outbreak spread internationally in February with an unseen spreading speed; the response attitudes and conducts of governments in different nations were inconsistent. Many nations adopted economic revitalization measures, including interest rate reduction, monetary policies to provide loans with the low-interest rate to enterprises, provide subsidies in cash or cash equivalents to citizens, and promote financial policies to provide relief money to unemployed laborers; however, positive effects on the sluggish economy remained limited.

2. Continual Repatriation of Taiwanese Companies:

The trade war between China and the US and the COVID-19 in 2020 accelerated the repatriation and investment expansion of Taiwanese companies in Taiwan. The demand for the land for commercial and office use and industry use has driven the performance of the construction engineering companies and the growth in the performance of companies related to the demand for plant building.

3. Appropriate Domestic Control over the Outbreak:

COVID-19 gave rise to the economic fluctuation of the globe. Leverage on appropriate control over the outbreak and the policy advantages, Taiwan recorded a GDP growth rate nearing 2% under the sluggish global economy in 2020, surpassing small-scale economies that are highly open, such as Hong Kong and Singapore.

4. Effects of Rapid Population Change on the Supply and Demand Structure of Residences:

In recent years, issues related to population changes primarily focus on sub-replacement fertility and aging. In addition, the domestic family pattern slowly becomes small families. Builders are sensitive to the market also organize designs different from before in response to the changes in the family pattern by reforming the original large-scale cases with four rooms into two small-scale households, or adopting the different design of two households next to each other (or on the same floor) to separate the demand of seniors and their offspring through providing bigger living room and kitchen space for seniors and organizing

bigger personal space for offspring, and attaching attention to the improvement of space functions (i.e., anti-slip building materials are used for senior families or families with pets).

5. Facilitate the Public Engineering Construction to Drive the Domestic Economic Growth:

Based on the Executive Yuan's facilitation plan for the public constructions, measures have been executed and received healthy performances. In 2020, the public constructions recorded a new height for the past 13 years. The government seeks to achieve the purposes of facilitating employment rate and strengthening the economic growth momentum in the short term and achieve the effects of improving the investment environment, balancing the regional development, and improving living quality in the long-term by reinforcing the forward-looking infrastructure plans and the promotion of other public constructions.

6. Trending Small House Market with Stable Market Demand and Increasing Case Promotion Volume in the Market:

Under the impacts of the outbreak of COVID-19, the market's mainstream purchasers have returned to those who have their initial purchase of houses. The market expects relatively better sales conditions for small houses with a size smaller than 30 ping. The steep surge of the supply for mid-scale houses focuses on the demand of middle-class groups and house exchange groups. "Buying small houses" has become the prestigious doctrine in the market. The case promotion volume of the housing market across Taiwan has recorded an approximately 10% growth compared to the preceding year. Major metropolitan areas recorded booming results for the case volume and positive growth. Among the top 10 administrative districts for popular case promotion, Taoyuan District of Taoyuan City has won the top prize, primarily due to case promotion volume at two replotted zones of Chunglu and Xiaokuaisi. Its total amount of case reaching billions materially surpassed the traditional popular case promotion zone of Taipei City and New Taipei City and became the new champion

(II) Competitive Niche

Given the changes in the market, external challenges, and the increased costs, we adhere to our sustainable operating concept regarding joint prosperity and mutual benefits with the channel system. We constantly brainstorm the supplemental measures for more variations to continue our advancement and improve values with our business partners in the intense competition so as to constantly keep our leading status and secure our champion throne under the waves of global competition and rapid information.

1. Healthy Brand Image as the Leader of the Industry:

We are the leading brand in the tile industry with the top market share. We have won the first prize of "Taiwan Household Ideal Brands for Tiles" for a consecutive nine years since 2010 and received the only title of "Top 100 Brands in Taiwan" within the industry, becoming the top one company for brand awareness and market with our status far ahead of companies within the same industry. In 2015, we became a ceramic enterprise received certification from the EU. We are also a ceramic enterprise receiving the title of "500 Most Valuable Brand in China" for a consecutive ten years and was recognized as a Renowned Chinese Trademark,

2. Comprehensive Sales Channel Layout and Structure:

We possess the largest marketing network in Taiwan by having 240 building materials suppliers in the Taiwan market. We initiated the "15-year warranty" ahead of companies within the industry and provided worry-free protection and

services, becoming consumers' choice of life.

3. Honor Award and Extraordinary Recognition:

Champion has countless "top one" honors in the tile industry. In 2011, we received the title of "Top 100 Brands in Taiwan." We are the first to receive the PAS 2050 carbon footprint certification from BSI and the EU environmental protection label. In 2012, Zhaoqiao plant received the only "Excellent Energy-saving Performance Award – Excellent Award." In 2013, we received the "green factory" label from the MOEA. In 2014m we received the golden medal of TTQS. In 2015, Champion Building Material received the honor of the 1<sup>st</sup> National Gold Seal Award and recognitions from different sectors. In 2017, Champion Building Material received the Outstanding Taiwanese Company Award in Mainland. In 2020, we received the honor of the MIT Taiwan Golden Selection Award.

(III) Favorable and Unfavorable Factors for Future Development

1. Favorable Factor

(1) Champion has the top one market share, enhance product development, and improve the competitive strength in technology:

Develop distinctive products with uniqueness, diverse application, and combinations. Our variable products have various changes in the tile surface that allow the flexible and diverse use of tiles. Such characteristics comply with the consumption trend. Our tiles are free from overlapping textures and display the diversification of stone materials. Champion Building Material holds the leading status within the industry and introduced top-notch technologies and equipment from Italy, actively infuse technology and functions with traditional tiles, continue to improve the technology R&D capacity, and accelerate the development of new products. For manufacturing craft, product system, and style, we cater to the market and satisfy the demand to acquire further attention from consumers. We also launched the "Champion marble" tiles in sizes of 90X90 cm and 60X120 cm and the slate tile in the size of 90X90 cm at the same time with Europe to lead the new trend breaking through the traditional concepts.

(2) Comprehensive products with comprehensive combination advantages:

The Company possesses the only comprehensive product lines for external tiles, wall tiles, floor tiles, polished crystal tiles, slate tiles, marble tiles, and 2 cm thick brick to satisfy the one-stop shipping demand of customers and the market for the procurement of tiles. In recent years, we launched simulated wood tiles, cement tiles, and high-end stone texture tiles by using digital inkjet printing technology to provide diverse and extensive changes for our products. Digital slate tiles, marble tiles, and ceramic wall tiles possess the advantages of being used in combination with our entire product portfolio, providing diverse options and versatile tile application services to customers, and in turn improving the product's competitive strength and the market share of the Company.

(3) Develop anti-slip tile series products:

Due to the increase in the aging population, senior population, and the number of families with pets, we developed the brand-new anti-slip tiles with the nano anti-slip technology. The tile surface has the touch of soft sand and allows the tiles to formulate the suction effect after coming into contact with water to increase the friction between feet and tiles, realizing the anti-slip effect and minimizing the risk of falling. The anti-slip level reached the Australian P5, which is the highest anti-slip level. The surface of the tiles is

smooth without roughness and is free of stains. The tiles may be used in indoor or outdoor areas (including wet areas and outdoor areas) of households with smooth-touch and anti-slip features, which is a new option suitable for families with seniors and children.

(4) O2O integration is no longer a challenge for picking tiles:

During the course of renovation and decoration, consumers are required to carefully consider the layout for the space structure (including factors of ceilings, floor, walls, doors, and windows) for the visual aesthetic and space value. For customers to instantly understand whether the atmosphere of tiles in the space display approximate the expected cognition in consumers' mind, Champion Building Materials pre-emptively adopted the popular VR technologies and released the "Champion – Tile Professional" APP and outlet application services to capture the wide-angle photos of the overall space by using the 720VR exquisite photography technology. We utilized professional technologies in the postproduction to create the 3D dynamic interface. With 720VR, consumers may see the 3D realistic images of tiles applying in the space to provide immersive senses and make picking tiles no longer a challenge.

2. Unfavorable Factor

Dumping of low-priced tiles in Taiwan from Southeast Asia and India resulted in market disorders:

According to the statistics of the association, the import of Indian and Southeast Asian tiles in Taiwan has grown rapidly; the growth in import amount and import volume amounted to 32% and 34%, respectively, in 2019 from 2018. The penetration of the low-price dumping resulted in the domestic market being full of such tiles. When consumers (nationals) have not designated domestically produced tiles, builders or constructors mostly choose cheap import tiles for cost considerations. The import tiles have not gone through the process of national inspections and have gaps in terms of quality and prices. Each batch of imported tiles has different flatness, size precision, and surface quality, and it is hard to guarantee that the batch number and the color are the same. It would be too late to file complaints when finally discovering issues.

**Countermeasures:**

Obtain the MIT smile label to improve the protection by passing the stringent testing

The government is committed to promoting the MIT product certification system in Taiwan. The MOEA engages third-party just certification institutions for the certification, including the MIT recognition, plant quality management, and quality testing; products have to pass all the items under the stringent specifications to obtain the label and authorization. For the quality testing, products shall pass the product safety testing, product function testing, and product labeling testing to pass the review. Choosing products with MIT smile label certification when choosing tiles provides relatively higher protection to consumers.

Obtain the renewable green building material certification to control both health and energy-saving

Except for the guaranteed product safety, we also actively invested in acquiring the renewable green building material certification, for which the raw material procurement, product manufacturing, application course, and the

recycling cycle after us shall achieve the status of having a minimum burden on the earth's environment; only materials with no harm to the human body and health may pass the approval of the green building materials and make contributions to the sustainable environment.

Consumers generally attach less attention to the quality of tiles, and it is hard to detect the differentiation between good and bad products within a short period of time. However, illegally imported tiles or tiles with unclear labels have short useful lives. Some of them may have heavy metal or radiation that may not be easily detected by consumers, posing concerns for the living safety of nationals.

The Company will strengthen its own brand and corporate image, emphasize local production, local services, "MIT" quality products, and the first-ever "15-year warranty in Taiwan for its advertisement promotion, and apply for the "MIT smile corporate" certification to distinguish with illegally imported tiles, continue to contribute to promoting products produced in Taiwan, and focus on the quality and safety of building materials' quality for residential houses. Meanwhile, we provide tile selection handbooks at our outlet for consumers to clearly see the MIT smile label when selecting building materials as products with the smile label mean verified premium quality, realizing our corporate commitment and allowing us to become the "choice of life" of consumers.

To eliminate inferior tiles from harming domestic citizens, Taiwan Ceramic Industries Association made a solid suggestion to the government that the customs shall reinforce the inspection on smuggled illegal tiles, all tiles produced domestically or overseas in the market shall be included in the scope of inspection for management, and the government shall promote domestic products with MIT label, CNS certification, green building material label, and CNS mark; lastly, premium domestically produced building materials and domestically produced tiles shall be adopted for public constructions. The government shall properly inspect tiles for consumers and prevent inferior cheap tiles from filling the market, reducing the consumption quality of citizens, and affecting health and safety.

(IV) Major Sales Region of Primary Products

Amount: NT\$000'

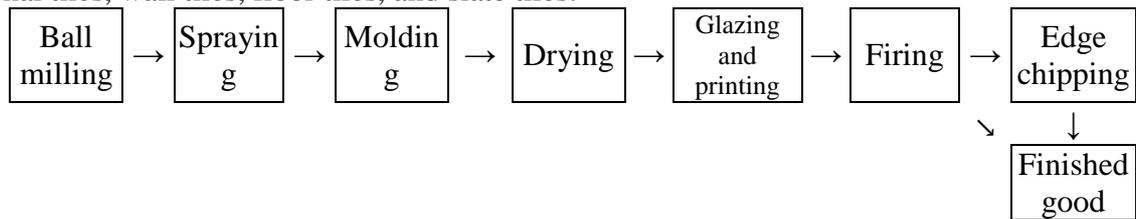
Sales region	2020	2019
Asia	3,562,386	4,623,994
America	4,864	6,769
Australia	15,768	50,481
Others	25,983	48,999
Total	3,609,001	4,730,243

(V) Major Use and Production Process of Primary Products

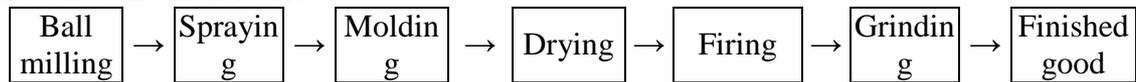
Primary products	Major use
External tiles	Tiles for laying on the external walls of buildings
Wall tiles	Tiles for laying on the internal walls of buildings
Floor tiles	Tiles for laying on the internal floors of buildings
Slate tiles	Tiles for laying on the internal and external floors and walls of buildings
Polished tiles	Tiles for laying on the internal floors of buildings
Marble tiles	Tiles for laying on the internal floors of buildings

## Production Process of Products

External tiles, wall tiles, floor tiles, and slate tiles:



Polished tiles and marble tiles:



### Product Introduction of Champion Building Materials:

The Company is the first to introduce the latest high-tech digital inkjet printing equipment to lead the tile industry into the new digital era by using advanced digital stereoscopic inkjet printing craft. Digital inkjet printing is in sync with Europe, which is the latest tile printing technology that sprays the glaze on the surface of tiles through innovative image output to combine the computer high-tech and tiles; the high image resolution renders a realistically result and enrich the color of tiles with non-repetitive texture and image that are true to nature, creating unique tastes. With the innovative printing technology and diversified exquisite design, we initiated an aesthetic revolution to adopt environmental raw materials different from traditional ink in response to the current trend and create a new era for building materials. Our tiles are true to nature and equivalent to natural stone and may cater to the high-end market. Such products have high added-value that complies with the consumption trend and the global trend in the future.

#### Digital inkjet printing series product:

- Wall tiles:  
Centenary, Seasons, Titian, Everglade, Fenghua Stunning, Legno, Aberdeen, and Captain Wood
- Floor tiles:  
D31, Top Stone, D61, F3AD, Ducale, and F6D
- Slate tiles:  
Diano Reale, Hillview, Palermo, Basaltina, Build, Vesta, Piasentina, Loft, Minerva, Wave Grey, Lime Stone, Oread, Murano, Lipica, Fontana Rosa, Oread, Lavagrigia, and Antium
- Marble tiles:  
New century, Brand New, Top Stone, Impression, Venice, and Ducale

In 2020, we released tile products that lead the design trend and the tile crafts successively.

### Key Indicator of Tiles

Category	Inspection item	Champion Building Materials
External tiles	Back crease	Depth of the back crease over 1.5mm Back crease in the shape of barb
	Water absorption	Below 2.0% for ceramic quartz Below 5.0% for stone glaze
	Crushing strength	Over 800N
Wall tiles	Water absorption	Below 17.0% for pottery Below 3.0% for ceramic
	Crushing strength	Over 700N for pottery Over 1200N for ceramic
Floor tiles	Water absorption	Below 7.0%
	Crushing strength	Over 1200N
Slate tiles	Water absorption	Below 0.5%
	Crushing strength	Over 1800N
Slate tiles (2cm thick brick)	Water absorption	Below 0.5%
	Crushing strength	Over 10000N
Polished tiles	Water absorption	Below 0.1%
	Crushing strength	Over 2200N

(VI) Supply of Major Raw Materials for 2020:

Unit: NT\$000'

Raw material	Purchase amount	%	Domestic		Foreign	
			Amount	%	Amount	%
Earth material	482,952	64.83	170,706	39.66	312,246	99.28
Glaze material	261,987	35.17	259,727	60.34	2,260	0.72
Total	744,939	100.00	430,433	100.00	314,506	100.00

Major raw materials used by the Company have sufficient domestic and foreign supply and are unlikely to have oligopoly circumstances. Also, the Company has long-term cooperative relationships with suppliers and has healthy cooperation; therefore, the acquisition of raw materials is relatively stable.

(VII) Name of Top Ten Purchases (Sales) Customers and Their Amount and Ratio of Purchases (Sales) for the Latest Two Years.

**Information on Major Sales Customers for the Latest Two Years**

Amount: NT\$000'

Item	2019				2020				2021 and as of Q1			
	Name	Amount	Ratio to the net sales of the year (%)	Relationship with the issuer	Name	Amount	Ratio to the net sales of the year (%)	Relationship with the issuer	Name	Amount	Ratio to the net sales of the year as of Q1 (%)	Relationship with the issuer
1	Guangdori Co., Ltd.	565,561	11.96	None	Guangdori Co., Ltd.	592,242	16.41	None	Guangdori Co., Ltd.	95,629	16.10	None
2	Guangliyu Co., Ltd.	376,615	7.96	None	Seagull Champion Limited	368,353	10.21	None	Gaoyu Wang Co., Ltd.	84,827	14.28	None
3	Gaoyu Wang Co., Ltd.	366,643	7.75	None	Gaoyu Wang Co., Ltd.	336,239	9.32	None	Guangliyu Co., Ltd.	72,108	12.14	None
4	Depot Company Limited	228,324	4.83	None	Guangliyu Co., Ltd.	327,831	9.08	None	Depot Company Limited	42,650	7.18	None
5	Huayi Enterprise Co., Ltd	192,423	4.07	None	Depot Company Limited	262,265	7.27	None	Jheng Run Enterprise Co., Ltd.	29,191	4.91	None
6	Uian Ho Co., Ltd.	189,455	4.01	None	Mao Jun Enterprise Co., Ltd	187,378	5.19	None	Wei Xun Co., Ltd.	29,001	4.88	None
7	Mao Jun Enterprise Co., Ltd	163,267	3.45	None	Uian Ho Co., Ltd.	167,053	4.63	None	Huayi Enterprise Co., Ltd	27,132	4.57	None
8	Wei Xun Co., Ltd.	143,925	3.04	None	Huayi Enterprise Co., Ltd	156,483	4.34	None	Feng Yu Wang Co., Ltd.	26,799	4.51	None
9	Jheng Run Enterprise Co., Ltd.	131,206	2.77	None	Wei Xun Co., Ltd.	145,746	4.04	None	Uian Ho Co., Ltd.	26,291	4.43	None
10	Huajung Enterprise Co., Ltd.	115,606	2.44	None	Jheng Run Enterprise Co., Ltd.	135,015	3.74	None	Mao Jun Enterprise Co., Ltd	26,205	4.41	None
	Others	2,257,218	47.72		Others	930,396	25.77		Others	134,154	22.59	

	Net sales	4,730,243	100.00		Net sales	3,609,001	100.00		Net sales	593,987	100.00	
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### Information on Major Suppliers for the Latest Two Years

Amount: NT\$000'

Item	2019				2020				2021 and as of Q1			
	Name	Amount	Ratio to the net purchases of the year (%)	Relationship with the issuer	Name	Amount	Ratio to the net purchases of the year (%)	Relationship with the issuer	Name	Amount	Ratio to the net purchases of the year (%)	Relationship with the issuer
1	CPC Corporation, Taiwan	382,908	27.61	None	CPC Corporation, Taiwan	281,425	17.03	None	CPC Corporation, Taiwan	45,032	18.29	None
2	Taiwan Power Company	130,125	9.38	None	Seagull Champion Limited	268,204	16.23	None	Seagull Champion Limited	37,237	15.13	None
3	China Glaze Co., Ltd.	106,746	7.70	None	Taiwan Power Company	134,802	8.16	None	Taiwan Power Company	23,620	9.59	None
4	Rising Wood Inc	82,432	5.94	None	China Glaze Co., Ltd.	105,417	6.38	None	Massive Trading Company Limited	20,678	8.40	None
5	Massive Trading Company Limited	67,609	4.87	None	Massive Trading Company Limited	92,831	5.62	None	Million Super Corp	15,602	6.34	None
6	Hongkong Lucky Group Co., Limited	65,671	4.73	None	Rising Wood Inc	61,450	3.72	None	China Glaze Co., Ltd.	15,206	6.18	None
7	Million Super Corp	52,778	3.81	None	Hongkong Lucky Group Co., Limited	61,268	3.71	None	Hongkong Lucky Group Co., Limited	8,375	3.40	None
8	Yung Sung Stoneware Co., Ltd.	49,839	3.59	None	Cheng Loong Corporation	46,820	2.83	None	Cheng Loong Corporation	8,345	3.39	None
9	Shine Team Global Corp.	47,112	3.40	None	Taimax Materials Co., Ltd.	38,324	2.32	None	Taimax Materials Co., Ltd.	7,053	2.86	None
10	Cheng Loong Corporation	44,235	3.19	None	Foshan Skyplanet Import And Export	35,298	2.14	None	Foshan Skyplanet Import And Export	5,772	2.34	None
	Others	357,549	25.78		Others	526,633	31.86		Others	59,270	24.08	
	Net purchases	1,387,004	100.00		Net purchases	1,652,472	100.00		Net purchases	246,190	100.00	

## (VIII) Production Volume and Value for the Latest Two Years

Volume Unit: 100m<sup>2</sup>

Amount Unit: NT\$000'

Year	2019			2020		
Production volume and value Major product	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Tiles	225,453	148,804	4,169,923	100,661	114,458	3,501,180

## (IX) Sales Volume and Value for the Latest Two Years

Volume Unit: 100m<sup>2</sup>

Amount Unit: NT\$000'

Year	2019				2020			
Sales volume and value Major product	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Tiles	147,164	4,587,844	5,960	142,399	118,915	3,538,972	2,492	70,029

III. Number of Employees, Average Year of Services, Average Age, and Educational Background Distribution for the Latest Two Year and as of the Date of Publishing the Annual Report

31 March 2021

Year	2019	2020	Current year and as of 31 March 2021	
Number of employees	Above assistant manager	91	44	34
	Section chief	388	200	157
	Basic	1,468	699	524
	Total	1,947	943	715
Average age	38	42	42	
Average year of services	7	8	8	
Educational background distribution	Ph. D	2	1	0
	Master	35	13	10
	University and college	645	232	182
	High school	762	444	344
	Below high school	503	253	179

#### IV. Information on Environmental Expenses

- (I) Losses (including compensation and matters violating the environmental protection regulations found in the results for the environmental protection audits, date of disposals, number of disposals, provisions under the regulations of such violations, the content violating the regulations, and the content of disposal) incurred to the Company due to environmental pollution for the latest year and as of the date of publishing the Annual Report, the potential estimated amount incurred at present and in the future and countermeasures shall be disclosed; for those that cannot be reasonably estimated, explain the fact related to the inability to reasonably estimate.

	2019	2020	Current year and as of 31 March 2021
Date of disposal	None	10 January 2020	None
Number of the disposal	None	Fu-huan-kong-zi No. 1090001984 on 10 January 2020	None
Provisions under the regulations of such violations	None	Paragraph 1, Article 20 of Air Pollution Control Act	None
Content violating the regulations	None	The air pollutant emission of fixed pollution sources at public or private places shall comply with the emission standards.	None
Content of disposal	None	The Environmental Protection Bureau appoint staff to the plant to conduct an audit inspection on the emission pipe (P601) for the M01 process; according to the inspection results, the particulate pollutant was 193mg/Nm <sup>3</sup> , exceeding the air pollutant emission standard (50mg/Nm <sup>3</sup> ) for ceramic industries (50mg/Nm <sup>3</sup> ).	None
Amount of compensation or disposal	None	NT\$0.3 million	None

#### (II) Future Countermeasures

##### 1. Improvement Plan

- (1) Maintain, inspect, and repair the bag collector of the pollution control prevention equipment immediately, and repair the damages of the bad filters and edges with poor marginal adaptation immediately.
  - (2) Purchase new bag filters for complete updates.
2. Qualified personnel for visual inspection on gases performs visual inspections on the gas pipe from time to time each day, and a gas pipe inspection shall be performed regularly every half year.

3. Estimated Environmental Expenses for Three Years in the Future

Unit: NT\$000'

Year	Pollution prevention equipment to be purchased or the content of expenses	Estimated improvement	Amount
2021	(1) Exhaust gas processing equipment for the kiln (2) Wastewater processing equipment (3) Noise prevention equipment (4) Bag collector equipment (5) Addition of plant and machines (6) Addition of detention basin	(1) Maintenance, repair, improvement, and updates (2) Reduce pollution and improve efficiency (3) Organize indoor plant for raw materials and waste to prevent dust effusion (4) Conservation of water and soil – Prevent flood hazard	49,524
2022	(7) Exhaust gas processing equipment for the kiln (8) Wastewater processing equipment (9) Noise prevention equipment (10) Bag collector equipment (11) Addition of plant and machines Addition of detention basin	(5) Maintenance, repair, improvement, and updates (6) Reduce pollution and improve efficiency (7) Organize indoor plant for raw materials and waste to prevent dust effusion Conservation of water and soil – Prevent flood hazard	64,381
2023	(12) Exhaust gas processing equipment for the kiln (13) Wastewater processing equipment (14) Noise prevention equipment (15) Bag collector equipment (16) Addition of plant and machines Addition of detention basin	(8) Maintenance, repair, improvement, and updates (9) Reduce pollution and improve efficiency (10) Organize indoor plant for raw materials and waste to prevent dust effusion Conservation of water and soil – Prevent flood hazard	89,695

3. Effects After Improvements

- (1) Effects on net profits: No significant effect.
- (2) Effects on competition status: Improve corporate image.

### (III) Potential Expenses

Unit: NT\$000'

2021	Human affairs expenses	Operational expenses	Equipment repair expenses	Equipment depreciation	Total
Exhaust gas	3,105	58,821	11,544	1,588	75,058
Wastewater	8,780	26,431	7,694	490	43,395
Waste	1,263	6,437	419	0	8,119
Noise	0	0	2,516	675	3,191
Total	13,148	91,689	22,173	2,753	129,763

### V. Labor-capital Relationship

(I) The Company's employee benefit measures, continuing education, training, and retirement systems and their implementation, and labor-capital agreement, and measures to protect employees' interests.

#### 1. Employee Benefit Measures

- (1) The Company's benefit measures include national health insurance, labor insurance, group insurance, incentives for senior employees with excellent performances, labor insurance, free uniform provision, employees' bonus distribution, educational lectures.
- (2) Full-time employees working for a year are entitled to one free health inspection. The Company values the health inspection results of employees. After receiving consent from employees, the Company actively assists employees in treatment follow-up or arranging specialists stationed in the plant for consultation for employees with abnormal or special inspection circumstances to ensure employees' health.
- (3) Assign dedicated nursing staff to assist in providing knowledge and notices related to health to employees and providing relevant consultation and arrangement for hospitals and clinics for employees with abnormal health inspection results.
- (4) Employees' satisfaction survey: The Company regularly organizes the "employees' satisfaction survey" each year to understand the recognition to the organization and work satisfaction of employees. We also prepare improvement measures according to the statistical analytical results of the survey and recommendations from employees. We believe that "happy employees give rise to satisfied customers."
- (5) The Company holds birthday celebrations each month and provides vouchers and gifts to employees having their birthdays and provide gift money or consolation money in unfixed amount to employees for marriages, funerals, celebrations, hospitalization, and significant disasters.
- (6) The Benefits Committee is responsible for the measures of the Company's benefits, including company trips, gifts for the Labor Day and three significant Chinese festivals, birthday celebrations, scholarship and grants for their offspring, gift money

for marriages, fertility subsidies, house-warming gifts, subsidies for funerals, and consolation money for hospitalization.

## 2. Retirement System

The Company has established its Regulations for Employee Retirement. From 1 July 2005, the Company appropriate 6% of employees' monthly wages to the retirement pension personal account in the custody of the Labor Insurance Bureau each month for new employees and existing employees who chose to adopt the new system of the Labor Pension Act each month, continue to calculate the year of services under the old system for existing employees who chose to adopt the old system of the Labor Pension Act and existing employees who chose to adopt the new system of the Labor Pension Act, and appropriate retirement pension provision in an appropriate amount, which is calculated according to the payment standards for the retirement pension under the Regulations for Employee Retirement, to the special account with the Bank of Taiwan.

## 2. Continuing Education and Training of Employees:

The Company provides a diversified learning environment for employees. Employees may learn through channels of internal/external training, digital learning platform, OJT, reading club, unscheduled benchmark learning and exchange, foreign exhibition participation and observation, training for professional sales engineers, celebrity lectures, and superior/peer instructions; meanwhile, we adopt the training systems for new employees, general knowledge training, professional functions, and management functions to allow employees to acquire systematic and professional training, cultivation, and instruction. The Company also provides appropriate resources to allow all employees to acquire multiple skills and knowledge for effectively executing the Company's tasks to serve as the basis for the improvement of our production capacity. The "certificate allowance" system encourages employees to participate in external professional certification examinations to improve employees' professional abilities, which not only improves employees' working skills and competitive strength but also creates corporate values for the Company.

The Company has established its "Regulations for the Educational Training of Employees" to improve employee's quality, enrich their knowledge and skills, and in turn improve the work quality and performances. We also established the "Handbook for the Management of Training Quality" to serve as the basis for the process and operations of educational training. To realize experience inheritance and cultivate talents in the hope of effectively exert out human capital and duly implementing the sharing of training and development resources, we established the "Regulations for the Management of Internal Lecturers" for encouraging employees in participating the professional lecturer training and becoming lecturers. The teaching quality of internal lecturers shall be evaluated, and the Company commends outstanding lecturers publicly every half year. The Company also participated in the TTQS (corporate institution version) evaluation (evaluation once every two years) promoted by the Workforce

Development Agency, MOL. The Company received the silver medal certification, golden medal, and silver medal in 2011, 2014, and 2018, respectively. The Company received star recognition as a happy enterprise evaluated by the Taipei City Government in 2012 and 2014.

The actual performance of relevant educational training in 2020 is as follows:

Amount: NT\$1

Item	Number of classes	Total number of employees	Total number of hours	Total training expenses
Management function training	5	96	484	207,299
Professional function training	107	6,407	7,999	306,479
General knowledge training	12	166	593	40,000
Total	124	6,669	9,076	553,778

\* The training for new employees has been digitalized; new employees may enter the programs for learning via the learning platform at any time.

#### 4. Succession Plan for Directors and Significant Executives:

The structure of the Company's Board shall be determined based on the Company's scale of operations and development and the shareholding of its major shareholders with reference to the demand of practical operations

The Company implements the diversification policy of the Board's composition according to the "Corporate Governance Principles." Currently, a total of seven Directors (including three Independent Directors) possess versatile and complementary industry experience and professional finance, financial, and accounting capacities. Two of the Directors are also the senior management of the Company. In the future, the composition and structure of the Company's Board and the experiences and backgrounds of Directors will follow the current structure.

Employees at the level of Assistant Vice President (inclusive) of the Company are our senior management. Except for possessing outstanding work capacities, personnel in the succession plan shall have values and behaviors that comply with the corporate culture. The Company explicitly set out the management functions and training programs for potential executives to hold different positions on a rotation basis, to cultivate their abilities in leadership, business management, and strategies. The training model of successors to the senior management is divided into training programs, tutor consultancy, personal development plan, and work rotation, and the content includes marketing management, production management, human affairs management, financial

management, R&D management, and information management.

5. The Acquisition of Relevant Certificates Designated by the Competent Authority by Personnel of the Company Related to the Financial Information Transparency:

Personnel related to the financial Information transparency		Relevant certificates designated by the competent authority	Number of employees holding relevant certificates
Nature	Number of employees		
Financial personnel	1	CPA	1
Internal audit personnel	1	Certified Internal Auditor (CIA)	1

6. Code of Conduct or Ethics for Employees:

Working Rules

Chapter 1 General

Article 1 To accurately set out the labor-capital rights and obligations, optimize the modern business management system, facilitate the unity of employees and employers, and pursue business development, the Company established the Rules according to the Labor Standard Act and relevant laws and regulations. Management for employees of the Company shall be subject to the Rules except for otherwise required by the Company's Articles of Association and labor contracts.

Article 2 The Rules shall apply to persons employed by the Company (the "employee") to receive compensation. For part-time workers employed by the Company, their rights and obligations shall be subject to relevant requirements under the "Implementation Guidelines for the Employment of Part-time Labor," labor contracts, and the Rules.

Article 3 The employees and employer of the Company shall commit to corporate ethics and adhere to occupational ethics and integrity principles to treat others in honesty. The Company is obliged to duly care for the employees and has the right to request employees to properly provide labor services. Employees shall comply with the requirements under the Rules and duly perform their obligations of diligence and integrity to be entitled to their rights.

Article 4 The Rules may be amended and supplemented upon the amendments to the Labor Standard Act, its Enforcement Rules, and other relevant regulations.

#### Chapter 2 Service Principles

Article 5 All employees shall be proud of being the members of Champion, adopt responsibility, honor, and performance as the standards for execution, faithfully perform their duties, comply with the rules and regulations of the Company, and obey the supervision and instructions of the Company superiors.

Article 6 Employees shall treat others modestly and exert group spirits to establish the healthy image of the Company.

Article 7 Internally, employees shall work faithfully, care for public properties, reduce consumptions, improve quality, and increase efficiency; externally, employees shall keep their businesses or duties confidential.

Article 8 Employees shall protect the Company's credibility and reputation and shall not conduct any behavior that may harm the Company's credibility and reputation.

Article 9 Employees shall not secretly operate businesses related to the Company or hold part-time positions other than that of the Company.

Article 10 Employees shall not engage in any activities not related to the Company's business in the name of the Company or in the name of their duties.

Article 11 Employees shall not seek profits for themselves or others by using their positions or accept entertainment, gifts, rebates, or commission, or other illegal interests; souvenir or gifts received due to public affairs shall be made as public possession without private use.

Article 12 Employees shall be aware of work safety, and shall not get close to the dangerous areas or prohibited areas organized by the Company.

Article 13 All employees shall comply with laws and regulations related to labor safety and health and the Company's Articles, maintain the safety, health, and cleanness of the workplace and the surrounding environment, and prevent theft, fire, or other natural disasters.

Article 14 There shall be no misdemeanor of violence, intimidation, harm, abuse, intemperance, incendiary, drug, damage to public properties, carriage of hazardous items and prohibited items, disturbance of order, interference to work, impairment to the public safety and health.

Article 15 Any employee who carries the Company's items and leaves the plant shall complete the "discharge slip," and the employee shall only leave after the guard has checked the slip.

Article 16 Employees shall not read documents, account books, statements and books, or external letters not under their jurisdiction at will.

- Article 17 For statements required by the Company, employees shall complete such statements according to facts in due course without falsification.
- Article 18 Employees shall not chit-chat or read books or magazines unrelated to their duties during work hours.
- Article 19 Employees shall not use the Company's phone or private conversations.
- Article 20 Employees shall fulfill the responsibility of safe-keeping tools kept by them.
- Article 21 Employees shall wear uniforms, and their dress and appearance shall be tidy during work hours according to the requirements of the Company.
- Article 22 Without written consent from the responsible superiors, employees shall not bring external visitors such as relatives or friends or suppliers to the business department for a tour.
- Article 23 Employees shall be at its work location during work hours and shall not arrive late or leave early, or leave their work post without any approval.
- Article 24 Employees on shifts shall complete the handover of work with the employees of the next shift to leave their work post, and the employees of the next shift shall arrive at work ten minutes before working time.
- Article 25 Employees shall not incite any strike, slowdown, or interfere with the production operations.
- Article 26 Employees shall avoid conducting any private transactions with suppliers having business dealings with the Company.
- Article 27 Superiors shall not accept birthday celebrations held by subordinates and shall not accept birthday gifts (excluding birthday cards and congratulations via phone calls or in person), properties, or presents provided by subordinates.
- Article 28 Superiors shall not borrow loans from or invite subordinates to join investment groups.
- Article 29 Employees are forbidden to carry out stock transactions or engage in other businesses related to private wealth management during work hours.
- Article 30 Except for outstanding talents, superiors shall not recommend their subordinate for employment; except for outstanding suppliers, superiors shall not recommend their subordinates for adoption.
- Article 31 Building a green plant is the unchanged direction of the Company; employees shall execute relevant environmental protection and waste reduction measures according to the Company's policy. To procure employees of all levels to value the Company's policies, the Article is added as follows:
1. For claims of compensation made by the neighboring residents resulted from the unfavorable execution of environment protection or fines imposed by the competent authority after audits, the Company would impose administrative punishments on employees with dereliction of duty, and they shall be responsible for the partial fines

(the amount of fine borne by employees shall be deducted from the distribution of such employees' bonuses and incentives for the year).

2. When it is determined that the occurrence of the environmental protection event is arising from the conditions or functions of the Company's equipment after investigation instead of human error, the Company shall be responsible for the fines.

#### 7. Procedures for the Significant Internal Information Processing of the Company:

To avoid the Company or internal parties to accidentally or intentionally violating requirements related to insider trading that may result in litigations of the Company or internal parties, harming our reputation, the Company has established the "Procedures for the Prevention of Insider Trading" to prevent insider trading and protect the interests of investors and the Company.

### Procedures for the Prevention of Insider Trading

#### Article 1 Purpose:

To avoid the Company or internal parties to accidentally or intentionally violating requirements related to insider trading that may result in litigations of the Company or internal parties, harming our reputation, the Procedures are established to prevent insider trading and protect the interests of investors and the Company.

#### Article 2 Scope:

The Procedures shall apply to the management operations for preventing insider trading of the Company; however, such operations shall be subject to requirements otherwise stated in other laws.

#### Article 3 Definition:

- I. Internal parties: According to the specification of the Company's internal parties under the Securities Exchange Act, the scope of internal parties include the Directors, supervisors, managers, and shareholders holding more than 10% of the total shares; related parties of internal parties include (I) spouse, minor, and shares held in the name of others of internal parties; (II) representative of corporate Directors (supervisors), spouse, minor, and shares held in the name of others of representatives; the abovementioned are the internal parties of the Company.
- II. Regulated targets of insider trading: Except for the internal parties above, such targets also include persons acknowledge information due to business or controlling relationship and the persons receive information from internal parties.

#### Article 4 Responsibility:

- I. The Company's Finance Department is responsible for the establishment and maintenance of the Procedures.
- II. The spokesperson of the Company is responsible for disclosing the Company's significant information to external parties.

## Article 5 Operations:

- I. Persons stated under paragraph 1 Article 157 of the Securities Exchange Act are included in the application scope for the prohibition of insider trading of the Company, including:
  1. Directors, supervisors, managers, and natural persons designated to perform duties on behalf of the Company stated under paragraph 1 Article 27 of the Company Act.
  2. Shareholders holding more than 10% of the Company's shares.
  3. Persons acknowledge information due to business or controlling relationships.
  4. Person who lost the identities in the above subparagraphs within six months.
  5. Persons receive information from persons stated in the above subparagraphs.Furthermore, according to the requirements under Article 22-2 of the Securities Exchange Act, the Company's Directors, supervisors, managers, or shareholders holding more than 10% of the Company's shares, their shareholding shall include shares held by their spouse, minor, and in the name of others.
- III. Insider trading:

Once regulated targets of insider trading acknowledged information that has significant effects on the stock prices of the Company, such targets shall not purchase or sell the Company's stock or other securities with the nature of equity that is listed or traded on TPEX when such information is undisclosed or within 18 hours from the disclosure of such information; any violation to the requirement constitutes insider trading.
- III. The scope of information that has significant effects on the stock prices of the Company include:
  1. Information involving the Company's finance and business that has significant effects on the stock prices of the Company or information that has significant effects on the investment decision of proper investors;
  2. Information involving the market supply and demand and open acquisition of securities that has significant effects on the stock prices of the Company or information that has significant effects on the investment decision of proper investors.
- IV. Disclosure methods for information that has significant effects on the stock prices:
  1. Significant information involving the Company's finance and business shall be disclosed by uploading the information to MOPS by the Company.
  2. Significant information involving market supply and demand shall be disclosed by uploading the information to MOPS by the Company, basic market condition reports, or on the non-local pages of two newspaper published across the nation each day or national TV news, or reports on the electronic newspaper published by the mentioned media.
- V. Procedures for the significant information processing:
  1. The significant internal information processing and disclosure of the Company shall be subject to the requirements of laws, orders, and TWSE or TPEX.
  2. The Company's Directors, supervisors, managers, and employees shall exert the focus and faithful obligations of a good administrator, execute businesses in

accordance with the principles of honesty and credibility, and sign the non-disclosure agreement.

Directors, supervisors, managers, and employees who acknowledged the significant information of the Company shall not disclose the significant internal information acknowledged by them to others.

The Company's Directors, supervisors, managers, and employees shall not inquire persons who acknowledged the significant internal information of the Company or collect undisclosed significant internal information of the Company not related to their personal duties, and they shall not disclose undisclosed significant internal information of the Company acknowledged by them due to the execution of businesses.

3. When the files or document of the Company's significant internal information is delivered in writing, there shall be appropriate protection. When delivering via e-mails or other electronic methods, appropriate security technologies such as encryption or electronic signature shall be used. Files or documents of the Company's significant internal information shall be backed up and kept at safe locations.
4. Institutions or persons other than the Company who participated in the Company's merger, significant memorandum, strategic alliances, other business cooperation plans or the execution of significant contracts shall sign non-disclosure agreements and shall not disclose significant internal information of the Company acknowledged by them to others.
5. The Company shall adhere to the following principles when disclosing its significant internal information to external parties:
  - (1) Accurate, complete, and prompt information disclosure.
  - (2) Information disclosure with a supportive basis.
  - (3) Fair information disclosure.
6. Except for otherwise required by laws or laws and regulations, the Company's spokesperson or the acting spokesperson shall be responsible for the disclosure of significant internal information of the Company based on the sequence of commission; when necessary, the Company's representative may directly take over for processing.

The speech content of the Company's spokesperson or the acting spokesperson shall be subject to the scope authorized by the Company. Except for the Company's representative, spokesperson, and acting spokesperson, employees of the Company shall not disclose significant internal information to external parties without authorization.
7. Information disclosure of the Company to external parties shall keep the following records:
  - (1) Personnel, date, and time of information disclosure.
  - (2) Method of information disclosure.
  - (3) Content of information disclosure.
  - (4) Content of written information delivered.
  - (5) Other relevant information.
8. When the content of media reports is inconsistent with the content disclosed by

the Company, the Company shall immediately clarify MOPS and request the media to make corrections.

9. When the Company's Directors, supervisors, managers, and employees acknowledged any leakage of significant internal information, they shall immediately report to the dedicated department and the Internal Audit Department.

After receiving the reports above, the dedicated department shall prepare the processing countermeasures; when necessary, it may hold a meeting with the Internal Audit Department to discuss the processing; it shall prepare records on the processing results, and the Internal Audit Department shall also conduct audits according to their duties.

10. For any of the following circumstances, the Company shall investigate the responsibility of relevant staff and adopt appropriate legal measures:
  - (1) Employees of the Company who disclosed significant internal information to external parties or violated the requirements of the Procedures or other laws and regulations.
  - (2) The content of the external speech made by the spokesperson or acting spokesperson of the Company exceeded the scope authorized by the Company or violated the requirements of the Procedures or other laws and regulations.

Where damages incurred to the Company's properties or interests due to the leakage of the Company's significant internal information by persons other than the Company, the Company shall observe relevant channels to investigate their legal responsibilities.

#### Article 6 Educational Communication

The Company organizes educational communication of the Procedures or relevant laws and regulations with Directors, supervisors, managers, and employees at least once a year

The Company shall provide educational communications to new Directors, supervisors, managers, and employees in due course.

Article 7 The Company shall establish and maintain the data files of internal parties and declare to the competent authority according to the stated period and method.

Article 8 The Procedures are implemented after being passed by the Board; the same shall apply upon any amendment.

#### 8. Protection Measures for the Personal Safety of Employees and Work Environment and the Implementation Status:

- (1) To safeguard the safety and health of employees and realize the occupational safety and health management, the Company has established its "Occupational Safety and Health Management Plan" for all employees to observe and promote the "Zero Disaster Activity" in the hope of improving the awareness of the Company's

employees regarding the inside or outside the plant and reducing the occurrence of occupational disasters.

- (2) To understand the actual status of the operating environment of labor and evaluate the exposure of workers to their operating environment, the Company implements operating environment monitoring according to the hazardous characteristics of the operating environment. The monitoring evaluation team shall discuss and establish the operating environment monitoring plan (with sampling strategies), duly execute the place, and carry out examinations and updates according to the actual need; the plan shall be implemented four times a year.
- (3) The Company executes safety and health educational training or communication every month, holds fire prevention educational training every half year, and carries out emergency management training every year in the hope of making comprehensive preventive measures and immediately adopting accurate safety protection measures upon the occurrence of any event.
- (4) The Company organizes employees' health inspection each year, engages specialists from the occupational medicine department for on-site services twice a month, recruits dedicated nursing staff to continue caring for employees' physical and mental health; furthermore, we create the health workplace culture through the provision of health information and health facilitation activities.
- (5) The Company established its Occupational Safety and Health Committee according to the law; the Committee has more than seven members (members who are labor representatives accounted for more than one-third). The Committee holds meetings at least once every three months; when necessary, extraordinary meetings may be held. The Committee proposes recommendations on the safety and health policies established by the employer, discusses, coordinates, and makes recommendations for matters related to safety and health.
- (6) To ensure the safety and health of employees at the workplace, the Company included safety into considerations for its operational process, prepared warning slogan (including foreign languages), and distributed safety equipment for hazardous operations.

(7) Professional occupational safety and health management personnel

Personnel holding certificates related to occupational safety and health		Personnel holding certificates related to occupational safety and health	
Chief of occupational safety and health	2	First-aid personnel	34
Occupational safety and health manager	1	Superiors of hazardous operations	13
Occupational safety and health managing staff	3	Fixed crane operator	6
Labor health service nursing staff	2	Forklift operator	104

9. Other Significant Agreements: None.

- (II) Set out losses (including matters of labor inspection results violating the Labor Standard Act; date of disposals, number of disposals, provisions under the regulations of such violations, the content violating the regulations, and the content of disposal shall be set out) incurred to the Company due to environmental pollution for the latest year and as of the date of publishing the Annual Report, the potential estimated amount incurred at present and in the future and countermeasures shall be disclosed; for those that cannot be reasonably estimated, explain the fact related to the inability to reasonably estimate: None.

VI. Identity, Concerned Issues, Communication Channels, and Response Method of Stakeholders:

Communications with categories of stakeholders:

Stakeholders	Concerned issues of priority	Communication channels, response methods, and communication frequency	Communication performance with stakeholders in 2020
Competent authority	<ol style="list-style-type: none"> <li>1. Legal compliance</li> <li>2. Customer protection and communication</li> <li>3. Corporate governance</li> <li>4. Risk management</li> <li>5. Communication with the competent authority</li> </ol>	<p>Participate in the policy discussions and seminars organized by the competent authority from time to time</p> <p>Cooperate with the competent authority's monitoring and audits.</p> <p>Establish a contact window to maintain healthy interactions with the competent authority.</p> <p>Ms. Cai, Finance Department (e-mail:s21120@mail.champion.com.tw)</p>	<p>Participated in five sessions of communication programs organized by TWSE.</p> <p>Participated in two sessions of business communication programs organized by the National Taxation Bureau of the Central Area.</p>
Employee	<ol style="list-style-type: none"> <li>1. Employees' benefits</li> <li>2. Employees' evaluation system</li> <li>3. Labor-capital relations</li> <li>4. Corporate image</li> </ol>	<p>Announcements on the internal website or via internal e-mails: Announce employees' benefits matters (health inspection and healthcare information), information on the Employee Benefits Committee, information on educational training programs, and information on annual performance management operations from time to time.</p> <p>Labor-capital conference: The Company organizes the labor-capital conference every three months and actively interacts with employees to further understand and listen to</p>	<p>The Company held a total of four labor-capital conferences.</p>

Stakeholders	Concerned issues of priority	Communication channels, response methods, and communication frequency	Communication performance with stakeholders in 2020
		employees' thinking and ideas; to provide public and convenient communication platforms for the Company and employees, the Company established e-mail (e-mail: hr.ec@mail.champion.com.tw) and a physical mailbox at the plant, and the handling unit and window (Ms. Gu and Ms. Luo for Zhunan Plant and Zhaoqiao Plant, Human Resources Department).	
Shareholder	<ol style="list-style-type: none"> <li>1. Corporate governance</li> <li>2. Sustainable development strategies</li> <li>3. Shareholders' participation</li> <li>4. Operating performance</li> </ol>	<p>Press release/significant information: real-time media release/publication of significant information on MOPS. Convene a shareholder meeting once a year and publish its annual report</p> <p>Organize domestic investor conferences once a year.</p> <p>Establish stock affairs and investor relations contact windows for mutual communication.</p> <p>Ms. Cai, Finance Department (e-mail:s21120@mail.champion.com.tw)</p>	<p>Published 26 news for each of the significant information and announcements</p> <p>Convened a shareholder meeting on 16 June 2020.</p> <p>Convened an investor conference on 25 December 2020.</p>
Customer	<ol style="list-style-type: none"> <li>1. Information security</li> <li>2. Customer protection and communication</li> <li>3. Information transparency</li> <li>4. Service quality</li> <li>5. Corporate governance</li> </ol>	<ol style="list-style-type: none"> <li>1. Corporate website: Provide product information, online tile display, has a customer service section in place with services of common Q&amp;A for customers, introduction to building material crafts, tile selection guidelines established, and establish service line and e-mail for dedicated personnel to process relevant matters to protect consumers' interests (http://www.champion.com.tw/service).</li> <li>2. Broadcast advertisements on TV, printed materials, and online from time to time.</li> <li>3. Upgraded the 10-year warranty to a "15-year" warranty 15-year warranty line: 037-561236</li> <li>4. Official Facebook page operations: Facebook page of Champion Tiles and Macrobelli</li> </ol>	<ol style="list-style-type: none"> <li>1. Participated in Cersaie International Exhibition of Ceramic Tile and Bathroom Furnishings in 2019.</li> <li>2. Organized the 2020 Building Material Conference.</li> <li>3. Participated in the 32<sup>nd</sup> Taipei Building Show in 2020.</li> </ol>

Stakeholders	Concerned issues of priority	Communication channels, response methods, and communication frequency	Communication performance with stakeholders in 2020
		Tiles have weekly interactions with consumers.	
Supplier	<ol style="list-style-type: none"> <li>1. Corporate image</li> <li>2. Sustainable development strategies</li> <li>3. Information transparency</li> <li>4. Supplier management</li> </ol>	<p>Prioritize the procurement commitment to green products, set out annual KPIs based on products with green labels procured, and establish a response window for suppliers:</p> <p>Mr. Huang, Zhi-Qiang, Procurement Department (Ext. 1152; e-mail mail.champion.com.tw) is responsible for mutual communication with suppliers.</p> <p>Execute annual evaluation on delivery terms and quality for suppliers each year.</p>	<p>The annual purchase amount of green products reached NT\$48.95 million, accounting for 11.2% of the procurement volume.</p> <p>The Company conducts the evaluation once a year; the latest evaluation was completed on 3 March 2021.</p>
Society and community care	<ol style="list-style-type: none"> <li>1. Environmental protection</li> <li>2. Community care</li> <li>3. Social participation</li> </ol>	<ol style="list-style-type: none"> <li>1. Promote green environmental protection: The Company established its energy-saving and carbon emission reduction targets and utilized four environmental processes of “kiln’s hot air recycle,” “improvement of power system,” “reuse of water resources,” and “tile recycle” during the production process to create a friendly environment.</li> <li>2. Champion Concept Hall Tourism Factory: In 2010, the Company invested millions of funds in building the first tile industry tourist factory, “Champion Green Concept Hall,” in Taiwan. We adopted actions to promote the co-existence concept with nature. By adopting the idea of “respect nature, energy-saving and environmental protection, green life aesthetic,” we expect to improve visitors’ environmental protection awareness related to energy-saving and carbon emission reduction through methods closely related to citizens daily life for them to care for the natural environment and</li> </ol>	<p>The Company set its energy-saving and carbon emission reduction target for the production process in 2021 at 1,100 tons CO<sub>2</sub>e.</p> <p>The total GHG emission for 2020 was 92,496.392 tons CO<sub>2</sub>e/year.</p> <p>We made long-term donations to TFCF; there were 60 persons who received such donations in 2020.</p> <p>The Company had made donations to 27 public welfare and charitable groups in 2020.</p>

Stakeholders	Concerned issues of priority	Communication channels, response methods, and communication frequency	Communication performance with stakeholders in 2020
		<p>enjoy healthy lives co-existing with nature.</p> <p>3. Community care: We participate in community activities, care for seniors during Chinese New Year, and participate in the daycare services and repair of hardware equipment in communities.</p> <p>4. Social participation: We actively participate in various public welfare activities. We organized the “One Dollar Charitable Tiles” event since 1996, in which we appropriate NT\$1 for the sales of each box of tiles; the scope of donation comprises three major directions of “talent, education, and environmental transformation.” Except for cultivating skills for those with disabilities, the program also aims to improve the environment and children’s education through the application of subsidies. In recent years, members of social welfare groups in Miaoli developed their skills based on their expertise and demand to allow members to recognized themselves and grow through the course of learning, and in turn improve their household economy by learning such skills.</p>	

VII. Significant Contracts:

Contract nature	Parties involved	Period of the contract	Primary content	Restrictive terms
Syndicated loans	16 banks, including Taipei Fubon Bank	Entered into the contract on 15 April 2019 The credit period shall be three years from the initial utilization (a two-year extension may be applied)	The total limit cap of the syndicated loans was NT\$10 billion; the loans are primarily used for the repayment of borrowings from financial institutions and improving our mid-term operating capital.	Lands and plants of Zhaoqiao Plant and Zhunan Plant, the office building in Zhunan, and machines and equipment are the collaterals for the contract.

## Chapter 6. Financial Overview

### I. Condensed Balance Sheet and Statements of Profit or Loss for the Latest Five Years

#### (I) Condensed Balance Sheet

### Condensed Balance Sheet (Consolidated) – Adopting IFRS

Unit: NT\$000'

Year		Financial information for the latest five years					Financial information for the current year and as of 31 March 2021
		2016	2017	2018	2019	2020	
Item							
Current assets		5,057,128	5,675,202	5,533,513	4,815,419	4,770,411	4,591,674
Property, plant and equipment		5,474,762	4,988,765	4,600,291	4,145,337	3,784,353	3,735,405
Right-of-use assets		0	0	0	340,286	287,563	346,127
Intangible assets		209,758	196,778	184,116	166,150	153,655	151,580
Other assets		723,512	700,874	707,336	444,753	898,794	885,524
Total assets		11,465,160	11,561,619	11,025,256	9,911,945	9,894,776	9,710,310
Current liabilities	Before distribution	2,847,091	2,888,085	4,176,723	2,449,478	3,035,705	2,969,339
	After distribution	2,847,091	2,888,085	4,176,723	2,449,478	—	—
Non-current liabilities		1,420,990	1,618,765	436,485	1,529,983	1,342,169	1,330,628
Total liabilities	Before distribution	4,268,081	4,506,850	4,613,208	3,979,461	4,377,874	4,299,967
	After distribution	4,268,081	4,506,850	4,613,208	3,979,461	—	—
Interests attributable to the owner of the parent company		7,197,079	7,054,769	6,412,048	5,932,484	5,516,902	5,410,343
Share capital		4,373,351	4,373,351	4,337,821	4,337,821	4,337,821	4,337,821
Capital reserve		147,735	147,735	157,999	157,999	157,999	157,999
Retained earnings	Before distribution	2,126,673	2,033,176	1,455,683	1,041,760	636,586	467,457
	After distribution	2,126,673	2,033,176	1,455,683	1,041,760	—	—
Other equity		574,586	525,773	460,545	394,904	384,496	447,066
Treasury shares		(25,266)	(25,266)	0	0	0	0

Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	7,197,079	7,054,769	6,412,048	5,932,484	5,516,902	5,410,343
	After distribution	7,197,079	7,054,769	6,412,048	5,932,484	—	—

Note: The financial information had been reviewed by CPAs.

## Condensed Balance Sheet (Individual) – Adopting IFRS

Unit: NT\$000'

Item \ Year		Financial information for the latest five years				
		2016	2017	2018	2019	2020
Current assets		3,222,193	3,848,201	3,825,161	3,566,753	4,243,734
Investment accounted for by using the equity method		3,420,401	3,172,329	2,949,413	2,350,438	1,570,494
Property, plant and equipment		1,840,496	1,729,837	1,746,422	1,668,013	1,623,913
Intangible assets		2,991	5,576	5,764	4,538	1,707
Other assets		218,061	207,429	203,471	260,885	267,531
Total assets		8,704,142	8,963,372	8,730,231	7,850,627	7,707,379
Current liabilities	Before distribution	778,592	665,609	2,128,184	635,555	1,045,463
	After distribution	778,592	665,609	2,128,184	635,555	—
Non-current liabilities		728,471	1,242,994	189,999	1,282,588	1,145,014
Total liabilities	Before distribution	1,507,063	1,908,603	2,318,183	1,918,143	2,190,477
	After distribution	1,507,063	1,908,603	2,318,183	1,918,143	—
Interests attributable to the owner of the parent company		7,197,079	7,054,769	6,412,048	5,932,484	5,516,902
Share capital		4,373,351	4,373,351	4,337,821	4,337,821	4,337,821
Capital reserve		147,735	147,735	157,999	157,999	157,999
Retained earnings	Before distribution	2,126,673	2,033,176	1,455,683	1,041,760	636,586
	After distribution	2,126,673	2,033,176	1,455,683	1,041,760	—
Other equity		574,586	525,773	460,545	394,904	384,496
Treasury shares		(25,266)	(25,266)	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	7,197,079	7,054,769	6,412,048	5,932,484	5,516,902

	After distribution	7,197,079	7,054,769	6,412,048	5,932,484	—
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Note: The financial information had been audited by CPAs.

## (II) Condensed Statements of Profit or Loss

**Condensed Statements of Profit or Loss (Consolidated) – Adopting****IFRSs**

Unit: NT\$000'

Item \ Year	Financial information for the latest five years					Financial information for the current year and as of 31 March 2021
	2016	2017	2018	2019	2020	
Operating income	4,951,908	4,896,100	5,026,376	4,730,243	3,609,001	593,987
Operating gross profit	1,537,790	1,391,568	1,108,895	1,085,216	690,993	523,627
Operating gain or loss	88,219	34,311	(403,913)	(306,763)	(350,447)	(103,339)
Non-operating income and expenses	(24,655)	(83,732)	(158,580)	(111,611)	37,305	(60,165)
Net profit before tax	63,564	(49,421)	(562,493)	(418,374)	(313,142)	(163,504)
Net profit of continuing operations for the	63,564	(49,421)	(562,493)	(418,374)	(313,142)	(163,504)
Losses from discontinued operations	0	0	0	0	0	0
Net gain (loss) for the period	34,210	(91,590)	(572,683)	(425,190)	(402,867)	(169,129)
Other comprehensive income for the period (net after tax)	(207,598)	(50,720)	(70,038)	(54,374)	(12,715)	62,570
Total comprehensive income for the period	(173,388)	(142,310)	(642,721)	(479,564)	(415,582)	(106,559)
Net profit attributable to the owner of the parent company	34,210	(91,590)	(572,683)	(425,190)	(402,867)	(169,129)
Net profit attributable to non-controlling interests	0	0	0	0	0	0

Total comprehensive income attributable to the owner of the parent company	(173,388)	(142,310)	(642,721)	(479,564)	(415,582)	(169,129)
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	0.08	(0.21)	(1.32)	(0.98)	(0.93)	(0.39)

Note: The financial information had been reviewed by CPAs.

## Condensed Statements of Profit or Loss (Individual) – Adopting IFRSs

Unit: NT\$000'

Year Item	Financial information for the latest five years				
	2016	2017	2018	2019	2020
Operating income	2,662,707	2,380,312	2,590,864	2,703,277	2,711,953
Operating gross profit	915,695	708,453	602,025	617,914	869,701
Operating gain or loss	450,471	238,550	86,582	134,022	436,894
Non-operating income and expenses	(386,873)	(287,202)	(656,075)	(552,117)	(749,251)
Net profit before tax	63,598	(48,652)	(569,493)	(418,095)	(312,357)
Net profit of continuing operations for the period	63,598	(48,652)	(569,493)	(418,095)	(312,357)
Losses from discontinued operations	0	0	0	0	0
Net gain (loss) for the period	34,210	(91,590)	(572,683)	(425,190)	(402,867)
Other comprehensive income for the period (net after tax)	(207,598)	(50,720)	(70,038)	(54,374)	(12,715)
Total comprehensive income for the period	(173,388)	(142,310)	(642,721)	(479,564)	(415,582)
Net profit attributable to the owner of the parent company	34,210	(91,590)	(572,683)	(425,190)	(402,867)
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to the owner of the parent company	(173,388)	(142,310)	(642,721)	(479,564)	(415,582)
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0

Earnings per share	0.08	(0.21)	(1.32)	(0.98)	(0.93)
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Note: The financial information had been audited by CPAs.

Note: 1. The above information had been audited and certified by CPAs.

2. the accumulated effects of the profit or loss of discontinued operations, non-recurring profit or loss, and changes in accounting principles are presented in net amount after deducting the income tax.

3. The amount for interest capitalization for the years are as follows:

Unit: NT\$000'

Year	2016	2017	2018	2019	2020
Amount	NT\$395	NT\$347	NT\$833	NT\$382	NT\$415

(III) Name of CPAs for the Latest Five Years and Audit Opinions

Year	Name of CPAs	Audit opinions
2016	Tseng, Guo-Yang and Lai, Li-Zhen	Amended unqualified opinion
2017	Tseng, Guo-Yang and Lai, Li-Zhen	Unqualified opinion
2018	Tseng, Guo-Yang and Lai, Li-Zhen	Unqualified opinion
2019	Tseng, Guo-Yang and Lai, Li-Zhen	Unqualified opinion
2020	Chen, Chung-Che and Lai, Li-Zhen	Unqualified opinion

## II. Financial Analysis for the Latest Five Years

### Financial Analysis (Consolidated) – Adopting IFRSs

Analysis Item		Year	Financial information for the latest five years					Financial information for the current year and as of 31 March 2021
		2016	2017	2018	2019	2020		
Financial structure (%)	Debt ratio	37.23	38.98	41.84	40.15	44.24	44.28	
	Ratio of long-term capital to property, plant and equipment	149.08	164.82	139.38	170.45	172.63	170.45	
Solvency (%)	Current ratio	177.62	196.50	132.48	196.59	157.14	154.64	
	Quick ratio	95.56	118.61	79.33	111.75	115.00	113.23	
	Interest coverage ratio	1.67	0.94	(3.88)	(2.78)	(1.67)	(6.71)	
Operating capacity	Turnover rate for receivables (time)	5.30	5.66	5.54	5.07	3.54	0.62	
	Average number of days for cash collection	69.00	64.00	66.00	72.00	103.00	145.00	
	Turnover rate for inventories (time)	1.50	1.63	1.87	1.81	1.87	0.45	
	Turnover rate for payable (time)	8.35	7.85	7.92	7.24	4.80	1.04	
	Average number of days for sales	243.00	224.00	195.00	202.00	195.00	200.00	
	Turnover rate for property, plant and equipment (times)	0.84	0.94	1.05	1.08	0.91	0.16	
	Turnover rate for total assets (times)	0.40	0.43	0.45	0.45	0.36	0.06	
Profitability	Return on assets (%)	1.12	(0.06)	(4.32)	(3.28)	(3.43)	(1.57)	
	Return on equity (%)	0.47	(1.29)	(8.51)	(6.89)	(7.04)	(3.10)	
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	1.45	(1.13)	(9.31)	(9.64)	(7.22)	(3.77)	
	Profit margin (%)	0.69	(1.87)	(11.39)	(8.99)	(11.16)	(28.47)	
	Earnings per share (NT\$)	0.08	(0.21)	(1.32)	(0.98)	(0.93)	(0.39)	
Cash flows	Cash flow ratio (%)	28.55	18.79	3.40	8.46	10.92	(1.91)	
	Cash flow adequacy ratio (%)	80.27	114.78	119.27	212.34	282.78	195.85	
	Cash reinvestment ratio (%)	10.13	6.82	2.34	3.11	5.44	(0.95)	
Leverage	Operating leverage	27.88	61.47	(5.09)	(6.14)	(5.58)	(3.06)	
	Financial leverage	(1.72)	(0.44)	0.78	0.74	0.81	0.83	

Please explain the reasons for variations in financial ratios for the latest two years (analysis may be exempted for items with variation less than 20%).

1. Solvency: Due to the decrease in current assets and current liabilities, decrease in interest expenses, and increase in net profit before tax for the year.
2. Operating capacity: The turnover rates for the year were due to the decrease in net sales and cost of sales and the increase in average receivables for the periods and average payables for the periods.
3. Profitability: Due to the decrease in loss before tax and loss after tax for the year.
4. Cash flows: Due to the increase in net cash flows from operating activities and current liabilities and decrease in net cash flows from operating activities and capital expenditure for the latest five years.

## Financial Analysis (Individual) – Adopting IFRSs

Analysis Item		Year	Financial information for the latest five years			
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	17.31	21.29	26.55	24.43	28.42
	Ratio of long-term capital to property, plant and equipment	415.92	468.48	367.15	423.60	402.28
Solvency (%)	Current ratio	413.85	578.15	179.74	561.20	405.92
	Quick ratio	278.06	426.49	135.01	418.01	311.12
	Interest coverage ratio	4.53	0.80	(14.01)	(9.82)	(6.08)
Operating capacity	Turnover rate for receivables (time)	4.38	4.84	5.30	4.67	4.24
	Average number of days for cash collection	83.00	75.00	69.00	78.00	86.00
	Turnover rate for inventories (time)	1.88	1.76	2.23	2.48	2.13
	Turnover rate for payable (time)	8.18	9.11	9.04	7.81	7.09
	Average number of days for sales	194.00	207.00	164.00	147.00	171.00
	Turnover rate for property, plant and equipment (times)	1.40	1.33	1.49	1.58	1.65
	Turnover rate for total assets (times)	0.29	0.27	0.29	0.33	0.35
Profitability	Return on assets (%)	0.58	(0.79)	(6.15)	(4.79)	(4.88)
	Return on equity (%)	0.47	(1.29)	(8.51)	(6.89)	(7.04)
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	1.45	(1.11)	(13.13)	(9.64)	(7.20)
	Profit margin (%)	1.28	(3.85)	(22.10)	(15.73)	(14.86)
	Earnings per share (NT\$)	0.08	(0.21)	(1.32)	(0.98)	(0.93)
Cash flows	Cash flow ratio (%)	46.42	74.80	13.52	49.23	45.42
	Cash flow adequacy ratio (%)	271.56	371.25	336.21	302.08	339.02
	Cash reinvestment ratio (%)	4.59	6.03	4.49	4.49	7.39
Leverage	Operating leverage	2.72	4.58	13.28	7.23	2.68
	Financial leverage	1.06	1.14	1.77	1.40	1.08

Please explain the reasons for variations in financial ratios for the latest two years (analysis may be exempted for items with variation less than 20%).

1. Solvency: Due to the increase in current assets and current liabilities, decrease in loss before tax for the year.
2. Profitability: Due to the decrease in loss after tax for the year.
3. Cash reinvestment ratio: Due to the increase in net cash flows from operating activities for the year.
4. Leverage: Due to the decrease in variable operating costs and expenses and the decrease in operating loss for the year.

### III. Audit Committee's Review Report for the Financial Report of the Latest Year

#### Audit Committee's Review Report

The Board has prepared the Company's 2020 financial report. The financial report had been duly audited by CPAs Chen, Chung-Che and Lai, Li-Zhen from KPMG (Taiwan) appointed by the Board, and they have issued an auditor's report. The said financial report, business report, and the proposal of earning distribution or loss compensation had been reviewed by the Audit Committee. We considered that they comply with Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act. Therefore, the Audit Committee's issued its review report. Submitted for your review.

To

Shareholders' meeting of Champion Building Materials Co., Ltd.

Audit Committee

Convener: Wu, Yung-Ku /with signature/

30 March 2021

IV. Financial Report of the Latest Year: Please refer to pages 157 to 286 of the Annual Report.

V. Individual Financial Report of the Company Audited and Certified by the CPA for the Latest Year: Please refer to pages 287 to 400 of the Annual Report.

VI. Financial Difficulty Incurred to the Company and Its Affiliates for the Latest Year and as of the Date of Publishing the Annual Report, Effects of any Financial Difficulty on the Company shall be Specified: None.

## Chapter 7. Review and Analysis on the Financial Position and Financial Results and Matters of Risk

### I. Financial Position

Unit: NT\$000'

Item	Year	2020	2019	Changes	
				Amount	%
Current assets		4,770,411	4,815,419	(45,008)	(0.93)
Non-current assets		5,124,365	5,096,526	27,839	0.55
Total assets		9,894,776	9,911,945	(17,169)	(0.17)
Current liabilities		3,035,705	2,449,478	586,227	23.93
Non-current liabilities		1,342,169	1,529,983	(187,814)	(12.28)
Total liabilities		4,377,874	3,979,461	398,413	10.01
Share capital		4,337,821	4,337,821	0	0.00
Capital reserve		157,999	157,999	0	0.00
Retained earnings		636,586	1,041,760	(405,174)	(38.89)
Other equity		384,496	394,904	(10,408)	(2.64)
Treasury shares		0	0	0	0.00
Total shareholders' interests		5,516,902	5,932,484	(415,582)	(7.01)

Descriptions on items with significant changes:

1. Changes in current liabilities: Due to the increase in short-term borrowings and other payables.
2. Retained earnings: Due to the increase in loss for the year.

### II. Financial Results

Primary reasons for the significant changes in operating income, net operating profit, and net profit before tax for the latest two years, estimated sales volume and its basis, and potential effects on the Company's financial operations in the future and countermeasures.

(I) Primary Reasons for the Significant Changes in Operating Income, Net Operating Profit, and Net Profit Before Tax for the Latest Two Years

Unit: NT\$000'

Item	Year	2020	2019	Increase or decrease in amount	Changes (%)
Net operating income		3,609,001	4,730,243	(1,121,242)	(23.70)
Operating costs		<u>2,918,008</u>	<u>3,645,027</u>	(727,019)	(19.95)
Operating gross profit		690,993	1,085,216	(394,223)	(36.33)
Operating expenses		<u>1,041,440</u>	<u>1,391,979</u>	(350,539)	(25.18)
Operating gains		(350,447)	(306,763)	43,684	14.24
Non-operating income and expenses		<u>37,305</u>	<u>(111,611)</u>	148,916	133.42
Net profit before tax		(313,142)	(418,374)	105,232	25.15
Less: Income tax expenses		<u>89,725</u>	<u>6,816</u>	82,909	1,216.39
Net profit after tax		(402,867)	(425,190)	22,323	5.25
Other comprehensive income		<u>(12,715)</u>	<u>(54,374)</u>	41,659	76.62
Total comprehensive income for the period		<u>(415,582)</u>	<u>(479,564)</u>	63,982	13.34

Descriptions on the analysis of changes:

Net operating income, operating gross profit, operating expenses: Due to the decrease in loss before tax caused by the decrease in operating income, gross profit, and operating expenses resulting from the outbreak and the changes in the operating model of subsidiaries in Mainland; the increase of income tax was due to the increase in taxable gains as compared with the preceding year.

(II) Estimated Sales Volume and Its Basis, and Potential Effects on the Company's Financial Operations in the Future and Countermeasures: No significant effect.

III. Cash Flows

(I) Liquidity Analysis for the Latest Two Years

Item	Year	2020	2019	Changes (%)
Cash flow ratio		10.92	8.46	29.08
Cash flow adequacy ratio		282.78	212.34	33.17
Cash re-investment ratio		5.44	3.11	74.92

Descriptions on the analysis of changes:

Cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio: The increase in

liquidity ratios was due to the increase in net cash flow from operating activities, increase in current liabilities, and the decrease in net cash flow from operating activities and capital expenditures for five years.

(II) Cash Flow Analysis for the Following Year

Unit: NT\$000'

Opening cash balance	Net cash flow from operating activities throughout the year	Cash inflow (outflow) throughout the year	Amount of remaining cash (insufficiency)	Remedial measures for cash insufficiency	
				Investment plan	Wealth management plan
2,006,126	180,000	600,000	2,786,126	—	—

1. Analysis of the changes in cash flows for the year:

- (1) Operating activities: It is estimated that there will be net cash inflows from operating activities in the following year.
- (2) Investing activities: Net cash inflows from investing activities are primarily due to the cash income resulted from the acquisition of fixed assets and disposals of assets.
- (3) Financing activities: Net cash outflows resulted from repayment made according to the loan contract regarding the estimated loans from financial institutions.

2. Remedial measures for estimated cash insufficiency and liquidity analysis: None.

IV. Effects of Significant Capital Expenditures on the Financial Operations for the Latest Year: None.

V. Investment Policy and Major Reasons of Profit or Loss, for the Latest Year and Improvement Plan and the Investment Plan for the Following Year

(I) Investment policy: Based on the existing scale, all employees of the Group shall duly perform their duties with care and focus on the consolidation of our foundation. The Company will spare no effort in its operations to accumulate gains little by little and exert the maximum economic benefits.

(II) Major reasons of profit or loss and its improvement plan:

In 2020, the Company recognized a net investment loss from the investee companies of NT\$767,048 thousand, which was primarily due to the decrease in performance of the investee companies resulted from the oversupply and intense price competition of the tile industry in Mainland China. Active efforts had been made to adjust the channel structure for reducing the management and sales expense and reducing losses; however, losses incurred as the operating scale was still at a low level with higher fixed expenses.

Improvement plan: Reinforce the channels to focus on the tile production and increase in products' added-value for improving sales through our advanced production technologies, exquisite design, and outstanding quality.

(III) Investment plan for the following year: None.

VI. Analysis and Evaluations for Matters of Risk shall be Made on the Following Matters shall for the Latest Year and as of the Date of Publishing the Annual Report.

- (I) Effects of changes in interest rates and currency rate and inflation on the company's profit or loss and future countermeasures:

Changes in interest rates

The Company has fair value change risk and cash flow risk due to loans on fixed and floating interest rates. The Company manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates. When interest rates increase or decrease by 0.5% with all other variables remained unchanged, the net profit in 2020 would decrease by NT\$8,768 thousand.

Changes in currency rates

Currency risks are primarily arising from the foreign currency conversion gains or losses upon the translation of cash and cash equivalent, account receivable, other receivables, financial assets available for sales, borrowings, account payable, and other payables denominated in foreign currencies. In 2020, when the functional currency depreciates or appreciates against the USD and Euro with all other variables remained unchanged, the net profit in 2020 would decrease or increase by NT\$7,602 thousand. A certain level of nature hedging arising from the elimination of receivables and payables may reduce the changes in currency rates, which has an insignificant effect on the Company's operating gain or loss.

## Inflation

In recent years, inflation was affected by the increase of international crude oil price, and partial product costs (such as fuel expenses) of the Company were also affected. The inflation rate has no significant effect on the Company's operations and profits. Also, the tile sales of the Company focus on the domestic market, the selling price may be appropriately adjusted in accordance with inflation as compared to general consumers' goods; therefore, the effect of inflation is insignificant to the Company's operating gain or loss.

- (II) Policies for high-risk, high-leverage investments, loans to others, endorsement and guarantee, and derivative transactions, primary reasons for profit or loss, and future countermeasures:

Loans to others and endorsement and guarantee shall be based on the policies and countermeasures stated in the Company's "Procedures for the Acquisition or Disposal of Assets," "Procedures for Loan to Others," and "Procedures for Endorsement and Guarantee."

Derivative transactions: 1. Market risk: The Company holds interest rate swap contracts to avoid risks incurred due to the volatility of interest rates; therefore, gain or loss that may be generated from changes in interest rates would be offset by the gain or loss arising from the valuation on changes in interest rates of the hedging items; therefore, the market price risk is insignificant. 2. Credit risk: The counterparties for derivative transactions engaged by the Company are financial institutions with healthy credibility; it is estimated that there shall be no significant credit risk. 3. Liquidity risk: The working capital of the Company is sufficient to satisfy the above cash flows, and there are relevant cash inflows or outflows upon the expiry of the interest rate swap contracts; therefore, there shall be no significant cash flow risk. 4. Cash flow risk arising from changes in interest rates: The Company entered into interest rate swap contracts with financial institutions to avoid risks arising from floating rates; therefore, volatility of interest rates in the market has no significant effect on the Company's future cash flows.

- (III) Future R&D plan and R&D expenses estimated to be invested:

1. Technologies or products of the future R&D plan

- (1) Development of slate tile series product in the sizes of 45×90 cm, 90×90 cm, and 60×120 cm.
- (2) Development of porcelain wall tile series product in the sizes of 30×60 cm and 60×60 cm.
- (3) Development of new series digital slate tiles in the sizes of 30×60cm and 60×60 cm.
- (4) Development of new thick brick products in the sizes of 90×90×2 cm, 60×60×2 cm, and 75×150×2 cm.
- (5) Development of new large-scale slab products in the size of 75×150×2 cm.
- (6) Development of porcelain marble tile series product in the sizes of 90×90 cm and 60×120 cm.
- (7) Development of new polished tile series.

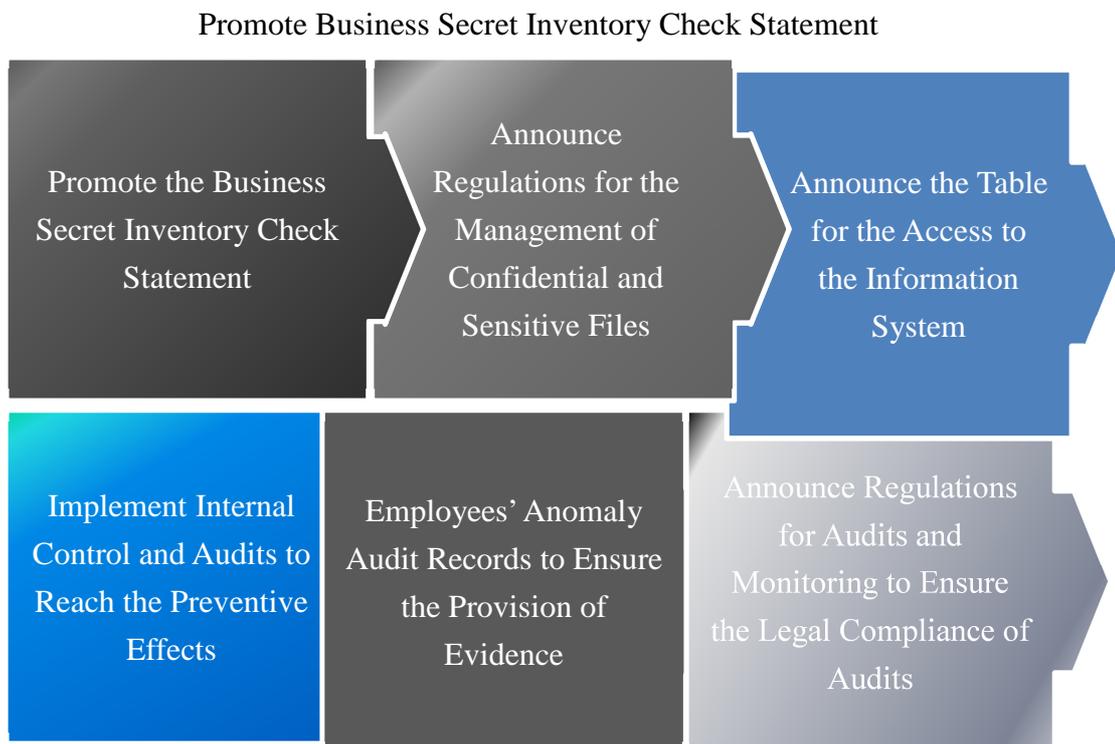
2. R&D expenses estimated to be invested: NT\$24,000 thousand.

(IV) Effects of changes in domestic and foreign significant policies and laws on the Company's financial operations and countermeasures:

In response to the amendments to corporate governance and the Company Act by the competent authority, the Company had made appropriate arrangements; there is no significant effect on the financial operations at present.

(V) Effects of changes in technologies and industries on the Company's financial operations and countermeasures:

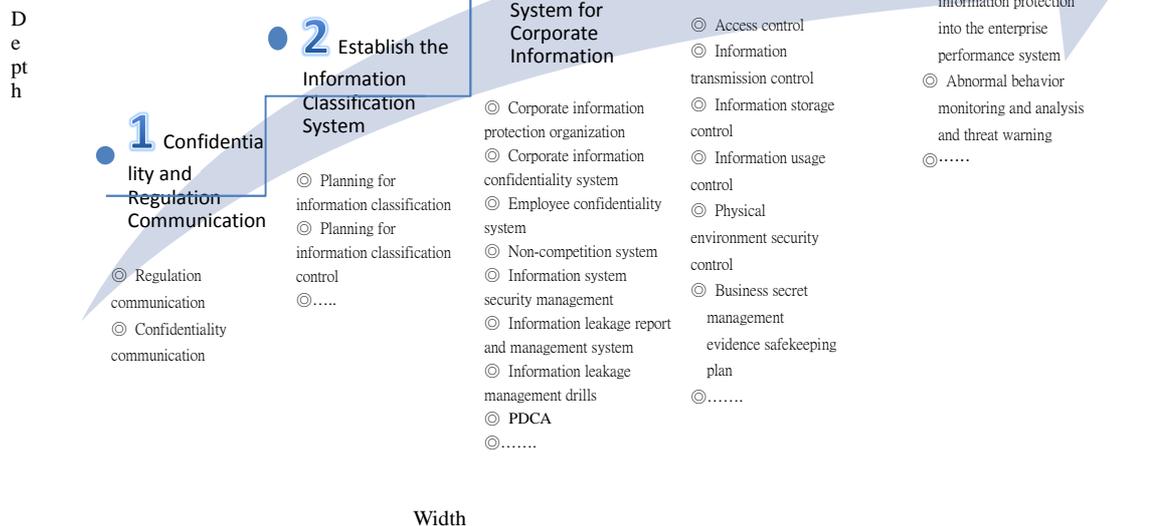
Evaluation and analysis on information security risk:



The scope of protecting information security includes employees, customers, suppliers, and shareholders, and information software and hardware equipment related to operations. All information security rules, regulations, and systems are established based on the technical protection, applications, and digital security standards; they are included in the management operating systems to ensure privacy protection and information security maintenance upon business contacts between employees and suppliers and customers. By establishing an information security monitoring system, we set up the execution of weak spot screening to prevent the invasion of external hackers and the leakage of internal secrets. The control on information software and hardware equipment includes internet and personal information equipment, such as the establishment of information security systems for desktop computers, laptops, tablets, and smartphones, to realize the protection on personal information, internal confidential information, and customers' and suppliers' information.

Through the information security management system and execution rules, the Company duly controls and explicitly defines the duties and management responsibility. For internal control, apart from the IT Department's continual efforts to improve the information security protection management system, new employees shall sign the agreement for ethical occupational services for employees on the day of on-boarding and accept information security educational training, and the Company conducts educational training related to information security for employees to improve employees' information security awareness through continual training and internalize the information security into our operations, realizing the information security protection of utmost safety and precision. In 2020, there was no complaint related to the invasion of customer's privacy or the loss of customer's information.

## Blueprint for the Promotion and Implementation of Information Security Management



(VI) Effects of changes in the corporate image on the Company's crisis management and countermeasures: None.

(VII) Expected benefits and possible risks arising from mergers and acquisitions and countermeasures: None.

(VIII) Expected benefits and possible risks arising from the expansion of plants and countermeasures: None.

(IX) Risks arising from concentrate sales or purchases and countermeasures and countermeasures: None.

(X) Effects of significant transfers of or changes in equity by Directors or top ten major shareholders with over 10% shareholding on the Company, risks, and countermeasures: None.

(XI) Effects of changes in the ownership on the Company, risks, and countermeasures: None.

(XII) Litigation or non-litigation: None.

(XIII) Other significant risks and countermeasures: None.

VII. Other Significant Matters: None.

## Chapter 8. Additional Information

### I. Information Related to Affiliates

(I) Consolidated business report of affiliates: Please refer to page 401 the Annual Report.

(II) Consolidated financial statements and the relationship report of affiliates: Please refer to pages 401 to 407f the Annual Report.

II. Private Offering for the Latest Year and as of the Date of Publishing the Annual Report: None.

III. Shares of the Company Held or Disposed of by Subsidiaries for the Latest Year and as of the Date of Publishing the Annual Report: None.

IV. Other Matters of Supplements and Explanations Required: None.

Chapter 9. Matters Having Significant Effects on Shareholder's Interests or Securities' Price Stated in Subparagraph 2, Paragraph 2 under Article 36 of the Securities Exchange Act for the Latest Year and as of the Date of Publishing the Annual Report: None.

## Declaration

The companies required to be included in the Company's consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS 10 endorsed by the Financial Supervisory Commission (the “FSC”). Relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, no separate set of consolidated financial statements of affiliates would be otherwise prepared.

Hereby certified.

Name of the Company: Champion Building Materials Co.,

Ltd.

Chairman: LIN, JUNG-TE

Date: 30 March 2021

## **Independent Auditors' Report**

The Board of Directors  
Champion Building Materials Co., Ltd.

### **Opinion**

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

In our opinion, based on our audits, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Champion Group as of December 31 2020 and 2019, and its financial performance and its cash flows for the years ended December 31 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. 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 Champion Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, 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 of the Champion Group for the year ended 31 December 2020. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. According to our judgment, key audit matters to be communicated in the audit report are as follows:

#### **I. Income Recognition**

For details of accounting policies related to income recognition, please refer to Note 4(15) Income recognition in the notes to consolidated financial statements. For details of description for income recognition, please refer to Note 6(19) Income from contract with customers in the notes to consolidated financial statements.

#### Description for the Key Audit Matter:

Champion Group primarily engages in the manufacturing and trading of ceramics, ceramic products, stone products, and fire-resistant materials. Income is the primary source of cash inflows for its corporate operations, and is also a matter concerned by the user of the financial statements. Therefore, income recognition is a matter that requires great attention for our audits on the financial statements.

#### Corresponding audit procedures:

- We evaluated the appropriateness of accounting policies for income recognition;
- We performed circular internal control testing for sales income and checked the accuracy regarding the time spot of income recognition;
- We performed a variance analysis for top 10 customers of sales to evaluate whether any significant anomaly exists, and sent out inquiries to counterparties for evidence;
- We selected a period of time before and after the balance sheet date to verify relevant certificates, so as to confirm that relevant transactions had been accounted for appropriately.

## II. Inventory Valuation

For details of accounting policies related to inventory valuation, please refer to Note 4(8) Inventory in the notes to consolidated financial statements. For details of uncertainties in accounting estimates and assumptions related to inventory valuation, please refer to Note 5(2) in the notes to consolidated financial statements. For descriptions on inventory valuation, please refer to Note 6(5) in the notes to consolidated financial statements:

#### Description for the Key Audit Matter:

The inventory amount of Champion Group is presented at the lower of costs and net realizable amount. As the Champion Group is in an industry related to real estate, the poor economic environment for real estate may result in more significant fluctuation in the selling prices of products, which may, in turn, generate risks where the inventory costs are higher than the net realizable value. Therefore, inventory valuation is a matter that requires great attention for our audits on the financial statements.

#### Corresponding audit procedures:

- We examined the statements of inventory age and analyzed the changes of inventory age in different periods. We also sample-checked whether inventories are in the correct range of age;
- We evaluated the reasonableness of ratio for the allowance for inventory price drops or obsolete losses;
- We evaluated whether inventory valuation had been executed according to the existing accounting policies. We evaluated the basis adopted for net realizable value to verify the accuracy used by the management in estimating the valuation of allowance for inventory.

## III. Impairment of Property, Plant and Equipment

For accounting policies for the impairment of non-financial assets, please refer to Note 4(14) Inventory in the notes to consolidated financial statements. For details of uncertainties in accounting estimates and assumptions related to property, plant and equipment, please refer to Note 5(2) in the notes to consolidated financial statements. For descriptions on the impairment of property, plant and equipment, please refer to Note 6(7) in the notes to consolidated

financial statements:

Description for the Key Audit Matter:

The primary scope of business of the Champion Group is manufacturing and sales of ceramic products. Its operating segments are comprised of the tile business segment and Chinese business segment; its property, plant and equipment accounted for 38% of the consolidated total assets. There is indication of impairment regarding property, plant and equipment as the Chinese business segment recorded continual operating losses. Therefore, the impairment of property, plant and equipment is a matter that requires great attention for our audits on the financial statements.

Corresponding audit procedures:

- We examined whether there is any significant anomaly exists in calculating the carrying amount of the Chinese business segment's property, plant and equipment;
- We evaluated the reasonableness of assumptions and parameters adopted for the recoverable amount of property, plant and equipment;
- We reviewed whether the recoverable amount was determined at the higher of the net fair value and value in use;
- We compared the recoverable and carrying amount of property, plant and equipment to confirm whether property, plant and equipment is impaired.

### **Other Matters**

Champion Building Materials Co., Ltd. had prepared its individual financial statements for the years ended 2020 and 2019, and we have issued our auditor's report containing an unqualified opinion for reference.

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

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

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

Those charged with governance of Champion Group, including the Audit Committee, are responsible for overseeing the financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement in the consolidated financial statements 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 ROC, 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 Champion Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Champion Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Champion Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the group entities 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 forming the audit opinion for the Champion Group.

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 provided those charged with governance with a statement that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may be thought to bear on our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determined key audit matters of the consolidated financial statements of the Champion Group for the year ended 31 December 2020. We describe these matters in our auditor's 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 communications.

KPMG Taiwan

Chen Chung-Che

CPA:

LAI Li-Chen

Financial Supervisory Commission Approval No. Securities and Futures Commission Approval No.  
Jin-guan-zheng-shen-zi No. 1000011652 (89) Tai-cai-zheng-(liu)-zi No. 62474

March 30, 2021



**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Year Ended December 31 2020 and 2019**

Unit: NT\$000'

		2020		2019	
		Amount	Amount	Amount	%
	<b>Operating income (Note 6(19)):</b>				
4110	Sales income	\$ 3,761,505	104	5,023,823	106
4511	Construction income	-	-	9,212	-
4170	Less: Sales return	85,261	2	133,151	3
4190	Sales discount	67,243	2	169,641	3
	<b>Net operating income</b>	<u>3,609,001</u>	<u>100</u>	<u>4,730,243</u>	<u>100</u>
5000	<b>Operating costs (Notes 6(5), (14), and 12)</b>	<u>2,918,008</u>	<u>81</u>	<u>3,645,027</u>	<u>77</u>
5900	<b>Operating gross profit</b>	<u>690,993</u>	<u>19</u>	<u>1,085,216</u>	<u>23</u>
6000	<b>Operating expenses (Notes 6(14) and 12):</b>				
6100	Marketing expenses	504,265	14	938,973	20
6200	Management fees	503,829	14	432,684	9
6300	R&D expenses	23,670	1	26,590	1
6450	Expected credit impairment losses (gains) (Notes 6(4) and (22))	9,676	-	(6,268)	-
6300	<b>Total operating expenses</b>	<u>1,041,440</u>	<u>29</u>	<u>1,391,979</u>	<u>30</u>
6900	<b>Net operating loss</b>	<u>(350,447)</u>	<u>(10)</u>	<u>(306,763)</u>	<u>(7)</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (Notes 6(15) and (21))	7,894	-	11,527	-
7020	Other gains and losses (Notes 6(15) and (21))	47,433	1	(14,337)	-
7050	Financial costs (Note 6(21))	(83,696)	(2)	(108,741)	(2)
7060	Share of profit or loss from associates and joint ventures accounted for using the equity method (Note 6(6))	65,674	2	(60)	-
	<b>Total non-operating income and expenses</b>	<u>37,305</u>	<u>1</u>	<u>(111,611)</u>	<u>(2)</u>
	<b>Net loss before tax</b>	<u>(313,142)</u>	<u>(9)</u>	<u>(418,374)</u>	<u>(9)</u>
7950	<b>Less: Income tax expenses (Note 6(16))</b>	<u>89,725</u>	<u>2</u>	<u>6,816</u>	<u>-</u>
	<b>Net loss for the period</b>	<u>(402,867)</u>	<u>(11)</u>	<u>(425,190)</u>	<u>(9)</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified into profit or loss</b>				
8311	Remeasurements of defined benefit plans	(2,307)	-	11,267	-
8316	Unrealized profit or loss of investments in equity instruments at fair value through other comprehensive income	(1,645)	-	(849)	-
8320	Share of comprehensive income from associates and joint ventures accounted for using the equity method – Items that will not be reclassified into profit or loss	7,768	-	(2,285)	-
8349	Less: Income tax related to items that will not be reclassified into profit or loss	-	-	-	-
	<b>Total items that will not be reclassified into profit or loss</b>	<u>3,816</u>	<u>-</u>	<u>8,133</u>	<u>-</u>
8360	<b>Items that may subsequently be reclassified into profit or loss</b>				
8361	Exchange differences arising from the translation of financial statements of institutions operating overseas	(20,664)	(1)	(78,134)	(2)
8399	Less: Income tax related to items that may be reclassified into profit or loss	(4,133)	-	(15,627)	-
	<b>Total items that may subsequently be reclassified into</b>	<u>(16,531)</u>	<u>(1)</u>	<u>(62,507)</u>	<u>(2)</u>

(Please read the accompanying notes to consolidated financial statements)

Chairman: LIN, JUNG-TE    Manager: LIN, JUNG-TE    Chief Auditor: LIAO, HUI-YI

	profit or loss					
8300	<b>Other comprehensive income for the period</b>		<u>(12,715)</u>	<u>(1)</u>	<u>(54,374)</u>	<u>(2)</u>
	<b>Total comprehensive income for the period</b>		<b>\$ (415,582)</b>	<b>(12)</b>	<b>(479,564)</b>	<b>(11)</b>
	<b>Net loss for the period attributable to:</b>					
8610	Owner of the parent company		\$ (402,867)	(11)	(425,190)	(9)
8620	Non-controlling interests		-	-	-	-
			<b>\$ (402,867)</b>	<b>(11)</b>	<b>(425,190)</b>	<b>(9)</b>
	<b>Total comprehensive income attributable to:</b>					
8710	Owner of the parent company		\$ (415,582)	(12)	(479,564)	(11)
8720	Non-controlling interests		-	-	-	-
			<b>\$ (415,582)</b>	<b>(12)</b>	<b>(479,564)</b>	<b>(11)</b>
9750	<b>Basic loss per share (NT\$) (Note 6(18))</b>		<b>\$</b>	<b>(0.93)</b>		<b>(0.98)</b>

**(Please read the accompanying notes to consolidated financial statements)**

**Chairman: LIN, JUNG-TE    Manager: LIN, JUNG-TE    Chief Auditor: LIAO, HUI-YI**

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the Year Ended December 31 2020 and 2019**

**Unit: NT\$000'**

	Interests attributable to the owner of the parent company						Other equity items			
	Share capital		Retained earning				Exchange differences arising from the translation of financial statements of institutions operating overseas	Unrealized valuation losses (gains) from equity instruments at fair value through other comprehensive income	Total	Total equity
	Ordinary share capital	Capital reserve	Statutory surplus reserve	Special surplus reserve	Undistributed earnings	Total				
<b>Balance on 1 January 2019</b>	\$ 4,337,821	157,999	501,090	121,349	833,244	1,455,683	456,485	4,060	460,545	6,412,048
Net loss for the period	-	-	-	-	(425,190)	(425,190)	-	-	-	(425,190)
Other comprehensive income for the period	-	-	-	-	11,267	11,267	(62,507)	(3,134)	(65,641)	(54,374)
Total comprehensive income for the period	-	-	-	-	(413,923)	(413,923)	(62,507)	(3,134)	(65,641)	(479,564)
Balance on 31 December 2019	4,337,821	157,999	501,090	121,349	419,321	1,041,760	393,978	926	394,904	5,932,484
Net loss for the period	-	-	-	-	(402,867)	(402,867)	-	-	-	(402,867)
Other comprehensive income for the period	-	-	-	-	(2,307)	(2,307)	(16,531)	6,123	(10,408)	(12,715)
Total comprehensive income for the period	-	-	-	-	(405,174)	(405,174)	(16,531)	6,123	(10,408)	(415,582)
<b>Balance on 31 December 2020</b>	<b>\$ 4,337,821</b>	<b>157,999</b>	<b>501,090</b>	<b>121,349</b>	<b>14,147</b>	<b>636,586</b>	<b>377,447</b>	<b>7,049</b>	<b>384,496</b>	<b>5,516,902</b>

(Please read the accompanying notes to consolidated financial statements)

**Chairman: LIN, JUNG-TE    Manager: LIN, JUNG-TE    Chief Auditor: LIAO, HUI-YI**

**Champion Building Materials Co., Ltd. and Its Subsidiaries**

**Consolidated Statements of Cash Flows**

**For the Year Ended December 31 2020 and 2019**

**Unit: NT\$000'**

	2020	2019
<b>Cash flows from operating activities:</b>		
<b>Net loss before tax for the period</b>	\$ (313,142)	(418,374)
<b>Adjusted for:</b>		
Items of profit or loss		
Depreciation expenses	421,578	502,793
Amortization expenses	30,793	28,252
Expected credit impairment losses (gains reversal)	1,563	(6,268)
Net gains on financial assets and liabilities at fair value	(2,911)	-
through profit or loss		
Interest expenses	83,696	108,741
Interest income	(2,189)	(4,538)
Dividend income	(400)	(1,674)
Share of (gains) losses from associates and joint ventures	(65,674)	60
accounted for using the equity method		
Losses (gains) on disposals and scrapping of property, plant and equipment	28,607	(249)
Property, plant and equipment transferred to expenses	8,570	122
Amortization of deferred income	(6,440)	(6,746)
Expected credit loss (the "ECL")	9,676	-
Total items of profit or loss	506,869	620,493
Changes in asset/liabilities related to operating activities:		
Increase in note receivables	(95,355)	(84,184)
Increase (decrease) in account receivables	(78,526)	75,612
Decrease in inventory	142,051	93,752
Decrease in prepayments	30,670	5,534
Decrease (increase) in other current assets	(17,047)	10,913
Increase in other financial assets	(15,890)	(2,739)
Total net changes of asset related to operating activities	(34,097)	98,888
(Decrease) increase in contract liabilities	(37,885)	8,712
(Decrease) increase in note payables	(6,126)	15,644
(Increase) decrease in account payables	218,412	(8,980)
Increase in other payables	81,820	26,921
Increase in other payables – Related parties	31,701	-
Decrease in allowance for liabilities	(4,678)	(8,985)
Increase in other current liabilities	425	5,869
Net decrease in liabilities for defined benefits	(16,871)	(28,914)
(Decrease) increase in decommissioning liabilities	(1,800)	2,372

Total net changes in liabilities related to operating activities	<u>264,998</u>	<u>12,639</u>
Total net changes in assets and liabilities related to operating activities	<u>230,901</u>	<u>111,527</u>
Total adjustments	<u>737,770</u>	<u>732,020</u>
Cash inflow generated from operations	424,628	313,646
Interests paid	(80,786)	(103,352)
Income tax paid	<u>(12,494)</u>	<u>(3,007)</u>
<b>Net cash inflow from operating activities</b>	<u>331,348</u>	<u>207,287</u>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Consolidated Statements of Cash Flows (Cont'd)**  
**For the Year Ended December 31 2020 and 2019**

Unit: NT\$000'

	2020	2019
<b>Cash flows from investment activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(112,384)	-
Disposal of investments accounted for using the equity method	317,070	-
Acquisition of property, plant and equipment	(99,474)	(98,369)
Disposal of property, plant and equipment	4,944	14,595
Increase in refundable deposits	-	(5,731)
Decrease in refundable deposits	4,187	477
Acquisition of intangible assets	(435)	(2,340)
Decrease (increase) in other financial assets	(130,040)	150,673
Increase in other non-current assets	(34,849)	(15,665)
Increase in prepayments for equipment	(39,523)	(22,151)
Interests received	2,189	4,538
Dividend received	400	1,674
<b>Net cash inflow (outflow) from investment activities</b>	<b>(87,915)</b>	<b>27,701</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,752,009	2,211,740
Decrease in short-term borrowings	(1,606,936)	(2,841,973)
Long-term borrowings	-	1,193,249
Repayment for long-term borrowings	(65,656)	(1,167,504)
Decrease in guarantee deposits received	(31,588)	788
(Decrease) increase in other payables - Related parties	32,401	28,600
Repayment for lease principals	(9,698)	(62,670)
<b>Net cash inflows (outflows) from financing activities</b>	<b>70,532</b>	<b>(637,770)</b>
Effects of changes in exchange rate on cash and cash equivalents	(1,947)	(6,651)
Increase (decrease) in cash and cash equivalents for the period	312,018	(409,433)
Opening balance for cash and cash equivalents	1,694,108	2,103,541
Closing balance for cash and cash equivalents	<b>\$ 2,006,126</b>	<b>1,694,108</b>

(Please read the accompanying notes to consolidated financial statements)

**Chairman: LIN, JUNG-TE    Manager: LIN, JUNG-TE    Chief Auditor: LIAO, HUI-YI**

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31 2020 and 2019**  
**(Except for otherwise stated, all amounts are in NT\$000’)**

1. General Information

Champion Building Materials Co., Ltd. (the “Company”) was established in November 1972 according to the law, with its registered address at No.200-7, Zhugaocuo, Dapu Vil., Zhunan Township, Miaoli County, Taiwan (R.O.C.). The Company primarily engages in the manufacturing business of ceramics, ceramic products, stone products, fire-resistant materials, and other chemical products, and the development business for particular industry zones, new towns, and new communities.

The Company was initially named “Sinyih Ceramics Industrial Co., Ltd.,” and the Company’s name was changed to “Champion Building Materials Co., Ltd.” upon receiving the approval at the Shareholders’ Meeting on 6 June 2003. The name alteration case was approved by and archived at the Ministry of Economics on 20 June 2003.

The consolidated financial statements of the Company on 31 December 2020 comprise the Company and its subsidiaries (the “Consolidated Company”) and the Consolidated Company’s interests in associates and entities with common control.

2. Date and Procedures for the Approval of Financial Statements

The consolidated financial statements were approved for issuance by the board of directors (the "Board") on 30 March 2021.

3. Application of New and Amended Standards and Interpretations

(1) Effects of adopting new and amended standards and interpretations endorsed by the FSC

The following newly revised International Financial Reporting Standards (the “IFRS”) are applicable to the Consolidated Company starting from 1 January 2020, and they had no significant effect on the consolidated financial statements.

- Amendments to IFRS 3 “Definition of Business”
- Amendments to IFRS 9, IAS 39, and IFRS 7 “Interest Rate Benchmark Reform”

- Amendments to IAS 1 and IFRS 8 “Definition of Materiality”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

(2) Effects of IFRSs endorsed by the FSC not yet adopted

Based on the evaluation, the following newly revised IFRSs that became effective from 1 January 2021 are applicable to the Consolidated Company, and they have no significant effect on the consolidated financial statements.

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(3) New and amended standards and interpretations not yet endorsed by the FSC

The Consolidated Company expects that the following new and amended standards and interpretations not yet endorsed have no significant effect on the consolidated financial statements.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

- IFRS 10 and Amendments to IAS 28 “Sale or Contribution of Assets between An Investor or Its Joint Venture or Associate”
- IFRS 17 “Insurance Contract” and amendments to IFRS 17
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contract - Cost of Fulfilling A Contract”
- Annual Improvements to IFRSs 2018–2020 Cycle
- Amendments to IFRS 3 “References to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IFRS 8 “Definition of Accounting Estimate”

#### 4. Summary of Significant Accounting Policies

The summary of significant accounting policies adopted for the consolidated financial statements is described as follows. The following accounting policies are consistently applied to all periods presented in the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Preparation Regulations”) and IFRSs, IASs, interpretations, and interpretative bulletins endorsed by the FSC (the “IFRSs Endorsed by the FSC”).

(2) Basis of preparation

i. Basis of measurements

Except for the following material items in the balance sheet, the preparation of the consolidated financial statements is based on historical costs:

- (i) Financial assets at fair value through fair value;
- (ii) Financial assets at fair value through other comprehensive income; and
- (iii) Net liabilities for defined benefits, which are measured at the fair value of pension fund assets less the current value of the defined benefit obligations and the cap effects described in Note 4(16).

ii. Functional currency and presentation currency

The functional currency of entities within the Consolidated Company is the currency

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

used in the respective primary economic environment where it operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), the functional currency of the Company. All financial information presented in NTD is in thousands (NT\$000').

**(3) Basis of consolidation**

**i. Principles for the preparation of consolidated financial statements**

The consolidated financial statements are prepared for the Company and the entities under the Company's control (i.e., subsidiaries). When the Company is exposed to the variant return for its participation in the investee entities or entitled to such variant returns, and it is capable of affecting such returns through its rights in the investee entities, the Company controls such entities.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The financial statements of subsidiaries are initially included in the consolidated financial statements from the date of acquiring the control over subsidiaries, until the date of losing such control. Transactions, balances, and any unrealized gains and expenses within the Consolidated Company are eliminated upon the preparation of the consolidated financial statements. Total comprehensive income of subsidiaries are attributable to the owner of the Company and non-controlling interests, respectively, even when losses may incurred to the non-controlling interests.

Financial statements of subsidiaries are duly adjusted for its accounting policies to align with the accounting policies adopted by the Consolidated Company.

Changes in the Consolidated Company's ownership in the subsidiaries without losing the control over subsidiaries are accounted for as equity transactions between owners. Differences between adjustments to the non-controlling interests and the fair value of considerations paid or received are directly recognized in equity, and attributable to the owner of the Company.

ii. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements include:

Name of the investing company	Name of the subsidiary	Business nature	Shareholding held		Description
			2020.12.3	2019.12.3	
			1	1	
The Company	Swanview International Ltd. (the "Swanview")	Investments	100.00%	100.00%	A subsidiary in which the Company directly holds over 50% of its equity.
The Company	Guan Zhong Trading Co., Ltd. (the "Guan Zhong Trading")	International trade, wholesale of building materials, and agency services	100.00%	100.00%	A subsidiary in which the Company directly holds over 50% of its equity. (Note)
The Company	Champion Highwealth Co., Ltd. (the "Champion Highwealth")	Cement, metal structure, and building component manufacturing	100.00%	100.00%	A subsidiary in which the Company directly holds over 50% of its equity. (Note)
Swanview	Sinyih Ceramic (China) Co., Ltd. (the "Sinyih China")	Sales of various floor tiles, wall tiles, external tiles, and other building materials	100.00%	100.00%	A subsidiary in which Swanview directly holds over 50% of its equity.
Swanview	Sinyih Ceramic (Penglai) Co.,	Production and sales of high-end sanitary	100.00%	100.00%	A subsidiary in which Swanview directly and

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	Ltd. (the "Sinyih Penglai")	porcelain, R&D for new model architectural ceramics and ceramic products, and R&D for relevant new products			indirectly holds 100% of its equity.
Swanview	Super Universal Ltd.(the "Super")	Investment businesses	100.00%	100.00%	A subsidiary in which Swanview directly holds over 50% of its equity.
Swanview	Sinyih Ceramic (Anhui) Co., Ltd. (the "Sinyih Anhui")	Production and sales of various floor tiles, wall tiles, external tiles, and other building materials	100.00%	100.00%	A subsidiary in which Swanview directly and indirectly holds 100% of its equity.
Sinyih China	Jiangsu Xinshuo Brewery Co., Ltd. (the "Jiangsu Xinshuo")	Wholesale and retail of packaged food	- %	100.00%	The legal procedures for cancellation was completed on 12 August 2019.
Sinyih China	Xiaoxian Huaguan Mineral Products Co., Ltd. (the "Xiaoxian Huaguan")	Sales of kaolinite, magnet, feldspar, and silica sand	100.00%	100.00%	A subsidiary in which Sinyih China directly holds over 50% of its equity.

iii. Subsidiaries not included in the consolidated financial statements: **None.**

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(4) Foreign currency

i. Foreign currency transaction

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. Subsequently, monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the end of each reporting period. Non-monetary items denominated in foreign currencies measured at fair value are translated into the functional currency at the exchange rate prevailing on the date of fair value measurement. Non-monetary items denominated in foreign currencies measured at historical costs are translated at the rate prevailing on the transaction date.

Foreign currency exchange differences arising from the translation are generally recognized in profit or loss, except for the following items that are recognized in other comprehensive income:

- (i) Equity instruments designated at fair value through other comprehensive income;
- (ii) Financial liabilities designated as a hedge for net investment in a foreign operating institution that is within the effective scope of the hedge; or
- (iii) A hedge for qualified cash flows that are within the effective scope of the hedge.

ii. Foreign operating institution

Assets and liabilities of a foreign operating institution include goodwill and adjustments to fair value arising from acquisitions, which are translated into NTD at the currency rate prevailing on the reporting date. Items of gains and expenses are translated into NTD at the average currency rate for the period, and the exchange differences arising thereof are recognized in other comprehensive income.

Any loss of control, common control, or significant effect arising from the disposal of a foreign operating institution, the cumulative exchange differences related to the foreign operating institution are fully reclassified to profit or loss. For partial disposal involving a subsidiary of a foreign operating institution, relevant cumulative exchange differences are reclassified to non-controlling interests in proportion. For partial disposal involving an investment in the associate or joint venture of a foreign operating institution, relevant cumulative exchange differences are reclassified to profit or loss in proportion.

For monetary items receivable or payable of a foreign operating institution, where there is no settlement plan, and such items are unlikely to be settled in the foreseeable future, the gains or losses on the foreign currency exchange arising thereof are deemed as

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

a part of the net investment of the foreign operating institution, and are recognized in other comprehensive income.

(5) Standards for the classification of current and non-current assets and liabilities

Assets fulfilling any of the following conditions are recognized as current assets; all other assets that are not current assets are recognized as non-current assets:

- i. Assets expected to be realized or intended to be sold or consumed during its normal operating cycle;
- ii. Assets held primarily for trading;
- iii. Assets expected to be realized within twelve months after the reporting period; or
- iv. Assets are cash or cash equivalents, but assets that will be exchanged or used for settling liabilities or otherwise restricted are excluded.

Liabilities fulfilling any of the following conditions are recognized as current liabilities; all other liabilities that are not current liabilities are recognized as non-current liabilities:

- i. Liabilities expected to be settled during its normal operating cycle;
- ii. Liabilities held primarily for trading;
- iii. Liabilities expected to fall due and be settled within twelve months after the reporting period; or

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

iv. Liabilities with a settlement period that cannot be unconditionally deferred to at least twelve months after the reporting period. Settlement of the liabilities' terms may occur due to the issuance of equity instruments upon selecting the counterparty, which shall have no effect on its classification.

**(6) Cash and cash equivalents**

Cash includes cash on hand and current deposits. Cash equivalents are short-term investments with high liquidity that can be converted into a fixed amount of cash at any time and has minimal risks.

Current deposits that fulfill the definition above and the purpose of holding is to satisfy short-term cash commitments, instead of investments or other purposes, are presented under cash equivalents.

Bank overdrafts that are immediately repayable and belong to a part of the Company's overall cash management are presented as a component of cash and cash equivalents in the statements of cash flows.

**(7) Financial instruments**

Account receivables and debt securities issued are initially recognized upon occurrence. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual term of the financial instruments. Financial assets or financial liabilities not at fair value through profit or loss (excluding account receivables without significant financial components) are initially measured at fair value, plus transaction costs directly attributable to the acquisition or issuance. Account receivables with significant financial components are initially measured at the transaction price.

**i. Financial assets**

For regular way purchases or sales of financial assets, the Consolidated Company consistently adopts trade day or closing date accounting for all purchases and sales of financial assets that are classified in the same manner.

Upon initial recognition, financial assets are classified as financial assets at amortized costs, equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit or loss. The Consolidated Company reclassifies all financial assets being affected on the first day of the next reporting period when changes occurred to the operating model for managing its financial assets.

**(i) Financial assets at amortized costs**

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Financial assets fulfilling the following conditions and are not designated at fair value through profit or loss are measured at amortized costs:

- Financial assets are held under an operating model for receiving contractual cash flows.
- Contract terms of the financial assets generate cash flows on specific dates, which are fully used for paying principals and outstanding interests of the principals.

Such assets are subsequently measured at the initially recognized amount plus/less accumulated amortization calculated using the effective interest method, with adjustments for amortized costs of any loss allowance. Interest income, gains or losses on foreign currency exchange, and impairment losses are recognized in profit or loss. Upon derecognition, gains or losses are included in profit or loss.

(ii) Financial assets at fair value through other comprehensive income

Investments in debt instruments fulfilling the following conditions that are not designated at fair value through profit or loss are measured at fair value through other comprehensive income:

- Financial assets are held under an operating model for receiving contractual cash flows and sales.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

- Contract terms of the financial assets generate cash flows on specific dates, which are fully used for paying principals and outstanding interests of the principals.

Upon initial recognition, the Consolidated Company irrevocably selects to include changes in investments in equity instruments subsequently measured at fair value not held for trading in other comprehensive income. The above selection is made on a case-by-case basis for instruments.

Investments in equity instruments are subsequently measured at fair value. Interest income, gains or loss on foreign currency exchange, and impairment losses calculated using the effective method are recognized in profit or loss; their remaining net gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated amounts of other comprehensive income are reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (except for income substantially representing the recovery of partial investments) is recognized in profit or loss. The remaining net gains or losses are recognized in other comprehensive income and will not be reclassified to profit or loss.

Dividend income from equity investments is recognized on the day when the Consolidated Company is entitled to receiving the dividends (ex-dividend date in general).

(iii) Financial assets at fair value through profit or loss

Financial assets not measured at amortized costs or measured at fair value through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. Upon initial recognition, the Consolidated Company may irrevocably designate financial assets satisfying the conditions for being measured at amortized costs or at fair value through other comprehensive income as financial assets at fair value through profit or loss to eliminate to significantly minimize accounting mismatch.

Such assets are subsequently measured at fair value, and their net gains or losses (including any dividend and interest income) are recognized in profit or loss.

(iv) Impairment of financial assets

The Consolidated Company recognize loss allowance for financial assets at amortized costs (including cash and cash equivalents, financial assets at amortized costs, note receivables and account receivables, other receivables, refundable deposits, and other financial assets), investments in debt instruments measured at fair value through other comprehensive income, and expected credit loss (the “ECL”) of contract assets.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The loss allowance for the following financial assets is measured at 12-month ECL, and the remaining are measured at lifetime ECL:

- Debt securities are determined as having low credit risks at the Reporting Date; and
- Credit risks for other debt securities and bank deposits (risk of default regarding the financial instruments during the expected lifetime) have not significantly increased since initial recognition.

Loss allowance for account receivables and contract assets are measured at lifetime ECL.

Lifetime ECL refers to the ECL that may occur due to any default of financial instruments during the expected lifetime.

12-month ECL refers to the ECL that may occur due to any default of financial instruments within twelve months after the Reporting Date (or a shorter period when the expected lifetime of financial instruments is less than twelve months).

## **Champion Building Materials Co., Ltd. and Its Subsidiaries**

### **Notes to Consolidated Financial Statements (Cont'd)**

The longest period for measuring ECL shall be the longest contractual period that the Consolidated Company is exposed to credit risks.

To determine whether credit risks have significantly increased since the initial recognition, the Consolidated Company considers reasonable and supportive information (available without undue costs or investments), including qualitative and quantitative information, and analysis based on the Consolidated Company's historical experiences, credit evaluation, and forward-looking information.

ECL is the weighted estimated probability of credit loss of financial instruments during the expected lifetime. Credit loss is measured at the current value of all cash shortfalls; in other words, the differences between cash flows that the Consolidated Company may receive according to the contract and the cash flows that the Consolidated Company expected to receive. ECL is discounted at the effective rates of financial assets.

At each reporting date, the Consolidated Company evaluates whether there is any credit impairment that occurred to financial assets at amortized costs and debt securities measured at fair value through other comprehensive income. When one or multiple events unfavorable to the estimated future cash flows of financial assets occurred, such financial assets are credit impaired. Evidence of financial assets' credit impairment include observable data related to the following events:

- Significant financial difficulties of the borrower or issuer;
  - Default, such as default or overdue for over 90 days;
  - The Consolidated Company provided concessions that would not have been considered to the borrower due to economic or contractual reasons related to the financial difficulties of the borrower;
  - The borrower is likely to apply for bankruptcy or carry out other financial restructure;
- or
- No active market for financial assets due to financial difficulties.

Loss allowance for financial assets at amortized costs is deducted from the carrying amount of the assets. Loss allowance for investments in debt instruments measured at fair value through other comprehensive income is adjusted according to profit or loss and recognized in other comprehensive income (without deducting the carrying amount of assets).

When the Consolidated Company is unable to reasonably expect the entire or partial recovery of financial assets, the Consolidated Company directly reduces the

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

gross carrying amount of its financial assets. For corporate customers, the Consolidated Company separately analyzes the time and amount of write-off based on whether the amount of recovery may be reasonably expected. The Consolidated Company expects that the written-off amount will not be significantly reversed. However, written-off financial assets may still be enforced to comply with the Consolidated Company's procedures in recovering overdue amounts.

(v) Derecognition of financial assets

The Company derecognizes its financial assets upon the termination of contractual rights to the cash flows from the assets, or when the financial assets are transferred, and the substantial risks and compensation regarding the ownership of the assets are transferred to other enterprises, or the substantial risks and compensation regarding the ownership of the assets that are not transferred or retained are transferred to other enterprises, or the substantial risks and compensation regarding the ownership of the assets are not transferred or retained, and the control over the financial assets is not retained.

The Consolidated Company continues to recognize transactions entered into for the transfer of financial assets in the balance sheet when the substantial risks and compensation regarding the ownership of the transferred assets are retained.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

ii. Financial liabilities and equity instruments

(i) Classification for liabilities or equity

Liabilities and equity instruments issued by the Consolidated Company are classified into financial liabilities or equity according to the actual terms of the contractual agreement and the definition of financial liabilities and equity instruments.

(ii) Equity transactions

Equity instruments refer to any contract with remaining interests after all liabilities are deducted from the assets of the Consolidated Company.

The equity instruments issued by the Consolidated Company are recognized at the amount equivalent to proceeds deducting direct issuance costs.

(iii) Other financial liabilities

Other financial liabilities are subsequently measured at amortized costs using the effective interest method. Interest expenses and gains or losses on exchanges are recognized in profit or loss. Upon derecognition, any gains or losses are recognized in profit or loss.

(iv) Derecognition of financial liabilities

The Consolidated Company derecognizes its financial liabilities upon the performance, cancellation, or expiry of contract obligations. When significant differences occur to the cash flows of liabilities upon or after the amendments to terms of financial liabilities, the Company derecognizes the original financial liabilities and recognizes new financial liabilities at fair value based on the amended terms.

Upon the derecognition of financial liabilities, the differences between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) are recognized in profit or loss.

(v) Offsetting of financial assets and liabilities

Financial assets and financial liabilities may be offset with its net amount presented in the balance sheet when the Consolidated Company currently has legal rights to enforce the offset and intends to settle on a net basis or concurrently realize assets and settle liabilities.

**(8) Inventory**

Initial costs of inventories are necessary expenses incurred in bringing inventories to the condition and venue available for use, in which the fixed manufacturing expenses are

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

allocated to finished goods and work in progress based on the normal production capacity of the production equipment, and the actual production amount is adopted as the bases for the allocation of changes in manufacturing expenses. Subsequently, it is measured at the lower of costs and net realizable value; costs are calculated using the standard cost method; net realizable value is calculated based on the estimated selling price less costs and sales expenses to be incurred until the completion under normal operation on the balance sheet date. Differences between standard costs and actual costs are fully recognized as operating costs.

(9) Investments in associates

Associates refer to entities where the Consolidated Company has significant influences on its financial and operating policies but without control or joint control.

The Consolidated Company adopts the equity method for the accounting of interests in associates. Under the equity method, such interests are recognized at costs upon initial acquisition. Investment costs include transaction costs. The carrying amount of interests in associates includes goodwill identified upon initial investments less any cumulative impairment loss.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The consolidated financial statements include the amount of gains or loss and other comprehensive income from investments in associates recognized by the Consolidated Company according to the equity ratio after adjustments to accord with the accounting policies of the Consolidated Company from the date of having the significant influence to the date of losing the significant influence. Any change in the interests in associates that are not gains or loss and other comprehensive income and have no effect on the shareholding of the Consolidated Company in the associates, the Consolidated Company recognizes the changes in interests regarding the share of associates attributable to the Consolidated Company as capital reserve according to its shareholding ratio.

Unrealized gains and losses arising from transactions between the Consolidated Company and associates are only recognized in the corporate financial statements when it is the interests of an investor that is not a related party in the associates.

When the share of losses from associates recognized by the Consolidated Company at proportion equals to or exceeds its interests in the associates, the Consolidated Company stops recognizing its losses, and recognizes additional losses and relevant liabilities only when legal obligation or constructive obligation occurred or when the Consolidated Company had made payments for the investee company.

(10) Investment properties

Investment properties refer to properties held for earning rentals or capital appreciation, or both, instead of held for sales during normal operations, used in production, provision of products or services, or for administrative management purposes. Investment properties are initially measured at costs, and subsequently measured at costs less accumulated depreciation and accumulated impairment. The depreciation methods, useful life, and residual value shall be subject to the requirements for property, plant, and equipment.

Gains or losses on disposals of investment properties (calculated as the differences between net disposal consideration and the carrying amount of the item) are recognized in profit or loss.

Rental gains of investment properties are recognized in other income on a straight-line basis. The lease incentives provided are recognized as a part of gains on lease during the lease period.

(11) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at costs (including capitalized

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

borrowing costs) less accumulated depreciation and any accumulated impairment losses.

When significant components of property, plant and equipment have different useful lives, such components shall be accounted for as a single item of property, plant and equipment (major component).

Gains or losses on the disposals of property, plant and equipment are recognized in profit or loss.

ii. Subsequent costs

Subsequent expenses are capitalized when the future economic benefits are likely to flow into the Consolidated Company.

iii. Depreciation

Depreciation is calculated at assets costs less residual value, and are recognized in profit or loss during the estimated useful life of each component on a straight-line basis.

No depreciation is provided for lands.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The estimated useful life at the current and comparison periods is as follows:

Houses and buildings	20~55 years
Machine and equipment	2~10 years
Kiln and electrical equipment	5~15 years
Transportation equipment	5~10 years
Other equipment	3~10 years

The Consolidated Company examines its depreciation method, useful life, and residual value at least on the Reporting Date of each year. Where the estimated value differs from the previous estimation, the Consolidated Company makes proper adjustments when necessary, and such changes shall be accounted for according to the requirements for changes in estimates.

When the usage of self-use properties changed into investment properties, such properties are reclassified as investment properties at its carrying amount upon the changes in usage.

(12) Lease

i. Determination for lease

The Consolidated Company evaluates whether a contract is or includes a lease on the date of establishing the contract. When the contract transfers the control for the use of identified assets for a period in exchange for considerations, the contract is, or includes a lease. To evaluate whether the contract is a lease, the Consolidated Company evaluates the following items:

- (i) When the contract involves and uses an identified asset, and the identified asset is expressly designated in the contract or implicitly designated when it is available for use, the asset may be classified as or represent all production capacity substantially. Where the supplier has the substantial rights to substitute the asset, the asset is not an

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

identified asset; and

- (ii) Possess the rights to obtain nearly all economic benefits from the use of the identified asset throughout the period of use; and
- (iii) Obtain the rights to guide the use of the identified asset under any of the following circumstances:
  - Customers have the right to guide the use and using purposes of the identified asset throughout the period of use.
  - Decisions related to the use and using purposes of the asset are pre-determined, and:
    - Customers have the right to operate the asset throughout the period of use, and the supplier has no right to alter such operating instructions; or
    - The method adopted by the customers for the design of the asset pre-determines its use and using purposes throughout the period of use.

ii. Lessee

The Consolidated Company recognizes right-of-use assets and lease liabilities on the commencement date of the lease. Right-of-use assets are initially measured at costs. Such costs include the initial measurements of lease liabilities, adjusted according to any lease payment paid on or before the commencement date of the lease, plus initial direct costs incurred and estimated costs to disassemble or remove the target asset and restore to its location or target assets, less any lease incentives received.

Right-of-use assets are subsequently depreciated during the period from the commencement date of the lease to the expiry of the right-of-use asset's useful life or the expiry of the lease period, whichever is earlier, on a straight-line basis. Furthermore, the Consolidated Company regularly evaluates whether right-of-use assets are impaired and accounts for any impairment loss incurred, and adjusts the right-of-use assets for remeasurements that occurred to lease liabilities.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Lease liabilities are initially measured at the current value of the outstanding lease payment on the commencement date of the lease. Where the interest rate implicit in a lease can be easily determined, the discount rate shall be such interest rate; where the interest rate implicit in a lease cannot be readily determined, the discount rate shall be the incremental borrowing interest rate of the Consolidated Company. In general, the Consolidated Company adopts its incremental borrowing interest rate as the discount rate.

Lease payment included in the measurement of lease liabilities includes:

- (i) Fixed payment, include the substantial fixed payment;
- (ii) Variable lease payment subject to a certain index or rate is initially measured at the index or rate on the commencement date of the lease;
- (iii) The residual value guarantee expected to pay; and
- (iv) Exercise price or fines to be paid when it is reasonably confirmed that the right to call option or the lease termination option will be exercised.

Subsequently, interests for lease liabilities are accrued using the effective interest method, and the amount will be remeasured upon the occurrence of the following circumstances:

- (i) Changes in future lease payment resulted from changes in the index or rate used to determine the lease payment;
- (ii) Changes in the residual value guarantee expected to pay;
- (iii) Changes in the evaluation on the rights to call option regarding the target asset;
- (iv) Changes in the evaluation for the lease period resulted from the changes in the estimate for whether exercising the rights to extension or termination;
- (v) Amendments to the lease target, scope, other terms.

When remeasuring lease liabilities due to changes in the evaluation regarding changes in the index or rate used to determine the lease payment, changes in the residual value guarantee, and changes in the evaluation on the rights to call option, extension, or termination above, the Company adjusts the carrying amount of the right-of-use assets accordingly, and recognize the remaining remeasurements in profit or loss when the carrying amount of the right-of-use assets is reduced to nil.

For lease amendments related to reducing the scope of the lease, the Company reduces the carrying amount of the right-of-use assets to reflect the partial or overall termination of the lease, and recognizes the differences between the carrying amount and the remeasurement of the lease liabilities in profit or loss.

The Consolidated Company presents right-of-use assets and lease liabilities not

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

fulfilling the definition of investment properties as a single line item in the balance sheet.

For short-term lease related to the lease of office equipment and the lease of low-value target assets, the Consolidated Company elects to not recognize the right-of-use assets or lease liabilities.

For sale and leaseback transactions, the transfer of assets to the purchaser and lessor is evaluated for whether it satisfies the requirements for the accounting of sales according to IFRS 15. Where the accounting of sales is confirmed, the Company derecognizes the asset and recognizes profit or loss related to the interest portion transferred to the purchaser and lessor. The accounting model for lessors is applicable to sale and leaseback transactions. Right-of-use assets are measured at the initial carrying amount of the leaseback portion. Where the accounting of sales is not confirmed, the Company adopts the accounting for financing.

iii. Lessor

For transactions where the Consolidated Company is the lessor, the Consolidated Company classifies the lease contract based on whether the substantial risks and compensation for the ownership of the target assets are transferred on the date of establishing the lease; the contracts are classified as either financing lease or operating lease. During the evaluation, the Company considers relevant indicators, including whether the lease period covers the major portion of the target asset's economic life.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

As a sub-lessor, the Consolidated Company accounts for primary lease the sub-lease transactions separately, and evaluates the classification of sub-lease transactions according to the right-of-use assets incurred for the primary lease. When the primary lease is a short-term lease, and the recognition exemption is applicable, the Consolidated Company shall classify its sub-lease transactions as operating leases.

Where the agreement includes components of lease and non-lease, the Consolidated Company adopts the requirements under the IFRS 15 to allocate the consideration within the contract.

For assets held under a financing lease, the Company presents the net lease investments as the financing lease receivables. Initial direct costs arising from the negotiation and arrangement of an operating lease are included in the net lease investments. Net lease investments are allocated and recognized as interest income during the lease period under the pattern that reflects the fixed rate of return during each period. For operating leases, the Consolidated Company recognizes the lease payment received as rental income during the lease period on a straight-line basis.

(13) Intangible assets

i. Recognition and measurement

The Consolidated Company measures other intangible assets with limited useful lives acquired at costs less accumulated amortization and accumulated impairment.

ii. Mining rights

Exploration expenditures are presented at the net amount of costs less impairment losses. Exploration expenditures include activity expenses incurred for relevant geological exploration, exploration and drilling, ditch excavation, and sampling that are related to feasible researches for technical and commercial development on the basis of the surrounding, external rim, deeper area of the existing deposits or the acquisition of mining rights. The exploration expenditures incurred after it is reasonably confirmed that the mine may be used for commercial production may be capitalized, and are included in intangible assets – mining rights after obtaining the certificate of mining rights, amortized based on the lifetime of the certificate of mining rights on a straight-line basis. For any engineering item abandoned at the development stage or is productive exploration, its total expenses shall be written-off and included in current expenses.

iii. Other intangible assets

Other intangible assets with limited useful lives acquired by the

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Consolidated Company are measured at costs less accumulated amortization and accumulated impairment.

iv. Amortization

Except for goodwill, amortization is calculated based on asset costs less estimated residual value, and is recognized in profit or loss during its estimated useful life on a straight-line basis when the intangible asset is ready for use.

The estimated useful life for the current and comparison periods is as follows:

Costs for computer software                      3~5 years

The Consolidated Company shall at least examines the amortization method, useful life, and residual value of intangible assets on each annual reporting date and makes appropriate adjustments when necessary.

(14) Impairment of non-financial assets

The Consolidated Company evaluates whether there is evidence of impairment regarding the carrying amount of non-financial assets (excluding inventories and deferred income tax assets) on each Reporting Date. Where any evidence exists, the Company estimates the recoverable amount of the asset.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

For impairment testing, the Company uses a set of assets with its cash inflows substantially separated from cash inflows of other individual assets or asset groups as the minimum identifiable asset group.

Recoverable amount is the higher of the fair value of an individual asset or cash-generating unit (the “CGU”) less disposal costs and its value in use. When evaluating the value in use, the estimated future cash flows are discounted to the current value at the pre-tax discount rate; the discount rate shall reflect current market assessments of the time value of money and the risks specific to the asset or CGU.

The Company recognizes impairment losses when the recoverable amount of the individual asset or CGU is lower than its carrying amount.

Impairment losses are immediately recognized in profit or loss. The Company first reduces the carrying amount of goodwill allocated to the CGU and then reduces the carrying amount of each asset according to the ratio related to the carrying amount of each asset within the unit.

For non-financial assets, the impairment losses are reversed when such losses have not exceed the carrying amount (less depreciation or amortization) determined upon recognizing the impairment losses in prior years.

(15) Income recognition

i. Income from

Income from Contract with Customers

Income is measured at the consideration expected to be entitled to obtain for the transfer of products or services. The Consolidated Company recognizes its income when fulfilling the performance obligation due to the transfer of control over products or services to customers. The primary items of income of the Consolidated Company are described as follows:

(i) Sales of products

The Consolidated Company manufactures ceramic tiles and sells them to distributors. The Consolidated Company recognizes its income upon the transfer of control over products. The transfer of control over products refers to the delivery of products to customers, customers may determine the sales channels and prices of products at their discretion, and there is no outstanding obligation that may affect customers accepting the products. The delivery occurred when delivering products to a particular venue, the risks of obsolete and loss are transferred to customers, and the

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

customers had accepted the products according to the sales contract with acceptance inspection terms invalid, or when the Consolidated Company has objective evidence to consider that all acceptance inspection conditions are satisfied.

The Consolidated Company recognizes account receivables upon the delivery of products, as the Consolidated Company has the right to unconditionally receive the consideration at the time.

(ii) Financial component

The Consolidated Company estimates that the duration between the time transferring products or services to customers and the time when customers pay for the products and services under all contracts with customers shall not exceed one year. Therefore, the Consolidated Company makes no adjustment to the time value of money for the transaction price.

(16) Employees benefits

i. Defined contribution plans

The contribution obligations for defined contribution plans are recognized as expenses during the period when employees provide their services. The prepaid appropriation is recognized as an asset to the extent that it would result in cash return or a decrease in future payment.

ii. Defined benefit plans

The net obligations of the Consolidated Company under the defined benefit plans are calculated based on the earned future benefit amount discounted to the current value for the services provided by employees during the current or prior periods.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Actuarial for defined benefit obligations are performed by qualified actuary according to the projected unit credit method each year. When the calculation results are likely to be favorable to the Consolidated Company, assets recognition shall be limited to the current value of any economic benefits that may be obtained in the manner of returning the appropriation from the plans or reducing the future appropriation for the plans. When calculating the current value of economic benefits, the Consolidated Company considers all minimum fund appropriation requirements.

The remeasurements of net defined benefit liabilities (including actuarial gain or loss, return on plan assets (excluding interests)) and any changes in the effect of asset cap (excluding interests) are immediately recognized in other comprehensive income and accumulated in retained earnings. For the determination of net interest expenses (income) from net defined benefit liabilities (assets), the Consolidated Company makes use of the net defined benefit liabilities (assets) and discount rate determined at the beginning of the annual reporting period. Net interest expenses and other expenses from the defined benefit plans are recognized in profit or loss.

Upon the amendments to or reduction in the plans, the changes in benefits incurred related to past service costs or reduction gains or losses are immediately recognized in profit or loss. Upon settlement, the Consolidated Company recognizes the gains or losses from the settlement of defined benefit plans.

**iii. Other long-term employee benefits**

The net obligations of the Consolidated Company for other long-term employee benefits are calculated by discounting the future benefit money earned by employees through the provision of services at the current period or in previous periods to its current value. The remeasurements are recognized in profit or loss when incurred

**iv. Short-term employee benefits**

Short-term employee benefits are measured on the non-discounting bases, and recognized as expenses upon the provision of services. Where the Consolidated Company is liable for the legal or constructive payment obligations due to the services provided by employees in the past, and such obligations may be reliably estimated, the amount shall be recognized as liabilities.

**(17) Income tax**

Income tax includes current and deferred income tax. Except for business mergers and items directly recognized in equity or other comprehensive income, current income tax and

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

deferred income tax shall be recognized in profit or loss.

Current income tax includes the estimated income tax payable or tax reimbursement receivable calculated based on the taxable income (loss) of the year, and the adjustments to any income tax payable or tax reimbursement receivable for prior years. The amount shall be the best estimates for the amount expected to pay or receive measured at the statutory tax rate or the tax rate substantially enacted on the Reporting Date.

Deferred income tax is measured and recognized based on the temporary differences between the carrying amount of assets and liabilities for the purpose of financial reporting and their taxable basis. The temporary differences incurred in the following circumstances are not recognized as deferred income tax:

- i. Assets or liabilities initially recognized for a transaction that is not a business merger, and they have no effect on the accounting gains and taxable income (losses) at the time of the transaction;
- ii. Temporary differences arising from the investments in subsidiaries and the interests in associates and joint venture, and the Consolidated Company can control the time of reversal for the temporary differences, and it is likely that they will not be reversed in the foreseeable future; and
- iii. Taxable temporary differences arising from the initial recognition of goodwill.

Unused taxable losses and unused income tax credits carry forward and temporary deductible differences are recognized as deferred income tax assets, to the extent that there may be future taxable income available, and are re-evaluated on each Reporting Date. The amounts are adjusted downward for relevant income tax gains to the extent where it is likely to realize, or reversed the reduced amount to the extent where there is likely to be sufficient taxable income.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Deferred income tax is measured at the tax rate at the time expected for the reversal of the temporary differences, and the statutory tax rate or tax rate substantially enacted on the Reporting Date are used as the basis.

The Consolidated Company offsets deferred tax assets and deferred tax liabilities upon the satisfaction of the following conditions:

- i. The Company has the right to enforce the offset of current income tax assets and current income tax liabilities; and
- ii. Deferred income tax assets and deferred income tax liabilities are related to any of the following taxable entity regarding the income tax levied by the same taxation authority:
  - (i) The same taxable entity; or
  - (ii) Different taxable entities, but the entities intend to settle current income tax liabilities and assets on a net basis or concurrently realize assets and settle liabilities in each future period that they expect to recover the deferred income tax assets with significant amounts or expect to settle deferred income tax liabilities.

(18) Earnings per share

The Consolidated Company presents basic and diluted earnings per share attributable to the holders of the ordinary shares of the Consolidated Company. The basic earnings per share of the Consolidated Company are calculated based on the profit or loss attributable to holders of the ordinary shares of the Consolidated Company, divided by the weighted average number of outstanding ordinary shares for the current period. The diluted earnings per share are calculated based on the profit or loss attributable to holders of the ordinary shares of the Consolidated Company and the weighted average number of outstanding ordinary shares after adjustments made for the effects of all potential diluted ordinary shares.

(19) Segment information

Business segments are components of the Consolidated Company, and they engage in operating activities that may earn income and incur expenses (including income and expenses related to transactions with other components within the Consolidated Company). The operating results of all business segments are regularly reviewed by the primary decision-maker of the Consolidated Company to establish the decisions to allocate resources to such departments and evaluate their performances.

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**Notes to Consolidated Financial Statements (Cont'd)**

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

When preparing the consolidated financial statements according to the Preparation Regulations, the management is required to make judgments, estimates, and assumptions that have effects on the adoption of accounting policies and the reported amount of assets, liabilities, revenue, and expenses. The actual results may differ from the estimation.

The management continued to examine the estimation and basic assumption; the changes in accounting estimated are recognized during the period when the changes occurred and the future periods affected.

Information related to significant risks that would cause significant adjustments in the following year in the uncertainties of estimates and estimation is as follows:

(1) Loss allowance for account receivables

Loss allowance for the account receivables of the Consolidated Company is estimated based on the assumption of default risks and expected loss rate. The Consolidated Company considers historical experiences, current market conditions, and forward-looking estimates at each reporting date to determine the assumptions adopted and inputs elected for calculating impairments. For details of relevant assumptions and inputs, please refer to Note 6(4).

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(2) Inventory valuation

As inventories are measured at the lower of costs and net realizable value, the Company evaluates the amount of inventories regarding normal consumption, obsolete, or no market sales value on the Reporting Date, and reduces the inventory costs to its net realizable value. The inventory valuation is primarily based on the product requirements for a specific period in the future; therefore, significant changes may occur due to the changes in the industry. For details of inventory valuation, please refer to Note 6(5).

(3) Impairment evaluation for property, plant and equipment

In the process of evaluating impairments of assets, the Consolidated Company relies on subjective judgments and determines the separate cash flows for particular asset groups, useful lives of assets, and gains and expenses that may occur in the future based on the model of use and industrial features regarding the assets. Any changes in estimates resulting from the changes in economic conditions or corporate strategies may result in significant impairment or reversal of recognized impairment losses in the future. For detailed description on key assumptions used for recoverable amount, please see Note 6(7)

When measuring its assets and liabilities, the Consolidated Company uses observable inputs in the market to the extent that is possible. The level of fair value based on the input used for the valuation techniques are classified as follows:

- (i) Level 1: Quoted prices (unadjusted) in the active market for identical assets or liabilities.
- (ii) Level 2: Except for the quoted prices included in level 1, the inputs of assets or liabilities are directly (i.e., the price) or indirectly (i.e., inferred from the price) observable.
- (iii) Level 3: Inputs for assets or liabilities that are not based on observable market data (not observable parameters).

For any transfer event or circumstance between the levels of fair value, the Consolidated Company recognizes the transfer on the Reporting Date.

For details for information related to the assumptions adopted for the fair value, please refer to the following notes:

- (i) Note 6(8) Investment properties;
- (ii) Note 6(22) Financial instruments.

6. Description of Significant Accounting Items

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(1) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash and petty cash	\$ 3,264	4,250
Current deposits	1,591,800	1,375,206
Foreign currency deposits	233,748	149,651
Check deposits	129,618	128,397
Time deposits	<u>47,696</u>	<u>36,604</u>
	<b><u>\$ 2,006,126</u></b>	<b><u>1,694,108</u></b>

Regarding the disclosures on the interest risk and sensitivity analysis for the Consolidated Company's financial assets and liabilities, please refer to Not 6(22) Financial assets at fair value through other comprehensive income for details.

(2) Financial assets at fair value through profit or loss

	<u>2020.12.31</u>	<u>2019.12.31</u>
Shares of listed foreign companies	<b><u>\$ 115,295</u></b>	<u>-</u>

As at 31 December 2020 and 2019, the Consolidated Company had not pledged the above financial assets for security.

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**Notes to Consolidated Financial Statements (Cont'd)**

(3) Financial assets at fair value through other comprehensive income

	<b>2020.12.31</b>	<b>2019.12.31</b>
Equity instruments measured at fair value through other comprehensive income – Current:		
Listed domestic shares	\$ 12,631	14,276
Equity instruments measured at fair value through other comprehensive income – Non-current:		
Non-listed domestic shares	10,000	10,000
<b>Total</b>	<b>\$ 22,631</b>	<b>24,276</b>

i. Investments in equity instruments measured at fair value through other comprehensive income

The Consolidated Company holds investments in equity instruments not for trading purposes; such investments are therefore designated as measured at fair value through other comprehensive income.

ii. In 2020 and 2019, the Consolidated Company had not disposed of any strategic investment, and there is no transfer within equity regarding the cumulative gains and losses during the period.

iii. For details on the amount at fair value through other comprehensive income, please refer to Note 6(17).

iv. For details on the information of credit risks and market risks, please refer to Note 6(22).

v. As at 31 December 2020 and 2019, the Consolidated Company had not pledged the above financial assets for security.

(4) Note receivables and account receivables

	<b>2020.12.31</b>	<b>2019.12.31</b>
Note receivables	\$ 450,117	353,783
Less: Loss allowance	-	-
<b>Net amount</b>	<b>\$ 450,117</b>	<b>353,783</b>
Account receivables (including those from related parties)	\$ 820,116	764,647
Less: Loss allowance	(151,028)	(150,841)
Allowance for sales return and discounts	(16,110)	(31,530)
<b>Net amount</b>	<b>\$ 652,978</b>	<b>582,276</b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The Consolidated Company adopts the simplified method to estimate the ECL of its note receivables and account receivables; in other words, the Company uses lifetime ECL for measurements. For measuring purposes, note receivables and account receivables are groups based on the shared credit risk characteristics regarding customers paying all amounts falling due according to the contract terms, with forward-looking information included.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The ECL for note receivables and account receivables of the Consolidated Company is analyzed as follows:

	<b>2020.12.31</b>		
	<b>Amount of note receivables and account receivables</b>	<b>ECL rate</b>	<b>Allowance for lifetime ECL</b>
Not overdue	\$ 896,158	0%	-
Overdue below 30 days	40,730	0%~10%	61
Overdue for 31~120 days	170,490	0%~15%	21,965
Overdue over 12 days	162,855	70%~100%	129,002
	<b>\$ 1,270,233</b>		<b>151,028</b>
	<b>2019.12.31</b>		
	<b>Amount of note receivables and account receivables</b>	<b>ECL rate</b>	<b>Allowance for lifetime ECL</b>
Not overdue	\$ 729,114	0%	-
Overdue below 30 days	60,777	0%	-
Overdue for 31~120 days	165,034	0%~15%	34,675
Overdue over 12 days	163,505	70%~100%	116,166
	<b>\$ 1,118,430</b>		<b>150,841</b>

For details on the exposure to credit risks and foreign currency risks regarding the Consolidated Company's note receivables and account receivables, please refer to Note 6(22).

Movements in the loss allowance for note receivables and account receivables of the Consolidated Company are as follows:

	<b>2020</b>	<b>2019</b>
Opening balances	\$ 150,841	160,346
Impairment loss (reversal)	98	(6,314)
Unrecoverable amount written-off during the year	(140)	(82)
Gains or loss on foreign currency translation	229	(3,109)
Closing balances	<b>\$ 151,028</b>	<b>150,841</b>

As at 31 December 2020 and 2019, the Company had not pledged its note receivables and account receivables for security.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(5) Inventories - Manufacturing industry

	<u>2020.12.31</u>	<u>2019.12.31</u>
Products	\$ 50,368	76,754
Finished goods	1,160,772	1,918,504
Work in process	90,988	113,957
Raw materials	161,839	278,310
supplies	<u>88,366</u>	<u>112,831</u>
Sub-total	1,552,333	2,500,356
Less: Allowances for price drops and obsolete losses	<u>(441,808)</u>	<u>(622,239)</u>
Total	<u><b>\$ 1,110,525</b></u>	<u><b>1,878,117</b></u>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Details on expenses related to the Consolidated Company's inventories recognized as cost of sales during 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
	\$ 2,660,075	3,305,194
Transfer of sold inventories		
Breakdown losses	185,385	182,477
Unallocated manufacturing expenses	50,745	141,272
Scrapping losses	13,423	6,661
Inventory gains (losses)	1,501	3,720
Inventory price drops and obsolete losses (gains from price recovery)	(14,583)	(2,058)
Scraps income	(1,532)	(2,231)
Others	22,994	-
	<b>\$ 2,918,008</b>	<b>3,635,035</b>

As at 31 December 2020 and 2019, the Consolidated Company had not pledged its inventories for security.

For details on the Consolidated Company's investments by using inventories as considerations during the period, please see Note 6(6).

(6) Investments accounted for using the equity method

i. Investments accounted for using the equity method as at the reporting date are set out as below:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Associates	<b>\$ 445,222</b>	<b>52,170</b>

In the first half of 2020, the Consolidated Company agreed with Guangzhou Seagull Kitchen and Bath Products Co., Ltd. to cooperate in establishing Seagull Champion Limited (Seagull Champion) as a sales center. The Consolidated Company holds 43.46% of the equity in Seagull Champion. The Consolidated made the investments by using the inventories with a value of RMB149,790 thousand (including VAT) in the valuation report of its subsidiary Sinyih China issued by Yinshin Appraisal Co., Ltd. on 7 April 2020 as the consideration, and had acquired an equity transfer consideration of RMB76,000 thousand from Guangzhou Seagull.

ii. Information related to associates of significance to the Consolidated Company

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**Notes to Consolidated Financial Statements (Cont'd)**

is as follows:

<u>Name of the associate</u>	<u>Nature of relationship with the Consolidated Company</u>	<u>Country of primary operation/registration of the company</u>	<u>Ratios of ownership and voting rights as of 31 December 2020</u>
Seagull Champion Limited (Seagull Champion)	The primary scope of business is the sales of ceramics for daily use, art ceramics, electrical porcelain, refractories and heat insulators, acid and alkali resistance ceramic tiles, mosaic tiles, and other building materials.	Mainland China	43.46%

The aggregate information of associates of significance to the Consolidated Company is set out as follows. Adjustments to amounts included in the consolidated financial statements of the associates prepared according to IFRSs are made for such financial information to reflect the adjustments made to the fair value of associates' equity upon the acquisition by the Consolidated Company and the adjustments made due to the differences in accounting policies:

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The aggregate information of Seagull Champion:

	<b>2020.12.31</b>
Current assets	\$ 1,470,240
Non-current assets	30,531
Current liabilities	(603,854)
Non-current liabilities	<u>(10,365)</u>
Net assets	<b><u>\$ 886,552</u></b>
Net assets attributable to non-controlling interests	<b><u>\$ -</u></b>
Net assets attributable to owner of the investee company	<b><u>\$ 886,552</u></b>
	<b>2020</b>
Operating income	<b><u>\$ 1,433,166</u></b>
Net profit for the period	151,146
Other comprehensive income	<u>-</u>
Total comprehensive income	<b><u>\$ 151,146</u></b>
Total comprehensive income attributable to owner of the investee company	<b><u>\$ 151,146</u></b>
Share of net assets from the associate by the Consolidated Company at the beginning of the period	<b><u>\$ -</u></b>
Investments during the period	\$ 624,920
Disposals during the period	(317,070)
Total comprehensive income attributable to the Consolidated Company for the period	<u>65,688</u>
Share of net assets from the associate by the Consolidated Company at the end of the period	373,538
Effects of exchange rate	<u>11,760</u>
Carrying amount of the Consolidated Company's interests in the associate at the end of the period	<b><u>\$ 385,298</u></b>

iii. The aggregate financial information of the Consolidated Company's associates accounted for using the equity method that are not individually significant is as follows. Such financial information is the amounts included in the consolidated financial statements of the Consolidated Company.:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Total aggregate carrying amount of the interests in associates that are not individually significant at the end of the period	<b><u>\$ 59,924</u></b>	<b><u>52,170</u></b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	<b>2020</b>	<b>2019</b>
Share attributable to the Consolidated Company:		
Net loss of continuing operations for the period \$	(14)	(60)
Other comprehensive income	7,768	(2,285)
Total comprehensive income	<b>\$ 7,754</b>	<b>(2,345)</b>

- iv. As at 31 December 2020 and 2019, the Consolidated Company had not pledged investment accounted for using equity method for security.
- v. The ability of associates of the Consolidated Company in transferring capital to the Consolidated Company is not significantly restricted.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(7) Property, plant and equipment

Costs, depreciation, and impairment loss of the Consolidated Company's property, plant and equipment are detailed as follows:

	<u>Land</u>	<u>Houses and building</u>	<u>Machines and equipment</u>	<u>Transport ation equipment</u>	<u>Other equipment</u>	<u>Construc tion in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance on 1 January 2020	\$ 805,401	3,662,686	4,735,792	82,205	326,901	1,017	9,614,002
Addition	409	2,500	72,568	5,023	11,001	7,973	99,474
Inward (outward) transfer of construction in progress	-	-	2,960	-	2,977	(5,937)	-
Inward transfer of prepayments for equipment	-	-	9,311	1,718	389	-	11,418
Disposal and scrapping	-	(56,793)	(162,456)	(34,138)	(12,471)	(2,951)	(268,809)
Reclassification	-	(92,983)	-	-	-	-	(92,983)
Effects of changes in exchange rate	-	7,612	9,602	(131)	705	(9)	17,779
Balance on 31 December 2020	<b>\$ 805,810</b>	<b>3,523,022</b>	<b>4,667,777</b>	<b>54,677</b>	<b>329,502</b>	<b>93</b>	<b>9,380,881</b>
2020							
Balance on 1 January 2019	\$ 805,401	3,776,058	5,061,487	90,930	354,158	17,419	10,105,453
Addition	-	6,523	70,020	335	11,851	9,640	98,369
Inward (outward) transfer of construction in progress	-	-	21,183	-	4,696	(25,879)	-
Inward transfer of prepayments for equipment	-	-	171	-	-	-	171
Disposal and scrapping	-	(11,752)	(270,686)	(6,567)	(34,599)	-	(323,604)
Transfer expenses	-	-	-	-	-	(122)	(122)
Effects of changes in exchange rate	-	(108,143)	(146,383)	(2,493)	(9,205)	(41)	(266,265)
Balance on 31 December 2019	<b>\$ 805,401</b>	<b>3,662,686</b>	<b>4,735,792</b>	<b>82,205</b>	<b>326,901</b>	<b>1,017</b>	<b>9,614,002</b>
Depreciation and impairment loss:							
Balance on 1 January 2020	\$ -	1,652,202	3,503,125	77,309	236,029	-	5,468,665
Depreciation	-	145,313	226,304	3,042	21,007	-	395,666
Disposal and scrapping	-	(49,778)	(138,016)	(36,154)	(11,310)	-	(235,258)
Reclassification	-	(46,878)	-	-	-	-	(46,878)
Effects of changes in exchange rate	-	4,752	9,068	(148)	661	-	14,333

rate

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Balance on 31 December 2020	<b>\$ -</b>	<b>1,705,611</b>	<b>3,600,481</b>	<b>44,049</b>	<b>246,387</b>	<b>-</b>	<b>5,596,528</b>
Balance on 1 January 2019	\$ -	1,558,610	3,618,611	81,308	246,633	-	5,505,162
Depreciation	-	153,396	258,660	4,563	29,269	-	445,888
Disposal and scrapping	-	(11,623)	(259,467)	(6,093)	(32,075)	-	(309,258)
Effects of changes in exchange rate	-	(48,181)	(114,679)	(2,469)	(7,798)	-	(173,127)
Balance on 31 December 2019	<b>\$ -</b>	<b>1,652,202</b>	<b>3,503,125</b>	<b>77,309</b>	<b>236,029</b>	<b>-</b>	<b>5,468,665</b>
Carrying amount:							
31 December 2020	<b>\$ 805,810</b>	<b>1,817,411</b>	<b>1,067,296</b>	<b>10,628</b>	<b>83,115</b>	<b>93</b>	<b>3,784,353</b>
31 December 2019	<b>\$ 805,401</b>	<b>2,217,448</b>	<b>1,442,876</b>	<b>9,622</b>	<b>107,525</b>	<b>17,419</b>	<b>4,600,291</b>
1 January 2019	<b>\$ 805,401</b>	<b>2,010,484</b>	<b>1,232,667</b>	<b>4,896</b>	<b>90,872</b>	<b>1,017</b>	<b>4,145,337</b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

- i. In 1990, 2000, and 2015, the Consolidated Company acquired the lands located at Dapu section of Zhunan Township and Niulan Section of Zaoqiao Township for sales and display center and construction of warehouse and roads for the plant with amounts of NT\$34,670 thousand, NT\$22,618 thousand, and NT\$130,286 thousand, respectively. As of 31 December 2020, transfer in the name of the Consolidated Company is unable to process as the land category of such lands is farm and forest. The Consolidated Company has obtained waivers from the sellers to unconditionally agreeing to the transfer and has created a pledge. Regarding the pieces of lands under 8 land numbers (with a total area of 26,091m<sup>2</sup>) at Niulan Section of Zaoqiao Township acquired by the Consolidated Company in 2015, the Company has entered into an engagement contract, which was notarized, to make a registration under the name of the Company's chairman due to the restriction of the laws and regulations, and has created a pledge as the collateral for the Company's bank borrowings.
- ii. The Consolidated Company performed an impairment evaluation on the impairment of property, plant and equipment on 31 December 2020 and 2019, including evaluating the reasonableness of assumptions and parameters adopted for recoverable amounts, reviewing whether the recoverable amount was determined at the higher of the net fair value and value in use, comparing the recoverable and carrying amount of property, plant and equipment to confirm whether property, plant and equipment is impaired. Impairment losses of property, plant and equipment recognized by the Consolidated Company for 2020 and 2019 were nil and RMB4,679 thousand (equivalent to NT\$21,325 thousand), respectively.
- iii. For details on the guarantee for long-term borrowings and facility credits as at 31 December 2020 and 2019, please refer to Note 8.
- iv. For 2020 and 2019, the capitalized amount related to the acquisition of equipment and construction of plants was NT\$764 thousand and NT\$453 thousand, which was calculated based on the capitalization rate of 1.96% and 2.12%, respectively.

**(8) Right-of-use assets**

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Costs, depreciation, and impairment loss of lands, houses and buildings, machine and equipment, and transportation equipment leased by the Consolidated Company are detailed as follows:

	<b>Land</b>	<b>Houses and buildings</b>	<b>Machine ry and equipme nt</b>	<b>Transpo rtation equipme nt</b>	<b>Other equipm ent</b>	<b>Total</b>
Cost of right-of-use assets:						
Balance on 1 January 2020	\$ 276,130	107,972	-	10,152	724	394,978
Addition	66	6,229	-	10,656	61	17,012
Decrease	(13)	(90,651)	-	(8,191)	(777)	(99,632)
Effects of exchange rate	770	(814)	-	(6)	(7)	(57)
Balance on 31 December 2020	<b>\$ 276,953</b>	<b>22,736</b>	<b>-</b>	<b>12,611</b>	<b>1</b>	<b>312,301</b>
Balance on 1 January 2019	\$ -	-	-	-	-	-
Adjustments of applying new standards retrospectively	286,505	53,315	6,602	1,222	524	348,168
Balance on 1 January 2019 (restated)	286,505	53,315	6,602	1,222	524	348,168
Addition	-	58,093	-	9,350	227	67,670
Decrease	-	(303)	(6,602)	(393)	-	(7,298)
Balance on 1 January 2019	(10,375)	(3,133)	-	(27)	(27)	(13,562)
Balance on 31 December 2019	<b>\$ 276,130</b>	<b>107,972</b>	<b>-</b>	<b>10,152</b>	<b>724</b>	<b>394,978</b>
Depreciation and impairment loss of right-of-use assets:						
Balance on 1 January 2020	\$ 7,014	44,056	-	3,361	261	54,692
Depreciation of the period	7,041	11,296	-	7,121	189	25,647
Decrease	(13)	(46,742)	-	(8,116)	(447)	(55,318)
Effects of exchange rate	108	(386)	-	(2)	(3)	(283)
Balance on 31 December 2020	<b>\$ 14,150</b>	<b>8,224</b>	<b>-</b>	<b>2,364</b>	<b>-</b>	<b>24,738</b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	Land	Houses and buildings	Machine ry and equipme nt	Transpo rtation equipme nt	Other equipm ent	Total
Balance on 1 January 2019	\$ -	-	-	-	-	-
Adjustments of applying new standards retrospectively	-	-	-	-	-	-
Balance on 1 January 2019 (restated)	-	-	-	-	-	-
Depreciation of the period	7,275	45,723	-	3,370	271	56,639
Decrease	-	(183)	-	-	-	(183)
Effects of exchange rate	(261)	(1,484)	-	(9)	(10)	(1,764)
Balance on 31 December 2019	<b>\$ 7,014</b>	<b>44,056</b>	<b>-</b>	<b>3,361</b>	<b>261</b>	<b>54,692</b>
Carrying amount:						
31 December 2020	<b>\$ 262,803</b>	<b>14,512</b>	<b>-</b>	<b>10,247</b>	<b>1</b>	<b>287,563</b>
1 January 2019	<b>\$ 286,505</b>	<b>53,315</b>	<b>6,602</b>	<b>1,222</b>	<b>524</b>	<b>348,168</b>
31 December 2019	<b>\$ 269,116</b>	<b>63,916</b>	<b>-</b>	<b>6,791</b>	<b>463</b>	<b>340,286</b>

For details on the guarantee for long-term borrowings and facility credits as at 31 December 2020 and 2019, please refer to Note 8.

(9) Investment properties

	Land and improvement s	Houses and buildings	Total
Cost or deemed cost:			
Balance on 1 January 2020	\$ 198,684	14,241	212,925
Reclassification	-	92,983	92,983
Balance on 31 December 2020	<b>\$ 198,684</b>	<b>107,224</b>	<b>305,908</b>
Balance on 1 January 2019	<b>\$ 198,684</b>	<b>14,241</b>	<b>212,925</b>
Balance on 31 December 2019	<b>\$ 198,684</b>	<b>14,241</b>	<b>212,925</b>
Depreciation and impairment loss:			
Balance on 1 January 2020	\$ 92,789	5,437	98,226
Depreciation of the year	-	265	265
Reclassification	-	46,878	46,878
Balance on 31 December 2020	<b>\$ 92,789</b>	<b>52,580</b>	<b>145,369</b>
Balance on 1 January 2019	<b>\$ 92,789</b>	<b>5,172</b>	<b>97,961</b>
Depreciation of the year	-	265	265
Balance on 31 December 2019	<b>\$ 92,789</b>	<b>5,437</b>	<b>98,226</b>
Carrying amount:			
31 December 2020	<b>\$ 105,895</b>	<b>54,644</b>	<b>160,539</b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	<b>Land</b>	<b>Houses and buildings</b>	<b>Machine ry and equipme nt</b>	<b>Transpo rtation equipme nt</b>	<b>Other equipm ent</b>	<b>Total</b>
1 January 2019	<b>\$</b>	<b>105,895</b>		<b>9,069</b>		<b>114,964</b>
31 December 2019	<b>\$</b>	<b>105,895</b>		<b>8,804</b>		<b>114,699</b>
<b>Fair value:</b>						
31 December 2020					<b>\$</b>	<b>198,980</b>
1 January 2019					<b>\$</b>	<b>150,604</b>
31 December 2019					<b>\$</b>	<b>154,402</b>

- i. Investment properties are self-owned assets held by the Consolidated Company. The leased investment has a term of three years that is not cancellable. Leased investment properties have rental gains at fixed amounts. For details on relevant information (including rental income and direct operating expenses incurred), please refer to Note 6(13).

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

ii. Fair value of investment properties are based on the valuation by an independent appraiser (with recognized relevant professional qualification, and has recent experiences related to the location and category of investment properties under valuation). The valuation is evaluated based on reasonable and normal pricing.

iii. For details on the pledged of the Consolidated Company's investment properties as at 31 December 2020 and 2019, please refer to Note 8.

(10) Intangible assets

Details on costs, amortization, and impairment losses of intangible assets of the Consolidated Company for 2020 and 2019 are as follows:

	<u>Computer software</u>	<u>Mining rights</u>	<u>Others</u>	<u>Total</u>
Costs:				
Balances on 1 January 2020	\$ 72,529	189,244	10,938	272,711
Additions	435	-	-	435
Effects of exchange rate	22	529	30	581
Balances on 31 December 2020	<b>\$ 72,986</b>	<b>189,773</b>	<b>10,968</b>	<b>273,727</b>
Balances on 1 January 2019	\$ 70,532	196,361	11,307	278,200
Additions	2,304	-	36	2,340
Effects of exchange rate	(307)	(7,117)	(405)	(7,829)
Balances on 31 December 2019	<b>\$ 72,529</b>	<b>189,244</b>	<b>10,938</b>	<b>272,711</b>

Amortization and impairment losses:

Balances on 1 January 2020	\$ 67,237	28,386	10,938	106,561
Amortization during the year	3,885	9,370	-	13,255
Effects of exchange rate	28	198	30	256
Balances on 31 December 2020	<b>\$ 71,150</b>	<b>37,954</b>	<b>10,968</b>	<b>120,072</b>
Balances on 1 January 2019	\$ 63,141	19,636	11,307	94,084
Amortization during the year	4,380	9,816	36	14,232

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Effects of exchange rate	(284)	(1,066)	(405)	(1,755)
Balances on 31 December 2019	<b>\$ 67,237</b>	<b>28,386</b>	<b>10,938</b>	<b>106,561</b>
Carrying amount:				
Balances on 31 December 2020	<b>\$ 1,836</b>	<b>151,819</b>	-	<b>153,655</b>
Balances on 31 December 2019	<b>\$ 5,292</b>	<b>160,858</b>	-	<b>166,150</b>
1 January 2019	<b>\$ 7,391</b>	<b>176,725</b>	-	<b>184,116</b>

i. Amortization expenses

In 2020 and 2019, amortization expenses of intangible assets are presented as the following items in the consolidated statements of comprehensive income:

	<u>2020</u>	<u>2019</u>
Operating expenses	<b>\$ 13,210</b>	<b>14,232</b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

ii. As of 31 December 2020 and 2019, the Consolidated has not pledged its intangible assets for security.

(11) Short-term borrowings

	2020.12.31	2019.12.31
Letter of credit borrowings	\$ 8,752	14,829
Unsecured bank borrowings	371,970	75,000
Secured bank borrowings	898,243	1,017,836
Total	<b>\$ 1,278,965</b>	<b>1,107,665</b>
Unused credits	<b>\$ 1,196,302</b>	<b>1,881,605</b>
Range of interest rate	<b>0.39%~5.89</b>	<b>0.53%~6.09%</b>
	<b>%</b>	

For details on the Consolidated Company's assets pledged as collateral for bank borrowings, please refer to Note 8.

(12) Long-term borrowings

Details on the Consolidated Company's long-term borrowings, conditions, and terms are as follows:

2020.12.31				
	Currency	Range of interest rate	Expiry date	Amount
Secured borrowings - Syndicated loan	NTD	1.93%	111.07.15	\$ 1,139,900
Less: Organizing expenses for the syndicated loan				(4,053)
Portion due within one year				(120,000)
Total				<b>\$ 1,015,847</b>
Unused credits				<b>\$ -</b>

2019.12.31				
	Currency	Range of interest rate	Expiry date	Amount
Secured borrowings - Syndicated loan	新台幣	2.1177%	111.07.15	\$ 1,200,000
Secured borrowings	新台幣	1.705%	109.04.05	5,555

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	1,205,555
Less: Organizing expenses for the syndicated loan	(6,751)
Portion due within one year	<u>(65,555)</u>
<b>Total</b>	<b><u>\$ 1,133,249</u></b>
<b>Unused credits</b>	<b><u>\$ -</u></b>

- i. For details on the Consolidated Company's assets pledged as collateral for bank borrowings, please refer to Note 8.
- ii. In April 2019, the Consolidated Company signed a syndicated loan contract with 16 financial institutions, including Taipei Fubon Bank, with a total credit amounted to NT\$1.8 billion. The contract sets out special commitments for the syndicated loan above, where the Consolidated Company shall maintain particular financial ratios (including a current ratio no less than 100%, gearing ratio no more than 125%, interest coverage no less than 1.5 times, and net tangible value no less than NT\$5 billion, with a calculation based on the consolidated financial statements certified by CPA each year), starting from the consolidated financial statements of the Company for 2019.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

iii. In May 2017, the Consolidated Company signed a syndicated loan contract with 16 financial institutions, including Taipei Fubon Bank. On 31 December 2018, the Consolidated Company violated the above contractual requirements, and the Consolidated Company had proposed a restructured syndicated loan contract to replace the original contract to the organizing bank. The Consolidated Company signed a syndicated loan contract with 16 financial institutions, including Taipei Fubon Bank, with an amount of NT\$1.8 billion. However, such loans were transferred to current liabilities according to the requirements on 31 December 2019, and were settled in advance on 5 September 2019.

**(13) Operating lease**

i. Lease as a lessor

The Consolidated Company leases its investment properties. As the substantial risks and compensation for the ownership of the target assets are not transferred, such lease contracts are classified as operating leases. For details, please refer to Note 6(9) Investment properties.

The maturity analysis for lease payment based on the total undiscounted lease payment to be received after the Reporting Date is set out in the following table:

	<b>2020.12.31</b>	<b>2019.12.31</b>
1 to 2 years	\$ 3,457	3,510
2 to 3 years	3,457	1,353
3 to 4 years	2,619	-
4 to 5 years	2,200	-
Over 5 years	3,117	-
Total undiscounted lease payment	<b>\$ 14,850</b>	<b>4,863</b>

In 2020 and 2019, rental income arising from investment properties was NT\$5,305 thousand and NT\$5,315 thousand in total.

**(14) Employee benefits**

i. Defined benefit plans

Reconciliation between the current value of defined benefit obligations and the fair value of plan assets of the Consolidated Company is as follows:

<b>2020.12.31</b>	<b>2019.12.31</b>
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**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Current value of defined benefit obligations	\$ 159,048	167,056
Fair value of plan assets	<u>(147,887)</u>	<u>(141,331)</u>
Net liabilities of defined benefit obligations	<b><u>\$ 11,161</u></b>	<b><u>25,725</u></b>

The Consolidated Company's defined benefit plans contribute to the account for labor retirement reserve fund at the Bank of Taiwan. Retirement payments for employees subject to the Labor Standard Act are calculated based on years of services and the average salaries for the six months before their retirement.

(i) Composition of plan assets

The retirement fund appropriated by the Consolidated Company according to the Labor Standard Act is managed by the Bureau of Labor Funds under the Ministry of Labor (the "BLF"). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," with regard to utilization of the fund, the minimum earnings in the distributions of each period shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

As of the reporting date, the balance in the Consolidated Company's account for labor retirement reserve fund at Bank of Taiwan was NT\$147,887 thousand. Data regarding the utilization of labor retirement reserve fund assets include fund yield and fund asset allocation. For details, please refer to the information announced on the website of BLF.

(ii) Changes in the current value of defined benefit obligations

In 2020 and 2019, changes in the current value of defined benefits obligations of the Consolidated Company are as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligations on 1 January	\$ 167,056	195,925
Current service costs and interests	3,220	4,829
Remeasurements for net defined benefit liabilities (assets)		
– Actuarial gains or losses adjusted based on experiences	3,806	(9,575)
– Actuarial gains or losses arising from changes in financial assumptions	2,794	2,769
Benefits paid under the plans	(17,828)	(26,892)
Defined benefit obligations on 31 December	<b>\$ 159,048</b>	<b>167,056</b>

(iii) Changes in the current fair value of plan assets

In 2020 and 2019, changes in the current fair value of plan assets of the Consolidated Company are as follows:

	<b>2020</b>	<b>2019</b>
Current fair value of plan assets on 1 January	\$ 141,331	130,019
Interest income	1,245	1,365
Remeasurements for net defined benefit liabilities (assets)		
– Return of plan assets (excluding current interests)	4,293	4,461
Amount appropriated to the plans	18,846	32,378
Benefits paid under the plans	(17,828)	(26,892)
Current fair value of plan assets on 31 December	<b>\$ 147,887</b>	<b>141,331</b>

(iv) Expenses recognized in profit or loss

In 2020 and 2019, expenses recognized in profit or loss of the Consolidated Company are as follows:

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	<b>2020</b>	<b>2019</b>
Current service costs	\$ 2,005	2,847
Interest costs	(31)	617
	<b>\$ 1,974</b>	<b>3,464</b>
Operating costs	\$ 1,541	2,738
Marketing expenses	37	76
Management fees	305	494
R&D expenses	91	156
	<b>\$ 1,974</b>	<b>3,464</b>
Actual return of plan assets	<b>\$ 5,538</b>	<b>5,826</b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(v) Actuarial gains or loss recognized in other comprehensive income

In 2020 and 2019, actuarial gains or loss recognized in other comprehensive income of the Consolidated Company are as follows:

	<u>2020</u>	<u>2019</u>
Cumulative balance on 1 January	\$ 27,155	15,888
Recognized during the period	<u>(2,307)</u>	<u>11,267</u>
Cumulative balance on 31 December	<u><b>\$ 24,848</b></u>	<u><b>27,155</b></u>

(vi) Actuarial assumption

Major actuarial assumptions used by the Consolidated Company at the end of the financial reporting period are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.38%	0.73%
Increase in future salaries	2.00%	2.00%

The Consolidated Company expected to make payment for the appropriation of defined benefit plans within one year from the reporting date of 2020 in the amount of NT\$8,300 thousand.

The weighted average lifetime for defined benefit plans is 10 years.

(vii) Sensitivity analysis

On 31 December 2020 and 2019, the effects arising from changes in the major actuarial assumptions adopted on the current value of defined benefit obligations are as follows:

	<u>Effects on the current value of defined benefit obligations</u>	
	<u>Increase</u>	<u>Decrease</u>
31 December 2020		
Discount rate (changes of 0.25%)	(1,774)	1,808
Increase in future salaries (changes of 0.25%)	1,407	(1,389)
31 December 2019		
Discount rate (changes of 0.5%)	(3,859)	4,016
Increase in future salaries (changes of 0.5%)	3,157	(3,073)

The sensitivity analysis above analyzes the effects of changes in a single assumption based on the circumstances when other assumptions remain stable. In

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

practice, changes in multiple assumptions may be linked. The method adopted for the sensitivity analysis is consistent with the calculation for net retirement fund liabilities in the balance sheet.

The method and assumptions used in preparing the sensitivity analysis for the period are the same as that of the previous period.

ii. Defined contribution plans

Subject to the Labor Pension Act, the Consolidated Company's defined contribution plan make contributions to the labor pension personal account at the Bureau of Labor Insurance with a contribution rate equivalent to 6.00% of the monthly wages of laborers. Under the plans, the Consolidated Company has no legal or constructive obligations to pay an additional amount after contributing a fixed amount to the Bureau of Labor Insurance.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Pension expenses under the Consolidated Company's Regulations for Defined Contribution Pension, which were contributed to the Bureau of Labor Insurance, are as follows:

	<b>2020</b>	<b>2019</b>
Operating costs	\$ 12,075	11,754
Marketing expenses	1,808	2,106
Management fees	2,483	2,702
R&D expenses	646	722
	<b>\$ 17,012</b>	<b>17,284</b>

iii. In 2020 and 2019, details on pension expenses recognized by overseas subsidiaries according to relevant local laws and regulations are as follows:

	<b>2020</b>	<b>2019</b>
Operating costs	\$ 3,280	23,060
Marketing expenses	908	5,554
Management fees	4,436	4,164
Total	<b>\$ 8,624</b>	<b>32,778</b>

iv. Details on short-term employee benefit liabilities are as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Compensated absence liabilities	<b>\$ 16,389</b>	<b>21,067</b>

(15) Long-term deferred income

	<b>Deferred government subsidy income</b>
Balances on 1 January 2020	\$ 99,131
Recognized deferred income	(6,440)
Effects of exchange rate	196
Balances on 31 December 2020	<b>\$ 92,887</b>
Balances on 1 January 2019	\$ 109,607
Recognized deferred income	(6,746)
Effects of exchange rate	(3,730)
Balances on 31 December 2019	<b>\$ 99,131</b>

i. Subsidiary Champion Anhui entered into an agreement with the Economic

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Development Committee under the People's Government of Suzhou City in Anhui (the "Suzhou Government") relating to Champion Anhui establishing a tile production enterprise in Suzhou Special Economic Zone. The Suzhou Government appropriated capital from the financial budget funding to Champion Anhui for the construction of infrastructure at no cost. As of 31 December 2020, Champion Anhui has received the abovementioned cumulative appropriated capital amounted to RMB28,352 thousand, which is accounted for under long-term deferred income. After Champion Anhui transferred the plant into fixed assets, the plant is recognized as deferred income according to its estimated useful life on a straight-line basis, accounted for under other income. The Consolidated Company has recognized RMB9,923 thousand and NT\$8,506 thousand in aggregate as of 31 December 2020 and 2019, respectively.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

ii. Subsidiary Sinyih Penglai entered into an agreement with the Economic Development Committee under the People's Government of Penglai City in Shandong (the "Penglai Government") relating to Sinyih Penglai establishing a tile production enterprise in Sinyih Penglai Special Economic Zone. The Penglai Government transferred lands to Sinyih Penglai at amount of US\$50,000 thousand and will return partial income taxes arising from the corporate profits in the subsequent years as incentives to the corporation and offsetting the land-transferring fees. On 5 December 2016, both parties have signed an account settlement agreement to settled the above agreement. The Penglai Government returned the unused remaining land-transferring fees amounted to RMB4,598 thousand, which is accounted for under long-term deferred income. It is recognized as deferred income according to its estimated useful life on a straight-line basis, accounted for under other income. The Consolidated Company has recognized RMB1,525 thousand and NT\$1,433 thousand in aggregate as of 31 December 2020 and 2019, respectively.

(16) Income tax

i. In 2020 and 2019, the Consolidated Company's income tax expenses are detailed as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expenses		
Incurred during the period	\$ 74,492	13,650
Adjustments to current income tax for the previous period	854	(3,853)
Deferred income tax expenses		
Occurrence and reversal of temporary differences	<u>14,379</u>	<u>(2,981)</u>
Income tax expenses	<u>\$ 89,725</u>	<u>6,816</u>

ii. In 2020 and 2019, the reconciliation between income tax expenses and net profit (loss) before tax of the Consolidated Company for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Net loss before tax	<u>\$ (313,142)</u>	<u>(418,374)</u>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Income tax calculated at local tax rate at the place where the Company locates	(238,030)	(193,686)
Effects of differences in tax rates in foreign jurisdictions	(43,227)	(27,329)
Investment losses recognized using the equity method	155,514	103,711
Non-deductible expenses	8,514	5,788
Exempted income	(80)	(335)
Current taxation losses of unrecognized deferred income assets	206,482	124,142
Changes in unrecognized temporary differences	1,776	5,824
Under (over) estimation from the previous period	868	(3,853)
Levy on undistributed earnings	-	59
Others	(2,092)	(7,505)
	<u>\$ 89,725</u>	<u>6,816</u>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

iii. In 2020 and 2019, details on income tax expense (gains) recognized under other comprehensive income of the Consolidated Company are as follows:

	2020	2019
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of financial statements of institutions operating overseas	\$ (4,133)	(15,627)

iv. Deferred income tax assets and liabilities

(i) Unrecognized deferred income tax assets

Items not recognized as deferred income tax assets of the Consolidated Company are as follows:

	2020.12.31	2019.12.31
Deductible temporary differences	\$ 12,638	12,636
Taxation losses	468,085	342,704
	\$ 480,723	355,340

(ii) Recognized deferred income tax assets and liabilities

In 2020 and 2019, changes in deferred income tax assets and liabilities are as follows:

	Losses from inventory price drop	Others	Total
Deferred income tax assets:			
Balance on January 2020	\$ 36,219	13,846	50,065
(Debited)/credited to statements of profit or loss	(3,075)	(11,702)	(14,777)
Balance on 31 December 2020	\$ 33,144	2,144	35,288
Balance on January 2019	\$ -	49,881	49,881
(Debited)/credited to statements of profit or loss	-	184	184
Balance on 31 December 2019	\$ -	50,065	50,065
	海外投資收益	其他	合計
Deferred income tax liabilities			

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
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Balance on January 2020	\$	88,619	23,597	112,216
Debited/(credited) to statements of profit or loss		-	(398)	(398)
Debited/(credited) to other comprehensive income		(4,133)	-	(4,133)
Effects of changes in exchange rate		-	15	15
Balance on 31 December 2020	<b>\$</b>	<b>84,486</b>	<b>23,214</b>	<b>107,700</b>
Balance on 1 January 2019	\$	106,617	24,286	130,903
Debited/(credited) to statements of profit or loss		(2,371)	(426)	(2,797)
Debited/(credited) to other comprehensive income		(15,627)	-	(15,627)
Effects of changes in exchange rate		-	(263)	(263)
Balance on 31 December 2019	<b>\$</b>	<b>88,619</b>	<b>23,597</b>	<b>112,216</b>

- v. The Company's Profit-seeking Enterprise Annual Income Tax Return was submitted to the tax authority and was approved up to 2018.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(17) Capital and other equity

i. Issuance ordinary shares

As at 31 December 2020 and 2019, the total registered share capital of the Company is NT\$4,500,000 thousand, divided into 450,000 thousand shares with a par value of NT\$10. The number of issued ordinary shares is 433,782 thousand shares.

ii. Capital reserve

The balance of the Company's capital reserve comprises the following:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Premium for the issuance of shares	\$ 142,300	142,300
Treasury share transaction	15,639	15,639
Others	60	60
	<b>\$ 157,999</b>	<b>157,999</b>

iii. Retained earnings

According to the Company's Articles of Association, any surplus from the final annual account shall be used for tax payment and compensation for losses in prior years. Appropriate 10% of the remaining surplus as the statutory surplus reserve; however, this shall not apply when the statutory surplus reserve has reached the amount of the Company's paid-up capital. A special surplus reserve shall be provided or reversed according to the laws and regulations or the requirements of the competent authority. Except for the distribution of dividends, the remaining surplus shall be combined with the undistributed earnings at the beginning of the period, and the Board shall propose the surplus distribution to the Shareholders' Meeting for the resolution on distribution.

(i) Statutory surplus reserve

When the Company has no loss, the Shareholders' Meeting may pass the resolution to distribute new shares or cash from the statutory surplus reserve to the extent that the reserve exceeds 25% of its paid-up capital.

(ii) Special surplus reserve

According to the original requirements of the Securities and Futures Commission, the Company shall provide the special surplus reserve from the surplus after tax for the year with an amount equal to the deduction to Shareholders' interest presented that occurred during the year. Where the special surplus reserve provided is the amount of the deduction to Shareholders' interest for the previous period, such special surplus reserve provided from the undistributed earnings for the previous

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

period may not be distributed. Subsequently, when the deduction to Shareholders' interest decreases, transfer the amount deducted to undistributed earnings. As at 31 December 2020 and 2019, the special surplus reserve was NT\$121,349 thousand.

Upon the initial adoption of IFRSs endorsed by the FSC, the retained earnings increased by the unrealized revaluation appreciation under Shareholders' interests was NT\$42,581 thousand as the Company elected to apply the exemptions under the IFRS 1 "First-time Adoption of International Financial Reporting Standards." Furthermore, the retained earning recognized for the initial adoption of IFRSs on the conversion date was a net decrease of NT\$103,419 thousand. Therefore, According to the requirements under the Order Jin-guan-zheng-fa-zi No. 1010012865 issued by the FSC on 6 April 2012, the Company is not required to provide for the special surplus reserve.

(iii) Surplus distribution

On 16 June 2020 and 14 June 2019, the Annual Shareholders' Meeting passed the loss compensation resolutions for 2019 and 2019; please visit the MOPS for relevant information.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

iv. Other equity

	Exchange differences arising from the translation of financial statements of institutions operating overseas	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total
Balances on 1 January 2020	\$ 393,978	926	394,904
Consolidated Company	(16,531)	(1,645)	(18,176)
Associates	-	7,768	7,768
Balances on 31 December 2020	<b>\$ 377,447</b>	<b>7,049</b>	<b>384,496</b>
Balances on 1 January 2020	\$ 456,485	4,060	460,545
Consolidated Company	(62,507)	(849)	(63,356)
Associates	-	(2,285)	(2,285)
Balances on 31 December 2019	<b>\$ 393,978</b>	<b>926</b>	<b>394,904</b>

(18) Earnings per share

The calculation for the Consolidated Company's basic earnings per share and the diluted earnings per share is as follows:

	2020	2019
Basic earnings per share		
Net loss attributable to the Company for the period	\$ (402,867)	(425,190)
Weighted average number of issued ordinary shares	433,782	433,782
Basic earnings (loss) per share 基本每股盈餘(虧損)	<b>\$ (0.93)</b>	<b>(0.98)</b>

(19) Income from contracts with customers

i. Income breakdown

	2020			
	Tile business segment	Chinese business segment	Other segments	Total
Major regional market:				
Asia	\$ 2,739,823	822,563	-	3,562,386

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**Notes to Consolidated Financial Statements (Cont'd)**

America	4,864	-	-	4,864
Australia	6,305	9,463	-	15,768
Others	478	25,505	-	25,983
	<u>\$ 2,751,470</u>	<u>857,531</u>	<u>-</u>	<u>3,609,001</u>
Primary product/service lines:				
Tiles	<u>\$ 2,751,470</u>	<u>857,531</u>	<u>-</u>	<u>3,609,001</u>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	2019			
	Tile business segment	Chinese business segment	Other segments	Total
Major regional market:				
Asia	\$ 2,729,571	1,885,211	9,212	4,623,994
America	4,598	2,171	-	6,769
Australia	854	49,627	-	50,481
Europe	494	48,505	-	48,999
	<b>\$ 2,735,517</b>	<b>1,985,514</b>	<b>9,212</b>	<b>4,730,243</b>
Primary product/service lines:				
Tiles	\$ 2,735,517	1,985,514	-	4,721,031
Houses and lands available for sale	-	-	9,212	9,212
	<b>\$ 2,735,517</b>	<b>1,985,514</b>	<b>9,212</b>	<b>4,730,243</b>

ii. Contract balances (included those from related parties)

	2020.12.31	2019.12.31	2019.1.1
Note receivables	\$ 450,117	353,783	269,599
Account receivables	820,116	764,647	852,015
Less: Loss allowances	(151,028)	(150,841)	(159,064)
Allowances for sales return and discounts	(16,110)	(31,530)	(31,379)
Total	<b>\$ 1,103,095</b>	<b>936,059</b>	<b>931,171</b>
Contract liabilities – Advances for goods	<b>\$ 38,594</b>	<b>76,910</b>	<b>70,979</b>

For detailed disclosures on note and account receivables and their impairments, please see Note 6(4).

(20) Remuneration for employees, Directors, and Supervisors

According to the Articles of Association of the Company, where the Company recorded any profits for the year, it shall allocate 3%~5% and no more than 1.5% as the remuneration for employees and the remuneration for Directors, respectively. However, when the Company has accumulated losses, it shall reserve the amount for compensation. The share or

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
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cash distribution targets for the above remuneration for employees include employees of subsidiaries fulfilling certain conditions.

The assessed amount of remuneration for employees and the assessed amount of remuneration for Directors during 2020 and 2019 were nil and nil, respectively. The amount was assessed by the net profit before tax for the respective period less remuneration for employees and remuneration for Directors multiplied by the ratio for the distribution of remuneration for employees and remuneration for Directors stated in the Articles of Association of the Company, and was included in operating costs or operating expenses for such periods.

The actual distribution regarding the remuneration for employees and Directors during 2019 and 2018 equaled the amount recognized in the financial statements; please visit MOPS for relevant information.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(21) Non-operating income and expenses

i. Other income

Other income of the Consolidated Company is detailed as follows:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 2,189	4,538
Rental income	5,305	5,315
Dividend income	400	1,674
	<u>\$ 7,894</u>	<u>11,527</u>

ii. Other gains and losses

Other gains and losses of the Consolidated Company are detailed as follows:

	<u>2020</u>	<u>2019</u>
Foreign currency exchange (losses) gains	\$ 40,241	(35,803)
(Losses) gains on the disposals of property, plant and equipment	(28,607)	249
Amortization of deferred income	6,440	6,746
Subsidy income	17,787	28,638
Losses from changes in lease	(1,563)	-
Valuation gains from financial assets at fair value through profit or loss	2,911	108
Other gains and losses	10,224	(14,275)
	<u>\$ 47,433</u>	<u>(14,337)</u>

iii. Financial costs

Financial costs of the Consolidated Company is detailed as follows:

	<u>2020</u>	<u>2019</u>
Interest expense	\$ 84,460	109,194
Less: Interest capitalization	(764)	(453)
	<u>\$ 83,696</u>	<u>108,741</u>

(22) Financial instruments

i. Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets is the maximum exposure to credit risks. On 31 December 2020 and 2019, the maximum exposure was NT\$3,506,242 thousand

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

and NT\$2,773,752 thousand, respectively.

(ii) Concentrations of credit risk

As the Consolidated Company has a broad customer base, there is no significant concentrated transaction with any single customer, and the sales region is dispersed; therefore, there is no significant risk regarding the concentration of credit risk for account receivables. The Consolidated Company also continues to evaluate customers' financial positions regularly and require customers to provide collaterals to reduce credit risks.

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**Notes to Consolidated Financial Statements (Cont'd)**

(iii) Credit risks for receivables and debt securities

For the information related to credit risks for note receivables and account receivables, please see Note 6(3). Other financial assets measured at amortized costs include other receivables.

Financial assets above have low credit risks; therefore, the loss allowance for the period was provided for was measures at the loss amount based on 12-month ECL. Time deposits held by the Consolidated Company have transaction and performance counterparties that are financial institutions above the investment level; the risk is therefore deemed low. For 2020 and 2019, the changes in loss allowances are as follows:

	<b>Other receivables</b>
Balances on 1 January 2020	\$ 40,430
Provided during the year	9,578
Written-off during the year	(12,639)
Effects of changes in exchange rate	114
Balances on 31 December 2020	<b>\$ 37,483</b>
Balances on 1 January 2019	\$ 41,256
Provided during the period	46
Effects of changes in exchange rate	(872)
Balances on 31 December 2019	<b>\$ 40,430</b>

ii. Liquidity risks

The following table sets out the contractual maturity date for financial assets, including estimated interests but excluding the effects of netting agreements.

	Carrying amount	Contract ual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>31 December 2020</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 1,278,965	1,298,667	1,189,689	108,978	-	-	-
Note payables	111,693	111,693	111,693	-	-	-	-
Account payables (including those to related parties)	602,928	602,928	602,928	-	-	-	-
Lease liabilities	27,456	28,271	6,161	5,677	9,620	6,813	-
Other payables (including those to related parties)	621,960	621,960	621,960	-	-	-	-
Long-term liabilities due within	120,000	120,661	60,044	60,617	-	-	-

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**Notes to Consolidated Financial Statements (Cont'd)**

one year or one business cycle

Long-term borrowings	1,015,847	1,045,415	-	-	1,045,415	-	-
Guarantee deposit received	46,424	46,424	-	-	-	-	46,424
	<b><u>3,825,273</u></b>	<b><u>3,876,019</u></b>	<b><u>2,592,475</u></b>	<b><u>175,272</u></b>	<b><u>1,055,035</u></b>	<b><u>6,813</u></b>	<b><u>46,424</u></b>

**31 December 2019**

Non-derivative financial liabilities

Short-term borrowings	\$ 1,107,655	1,129,426	646,609	482,817	-	-	-
Note payables	117,819	117,819	117,819	-	-	-	-
Account payables	384,516	384,516	384,516	-	-	-	-
Lease liabilities	63,055	64,263	27,293	18,774	6,334	11,862	-
Other payables	473,694	473,694	473,694	-	-	-	-
Long-term liabilities due within one year or one business cycle	65,555	66,269	5,568	60,701	-	-	-
Long-term borrowings	1,132,249	1,199,055	-	-	123,368	1,075,687	-
Guarantee deposit received	78,166	78,166	-	-	-	-	78,166
	<b><u>3,422,709</u></b>	<b><u>3,513,208</u></b>	<b><u>1,655,499</u></b>	<b><u>562,292</u></b>	<b><u>129,702</u></b>	<b><u>1,087,549</u></b>	<b><u>78,166</u></b>

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**Notes to Consolidated Financial Statements (Cont'd)**

The Consolidated Company does not expect the time of occurrence for cash flows within the maturity date analysis to be materially ahead of time or the actual amount to be significantly different.

iii. Currency risks

(i) Exposure to currency risks

Financial assets and liabilities of the Consolidated Company exposed to significant foreign currency risk are as follows:

	2020.12.31			2019.12.31		
	Foreign currency	Exchang e rate	NTD	Foreign currency	Exchang e rate	NTD
<u>Financial assets</u>						
<u>Monetary</u>						
<u>items</u>						
USD:NTD	\$ 3,258	28.1000	91,549	2,650	30.0000	79,497
Euro:NTD	349	34.5620	12,062	372	33.6210	12,508
RMB:NTD	36,178	4.3200	156,289	18,397	4.3080	79,255
USD:RMB	704	6.5046	19,772	1,056	6.9638	31,669
<u>Financial</u>						
<u>liabilities</u>						
<u>Monetary items</u>						
USD:NTD	378	28.1000	10,581	1,111	30.0000	33,330
Euro:NTD	254	34.5620	8,770	102	33.6210	3,419
USD:RMB	18,559	6.5046	521,493	5,118	6.9638	153,537
Euro:USD	1,720	1.2300	59,438	1,720	1.1207	57,818

(ii) Sensitivity analysis

The Consolidated Company's currency risk primarily arises from the foreign currency exchange gains or loss upon translation regarding the cash and cash equivalents, account receivables and other receivables, borrowings, account payables, and other payables denominated in foreign currencies. For 2020 and 2019, when the functional currency depreciates or appreciates by 3% against USD and Euro, and all other variants remain unchanged, the net profits after tax for 2020 and 2019 will

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

decrease or increase by NT\$ 7,602 thousand and NT\$673 thousand, respectively. The analysis for both periods adopted the same basis.

(3) Exchange profit or loss of monetary items

As the Consolidated Company possess multiple functional currencies, it discloses the exchange profit or loss of its monetary items on an aggregate basis. For 2020 and 2019, the net foreign currency exchange profit or loss (including those realized and unrealized) was profits of NT\$40,241 thousand and losses of NT\$35,803 thousand, respectively.

iv. Interest rate analysis

The interest rate exposure for financial assets and financial liabilities of the Consolidated Company is described in the “Liquidity risk management” in this Note.

The following sensitivity analysis is based on the interest rate exposure for derivatives and non-derivatives on the Reporting Date. For floating-rate liabilities, the analyzing method assumed that the outstanding liabilities amounts on the Reporting Date are outstanding throughout the year.

When the interest rate increases or decreases by 0.5%, and all other variants remain unchanged, the net profits of the Consolidated Company for 2020 and 2019 will decrease or increase by NT\$8,768 thousand and NT\$7,935 thousand, respectively, primarily due to the variable-rate borrowings of the Company.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

v. Other price risks

Changes in equity securities prices (the analysis for both periods adopts the same basis, and it is assumed that other variant factors remain unchanged) on the Reporting Date have the following effects on items of comprehensive income:

	2020		2019	
	Other comprehens ive income after tax	Profit or loss after tax	Other comprehen sive income after tax	Profit or loss after tax
Securities prices on the reporting date				
Increase by 5%	\$ 1,132	5,765	1,214	-
Decrease by 5%	\$ (1,132)	(5,765)	(1,214)	-

vi. Information on fair value

(i) Category and fair value of financial instruments

Financial assets at fair value through other comprehensive income of the Consolidated Company are measured at fair value on a repetitive basis. The carrying amount and fair value of the Consolidated Company's financial assets (including information on the level of fair value, but the carrying amount of financial assets not measured at fair value shall be the reasonable equivalent to its fair value, and no information on the fair value of lease liabilities is required to be disclosed according to the rules) are set out as follows:

	2020.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Foreign listed shares	\$ 115,295	115,295	-	-	115,295
Financial assets at fair value through other comprehensive income					
Domestic listed shares	\$ 12,631	12,631	-	-	12,631
Domestic non-listed shares	10,000	-	-	10,000	10,000
Sub-total	22,631	12,631	-	10,000	22,631
Financial assets at amortized costs					

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Cash and cash equivalents	\$ 2,006,126	-	-	-	-
Note and account receivables (including those from related parties)	1,103,095	-	-	-	-
Other financial assets - Current (including restricted assets)	188,389	-	-	-	-
Other financial assets – Non-current	<u>70,706</u>	-	-	-	-
Sub-total	<u>3,368,316</u>	-	-	-	-
<b>Total</b>	<b><u>\$ 3,506,242</u></b>	<b>127,926</b>	<b>-</b>	<b>10,000</b>	<b>137,926</b>
Financial liabilities at amortized costs					
Long-term and short-term borrowings (including borrowings due within one year)	\$ 2,414,812	-	-	-	-
Note payables and account payables (including those to related parties)	714,621	-	-	-	-
Other payables (including those to related parties)	621,960	-	-	-	-
Guarantee deposits received	46,424	-	-	-	-
Lease liabilities	<u>27,456</u>	-	-	-	-
<b>Total</b>	<b><u>\$ 3,825,273</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	2019.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic listed shares	\$ 14,276	14,276	-	-	14,276
Domestic non-listed shares	10,000	-	-	10,000	10,000
Sub-total	<u>24,276</u>	<u>14,276</u>	<u>-</u>	<u>10,000</u>	<u>24,276</u>
Financial assets at amortized costs					
Cash and cash equivalents	\$ 1,694,108	-	-	-	-
Note and account receivables	936,059	-	-	-	-
Other financial assets - Current (including restricted assets)	44,564	-	-	-	-
Other financial assets - Non-current	<u>74,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>2,749,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><b>\$ 2,773,752</b></u>	<u><b>14,276</b></u>	<u><b>-</b></u>	<u><b>10,000</b></u>	<u><b>24,276</b></u>
Financial liabilities at amortized costs					
Long-term and short-term borrowings (including borrowings due within one year)	\$ 2,306,469	-	-	-	-
Note payables and account payables	502,335	-	-	-	-
Other payables	473,694	-	-	-	-
Guarantee deposits received	78,166	-	-	-	-
Lease liabilities	<u>63,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><b>\$ 3,423,719</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(ii) Valuation techniques for the fair value of financial instruments at fair value

When the financial instrument has an active market quotation, its fair value shall be the active market quotation. Market prices announced by primary securities exchanges and Central Government Gre Tai Securities Market for securities determined as popular are the bases for the fair value of listed equity instruments and debt instruments with active market quotations.

Where the quotation of the financial instrument may be acquired timely and regularly from securities exchanges, agents, underwriters, industry associations, pricing service institutions, or competent authorities, and the price represents the actual and regular fair market transaction, the financial instrument has an active market quotation. When the conditions above are not fulfilled, the market is not active. In general, any significant increase in the differences between sales and purchase prices or minor transaction volume are indicators for an inactive market.

Except for financial instruments with active market above, the fair value of other financial instruments is obtained via valuation techniques or referring to the quotation from transaction counterparties. The fair value obtained via valuation techniques may refer to the current fair value of financial instruments with substantially similar conditions and characteristics, discounted cash flow method, or other valuation techniques, including the calculation based on market information model available on the Consolidated Reporting Date (such as TPEX's reference yield curve and average quotation for interest rates of commercial notes by Reuters).

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

For financial instruments with no active market held by the Consolidated Company, their fair value by category and nature is set out as follows:

- Equity instruments with no open quotation: The estimation of the fair value adopts the discounted cash flow model, in which the primary assumption is discounting the expected future cash flows of the investee at the return rate that reflects the monetary time value and investment risks.

(iii) There is no changes in the Consolidated Company's Level 3 financial assets.

(iv) Quantitative information on the fair value measurement of significant unobservable inputs (Level 3)

The fair value measurement of the Consolidated Company categorized into Level 3 primarily comprises of financial assets at fair value through profit or loss – investments in equity securities, derivative financial instruments, and financial assets available for sale - investments in equity securities.

The majority of the fair value of the Consolidated Company categorized into Level 3 merely has a single significant unobservable input, while equity instruments with no open quotation have multiple significant unobservable inputs. Significant unobservable inputs of equity instruments with no active market have no connectivity as they are independent.

Quantitative information on significant unobservable inputs is set out in the following table:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Relationship between significant unobservable input and fair value</b>
Financial assets at fair value through other comprehensive income (financial assets available for sale) - Investments	Discounted cash flow method	<ul style="list-style-type: none"> <li>• Long-term growth rate for operating income (1.5% on 31 December 2020 and 2019)</li> <li>• Weighted average capital costs (3.8% on 31 December 2020 and 2019)</li> <li>• Long-term operating net profit before tax (1.5% on 31 December 2020 and 2019)</li> <li>• Discount for lack of marketability (27.2% on 31</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the multiplier and control premium, the higher the fair value</li> <li>• The higher the discount for lack of marketability, the lower the fair value</li> <li>• The higher the weighted marketability, the</li> </ul>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

in equity instruments with no active market	December 2020 and 2019) <ul style="list-style-type: none"> <li>• Discount for minority equity (24.4% on 31 December 2020 and 2019)</li> </ul>	lower the fair value <ul style="list-style-type: none"> <li>• The higher the long-term growth rate for operating income and long-term operating net profit before tax, the higher the fair value</li> </ul>
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(v) The sensitivity analysis of fair value based on reasonable substituting assumptions regarding the measurement of Level 3 fair value

The fair value measurement for the Consolidated Company's financial instruments is reasonable; however, valuation results may differ when using different valuation models or valuation parameters. For financial instruments categorized into Level 3, the effects on profit or loss or other comprehensive income for the period arising from the changes in valuation parameters are as follows:

	<b>Inputs</b>	<b>Upward or downward changes</b>	<b>Changes in fair value reflected in other comprehensive income</b>	
	<b>Inputs</b>	<b>Upward or downward changes</b>	<b>Favorable changes</b>	<b>Unfavorable changes</b>
<b>31 December 2020</b>				
Financial assets at fair value through other comprehensive income				
Investments in equity instruments with no active market	Long-term growth rate for operating income	5%	500	(500)
Investments in equity instruments with no active market	Discount for lack of marketability	5%	818	(818)
Investments in equity instruments with no active market	Discount for minority equity	5%	788	(788)

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	Inputs	Upward or downward changes	Changes in fair value reflected in other comprehensive income	
			Favorable changes	Unfavorable changes
<b>31 December 2019</b>				
Financial assets at fair value through other comprehensive income				
Investments in equity instruments with no active market	Long-term growth rate for operating income	5%	500	(500)
Investments in equity instruments with no active market	Discount for lack of marketability	5%	818	(818)
Investments in equity instruments with no active market	Discount for minority equity	5%	788	(788)

Favorable and unfavorable changes for the Consolidated Company refer to the fluctuation in fair value, and the fair value is calculated using valuation techniques based on different levels of unobservable inputs. When the fair value of the financial instruments is affected by more than one input, the above table merely reflects the effects generated from the changes in a single input, without considering the relevance and variability between inputs.

(vi) There is no fair value measurement transfer during 2020 and 2019.

**(23) Financial risk management**

**i. Summary**

The Consolidated Company is exposed to the following risks due to the use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

This note presents the exposure information, the Consolidated Company's objectives for measuring and managing risks, policies, and procedures regarding the above risks. For details on further qualitative disclosures, please refer to the respective notes in the consolidated financial statements.

**ii. Risk management structure**

The Board is fully responsible for establishing and supervising the risk management

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Inputs	Upward or downward changes	Changes in fair value reflected in other comprehensive income	
Inputs	Upward or downward changes	Favorable changes	Unfavorable changes

structure of the Consolidated Company. The finance department of the Consolidated Company shall provide services for each business, coordinate the operations in domestic and international financial markets, supervise and manage financial risks related to combined operations in accordance with the internal risk report related to risk exposures based on the level and width of risks, and regularly report its operations to the Board.

The Consolidated Company's risk management policies are established to identify and analyze the financial risks faced by the Consolidated Company, evaluate the effects of financial risks, and execute relevant hedging policies for financial risks. The risk management policies are regularly reviewed to reflect the changes in market conditions and the Consolidated Company's operations. The Consolidated Company develops a disciplinary and constructive control environment through training, management standards, and operating procedures to allow all employees to understand their roles and obligations.

The Board of the Consolidated Company supervises how the management monitors the compliance with the Consolidated Company's financial risk management policies and procedures and reviews the appropriateness of the financial risk management structure related to risks faced by the Consolidated Company. Internal auditors assist the Board of the Consolidated Company in supervision. The auditors conduct reviews on financial risk management control and procedures regularly and from time to time and report to the Board regarding the review results.

iii. Credit risks

Credit risks refer to risks of financial losses incurred to the Consolidated Company when customers or the transaction counterparties failed to perform their contractual obligations for financial instruments, primarily arising from the Consolidated Company's account receivables from customers and investments in securities.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(i) Account receivables and other receivables

The Consolidated Company's exposure to credit risks is primarily affected by the individual conditions of each customer. However, the management also considered the basic statistics of the Consolidated Company's customers, including the default risk in the industries and countries where the customers operate, as such factors may affect credit risks.

The Consolidated Company has established its credit loan policies, according to the policies, before offering the standard payment and delivery conditions and terms, the Consolidated Company has to individually analyze the credit rating for any new customer. The review conducted by the Consolidated Company includes, when available, the external rating, and under certain circumstances, notes from banks. The procurement limits are established for individual customers, representing the maximum outstanding amount that is exempted from the approval of the Risk Management Committee. Such limitations are regularly reviewed. Customers not qualified for the Consolidated Company's standard credit ratings may only carry out transactions with the Company on a prepayment basis.

When monitoring the credit risks of customers, the Consolidated Company divides customers into groups based on their credit characteristics, including whether they are individuals or corporates, whether they are distributors, retailers, or end customers, the regions, industries, account ages, expiry dates, and financial difficulties existed in the past. The Consolidated Company's account receivables and other receivables primarily arising from customers who are distributors of the Company.

The Consolidated Company has a loss allowance account to reflect the estimation for losses incurred on account receivables, other receivables, and investments. The allowance account mainly comprises particular loss components related to exposures that are individually significant and portfolio loss components established for losses incurred but not yet identified regarding the similar asset groups. The portfolio loss allowance account is determined based on the historical payment statistics of similar financial assets. However, as the sales targets for transactions are not centralized with one customer, there is no significant concentration of credit risks for account receivables.

(ii) Investments

Credit financing for bank deposits and other financial instruments is measured and

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

monitored by the finance department of the Consolidated Company. As the transaction counterparties and other performing parties of the Consolidated Company are banks and financial institutions and company organizations at the investment level and above with healthy credit, there is no significant risk related to performance, and therefore there is no significant credit risk.

iv. Liquidity risks

Liquidity risks are risks of being unable to perform relevant obligations when the Consolidated Company is not capable of settling financial liabilities by the delivery of cash or other financial assets. The method adopted by the Consolidated Company to manage its liquidity is to ensure the Consolidated Company maintains sufficient working capital to pay for the liabilities falling due under general and pressured circumstances as possible without causing risks of unacceptable losses or compromising the Consolidated Company's reputation.

As of 31 December 2020 and 2019, the unutilized borrowing limit of the Consolidated Company in aggregate was NT\$1,196,302 thousand and NT\$2,338,923 thousand.

v. Market risks

Market risks refer to risks related to effects on the revenue of or value of financial instruments held by the Consolidated Company due to changes in market prices, such as changes in exchange rates, interest rates, and prices of equity instruments.

To manage its market risks, the Company engages in derivative transactions, and thus incurring financial liabilities. The execution of all transactions is in compliance with the Board's instruction.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(i) Currency risks

The Consolidated Company is exposed to currency risks arising from sales, procurements, and borrowing transactions not denominated in group entities' functional currencies. The group entities' functional currency is primarily NTD; USD and RMB are also included. Such transactions are primarily denominated in currencies such as NTD; RMB and USD are also included.

Borrowing interests are calculated based on the currency of the borrowing's principals. In general, the currency of borrowings is the same as the currency of cash flows arising from the Consolidated Company's operations, primarily NTD, RMB, and USD. Under such circumstances, the Company provides economic hedging without entering into derivatives, and no hedging account is therefore adopted.

For monetary assets and liabilities denominated in other foreign currencies, when temporary unbalance occurred, the Consolidated Company ensures the net exposure is maintained at an acceptable standard through instant purchases of currencies or sales of foreign currencies.

(ii) Interest rate risks

The entities within the Consolidated Company have borrowings at fixed and floating rates, and therefore give rise to risks related to changes in fair value and cash flows. The Consolidated Company manages its interest rate risks by maintaining an appropriate portfolio of fixed and floating rates.

(iii) Other market price risks

Responding to the expected consumption and sales demand, the Consolidated Company has not entered into any product contract; such product contracts are delivered at net value.

**(24) Capital management**

The capital management objective of the Consolidated Company is to ensure its ability for ongoing operations, so as to continuously provide returns for Shareholders and other stakeholders and maintain the optimal capital structure for reducing its capital costs.

To maintain or adjust its capital structure, the Consolidated Company may adjust dividends paid to Shareholders, carry out capital reduction and return capitals contributed by Shareholders, issue new shares, or sell assets to settle liabilities. Identical with the companies within the industry, the Consolidated Company controls its capital based on its gearing ratio. The ratio is calculated based on net liabilities divided by total capital. Net liabilities shall be the total liabilities presented in the balance sheet less cash and cash equivalents.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Total capital is all components of equity (i.e., share capital, capital reserve, retained earnings, other equity, and non-controlling interests) plus net liabilities.

The capital management policy of the Consolidated Company for 2020 is consistent with that of 2019 (i.e., maintain a gearing ratio between 20% to 20%) to ensure acquiring financing at reasonable costs. As at 31 December 2020 and 2019, the gearing ratio is as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Total liabilities	\$ 4,377,874	3,979,461
Less: Cash and cash equivalents	<u>(2,006,126)</u>	<u>(1,694,108)</u>
Net liabilities	<b><u>\$ 2,371,748</u></b>	<b><u>2,285,353</u></b>
Total equity	<b><u>\$ 5,516,902</u></b>	<b><u>5,932,484</u></b>
Gearing ratio	<b><u>42.99%</u></b>	<b><u>38.52%</u></b>

No alteration is made to the methods for capital management of the Consolidated Company has not as of 31 December 2020.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

7. Transactions with Related Parties

(1) Name and relationship of related parties

The related parties having transactions with the Consolidated Company during the period covered by the consolidated financial statements are as follows:

<u>Name of related parties</u>	<u>Relationship with the Consolidated Company</u>
Wang, Gui-Feng	Spouse of the Company's Chairman
Seagull Champion Limited	An associate

(2) Significant transactions with related parties

i. Operating income

Significant sales of the Consolidated Company made to related parties are as follows:

	<u>2020</u>	<u>2019</u>
Seagull Champion	\$ 368,353	-
Sales of raw materials (accounted for as a deduction item to operating costs)	(96,916)	-
	<u>\$ 271,437</u>	<u>-</u>

Transaction conditions for sales made to its associates are no different from the general transactions. The repetitive sales and purchase amounts with the same manufacturing batch number in income from sales to associates are presented with net purchases.

ii. Purchase

Purchases of the Consolidated Company from related parties are as follows:

	<u>2020</u>	<u>2019</u>
Seagull Champion	<u>\$ 268,204</u>	<u>-</u>

Transaction conditions for purchases from its associates are no different from the general transactions. The repetitive sales and purchase amounts with the same manufacturing batch number in purchase amounts from associates are presented with net income.

iii. Amount due from related parties

Amount due from related parties of the Consolidated Company is detailed as below:

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

<u>Accounting item</u>	<u>Category of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Account receivables	Associate	\$ 209,236	-
Other receivables (accounted for as other financial assets - current)	Associate	36,155	-
		<b><u>\$ 245,391</u></b>	<b><u>-</u></b>

iv. Amount due to related parties

Details on the amount due to related parties of the Consolidated Company are as follows:

<u>Accounting item</u>	<u>Category of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Account payables	Associate	\$ 314,126	-
Other payables	Associate	31,701	-
		<b><u>\$ 345,827</u></b>	<b><u>-</u></b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

v. Borrowings from related parties (accounted for as other payables - related parties)

<u>Category of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Other related parties	<u>\$ 116,700</u>	<u>90,000</u>

vi. Others (accounted for as other gains and losses)

(i) Royalty charged by the Consolidated Company regarding authorizing related parties to use Consolidated Company's trademarks at its place of business is as follows:

<u>Name of related parties</u>	<u>2020</u>
Seagull Champion	<u>\$ 23,302</u>

(ii) Rental charged by the Consolidated Company for leasing plants and equipment to related parties is as follows:

<u>Name of related parties</u>	<u>2020</u>
Seagull Champion	<u>\$ 5,565</u>

(iii) Service fees for accounting affairs executed by related parties upon being engages by the Consolidated Company is as follows:

<u>Name of related parties</u>	<u>2020</u>
Seagull Champion	<u>\$ 724</u>

(iii) Transactions with executives

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 10,845	13,729
Post-employment benefits	573	674
Other long-term benefits	1,262	1,051
	<u>\$ 12,680</u>	<u>15,454</u>

8. Pledged assets

The carrying amount of the Consolidated Company's assets pledged for security is detailed as follows:

<u>Title of assets</u>	<u>Target of</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
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**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

	<u>pledge</u>		
Other financial assets - Current	Guarantee for borrowings	\$ 130,853	9,014
Houses and lands available for sale	"	29,448	29,448
Investment properties	"	113,765	114,009
Property, plant and equipment	"	1,678,919	1,755,870
Right-of-use assets (land use right)	"	89,288	91,795
Other financial assets - Current	Provisions for litigations	<u>2,400</u>	<u>-</u>
		<b><u>\$ 2,044,673</u></b>	<b><u>2,000,136</u></b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(1) Significant unrecognized contractual commitments:

i. The balances of unused letter of credits issued by the Consolidated Company for the purchase of raw materials and equipment are detailed as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Unused letter of credits issued		
USD	<b>\$ 847</b>	<b>729</b>
Euro	<b>\$ 412</b>	<b>120</b>

ii. Guarantee notes issued by the Consolidated Company for bank borrowings, purchase of machinery, and sales performance guarantees are detailed as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Guaranteed notes submitted	<b>\$ 132,000</b>	<b>453,500</b>

iii. Guarantee notes received incurred to the Consolidated Company for sales to distributors, purchase of machinery and equipment, and construction warranty are detailed as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Guarantee notes received	<b>\$ 295,438</b>	<b>267,622</b>

iv. The total consideration for contracts entered into by the Consolidated Company and unpriced amount for purchases of equipment, construction of office building, and plant renovation are as follows:

	<b>2020.12.31</b>		<b>2019.12.31</b>	
	Total contract considerat ion	Unpriced amount	Total contract considera tion	Unpriced amount
Euro	\$ 923	540	440	222
USD	668	200	650	563
NTD	49,361	29,692	41,724	22,003
RMB	-	-	13,160	1,499

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

v. Heng Shiang Co., Ltd (the “Heng Shiang Company”) initiated civil litigation at Taiwan Miaoli District Court on 4 December 2014 for requesting the confirmation regarding the existence of the distribution relationships between both parties, and a damage compensation of NT\$32,851 thousand and inventory consideration of NT\$14,033 thousand. After the first trial on 25 August 2016, the Court reached the verdict that the Consolidated Company won the litigation for requesting the confirmation regarding the existence of the distribution relationships between both parties and the damage compensation. In addition, the Consolidated Company lost the litigation for requesting the inventory consideration; the compensation amount sentenced included the lease expenses for preserving the inventories of NT\$1,690 thousand and the inventory consideration of NT\$11,987 thousand. The Company and Heng Shiang Company both lodged an appeal. On 3 July 2018, for the appeals from both parties, Taiwan High Court maintained the judgment regarding the compensation for the lease expenses for preserving the inventories of NT\$1,690 thousand and the inventory consideration of NT\$11,987 thousand by the Consolidated Company. Furthermore, the Consolidated Company was also sentenced to compensate for the distribution subsidy differences of NT\$3,965 thousand in the request items within the appeal proposed by Heng Shiang Company. However, the Consolidated Company further submitted its appeal based on the reason that the above judgments had not taken into account the current status and market value of the inventories, and had provided for a loss of NT\$3,965 thousand regarding the distribution subsidy differences. As of 31 December 2020, the Consolidated Company made provisions for a loss of NT\$9,765 thousand for the litigation.

(2) Significant contingent liabilities: None.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

10. Significant Disaster Loss: None.

**11. Significant Events After the Period**

- (1) Sinyih Ceramic (China) Co., Ltd., a subsidiary of the Consolidated Company, organized its policy relocation in response to the arrangements made by Kunshan High-Tech Industrial Development Zone. On 29 January 2021, the Board passed the resolution to sell the land use rights, houses and buildings, above-ground structures, decorations and accessories to Kunshan High-Tech Zone House Co., Ltd. with a total transaction consideration amounted to RMB452,268 thousand. As of the publishing date of the financial statements, the first installment of RMB100,000 thousand had been received; the transaction is not completed.
- (2) On 30 March 2021, the Board passed a resolution relating to repurchase the Consolidated Company's shares at the centralized securities exchange market to protect the credit of the Company and Shareholders' interests. The Consolidated Company expects to repurchase 25,000 thousand shares, and the period of repurchases is expected to be from 6 April 2021 to 28 May 2021, with a repurchase price ranging from NT\$6 to NT\$12. Where the share price of the Consolidated Company is lower than the bottom of the price range, the Chairman is authorized to continue executing the repurchase of the Consolidated Company's shares.

**12. Others**

The functions of employee benefits, depreciation, and amortized expenses are summarized as follows:

Function Nature	2020			2019		
	Operatin g costs	Operatin g expenses	Total	Operatin g costs	Operatin g expenses	Total
Employee benefit expenses						
Salary expenses	\$ 388,282	205,367	593,649	419,131	303,013	722,144
Labor and health insurance expenses	38,461	18,992	57,453	49,562	45,633	95,195
Pension expenses	16,896	10,714	27,610	30,885	22,641	53,526
Other employee benefit expenses	33,849	260,091	293,940	74,155	128,317	202,472
Depreciation expenses	178,329	243,249	421,578	253,940	248,853	502,793

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Amortization expenses	16,917	13,876	30,793	23,496	4,756	28,252
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For 2020 and 2019, the depreciation under operating costs is breakdown losses of NT\$153,623 thousand and NT\$118,485 thousand, respectively.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

**13. Supplementary Disclosures**

(1) Information related to significant transactions

For 2020, information related to significant transactions of the Consolidated Company to be disclosed according to the requirements under the Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows:

i. Loan to others:

No.	Lender	Borrower	Current item	Whether the borrower is a related party	Maximum amount for the period	Closing balances	Actual amount utilized	Interest rate range	Loan nature	Amount for business contract	Reason for the requirement of short-term financing	Amount provided for loss allowance	Collateral		Loan limit to the respective borrower	Total limit for loans
													Title	Value		
0	The Company	Sinyi China	Other receivables	Yes	993,600	648,000	648,000	5.4	Not	-	Working capital	-	-	-	1,103,380	2,206,761
1	Swanview	Sinyi China	Other receivables	Yes	191,080	162,980	162,980	2.40	Not	-	Working capital	-	-	-	559,650	559,650
1	Swanview	Sinyih Pengla	Other receivables	Yes	227,610	227,610	226,277	2.40	Not	-	Working capital	-	-	-	559,650	559,650
2	Sinyih China	Jiangsu Xinshuo	Other receivables	Yes	17,280	-	-	-	Not	-	Working capital	-	-	-	198,722	198,722

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

2	Sinyih China	Xiaoxian Huaguan	Other receivables	Yes	64,800	21,600	-	-	Note 1	-	Working capital	-	-	198,722	198,722
2	Sinyih China	Champion Anhui	Other receivables	Yes	259,200	129,600	45,196	-	Note 1	-	Working capital	-	-	198,722	198,722
3	Sinyih Penglai	Sinyih China	Other receivables	Yes	1,166,400	1,166,400	770,116	-	Note 1	-	Working capital	-	-	1,924,759	1,924,759

Note 1: Companies with requirements of short-term financing.

Note 2: The total loans provided by the Company shall not exceed 40% of the Company's net value. Loan limits to individual borrowers shall not exceed 20% of the Company's net value.

Note 3: Except for Sinyih Penglai, the total loans provided by subsidiaries and loan limits to individual borrowers shall not exceed 40% of the subsidiaries' net value.

Note 4: The total loans provided by Sinyih Penglai and loan limits to individual borrowers shall not exceed 120% of the subsidiaries' net value.

ii. Endorsement and guarantee for others:

No.	Name of the company providing the endorsement and guarantee	Counterparty for the endorsement and guarantee		Limits for the endorsement and guarantee provided to a single enterprise	Maximum balances of the endorsement and guarantee for the period	Closing balances of the endorsement and guarantee for the period	Actual amount utilized	Amount of endorsement and guarantee secured by properties	Ratio of accumulated endorsement and guarantee on the net value of the latest financial statements	Cap for endorsement and guarantee	Endorsement and guarantee provided by the parent company to its subsidiaries	Endorsement and guarantee provided by subsidiaries to its parent company	Endorsement and guarantee provided in the Mainland and region
		Name of the company	Relationship										



**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Holdi ng comp any	Category and name of securities	Relations hip with the securities issuer	Accounting item	Numb er of shares	Carryin g amount	Shareh olding	Fair value	Note	Hol din g co mp any
The Com pany	Shares - Kwong Fong Industries Corp.	-	Financial assets at fair value through other comprehensive income - Current	1,061	12,631	0.57 %	12,631	0.57%	
"	Shares - KHH Arena Corporation	-	Financial assets at fair value through other comprehensive income – Non-current	1,000	10,000	0.40 %	10,000	0.40%	
	Shares - Seagull Kitchen and Bath Products Co., Ltd.	-	Financial assets at fair value through profit or loss - Current	3,791	115,295	0.68 %	115,295	0.68%	

Note: The carrying amount is the balance after deducting the accumulated impairments.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

iv. Amount of cumulative purchases or sales of the identical securities reaching NT\$3 million or 20% of the paid-up capital and above:

Unit: NT\$000'

Purchasing or selling company	Category and name of securities	Accounting item	Transaction on counterparty	Relationship	At the beginning of the period		Purchases		Sales				At the end of the period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Carrying costs	Gain or loss on disposal	Number of shares	Amount
Sinyi China	Seagull Champion	Investment accounts	Investments with inventories as considerations	-	-	-	CNY 149,790	624,920 (CNY149,790)	-	-	-	-	CNY 149,790	624,920
Sinyi China	Seagull Champion	Investment accounts	Guangzhou Seagull	Non-related party	CNY 149,790 (Note 2)	624,920 (Note 2)	-	-	CNY 76,000	317,070 (CNY76,000)	317,070	-	CNY 73,790	385,298 (Note 1)

Note 1: Include items of adjustment related to investment gain or loss and Shareholders' equity recognized

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

using the equity method.

Note 2: Balances of investments with inventories as considerations by Sinyih China for the period.

v. Amount of properties acquired reaching NT\$3 million or 20% of the paid-up capital and above: None.

vi. Amount of disposals of properties reaching NT\$3 million or 20% of the paid-up capital and above: None.

vii. Amount of purchases or sales with related parties reaching NT\$1 million or 20% of the paid-up capital and above:

Purchasing (selling) company	Name of the transaction counterparty	Relationship	Transaction status				Circumstances and reasons for transaction conditions different from general transactions		Note and account receivables (payables)		Note
			Purchase (sales)	Amount	Ratio on total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio on total note and account receivables (payables)	
Sinyih China	Seagull Champion	An associate with 43.46% of its shares held by the Company	Purchase	268,204	- %	Settled monthly for 90 days	-	-	(314,126)	(44)%	
Sinyih China	Sinyih Penglai	An associate with 43.46% of its shares held by the	Purchase	365,727	- %	Settled monthly for	-	-	(398,258)	(56)%	

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

		Company				60~90 days				
Sinyih Penglai	Seagull Champion	An associate	(Sales)	(247,597)	- %	Settled monthly for 90 days	-	-	168,378	15%
Sinyih Penglai	Sinyih China	Parent company of the Company	(Sales)	(365,727)	- %	Settled monthly for 60~90 days	-	-	398,258	36%

viii. Amount due from related parties reaching NT\$1 million or 20% of the paid-up capital and above:

Unit: NT\$000'

Company with amount receivables accounted for	Name of the transaction counter party	Relationship	Balance of amounts due from related parties	Turnover rate	Overdue amount due from related parties		Amount due from related parties recovered after the period	Amount of loss allowances provided
					Amount	Handling method		
The Company	Sinyih China	A subsidiary	655,385	Note	-	-	-	-
Swanview	Sinyih China	A subsidiary	162,980	Note	-	-	-	-
Swanview	Sinyih Penglai	A subsidiary	226,277	Note	-	-	-	-
Sinyih Penglai	Sinyih China	Parent company	1,168,374	Note	-	-	-	-
Sinyih Penglai	Seagull Champion	An associate	168,378	4.09	-	-	-	-

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

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Note: No turnover rate is available as the amount receivables were not incurred due to purchases or sales.

ix. Derivative transactions: None.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

x. Business relationships and significant transactions between the parent company and its subsidiaries:

No.	Name of the counterparty of transactions	Counterparty of transactions	Relationship with the counterparty of transactions	Transactions			
				Item	Amount	Transaction conditions	Ratio to the consolidated total operating income or total assets
0	Champion Building Materials	Sinyih China	1	Other receivables - Related parties	655,385	Equivalent to that of general transactions	6.62%
1	Swanview	Sinyih China	1	Other receivables - Related parties	162,980	"	1.65%
1	Swanview	Sinyih Penglai	1	Other receivables - Related parties	226,277	Equivalent to that of general transactions	2.29%
2	Sinyih China	Sinyih Penglai	1	Cost of sales	365,727	Cost plus price	10.15%
2	Sinyih China	Sinyih Penglai	1	Account payables	398,258	Equivalent to that of general transactions	4.02%
2	Sinyih China	Sinyih Penglai	1	Other payables - Related parties	770,116	Equivalent to that of general transactions	7.78%
2	Sinyih China	Champion Anhui	1	Prepayments	132,588	"	1.32%
2	Sinyih China	Champion	1	Other receivables -	44,885	"	0.45%

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

		Anhui		Related parties			
2	Sinyih China	Champion Anhui	1	Cost of sales	12,752	Cost plus price	0.35%
2	Sinyih China	Xiaoxian Huaguan	1	Other receivables - Related parties	6,847	Equivalent to that of general transactions	0.07%
2	Sinyih China	Champion Building Materials	2	Other payables - Related parties	655,385	"	6.62%
2	Sinyih China	SWANVIE W	2	Other payables - Related parties	162,980	"	1.65%
3	Sinyih Penglai	SWANVIE W	2	Other payables - Related parties	226,277	Equivalent to that of general transactions	2.29%
3	Sinyih Penglai	Sinyih China	2	Cost of sales	365,727	No relevant products available for comparison regarding the transaction price	10.15%
3	Sinyih Penglai	Sinyih China	2	Account payables	398,258	Equivalent to that of general transactions	4.02%
3	Sinyih Penglai	Sinyih China	2	Other receivables - Related parties	770,116	Equivalent to that of general transactions	7.78%
4	Champion Anhui	Sinyih China	2	Other payables - Related parties	44,885	Equivalent to that of general transactions	0.45%

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

4	Champion Anhui	Sinyih China	2	Prepayments	132,588	"	1.32%
4	Champion Anhui	Sinyih China	2	Cost of sales	12,752	No relevant products available for comparison regarding the transaction price	0.35%
5	Xiaoxian Huaguan	Sinyih China	2	Other payables - Related parties	6,847	Equivalent to that of general transactions	0.07%

Note 1: The "No." is filled in according to the following manner:

- (i) 0 represents the parent company.
- (ii) Numbering of subsidiaries starts from 1 under the Arabic numeral system.

Note 2: the categories with the counterparty of transactions is set out as follows:

- (i) Parent company to subsidiaries.
- (ii) Subsidiaries to parent company.
- (iii) Subsidiaries to subsidiaries.

(2) Information related to investment businesses:

Information related to the Consolidated Company's investment businesses for 2020 is as follows (excluding investee companies in Mainland):

Unit: Thousand shares/NT\$000'

Name of the investing company	Name of the investee company	Location	Primary scope of businesses	Initial investment amount		Held at the end of the period			Maximum shareholding or contribution during the period	Profit or loss for the investee company during the period	Investment gains or losses recognized for the period	Note
				At the end of the period	At the end of the previous year	Number of shares	Percentage	Carrying amount				

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

The Company	Swanview	British Virgin Islands	Holding company	3,033,281	3,033,281	93,906	100.00%	1,399,126	100.00%	(764,680)	(764,680)
The Company	Tai Yu Investment	Taiwan	General investments	41,986	41,986	4,198	39.98%	59,924	39.98%	(35)	(14)
The Company	Guanzhong trading	Taiwan	International trade	96,000	96,000	9,600	100.00%	97,659	100.00%	(2,367)	(2,367)
The Company	Champion Highwealth	Taiwan	Cement, metal structure, and building component manufacturing	18,000	18,000	1,800	100.00%	13,784	100.00%	13	13
Swanview	Super	British Virgin Islands	Holding company	894,189	894,189	-	100.00%	259,746	100.00%	-	Exempted from filling according to the requirements

Note: The transactions above were written-off upon the preparation of the consolidated financial statements.

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(3) Information on investments in Mainland:

i. Information related to investments in businesses in the Mainland region:

Unit: NT\$000'

Name of the investee company in Mainland	Primary scope of business	Paid-up capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss for the investment company during the period	Shareholding of the direct or indirect investments from the Company	Maximum shareholding or capital contribution during the period	Investment gains or losses recognized for the period	Carrying amount of investments at the end of the period	Investment gains or losses remitted to Taiwan for the period
					Reinvested	Recovered							
Sinyih China	Production and sales of ceramics for daily use, art ceramics, electrical porcelain, refractories and heat insulators, acid and alkali resistance ceramic	1,545,500 (USD55,000)	Note 1	1,399,021 (USD47,652)	-	-	1,399,021 (USD47,652)	(251,626)	100.00%	100.00%	(251,626)	496,805	-

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Sinyih Penglai	tiles, mosaic tiles, and other building materials Production and sales of high-end sanitary porcelain, new model architectural ceramics, high-end sanitary porcelain, and ceramic products, and R&D for relevant new products	1,256,070 (USD44,700)	Note 2	204,006 (USD7,260)	-	-	204,006 (USD7,260)	(219,477)	100.00%	100.00%	(219,477)	1,603,966	-
Champion Anhui	Production of new decoration and fitting materials, high-end sanitary porcelain, premium plastic composite doors and windows, fine blanking die, precision cavity mold, ceramic products, and alumina ball, and sales of self-produced products,	1,773,307 (USD63,107)	Note 1	346,726 (USD12,339)	-	-	346,726 (USD12,339)	(272,273)	100.00%	100.00%	(272,273)	828,883	-

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Jiangsu Xinshuo	and sales of self-produced products Wholesale and retail of packaged food	21,600 (CNY5,000)	Not e 4	-	-	-	-	937	100.00%	100.00%	937	-	-
Xiaoxian Huaguan	Sales of kaolinite, magnet, feldspar, and silica sand	182,736 (CNY42,300)	Not e 4	-	-	-	-	(12,460)	100.00%	100.00%	(12,460)	153,985	-
Seagull Champion	Sales of daily supplies, ceramics for daily use, art ceramics, electrical porcelain, refractories and heat insulators, acid and alkali resistance ceramic tiles, mosaic tiles, and other building materials	733,493 (CNY169,790)	Not e 7	-	-	-	-	65,688	43.46%	43.46%	65,688	385,298	-

ii. Limits on investments in the Mainland region:

Accumulated investment amount remitted from Taiwan to the Mainland region at the end of the period	Investment amount approved by the Investment Commission, MOEA	Limits for investment in the Mainland region according to the requirements of the Investment Commission, MOEA
1,940,614 (USD69,061)	3,032,945 (USD107,934)	3,310,141

USD exchange rate: US\$1:NT\$28.1; RMB exchange rate: RMB1:NT\$4.32

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Note 1: Investments in Mainland companies made through investing in the establishment of a company in a third region.

Note 2: Refer to the return on investments regarding investments made through investing in the establishment of a company in a third region of NT\$257,784 thousand (US\$8,150 thousand), cash investments of NT\$229,633 thousand (US\$7,260 thousand), and investments in Sinyih China of NT\$926,443 thousand (US\$24,290 thousand).

Note 3: The portion of investment gains or losses recognized for the period related to Sinyih China includes 70% of the investment return of Sinyih Penglai; the portion related to Sinyih Penglai is the 30% of investments regarding investments made through investing in the establishment of a company in a third region, and was recognized using equity method based on the financial statements of the above investee companies for the same period certified based on CPAs.

Note 4: Refer to the 100% investments in Sinyih China.

Note 5: According to the relevant requirements under the “Review Principles for Investments or Technical Cooperation in the Mainland Region” amended by the Investment Commission on 29 August 2008, the investment limits in the Mainland region shall be the higher of the Company’s net value and 60% of the Consolidated Company’s net value.

Note 6: Jinyuan Ceramics (金元陶瓷) was derecognized on 31 December 2017; however, the Company has not made alteration registration with the Investment Commission; therefore, the accumulated investment amount remitted from Taiwan to the Mainland region at the end of the period still includes its initial investment amount of US\$1,810 thousand.

Note 7: Refer to 43.46% of the investments held through Sinyih China.

iii. Significant transactions:

For significant direct or indirect transactions between the Consolidated Company and the investee companies in the Mainland region (written-off upon the preparation of the consolidated statements.) during 2020, please see the detailed descriptions in “Information related to significant transactions.”

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

(4) Information on major shareholders

Unit: Share

Name of Major Shareholders	Shares	Number of shares held	Shareholding
Investment Account of United Commercial Bank Entrusted with Citibank Taiwan Ltd.		32,151,024	7.41%
De Qian Investment Co., Ltd. (德謙投資股份有限公司)		29,039,372	6.69%
Gui Cheng Investment Co., Ltd. (貴誠投資股份有限公司)		27,378,372	6.31%
LIN, JUNG-TE		26,222,000	6.04%
Feng De Industrial Co., Ltd. (豐德實業股份有限公司)		25,347,235	5.84%
Zhong Yang Industrial Co., Ltd. (仲洋實業股份有限公司)		25,207,957	5.81%
Feng Deng Enterprise Co., Ltd. (豐登興業股份有限公司)		23,743,702	5.47%

**14. Segment Information**

(1) General

The Consolidated Company has three reportable segments: tiles business segment, Chinese business segment, and other segment. The tiles business segment engages in manufacturing, sales and purchase of various floor tiles, wall tiles, polished tiles, and functional tiles in the Taiwan region. The Chinese business segment engages in manufacturing, sales and purchase of high-end stone materials substitutes, slate tiles, functional tiles and other products in the China region. The other segment engages in investment businesses.

The reportable segments of the Consolidated Company are strategic business units that provide different products and services. Strategic business units shall be managed individually as they requires different technologies and marketing strategies. Most of the business units are acquired separately, and the management teams at the time of acquisition were retained.

No income tax expenses (gains) or non-regular profit or loss of the Consolidated Company is allocated to any reportable segments. Furthermore, only profit or loss of certain reportable segments include significant non-cash items other than depreciation and amortization. The amount reported are consistent with the statements used by the operating decision-maker.

Information and reconciliation between the operating segments of the Consolidated Company are as follows:

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

2020	Tiles business segment	Chinese business segment	Others	Adjustments and written-off	Consolidation
External income	\$2,751,470	857,531	-	-	3,609,001
Intra-departmental income	-	1,367	-	(1,367)	-
Total income	<b><u>\$2,751,470</u></b>	<b><u>858,898</u></b>	<b><u>-</u></b>	<b><u>(1,367)</u></b>	<b><u>3,609,001</u></b>
Interest expenses	\$ 31,378	88,029	3,112	(38,823)	83,696
Depreciation and amortization	177,791	274,580	-	-	452,371
Profit or loss before tax of the department	<b><u>\$ 451,947</u></b>	<b><u>(757,488)</u></b>	<b><u>(7,622)</u></b>	<b><u>21</u></b>	<b><u>(313,142)</u></b>
Total assets of the department (Note)	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Total liabilities of the department (Note)	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

2020	Tiles business segment	Chinese business segment	Others	Adjustments and written-off	Consolidation
External income	\$2,735,517	1,985,514	9,212	-	4,730,243
Intra-departmental income	-	3,285	-	(3,285)	-
Total income	<b><u>\$2,735,517</u></b>	<b><u>1,988,799</u></b>	<b><u>9,212</u></b>	<b><u>(3,285)</u></b>	<b><u>4,730,243</u></b>
Interest expenses	\$ 38,050	99,336	3,343	(31,988)	108,741
Depreciation and amortization	176,490	354,555	-	-	531,045
Profit or loss before tax of the department	<b><u>\$ 98,303</u></b>	<b><u>(519,889)</u></b>	<b><u>3,274</u></b>	<b><u>(62)</u></b>	<b><u>(418,374)</u></b>
Total assets of the department (Note)	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Total liabilities of the department (Note)	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

(Note) The disclosable measurements of assets and liabilities are 0 as the measurements of assets and liabilities the Consolidated Company were not provided to the operating decision-maker.

(2) Overall corporate information

i. Information on products and services

Information on income from external customers of the Consolidated Company is as follows:

<b>Name of products</b>	<b>2020</b>	<b>2019</b>
Quartz bricks	\$ 1,174,982	1,486,331
External tiles	499,856	458,898
Slate tiles	1,277,615	1,844,080
Floor tiles	49,647	104,686
Wall tiles	168,802	401,109
Others	438,099	435,139
Total	<b><u>\$ 3,609,001</u></b>	<b><u>4,730,243</u></b>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

ii. Geographical information

The geographical information of the Consolidated Company is set out as below. Income is categorized based on the geographical location of customers, and non-current assets are categorized based on the geographical location of assets.

Income from external customers:

<u>Region</u>	<u>2020</u>	<u>2019</u>
Asia	\$ 3,562,386	4,623,994
America	4,864	6,769
Australia	15,768	50,481
Others	<u>25,983</u>	<u>48,999</u>
Total	<u>\$ 3,609,001</u>	<u>4,730,243</u>

**Champion Building Materials Co., Ltd. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements (Cont'd)**

Non-current assets		
<u>Region</u>	<u>2020</u>	<u>2019</u>
Taiwan region	\$ 1,817,033	1,847,082
Mainland region	2,630,692	2,950,391
Total	<b><u>\$ 4,447,725</u></b>	<b><u>4,797,473</u></b>

Non-current assets include property, plant and equipment, right-of-use assets, investment properties, intangible assets, prepayment for equipment, and long-term rental prepaid.

iii. Information on significant customers

No income received from any single customer of the Consolidated Company accounted for 10% of the consolidated income or above.

## **Independent Auditors' Report**

The Board of Directors  
Champion Building Materials Co., Ltd.

### **Opinion**

We have audited the balance sheets of Champion Building Materials Co., Ltd. (the "Company") as of December 31 2020 and 2019, the statements of comprehensive income, statements of changes in equity, statements of cash flows for the years then ended, and the notes to individual financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying individual 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 ended December 31 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. 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 ROC, 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 individual financial statements of the Company for the year ended 31 December 2020. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. According to our judgment, key audit matters to be communicated in the audit report are as follows:

#### **I. Income Recognition**

For details of accounting policies related to income recognition, please refer to Note 4(15) Income recognition in the notes to individual financial statements. For details of description for income recognition, please refer to Note 6(16) Income from contract with customers in the notes to individual financial statements.

#### **Description for the Key Audit Matter:**

Champion Building Materials Co., Ltd. primarily engages in the manufacturing and trading of ceramics, ceramic products, stone products, and fire-resistant materials. Income is the primary source of cash inflows for its corporate operations, and is also a matter concerned by the user of the financial statements. Therefore, income recognition is a matter that requires great attention for our audits on the financial statements.

Corresponding audit procedures:

The primary audit procedures we performed for the abovementioned key audit matter include:

- We evaluated the appropriateness of accounting policies for income recognition;
- We performed circular internal control testing for sales income and checked the accuracy regarding the time spot of income recognition;
- We performed a variance analysis for top 10 customers of sales to evaluate whether any significant anomaly exists, and sent out inquiries to counterparties for evidence;
- We selected a period of time before and after the balance sheet date to verify relevant certificates, so as to confirm that relevant transactions had been accounted for appropriately.

## II. Inventory Valuation

For details of accounting policies related to inventory valuation, please refer to Note 4(7) Inventory in the notes to individual financial statements. For details of uncertainties in accounting estimates and assumptions related to inventory valuation, please refer to Note 5(2) in the notes to individual financial statements. For descriptions on inventory valuation, please refer to Note 6(4) in the notes to individual financial statements:

Description for the Key Audit Matter:

The inventory amount of Champion Building Materials Co., Ltd. is presented at the lower of costs and net realizable amount. As the Company is in an industry related to real estate, the poor economic environment for real estate may result in more significant fluctuation in the selling prices of products, which may, in turn, generate risks where the inventory costs are higher than the net realizable value. Therefore, inventory valuation is a matter that requires great attention for our audits on the financial statements.

Corresponding audit procedures:

The primary audit procedures we performed for the abovementioned key audit matter include:

- We examined the statements of inventory age and analyzed the changes of inventory age in different periods. We also sample-checked whether inventories are in the correct range of age;
- We evaluated the reasonableness of ratio for the allowance for inventory price drops or obsolete losses;
- We evaluated whether inventory valuation had been executed according to the existing accounting policies. We evaluated the basis adopted for net realizable value to verify the accuracy used by the management in estimating the valuation of allowance for inventory.

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

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

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

Those charged with governance of Champion Building Materials Co., Ltd., including the Audit Committee, are responsible for overseeing the financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the individual 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 ROC will always detect a material misstatement in the individual financial statements 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 individual financial statements.

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

1. Identify and assess the risks of material misstatement of the individual 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 Champion Building Materials Co., Ltd.'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 Champion Building Materials Co., Ltd.'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 individual 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 individual financial statements, including relevant notes, and whether the individual 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 investee companies accounted for using the equity method to express an opinion on the individual financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for forming the audit opinion for the Champion Building Materials Co., Ltd..

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 provided those charged with governance with a statement that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may be thought to bear on our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determined key audit matters of the financial statements of the Champion Building Materials Co., Ltd. for the year ended 31 December 2020. We describe these matters in our auditor's 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 communications.

KPMG Taiwan

Chen Chung-Che

CPA:

LAI Li-Chen

Financial Supervisory Commission Approval No. Securities and Futures Commission Approval No.  
Jin-guan-zheng-shen-zi No. 1000011652 (89) Tai-cai-zheng-(liu)-zi No. 62474

March 30, 2021

Champion Building Materials Co., Ltd.

Balance Sheet

31 December 2020 and 2019

Unit: NT\$000'

Asset	2020.12.31		2019.12.31		Liabilities and Equity	2020.12.31		2019.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current asset</b>					<b>Current liabilities:</b>				
1100 Cash and cash equivalents (Note 6(1))	\$ 1,816,230	25	1,435,067	18	2100 Short-term borrowings (Notes 6(9) and 8)	\$ 395,000	5	86,783	1
1120 Financial assets at fair value through other comprehensive income - Current (Note 6(2) and (19))	12,631	-	14,276	-	2130 Contract liabilities - Current (Note 6(16))	4,631	-	2,611	-
1150 Net note receivables (Notes 6(3) and (19))	387,938	5	348,003	4	2150 Note payables	111,558	1	117,653	1
1170 Net account receivables (Notes 6(3), (16), (19) and 7)	254,623	3	287,679	4	2170 Account payables	133,820	2	156,850	2
1210 Other receivables )Related parties (Notes 6(19) and 7)	655,385	9	566,655	7	2200 Other payables (Notes 6(19) and 7)	174,892	3	158,930	2
1310 Inventory - Manufacturing industry (Note 6(4))	841,782	11	759,634	10	2230 Income tax liabilities for the period (Note 6(13))	62,914	1	-	-
1320 Inventory (applicable to the construction industry) (Notes 8 and 12)	65,344	1	65,344	1	2251 Allowance for liabilities of employees' benefits (Notes 6(12))	16,389	-	21,067	-
1410 Prepayment	83,923	1	85,121	2	2280 Lease liabilities - Current (Note 6(19))	11,412	-	11,389	-
1476 Other financial assets - Current (Notes 6(19) and 8)	123,443	2	2,291	-	2320 Long-term liabilities due within one year or an operating cycle (Notes 6(10) and 8)	120,000	2	65,555	1
1479 Other current assets - Others	2,435	-	2,683	-	2399 Other current liabilities - Others	14,847	-	14,717	-
	<u>4,243,734</u>	<u>57</u>	<u>3,566,753</u>	<u>46</u>		<u>1,045,463</u>	<u>14</u>	<u>635,555</u>	<u>7</u>
<b>Non-current asset:</b>					<b>Non-current liabilities:</b>				
1517 Financial assets at fair value through other comprehensive income - Non-current (Notes 6(2) and (19))	10,000	-	10,000	-	2540 Long-term borrowings (Notes 6(10) and 8)	1,015,847	14	1,133,249	15
1550 Investments accounted for using equity method (Note 6(5))	1,570,494	20	2,350,438	30	2570 Deferred income tax liabilities (Note 6(13))	101,054	1	105,188	2
1600 Property, plant and equipment (Notes 6(6) and 8)	1,623,913	21	1,668,013	21	2580 Lease liabilities - Non-current (Note 6(19))	16,044	-	17,518	-
1755 Right-of-use assets (Note 6(7))	24,990	-	26,636	-	2640 Net liabilities for defined benefits - Non-current (Note 6(12))	11,161	-	25,725	-
1760 Net investment properties (Notes 6(8) and 8)	114,434	1	114,699	1	2645 Guarantee deposit received	908	-	908	-
1780 Intangible assets	1,707	-	4,538	-		<u>1,145,014</u>	<u>15</u>	<u>1,282,588</u>	<u>17</u>
1840 Deferred income tax assets (Note 6(13))	33,612	-	48,762	1	<b>Total liabilities</b>	<u>2,190,477</u>	<u>29</u>	<u>1,918,143</u>	<u>24</u>
1915 Prepayment for equipment (Note 9)	50,537	1	31,001	1	<b>Equity (Note 6(14)):</b>				
1920 Refundable deposits	2,702	-	3,623	-	3100 Share capital	4,337,821	56	4,337,821	55
1990 Other non-current assets - Others	31,256	-	26,164	-	3200 Capital reserve	157,999	2	157,999	2
	<u>3,463,645</u>	<u>43</u>	<u>4,283,874</u>	<u>54</u>	3300 Retained earnings	636,586	8	1,041,760	13
<b>Total asset</b>	<u>\$ 7,707,379</u>	<u>100</u>	<u>7,850,627</u>	<u>100</u>	3400 Other equity	384,496	5	394,904	6
					<b>Total equity</b>	<u>5,516,902</u>	<u>71</u>	<u>5,932,484</u>	<u>76</u>
					<b>Total liabilities and equity</b>	<u>\$ 7,707,379</u>	<u>100</u>	<u>7,850,627</u>	<u>100</u>

(Please read the accompanying notes to individual financial statements)

Chairman: LIN, RONG-DE

Manager: LIN, RONG-DE

Chief Auditor: LIAO, HUI-YI

**Champion Building Materials Co., Ltd.**

**Statements of Comprehensive Income**

**For the Year Ended December 31 2020 and 2019**

**Unit: NT\$000'**

		<u>2020</u>		<u>2019</u>	
		Amount	%	Amount	%
<b>Operating income (Notes 6(16) and 7):</b>					
4110	Sales income	\$2,822,096	104	2,872,065	106
4511	Construction income	-	-	9,212	-
4170	Less: Sales return	44,937	2	100,758	3
4190	Sales discounts	65,206	2	77,242	3
<b>Net operating income</b>		<u>2,711,953</u>	<u>100</u>	<u>2,703,277</u>	<u>100</u>
<b>Operating costs (Notes 6(4), (12), 7, and 12):</b>					
5110	Sales costs	1,842,252	68	2,075,371	77
5510	Construction costs	-	-	9,992	-
		<u>1,842,252</u>	<u>68</u>	<u>2,085,363</u>	<u>77</u>
5900	<b>Operating gross profit</b>	<u>869,701</u>	<u>32</u>	<u>617,914</u>	<u>23</u>
6000	<b>Operating expenses (Notes 6(3), (11), (12), and 12):</b>				
6100	Marketing expenses	247,837	9	293,256	11
6200	Management fees	155,571	6	170,360	6
6300	R&D expenses	23,671	1	26,590	1
6450	Expected credit impairment losses (gains)	5,728	-	(6,314)	-
<b>Total operating expenses</b>		<u>432,807</u>	<u>16</u>	<u>483,892</u>	<u>18</u>
6900	<b>Net operating profit</b>	<u>436,894</u>	<u>16</u>	<u>134,022</u>	<u>5</u>
<b>Non-operating income and expenses:</b>					
7010	Other income (Notes 6(11) and (18))	38,081	1	32,250	1
7020	Other gains and losses (Note 6(18))	11,047	-	(27,822)	(1)
7050	Financial costs (Note 6(18))	(31,331)	(1)	(37,989)	(1)
7070	Share of profit or loss from subsidiaries, associates, and joint ventures accounted for using the equity method	(767,048)	(28)	(518,556)	(19)
<b>Total non-operating income and expenses</b>		<u>(749,251)</u>	<u>(28)</u>	<u>(552,117)</u>	<u>(20)</u>
<b>Net loss before tax</b>		<u>(312,357)</u>	<u>(12)</u>	<u>(418,095)</u>	<u>(15)</u>
7950	<b>Less: Income tax expenses</b>	<u>90,510</u>	<u>3</u>	<u>7,095</u>	<u>-</u>
<b>Net loss for the period</b>		<u>(402,867)</u>	<u>(15)</u>	<u>(425,190)</u>	<u>(15)</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified into profit or loss</b>				
8311	Remeasurements of defined benefit plans	(2,307)	-	11,267	-
8316	Unrealized valuation (losses) gains from equity instruments at fair value through other comprehensive income	(1,645)	-	(849)	-
8330	Share of other comprehensive income from subsidiaries, associates, and joint ventures accounted for using equity method - Items that will not be reclassified into profit or loss	7,768	-	(2,285)	-
8349	Less: Income tax related to items that will not be	-	-	-	-

**(Please read the accompanying notes to individual financial statements)**

**Chairman: LIN, RONG-DE    Manager: LIN, RONG-DE    Chief Auditor: LIAO, HUI-YI**

	reclassified				
	<b>Total items that will not be reclassified into profit or loss</b>	<u>3,816</u>	<u>-</u>	<u>8,133</u>	<u>-</u>
8360	<b>Items that may subsequently be reclassified into profit or loss</b>				
8361	Exchange differences arising from the translation of financial statements of institutions operating overseas	(20,664)	(1)	(78,134)	(3)
8399	Less: Income tax related to items that may subsequently be reclassified into profit or loss	<u>(4,133)</u>	<u>-</u>	<u>(15,627)</u>	<u>(1)</u>
	<b>Total items that may subsequently be reclassified into profit or loss</b>	<u>(16,531)</u>	<u>(1)</u>	<u>(62,507)</u>	<u>(2)</u>
8300	<b>Other comprehensive income for the period</b>	<u>(12,715)</u>	<u>(1)</u>	<u>(54,374)</u>	<u>(2)</u>
	<b>Total comprehensive income for the period</b>	<u>\$ (415,582)</u>	<u>(16)</u>	<u>(479,564)</u>	<u>(17)</u>
9750	<b>Basic loss per share (NT\$) (Note 6(15))</b>	<u>\$</u>	<u>(0.93)</u>	<u>(0.98)</u>	

(Please read the accompanying notes to individual financial statements)

Chairman: LIN, RONG-DE    Manager: LIN, RONG-DE    Chief Auditor: LIAO,  
HUI-YI

**Champion Building Materials Co., Ltd.**  
**Statements of Changes in Equity**  
**For the Year Ended December 31 2020 and 2019**

**Unit: NT\$000'**

	Ordinary share capital	Capital reserve	Statutory surplus reserve	Retained earning		Total	Other equity items			Total equity
				Special surplus reserve	Undistribut ed earnings		Exchange differences arising from the translation of financial statements of institutions operating overseas	Unrealized valuation gains (losses) from equity instruments at fair value through other comprehensive income	Total	
<b>Balance on 1 January 2019</b>	\$ 4,337,821	157,999	501,090	121,349	833,244	1,455,683	456,485	4,060	460,545	6,412,048
Net loss for the period	-	-	-	-	(425,190)	(425,190)	-	-	-	(425,190)
Other comprehensive income for the period	-	-	-	-	11,267	11,267	(62,507)	(3,134)	(65,641)	(54,374)
Total comprehensive income for the period	-	-	-	-	(413,923)	(413,923)	(62,507)	(3,134)	(65,641)	(479,564)
Balance on 31 December 2019	4,337,821	157,999	501,090	121,349	419,321	1,041,760	393,978	926	394,904	5,932,484

(Please read the accompanying notes to individual financial statements)

**Chairman: LIN, RONG-DE    Manager: LIN, RONG-DE    Chief Auditor: LIAO, HUI-YI**

Net loss for the period	-	-	-	-	(402,867)	(402,867)	-	-	-	(402,867)
Other comprehensive income for the period	-	-	-	-	(2,307)	(2,307)	(16,531)	6,123	(10,408)	(12,715)
Total comprehensive income for the period	-	-	-	-	(405,174)	(405,174)	(16,531)	6,123	(10,408)	(415,582)
<b>Balance on 31 December 2020</b>	<b>\$ 4,337,821</b>	<b>157,999</b>	<b>501,090</b>	<b>121,349</b>	<b>14,147</b>	<b>636,586</b>	<b>377,447</b>	<b>7,049</b>	<b>384,496</b>	<b>5,516,902</b>

(Please read the accompanying notes to individual financial statements)

**Chairman: LIN, RONG-DE    Manager: LIN, RONG-DE    Chief Auditor: LIAO, HUI-YI**

**Champion Building Materials Co., Ltd.**  
**Statements of Cash Flows**  
**For the Year Ended December 31 2020 and 2019**

Unit: NT\$000'

	2020	2019
<b>Cash flows from operating activities:</b>		
<b>Net loss before tax for the period</b>	\$ (312,357)	(418,095)
<b>Adjusted for:</b>		
Items of profit or loss		
Depreciation expenses	156,243	158,141
Amortization expenses	20,759	17,142
Expected credit impairment losses (gains reversal)	5,728	(6,314)
Net gains on financial assets and liabilities at fair value	-	(108)
through profit or loss		
Interest expenses	31,331	37,989
Interest income	(31,005)	(23,890)
Dividend income	(400)	(1,674)
Share of losses from subsidiaries, associates, and joint ventures accounted for using the equity method	767,048	518,556
Losses (gains) on disposals and scrapping of property, plant and equipment	428	(222)
Losses from changes in lease	7	-
Total items of profit or loss	950,139	699,620
<b>Changes in asset/liabilities related to operating activities:</b>		
<b>Net changes of asset related to operating activities:</b>		
Increase in note receivables	(39,935)	(73,920)
Decrease (increase) in account receivables	32,958	(34,469)
(Increase) decrease in inventory	(79,421)	32,823
Decrease in prepayments	1,198	8,995
Decrease (increase) in other current assets	247	(656)
(Increase) decrease in other financial assets - Current	(4,370)	1,781
Total net changes of asset related to operating activities	(89,323)	(65,446)
<b>Net changes of liabilities related to operating activities:</b>		
Increase in contract liabilities	2,020	1,083
(Decrease) increase in note payables	(6,095)	15,752
Decrease in account payables	(23,030)	(2,748)
Increase in other payables	15,752	1,475
Decrease in allowance for liabilities	(4,678)	(8,985)
Increase in other current liabilities	130	4,728
Net decrease in liabilities for defined benefits	(16,871)	(28,914)
Total net changes in liabilities related to operating activities	(32,772)	(17,609)
<b>Total net changes in assets and liabilities related to</b>	<b>(122,095)</b>	<b>(83,055)</b>

operating activities		
Total adjustments	<u>828,044</u>	<u>616,565</u>
Cash inflow generated from operations	515,687	198,470
Interests paid	(28,422)	(32,598)
Income tax paid	<u>(12,447)</u>	<u>(2,970)</u>
<b>Net cash inflow from operating activities</b>	<u>474,818</u>	<u>162,902</u>

**Champion Building Materials Co., Ltd.**  
**Statements of Cash Flows (Cont'd)**  
**For the Year Ended 31 December 2020 and 2019**

**Unit: NT\$000'**

	2020	2019
<b>Cash flows from investment activities:</b>		
Acquisition of property, plant and equipment	(88,661)	(71,561)
Disposal of property, plant and equipment	433	222
Increase in refundable deposits	-	(1,297)
Decrease in refundable deposits	921	477
Decrease in other receivables - Related parties	(88,730)	(251,827)
Acquisition of intangible assets	(390)	(1,896)
(Increase) decrease in other financial assets - Current	(122,412)	150,000
Decrease in other non-current assets	(25,357)	(22,027)
Increase in prepayments for equipment	(30,953)	(22,151)
Interests received	31,005	22,767
Dividend received	400	1,674
<b>Net cash outflow from investment activities</b>	<b>(323,744)</b>	<b>(195,619)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	904,930	700,436
Decrease in short-term borrowings	(596,713)	(1,225,225)
Long-term borrowings	-	1,193,249
Repayment for long-term borrowings	(65,656)	(1,051,366)
Repayment for lease principals	(12,472)	(5,584)
<b>Net cash inflows (outflows) from financing activities</b>	<b>230,089</b>	<b>(388,490)</b>
Increase (decrease) in cash and cash equivalents for the period	381,163	(421,207)
Opening balance for cash and cash equivalents	1,435,067	1,856,274
Closing balance for cash and cash equivalents	<b>\$ 1,816,230</b>	<b>1,435,067</b>

(Please read the accompanying notes to individual financial statements)

**Chairman: LIN, RONG-DE    Manager: LIN, RONG-DE    Chief Auditor: LIAO, HUI-YI**

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements**  
**For the Year Ended December 31 2020 and 2019**  
**(Except for otherwise stated, all amounts are in NT\$000')**

1. General Information

Champion Building Materials Co., Ltd. (the "Company") was established in November 1972 according to the law, with its registered address at No.200-7, Zhugaocuo, Dapu Vil., Zhunan Township, Miaoli County, Taiwan (R.O.C.). The Company primarily engages in the manufacturing business of ceramics, ceramic products, stone products, fire-resistant materials, and other chemical products, and the development business for particular industry zones, new towns, and new communities.

The Company was initially named "Xinyi Ceramics Industrial Co., Ltd.," and the Company's name was changed to "Champion Building Materials Co., Ltd." upon receiving the approval at the Shareholders' Meeting on 6 June 2003. The name alteration case was approved by and archived at the Ministry of Economics on 20 June 2003.

2. Date and Procedures for the Approval of Financial Statements

The individual financial statements were approved for issuance by the board of directors (the "Board") on 30 March 2021.

3. Application of New and Amended Standards and Interpretations

(1) Effects of adopting new and amended standards and interpretations endorsed by the Financial Supervisory Commission (the "FSC")

The following newly revised International Financial Reporting Standards (the "IFRS") are applicable to the Company starting from 1 January 2020, and they had no significant effect on the individual financial statements.

- Amendments to IFRS 3 "Definition of Business"
- Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IFRS 8 "Definition of Materiality"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

(2) Effects of IFRSs endorsed by the FSC not yet adopted

Based on the evaluation, the following newly revised IFRSs that became

effective from 1 January 2021 are applicable to the Company, and they have no significant effect on the individual financial statements.

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(3) New and amended standards and interpretations not yet endorsed by the FSC

The Company expects that the following new and amended standards and interpretations not yet endorsed have no significant effect on the individual financial statements.

- Amendments to IAS 28 “Sale or Contribution of Assets between An Investor and Its Joint Venture or Associate”
- IFRS 17 “Insurance Contract” and amendments to IFRS 17

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contract - Cost of Fulfilling A Contract”
- Annual Improvements to IFRSs 2018–2020 Cycle
- Amendments to IFRS 3 “References to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IFRS 8 “Definition of Accounting Estimate”

4. Summary of Significant Accounting Policies

The summary of significant accounting policies adopted for the individual financial statements is described as follows. The following accounting policies are consistently applied to all periods presented in the individual financial statements.

(1) Statement of compliance

The individual financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

(2) Basis of preparation

i. Basis of measurements

Except for the following material items in the balance sheet, the preparation of the individual financial statements is based on historical costs:

- (i) Financial assets at fair value through other comprehensive income; and
- (ii) Net liabilities for defined benefits, which are measured at the fair value of pension fund assets less the current value of the defined benefit obligations and the cap effects described in Note 4(16).

ii. Functional currency and presentation currency

The Company’s functional currency is the currency used in the primary economic environment where it operates. The individual financial statements are presented in New Taiwan Dollars (NTD), the functional currency of the Company. All financial information presented in NTD is in thousands (NT\$000’).

(3) Foreign currency

i. Foreign currency transaction

Foreign currency transactions are translated into the functional currency at the

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

exchange rate prevailing on the transaction date. Subsequently, monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the end of each reporting period (the "Reporting Date"). Non-monetary items denominated in foreign currencies measured at fair value are translated into the functional currency at the exchange rate prevailing on the date of fair value measurement. Non-monetary items denominated in foreign currencies measured at historical costs are translated at the rate prevailing on the transaction date.

Foreign currency exchange differences arising from the translation are generally recognized in profit or loss, except for the following items that are recognized in other comprehensive income:

- (i) Equity instruments designated at fair value through other comprehensive income;
- (ii) Financial liabilities designated as a hedge for net investment in a foreign operating institution that is within the effective scope of the hedge; or
- (iii) A hedge for qualified cash flows that are within the effective scope of the hedge.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

ii. Foreign operating institution

Assets and liabilities of a foreign operating institution include goodwill and adjustments to fair value arising from acquisitions, which are translated into NTD at the currency rate prevailing on the Reporting Date. Items of gains and expenses are translated into NTD at the average currency rate for the period, and the exchange differences arising thereof are recognized in other comprehensive income.

Any loss of control, common control, or significant effect arising from the disposal of a foreign operating institution, the cumulative exchange differences related to the foreign operating institution are fully reclassified to profit or loss. For partial disposal involving a subsidiary of a foreign operating institution, relevant cumulative exchange differences are reclassified to non-controlling interests in proportion. For partial disposal involving an investment in the associate or joint venture of a foreign operating institution, relevant cumulative exchange differences are reclassified to profit or loss in proportion.

For monetary items receivable or payable of a foreign operating institution, where there is no settlement plan, and such items are unlikely to be settled in the foreseeable future, the gains or losses on the foreign currency exchange arising thereof are deemed as a part of the net investment of the foreign operating institution, and are recognized in other comprehensive income.

(4) Standards for the classification of current and non-current assets and liabilities

Assets fulfilling any of the following conditions are recognized as current assets; all other assets that are not current assets are recognized as non-current assets:

- i. Assets expected to be realized or intended to be sold or consumed during its normal operating cycle;
  - ii. Assets held primarily for trading;
  - iii. Assets expected to be realized within twelve months after the reporting period;
- or
- iv. Assets are cash or cash equivalents, but assets that will be exchanged or used for settling liabilities or otherwise restricted are excluded.

Liabilities fulfilling any of the following conditions are recognized as current liabilities; all other liabilities that are not current liabilities are recognized as non-current liabilities:

- i. Liabilities expected to be settled during its normal operating cycle;

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- ii. Liabilities held primarily for trading;
- iii. Liabilities expected to fall due and be settled within twelve months after the reporting period; or
- iv. Liabilities with a settlement period that cannot be unconditionally deferred to at least twelve months after the reporting period. Settlement of the liabilities' terms may occur due to the issuance of equity instruments upon selecting the counterparty, which shall have no effect on its classification.

**(5) Cash and cash equivalents**

Cash includes cash on hand and current deposits. Cash equivalents are short-term investments with high liquidity that can be converted into a fixed amount of cash at any time and has minimal risks. Current deposits that fulfill the definition above and the purpose of holding is to satisfy short-term cash commitments, instead of investments or other purposes, are presented under cash equivalents.

Bank overdrafts that are immediately repayable and belong to a part of the Company's overall cash management are presented as a component of cash and cash equivalents in the statements of cash flows.

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**Notes to Individual Financial Statements (Cont'd)**

(6) Financial instruments

Account receivables and debt securities issued are initially recognized upon occurrence. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual term of the financial instruments. Financial assets or financial liabilities not at fair value through profit or loss (excluding account receivables without significant financial components) are initially measured at fair value, plus transaction costs directly attributable to the acquisition or issuance. Account receivables with significant financial components are initially measured at the transaction price.

i. Financial assets

For regular way purchases or sales of financial assets, the Company consistently adopts trade day or closing date accounting for all purchases and sales of financial assets that are classified in the same manner.

Upon initial recognition, financial assets are classified as financial assets at amortized costs, equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit or loss. The Company reclassifies all financial assets being affected on the first day of the next reporting period when changes occurred to the operating model for managing its financial assets.

(i) Financial assets at amortized costs

Financial assets fulfilling the following conditions and are not designated at fair value through profit or loss are measured at amortized costs:

- Financial assets are held under an operating model for receiving contractual cash flows.
- Contract terms of the financial assets generate cash flows on specific dates, which are fully used for paying principals and outstanding interests of the principals.

Such assets are subsequently measured at the initially recognized amount plus/less accumulated amortization calculated using the effective interest method, with adjustments for amortized costs of any loss allowance. Interest income, gains or losses on foreign currency exchange, and impairment losses are recognized in profit or loss. Upon derecognition, gains or losses are included in profit or loss.

(ii) Financial assets at fair value through other comprehensive income

Investments in debt instruments fulfilling the following conditions that are

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not designated at fair value through profit or loss are measured at fair value through other comprehensive income:

- **Financial assets** are held under an operating model for receiving contractual cash flows and sales.
- Contract terms of the financial assets generate cash flows on specific dates, which are fully used for paying principals and outstanding interests of the principals.

Upon initial recognition, the Company irrevocably selects to include changes in investments in equity instruments subsequently measured at fair value not held for trading in other comprehensive income. The above selection is made on a case-by-case basis for instruments.

Investments in equity instruments are subsequently measured at fair value. Interest income, gains or loss on foreign currency exchange, and impairment losses calculated using the effective method are recognized in profit or loss; their remaining net gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated amounts of other comprehensive income are reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (except for income substantially representing the recovery of partial investments) is recognized in profit or loss. The remaining net gains or losses are recognized in other comprehensive income and will not be reclassified to profit or loss.

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**Notes to Individual Financial Statements (Cont'd)**

Dividend income from equity investments is recognized on the day when the Company is entitled to receiving the dividends (ex-dividend date in general).

(iii) Financial assets at fair value through profit or loss

Financial assets not measured at amortized costs or measured at fair value through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. Upon initial recognition, the Company may irrevocably designate financial assets satisfying the conditions for being measured at amortized costs or at fair value through other comprehensive income as financial assets at fair value through profit or loss to eliminate to significantly minimize accounting mismatch.

Such assets are subsequently measured at fair value, and their net gains or losses (including any dividend and interest income) are recognized in profit or loss.

(iv) Impairment of financial assets

The Company recognize loss allowance for financial assets at amortized costs (including cash and cash equivalents, financial assets at amortized costs, note receivables and account receivables, other receivables, refundable deposits, and other financial assets), investments in debt instruments measured at fair value through other comprehensive income, and expected credit loss (the "ECL") of contract assets.

The loss allowance for the following financial assets is measured at 12-month ECL, and the remaining are measured at lifetime ECL:

- Debt securities are determined as having low credit risks at the Reporting Date; and
- Credit risks for other debt securities and bank deposits (risk of default regarding the financial instruments during the expected lifetime) have not significantly increased since initial recognition.

Loss allowance for account receivables and contract assets are measured at lifetime ECL.

Lifetime ECL refers to the ECL that may occur due to any default of financial instruments during the expected lifetime.

12-month ECL refers to the ECL that may occur due to any default of financial

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instruments within twelve months after the Reporting Date (or a shorter period when the expected lifetime of financial instruments is less than twelve months).

The longest period for measuring ECL shall be the longest contractual period that the Company is exposed to credit risks.

To determine whether credit risks have significantly increased since the initial recognition, the Company considers reasonable and supportive information (available without undue costs or investments), including qualitative and quantitative information, and analysis based on the Company's historical experiences, credit evaluation, and forward-looking information.

ECL is the weighted estimated probability of credit loss of financial instruments during the expected lifetime. Credit loss is measured at the current value of all cash shortfalls; in other words, the differences between cash flows that the Company may receive according to the contract and the cash flows that the Company expected to receive. ECL is discounted at the effective rates of financial assets.

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At each Reporting Date, the Company evaluates whether there is any credit impairment that occurred to financial assets at amortized costs and debt securities measured at fair value through other comprehensive income. When one or multiple events unfavorable to the estimated future cash flows of financial assets occurred, such financial assets are credit impaired. Evidence of financial assets' credit impairment include observable data related to the following events:

- Significant financial difficulties of the borrower or issuer;
- Default, such as default or overdue for over 90 days;
- The Company provided concessions that would not have been considered to the borrower due to economic or contractual reasons related to the financial difficulties of the borrower;
- The borrower is likely to apply for bankruptcy or carry out other financial restructure; or
- No active market for financial assets due to financial difficulties.

Loss allowance for financial assets at amortized costs is deducted from the carrying amount of the assets. Loss allowance for investments in debt instruments measured at fair value through other comprehensive income is adjusted according to profit or loss and recognized in other comprehensive income (without deducting the carrying amount of assets).

When the Company is unable to reasonably expect the entire or partial recovery of financial assets, the Company directly reduces the gross carrying amount of its financial assets. For corporate customers, the Company separately analyzes the time and amount of write-off based on whether the amount of recovery may be reasonably expected. The Company expects that the written-off amount will not be significantly reversed. However, written-off financial assets may still be enforced to comply with the Company's procedures in recovering overdue amounts.

(v) Derecognition of financial assets

The Company derecognizes its financial assets upon the termination of contractual rights to the cash flows from the assets, or when the financial assets are transferred, and the substantial risks and compensation regarding

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**Notes to Individual Financial Statements (Cont'd)**

the ownership of the assets are transferred to other enterprises, or the substantial risks and compensation regarding the ownership of the assets are not transferred or retained, and the control over the financial assets is not retained.

The Company continues to recognize transactions entered into for the transfer of financial assets in the balance sheet when the substantial risks and compensation regarding the ownership of the transferred assets are retained.

ii. Financial liabilities and equity instruments

(i) Classification for liabilities or equity

Liabilities and equity instruments issued by the Company are classified into financial liabilities or equity according to the actual terms of the contractual agreement and the definition of financial liabilities and equity instruments.

(ii) Equity transactions

Equity instruments refer to any contract with remaining interests after all liabilities are deducted from the assets of the Consolidated Company.

The equity instruments issued by the Company are recognized at the amount equivalent to proceeds deducting direct issuance costs.

(iii) Other financial liabilities

Other financial liabilities are subsequently measured at amortized costs using the effective interest method. Interest expenses and gains or losses on exchanges are recognized in profit or loss. Upon derecognition, any gains or losses are recognized in profit or loss.

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(iv) Derecognition of financial liabilities

The Company derecognizes its financial liabilities upon the performance, cancellation, or expiry of contract obligations. When significant differences occur to the cash flows of liabilities upon or after the amendments to terms of financial liabilities, the Company derecognizes the original financial liabilities and recognizes new financial liabilities at fair value based on the amended terms.

Upon the derecognition of financial liabilities, the differences between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) are recognized in profit or loss.

(v) Offsetting of financial assets and liabilities

Financial assets and financial liabilities may be offset with its net amount presented in the balance sheet when the Company currently has legal rights to enforce the offset and intends to settle on a net basis or concurrently realize assets and settle liabilities.

(7) Inventory

Initial costs of inventories are necessary expenses incurred in bringing inventories to the condition and venue available for use, in which the fixed manufacturing expenses are allocated to finished goods and work in progress based on the normal production capacity of the production equipment, and the actual production amount is adopted as the bases for the allocation of changes in manufacturing expenses. Subsequently, it is measured at the lower of costs and net realizable value; costs are calculated using the standard cost method; net realizable value is calculated based on the estimated selling price less costs and sales expenses to be incurred until the completion under normal operation on the balance sheet date. Differences between standard costs and actual costs are fully recognized as operating costs.

(8) Investments in associates

Associates refer to entities where the Company has significant influences on its financial and operating policies but without control or joint control.

The Company adopts the equity method for the accounting of interests in

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**Notes to Individual Financial Statements (Cont'd)**

associates. Under the equity method, such interests are recognized at costs upon initial acquisition. Investment costs include transaction costs. The carrying amount of interests in associates include goodwill identified upon initial investments less any cumulative impairment loss.

The individual financial statements include the amount of gains or loss and other comprehensive income from investments in associates recognized by the Company according to the equity ratio after adjustments to accord with the accounting policies of the Company from the date of having the significant influence to the date of losing the significant influence. Any change in the interests in associates that are not gains or loss and other comprehensive income and have no effect on the shareholding of the Company in the associates, the Company recognizes the changes in interests regarding the share of associates attributable to the Company as capital reserve according to its shareholding ratio.

Unrealized gains and losses arising from transactions between the Company and associates are only recognized in the corporate financial statements when it is the interests of an investor that is not a related party in the associates.

When the share of losses from associates recognized by the Company at proportion equals to or exceeds its interests in the associates, the Company stops recognizing its losses, and recognizes additional losses and relevant liabilities only when legal obligation or constructive obligation occurred or when the Company had made payments for the investee company.

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**Notes to Individual Financial Statements (Cont'd)**

(9) Investments in subsidiaries

When preparing the individual financial statements, the Company assesses the investee companies it has control over using the equity method. Under the equity method, the allocation of the current profit or loss and other comprehensive income in the individual financial statements and the current profit or loss and other comprehensive income attributable to the owner of the parent company in the financial statements prepared on the consolidated basis are the same. Also, equity attributable to the owner in the individual financial statements and equity attributable to the owner of the parent company in the financial statements prepared on the consolidated basis is the same.

Changes in the ownership of the Company in subsidiaries without losing control are accounted for as equity transactions between owners.

(10) Investment properties

Investment properties refer to properties held for earning rentals or capital appreciation, or both, instead of held for sales during normal operations, used in production, provision of products or services, or for administrative management purposes. Investment properties are initially measured at costs, and subsequently measured at costs less accumulated depreciation and accumulated impairment. The depreciation methods, useful life, and residual value shall be subject to the requirements for property, plant, and equipment.

Gains or losses on disposals of investment properties (calculated as the differences between net disposal consideration and the carrying amount of the item) are recognized in profit or loss.

Rental gains of investment properties are recognized in other income on a straight-line basis. The lease incentives provided are recognized as a part of gains on lease during the lease period.

(11) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at costs (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment losses.

When significant components of property, plant and equipment have different useful lives, such components shall be accounted for as a single item of property, plant and equipment (major component).

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Gains or losses on the disposals of property, plant and equipment are recognized in profit or loss.

ii. Subsequent costs

Subsequent expenses are capitalized when the future economic benefits are likely to flow into the Company.

iii. Depreciation

Depreciation is calculated at assets costs less residual value, and are recognized in profit or loss during the estimated useful life of each component on a straight-line basis.

No depreciation is provided for lands.

The estimated useful life at the current and comparison periods is as follows:

Houses and buildings	20~55 years
Machine and equipment	2~10 years
Kiln and electrical equipment	5~15 years
Transportation equipment	5~10 years
Other equipment	3~10 years

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The Company examines its depreciation method, useful life, and residual value at least on the Reporting Date of each year. Where the estimated value differs from the previous estimation, the Company makes proper adjustments when necessary, and such changes shall be accounted for according to the requirements for changes in estimates.

(12) Lease

i. Determination for lease

The Company evaluates whether a contract is or includes a lease on the date of establishing the contract. When the contract transfers the control for the use of identified assets for a period in exchange for considerations, the contract is, or includes a lease. To evaluate whether the contract is a lease, the Company evaluates the following items:

- (i) When the contract involves and uses an identified asset, and the identified asset is expressively designated in the contract or implicitly designated when it is available for use, the asset may be classified as or represent all production capacity substantially. Where the supplier has the substantial rights to substitute the asset, the asset is not an identified asset; and
- (ii) Possess the rights to obtain nearly all economic benefits from the use of the identified asset throughout the period of use; and
- (iii) Obtain the rights to guide the use of the identified asset under any of the following circumstances:
  - Customers have the right to guide the use and using purposes of the identified asset throughout the period of use.
  - Decisions related to the use and using purposes of the asset are pre-determined, and:
    - Customers have the right to operate the asset throughout the period of use, and the supplier has no right to alter such operating instructions; or
    - The method adopted by the customers for the design of the asset

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pre-determines its use and using purposes throughout the period of use.

ii. Lessee

The Company recognizes right-of-use assets and lease liabilities on the commencement date of the lease. Right-of-use assets are initially measured at costs. Such costs include the initial measurements of lease liabilities, adjusted according to any lease payment paid on or before the commencement date of the lease, plus initial direct costs incurred and estimated costs to disassemble or remove the target asset and restore to its location or target assets, less any lease incentives received.

Right-of-use assets are subsequently depreciated during the period from the commencement date of the lease to the expiry of the right-of-use asset's useful life or the expiry of the lease period, whichever is earlier, on a straight-line basis. Furthermore, the Company regularly evaluates whether right-of-use assets are impaired and accounts for any impairment loss incurred, and adjusts the right-of-use assets for remeasurements that occurred to lease liabilities.

Lease liabilities are initially measured at the current value of the outstanding lease payment on the commencement date of the lease. Where the interest rate implicit in a lease can be easily determined, the discount rate shall be such interest rate; where the interest rate implicit in a lease cannot be readily determined, the discount rate shall be the incremental borrowing interest rate of the Company. In general, the Company adopts its incremental borrowing interest rate as the discount rate.

Lease payment included in the measurement of lease liabilities includes:

- (i) Fixed payment, include the substantial fixed payment;
- (ii) Variable lease payment subject to a certain index or rate is initially measured at the index or rate on the commencement date of the lease;
- (iii) The residual value guarantee expected to pay; and
- (iv) Exercise price or fines to be paid when it is reasonably confirmed that the right to call option or the lease termination option will be exercised.

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**Notes to Individual Financial Statements (Cont'd)**

Subsequently, interests for lease liabilities are accrued using the effective interest method, and the amount will be remeasured upon the occurrence of the following circumstances:

- (i) Changes in future lease payment resulted from changes in the index or rate used to determine the lease payment;
- (ii) Changes in the residual value guarantee expected to pay;
- (iii) Changes in the evaluation on the rights to call option regarding the target asset;
- (iv) Changes in the evaluation for the lease period resulted from the changes in the estimate for whether exercising the rights to extension or termination;
- (v) Amendments to the lease target, scope, other terms.

When remeasuring lease liabilities due to changes in the evaluation regarding changes in the index or rate used to determine the lease payment, changes in the residual value guarantee, and changes in the evaluation on the rights to call option, extension, or termination above, the Company adjusts the carrying amount of the right-of-use assets accordingly, and recognize the remaining remeasurements in profit or loss when the carrying amount of the right-of-use assets is reduced to nil.

For lease amendments related to reducing the scope of the lease, the Company reduces the carrying amount of the right-of-use assets to reflect the partial or overall termination of the lease, and recognizes the differences between the carrying amount and the remeasurement of the lease liabilities in profit or loss.

The Company presents right-of-use assets and lease liabilities not fulfilling the definition of investment properties as a single line item in the balance sheet.

For short-term lease related to the lease of office equipment and the lease of low-value target assets, the Company elects to not recognize the right-of-use assets or lease liabilities.

For sale and leaseback transactions, the transfer of assets to the purchaser and lessor is evaluated for whether it satisfies the requirements for the accounting of sales according to IFRS 15. Where the accounting of sales is confirmed, the Company derecognizes the asset and recognizes profit or loss related to the interest portion transferred to the purchaser and lessor. The accounting model for lessors is applicable to sale and leaseback transactions. Right-of-use assets are measured at the initial carrying amount of the leaseback portion. Where the accounting of sales is not confirmed, the Company adopts the accounting for financing.

iii. Lessor

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For transactions where the Company is the lessor, the Company classifies the lease contract based on whether the substantial risks and compensation for the ownership of the target assets are transferred on the date of establishing the lease; the contracts are classified as either financing lease or operating lease. During the evaluation, the Company considers relevant indicators, including whether the lease period covers the major portion of the target asset's economic life.

As a sub-lessor, the Company accounts for primary lease the sub-lease transactions separately, and evaluates the classification of sub-lease transactions according to the right-of-use assets incurred for the primary lease. When the primary lease is a short-term lease, and the recognition exemption is applicable, the Company shall classify its sub-lease transactions as operating leases.

Where the agreement includes components of lease and non-lease, the Company adopts the requirements under the IFRS 15 to allocate the consideration within the contract.

For assets held under a financing lease, the Company presents the net lease investments as the financing lease receivables. Initial direct costs arising from the negotiation and arrangement of an operating lease are included in the net lease investments. Net lease investments are allocated and recognized as interest income during the lease period under the pattern that reflects the fixed rate of return during each period. For operating leases, the Company recognizes the lease payment received as rental income during the lease period on a straight-line basis.

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**Notes to Individual Financial Statements (Cont'd)**

(13) Intangible assets

i. Recognition and measurement

The Company measures other intangible assets with limited useful lives acquired at costs less accumulated amortization and accumulated impairment.

ii. Subsequent expenses

Subsequent expenses are capitalized when the future economic benefits of the particular assets may be increased. All other expenses are recognized in profit or loss upon occurrence, including goodwill and brand for internal development.

iii. Amortization

Except for goodwill, amortization is calculated based on asset costs less estimated residual value, and is recognized in profit or loss during its estimated useful life on a straight-line basis when the intangible asset is ready for use.

The estimated useful life for the current and comparison periods is as follows:

Costs for computer software	3~5 years
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The Company examines the amortization method, useful life, and residual value of intangible assets on each Reporting Date and makes appropriate adjustments when necessary.

(14) Impairment of non-financial assets

The Company evaluates whether there is evidence of impairment regarding the carrying amount of non-financial assets (excluding inventories and deferred income tax assets) on each Reporting Date. Where any evidence exists, the Company estimates the recoverable amount of the asset.

For impairment testing, the Company uses a set of assets with its cash inflows substantially separated from cash inflows of other individual assets or asset groups as the minimum identifiable asset group.

Recoverable amount is the higher of the fair value of an individual asset or cash-generating unit (the "CGU") less disposal costs and its value in use. When evaluating the value in use, the estimated future cash flows are discounted to the current value at the pre-tax discount rate; the discount rate shall reflect current market assessments of the time value of money and the risks specific to the asset or CGU.

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The Company recognizes impairment losses when the recoverable amount of the individual asset or CGU is lower than its carrying amount.

Impairment losses are immediately recognized in profit or loss. The Company first reduces the carrying amount of goodwill allocated to the CGU and then reduces the carrying amount of each asset according to the ratio related to the carrying amount of each asset within the unit.

(15) Income recognition

i. Income from

Income from Contract with Customers

Income is measured at the consideration expected to be entitled to obtain for the transfer of products or services. The Company recognizes its income when fulfilling the performance obligation due to the transfer of control over products or services to customers. The primary items of income of the Company are described as follows:

(i) Sales of products

The Company manufactures ceramic tiles and sells them to distributors. The Company recognizes its income upon the transfer of control over products. The transfer of control over products refers to the delivery of products to customers, customers may determine the sales channels and prices of products at their discretion, and there is no outstanding obligation that may affect customers accepting the products. The delivery occurred when delivering products to a particular venue, the risks of obsolete and loss are transferred to customers, and the customers had accepted the products according to the sales contract with acceptance inspection terms invalid, or when the Company has objective evidence to consider that all acceptance inspection conditions are satisfied.

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The Company recognizes account receivables upon the delivery of products, as the Company has the right to unconditionally receive the consideration at the time.

(ii) Financial component

The Company estimates that the duration between the time transferring products or services to customers and the time when customers pay for the products and services under all contracts with customers shall not exceed one year. Therefore, the Company makes no adjustment to the time value of money for the transaction price.

(16) Employees benefits

i. Defined contribution plans

The contribution obligations for defined contribution plans are recognized as expenses during the period when employees provide their services. The prepaid appropriation is recognized as an asset to the extent that it would result in cash return or a decrease in future payment.

ii. Defined benefit plans

The net obligations of the Company under the defined benefit plans are calculated based on the earned future benefit amount discounted to the current value for the services provided by employees during the current or prior periods.

Actuarial for defined benefit obligations are performed by qualified actuary according to the projected unit credit method each year. When the calculation results are likely to be favorable to the Company, assets recognition shall be limited to the current value of any economic benefits that may be obtained in the manner of returning the appropriation from the plans or reducing the future appropriation for the plans. When calculating the current value of economic benefits, the Company considers all minimum fund appropriation requirements.

The remeasurements of net defined benefit liabilities (including actuarial gain or loss, return on plan assets (excluding interests)) and any changes in the effect of asset cap (excluding interests) are immediately recognized in other comprehensive income and accumulated in retained earnings. For the determination of net interest expenses (income) from net defined benefit liabilities (assets), the Company makes use of the net defined benefit liabilities (assets) and discount rate determined at the beginning

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of the annual reporting period. Net interest expenses and other expenses from the defined benefit plans are recognized in profit or loss.

Upon the amendments to or reduction in the plans, the changes in benefits incurred related to past service costs or reduction gains or losses are immediately recognized in profit or loss. Upon settlement, the Company recognizes the gains or losses from the settlement of defined benefit plans.

iii. Termination benefits

Termination benefits are recognized as expenses when the Company may not cancel the offering of such benefits or upon the recognition of relevant restructure costs, whichever is earlier. When the termination benefits are not expected to be fully settled within 12 months after the Reporting Date, such benefits shall be discounted.

iv. Short-term employee benefits

Short-term employee benefits are recognized as expenses upon the provision of services. Where the Company is liable for the legal or constructive payment obligations due to the services provided by employees in the past, and such obligations may be reliably estimated, the amount shall be recognized as liabilities.

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**Notes to Individual Financial Statements (Cont'd)**

(17) Income tax

Income tax includes current and deferred income tax. Except for business mergers and items directly recognized in equity or other comprehensive income, current income tax and deferred income tax shall be recognized in profit or loss.

Current income tax includes the estimated income tax payable or tax reimbursement receivable calculated based on the taxable income (loss) of the year, and the adjustments to any income tax payable or tax reimbursement receivable for prior years. The amount shall be the best estimates for the amount expected to pay or receive measured at the statutory tax rate or the tax rate substantially enacted on the Reporting Date.

Deferred income tax is measured and recognized based on the temporary differences between the carrying amount of assets and liabilities for the purpose of financial reporting and their taxable basis. The temporary differences incurred in the following circumstances are not recognized as deferred income tax:

- i. Assets or liabilities initially recognized for a transaction that is not a business merger, and they have no effect on the accounting gains and taxable income (losses) at the time of the transaction;
- ii. Temporary differences arising from the investments in subsidiaries and the interests in associates and joint venture, and the Company can control the time of reversal for the temporary differences, and it is likely that they will not be reversed in the foreseeable future; and
- iii. Taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax is measured at the tax rate at the time expected for the reversal of the temporary differences, and the statutory tax rate or tax rate substantially enacted on the Reporting Date are used as the basis.

The Company offsets deferred tax assets and deferred tax liabilities upon the satisfaction of the following conditions:

- i. The Company has the right to enforce the offset of current income tax assets and current income tax liabilities; and
- ii. Deferred income tax assets and deferred income tax liabilities are related to

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**Notes to Individual Financial Statements (Cont'd)**

any of the following taxable entity regarding the income tax levied by the same taxation authority:

- (i) The same taxable entity; or
- (ii) Different taxable entities, but the entities intend to settle current income tax liabilities and assets on a net basis or concurrently realize assets and settle liabilities in each future period that they expect to recover the deferred income tax assets with significant amounts or expect to settle deferred income tax liabilities.

Unused taxable losses and unused income tax credits carry forward and temporary deductible differences are recognized as deferred income tax assets, to the extent that there may be future taxable income available, and are re-evaluated on each Reporting Date. The amounts are adjusted downward for relevant income tax gains to the extent where it is likely to realize, or reversed the reduced amount to the extent where there is likely to be sufficient taxable income.

**(18) Earnings per share**

The Company presents basic and diluted earnings per share attributable to the holders of the ordinary shares of the Company. The basic earnings per share of the Company are calculated based on the profit or loss attributable to holders of the ordinary shares of the Company, divided by the weighted average number of outstanding ordinary shares for the current period. The diluted earnings per share are calculated based on the profit or loss attributable to holders of the ordinary shares of the Company and the weighted average number of outstanding ordinary shares after adjustments made for the effects of all potential diluted ordinary shares.

**(19) Segment information**

The Company disclosed its segment information in the consolidated financial statements; therefore, no disclosure on segment information is included in the individual financial report.

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**Notes to Individual Financial Statements (Cont'd)**

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

When preparing the individual financial statements according to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” the management is required to make judgments, estimates, and assumptions that have effects on the adoption of accounting policies and the reported amount of assets, liabilities, revenue, and expenses. The actual results may differ from the estimation.

The management continued to examine the estimation and basic assumption; the changes in accounting estimated are recognized during the period when the changes occurred and the future periods affected.

The following uncertainties for the assumption and estimations have significant risks in resulting in a substantial adjustment in the carrying amount of assets and liabilities in the following fiscal year, and such uncertainties reflect the influences caused by COVID-19. The relevant information is as follows:

(1) Loss allowance for account receivables

Loss allowance for the account receivables of the Company is estimated based on the assumption of default risks and expected loss rate. The Company considers historical experiences, current market conditions, and forward-looking estimates at each Reporting Date to determine the assumptions adopted and inputs elected for calculating impairments. For details of relevant assumptions and inputs, please refer to Note 6(3).

(2) Inventory valuation

As inventories are measures at the lower of costs and net realizable value, the Company evaluates the amount of inventories regarding normal consumption, obsolete, or no market sales value on the Reporting Date, and reduces the inventory costs to its net realizable value. The inventory valuation is primarily based on the product requirements for a specific period in the future; therefore, significant changes may occur due to the changes in the industry. For details of inventory valuation, please refer to Note 6(4).

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**Notes to Individual Financial Statements (Cont'd)**

When measuring its assets and liabilities, the Company uses observable inputs in the market to the extent that is possible. The level of fair value based on the input used for the valuation techniques are classified as follows:

- (i) Level 1: Quoted prices (unadjusted) in the active market for identical assets or liabilities.
- (ii) Level 2: Except for the quoted prices included in level 1, the inputs of assets or liabilities are directly (i.e., the price) or indirectly (i.e., inferred from the price) observable.
- (iii) Level 3: Inputs for assets or liabilities that are not based on observable market data (not observable parameters).

For any transfer event or circumstance between the levels of fair value, the Company recognizes the transfer on the Reporting Date.

For details for information related to the assumptions adopted for the fair value, please refer to the following notes:

- (i) Note 6(8) Investment properties;
- (ii) Note 6(19) Financial instruments.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

6. Description of Significant Accounting Items

(1) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash and petty cash	\$ 2,303	3,218
Current deposits	1,423,787	1,127,559
Foreign currency deposits	216,175	142,795
Check deposits	129,169	127,792
Time deposits	44,796	33,703
	<u><b>\$ 1,816,230</b></u>	<u><b>1,435,067</b></u>

Regarding the disclosures on the interest risk and sensitivity analysis for the Company's financial assets and liabilities, please refer to Not 6(19) Financial assets at fair value through other comprehensive income for details.

(2) Financial assets at fair value through other comprehensive income

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instruments measured at fair value through other comprehensive income – Current:		
Listed domestic shares	\$ 12,631	14,276
Equity instruments measured at fair value through other comprehensive income – Non-current:		
Non-listed domestic shares	10,000	10,000
Total	<u><b>\$ 22,631</b></u>	<u><b>24,276</b></u>

i. Investments in equity instruments measured at fair value through other comprehensive income

The Company holds investments in equity instruments not for trading purposes; such investments are therefore designated as measured at fair value through other comprehensive income.

ii. In 2020 and 2019, the Company had not disposed of any strategic investment, and there is no transfer within equity regarding the cumulative gains and losses

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

during the period.

iii. For details on the amount at fair value through other comprehensive income, please refer to Note 6(14).

iv. For details on the information of credit risks and market risks, please refer to Note 6(19).

v. As at 31 December 2020 and 2019, the Company had not pledged its financial assets for security.

(3) Note receivables and account receivables

	<u>2020.12.31</u>	<u>2019.12.31</u>
Note receivables	\$ 387,938	348,003
Less: Loss allowance	-	-
Net amount	<u><b>\$ 387,938</b></u>	<u><b>348,003</b></u>
Account receivables	\$ 338,987	369,941
Less: Loss allowance	(68,255)	(68,157)
Allowance for sales return and discounts	<u>(16,109)</u>	<u>(14,105)</u>
Net amount	<u><b>\$ 254,623</b></u>	<u><b>287,679</b></u>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

The Company adopts the simplified method to estimate the ECL of its note receivables and account receivables; in other words, the Company uses lifetime ECL for measurements. For measuring purposes, note receivables and account receivables are groups based on the shared credit risk characteristics regarding customers paying all amounts falling due according to the contract terms, with forward-looking information included.

The ECL for note receivables and account receivables of the Company is analyzed as follows:

	<b>2020.12.31</b>		
	<b>Amount of note receivables and account receivables</b>	<b>ECL rate</b>	<b>Allowance for lifetime ECL</b>
Not overdue	\$ 633,189	0%	-
Overdue below 30 days	5,092	0%	-
Overdue for 31~120 days	7,473	0%~15%	-
Overdue over 12 days	81,171	70%~100%	68,255
	<b>\$ 726,925</b>		<b>68,255</b>
	<b>2019.12.31</b>		
	<b>Amount of note receivables and account receivables</b>	<b>ECL rate</b>	<b>Allowance for lifetime ECL</b>
Not overdue	\$ 634,667	0%	-
Overdue below 30 days	4,475	0%	-
Overdue for 31~120 days	3,627	0%~15%	-
Overdue over 12 days	75,175	70%~100%	68,157
	<b>\$ 717,944</b>		<b>68,157</b>

For details on the exposure to credit risks and foreign currency risks regarding the Company's note receivables and account receivables, please refer to Note 6(19).

Movements in the loss allowance for note receivables and account receivables of the Company are as follows:

	<b>2020</b>	<b>2019</b>
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**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Opening balances	\$ 68,157	74,471
Impairment loss recognized	98	-
Reversal of impairment loss	<u>-</u>	<u>(6,314)</u>
Closing balances	<u><b>\$ 68,255</b></u>	<u><b>68,157</b></u>

As at 31 December 2020 and 2019, the Company had not pledged its note receivables and account receivables for security.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(4) Inventories - Manufacturing industry

	<u>2020.12.31</u>	<u>2019.12.31</u>
Products	\$ 2,284	1,916
Finished goods	785,582	682,389
Work in progress	42,301	47,777
Raw materials	102,638	140,046
Supplies	<u>40,333</u>	<u>34,238</u>
Sub-total	973,138	906,366
Less: Loss allowances for price drops and doubtful debts	<u>(131,356)</u>	<u>(146,732)</u>
Total	<u><b>\$ 841,782</b></u>	<u><b>759,634</b></u>

For 2020 and 2019, details on expenses related to inventories recognized as cost of sales are as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Transfer of sold inventories	\$ 1,886,065	2,016,884
Losses from machine suspension	30,400	29,755
Scrapping losses	7,824	874
Inventory losses	1,166	4,485
Unamortized manufacturing expenses	(67,827)	25,431
Loss allowances for price drop and doubtful debts (gain from price recovery)	<u>(15,376)</u>	<u>(2,058)</u>
	<u><b>\$ 1,842,252</b></u>	<u><b>2,075,371</b></u>

As at 31 December 2020 and 2019, the Company had not pledged inventories above for security.

(5) Investments accounted for using the equity method

The Company's investments accounted for using equity method on the Reporting Date are set out as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Subsidiaries	\$ 1,510,570	2,298,268
Associates	<u>59,924</u>	<u>52,170</u>
	<u><b>\$ 1,570,494</b></u>	<u><b>2,350,438</b></u>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

i. Subsidiaries

Please refer to consolidated financial statements for 2020.

ii. Associates

For associates accounted for using equity methods that are not individually significant, the aggregate financial information is as follows; such financial information is the amount included in the financial statements of the Company:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Aggregate carrying amount for interests in associates that are not individually significant at the end of the period	<u>\$ 59,924</u>	<u>52,170</u>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

	2020	2019
Share attributable to the Company:		
Net loss of continuing operations for the period\$	(14)	(60)
Other comprehensive income	7,768	(2,285)
Total comprehensive income	<b>\$ 7,754</b>	<b>(2,345)</b>

As at 31 December 2020 and 2019, the Company had not pledged investment accounted for using equity method for security.

**(6) Property, plant and equipment**

Costs, depreciation, and impairment loss of the Company's property, plant and equipment are detailed as follows:

	Land	Houses and building	Machines and equipme nt	Kiln and equipme nt	Electrical equipme nt	Transport ation equipme nt	Other equipme nt	Total
Cost or deemed cost:								
Balance on 1 January 2020\$	805,401	787,103	601,914	101,259	140,446	15,867	108,439	2,560,429
Purchases	409	2,068	54,503	1,413	15,892	5,023	9,353	88,661
Disposal and scrapping	-	(23,573)	(41,938)	(3,273)	(13,738)	(9,133)	(9,662)	(101,317)
Inward transfer of prepayments for equipment	-	-	8,381	-	929	1,718	389	11,417
Balance on 31 December	<b>\$ 805,810</b>	<b>765,598</b>	<b>622,860</b>	<b>99,399</b>	<b>143,529</b>	<b>13,475</b>	<b>108,519</b>	<b>2,559,190</b>
2020								
Balance on 1 January 2019	\$ 805,401	792,608	737,814	100,928	139,003	15,821	127,766	2,719,341
Purchases	-	6,010	58,919	610	2,543	46	3,433	71,561
Disposal and scrapping	-	(11,515)	(194,990)	(279)	(1,100)	-	(22,760)	(230,644)
Inward transfer of prepayments for equipment	-	-	171	-	-	-	-	171
Balance on 31 December	<b>\$ 805,401</b>	<b>787,103</b>	<b>601,914</b>	<b>101,259</b>	<b>140,446</b>	<b>15,867</b>	<b>108,439</b>	<b>2,560,429</b>
2019								
Depreciation and impairment loss:								
Balance on 1 January 2020	\$ -	370,473	306,735	57,791	88,813	11,646	56,958	892,416
Depreciation of the year	-	26,411	80,648	11,069	11,758	2,190	11,241	143,317
Disposal and scrapping	-	(23,573)	(41,938)	(3,273)	(13,739)	(9,133)	(8,800)	(100,456)
Balance on 31 December 2020	<b>\$ -</b>	<b>373,311</b>	<b>345,445</b>	<b>65,587</b>	<b>86,832</b>	<b>4,703</b>	<b>59,399</b>	<b>935,277</b>
Balance on 1 January 2019	\$ -	353,437	418,962	46,857	79,305	8,620	65,738	972,919

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Depreciation of the year	-	28,551	82,763	11,213	10,608	3,026	13,980	150,141
Disposal and scrapping	-	(11,515)	(194,990)	(279)	(1,100)	-	(22,760)	(230,644)
Balance on 31 December 2019	<b>\$ -</b>	<b>370,473</b>	<b>306,735</b>	<b>57,791</b>	<b>88,813</b>	<b>11,646</b>	<b>56,958</b>	<b>892,416</b>
Carrying amount:								
31 December 2020	<b>\$ 805,810</b>	<b>392,287</b>	<b>277,415</b>	<b>33,812</b>	<b>56,697</b>	<b>8,772</b>	<b>49,120</b>	<b>1,623,913</b>
31 December 2019	<b>\$ 805,401</b>	<b>416,630</b>	<b>295,179</b>	<b>43,468</b>	<b>51,633</b>	<b>4,221</b>	<b>51,481</b>	<b>1,668,013</b>
1 January 2019	<b>\$ 805,401</b>	<b>439,171</b>	<b>318,852</b>	<b>54,071</b>	<b>59,698</b>	<b>7,201</b>	<b>62,028</b>	<b>1,746,422</b>

i. In 1990, 2000, and 2015, the Company acquired the lands located at Dapu section of Zhunan Township and Niulan Section of Zaoqiao Township for sales and display center and construction of warehouse and roads for the plant with amounts of NT\$34,670 thousand, NT\$22,618 thousand, and NT\$130,286 thousand, respectively. As of 31 December 2020, transfer in the name of the Company is unable to process as the land category of such lands is farm and forest. The Company has obtained waivers from the sellers to unconditionally agreeing to the transfer and has created a pledge. Regarding the pieces of lands under 8 land numbers (with a total area of 26,091m<sup>2</sup>) at Niulan Section of Zaoqiao Township acquired by the Company in 2015, the Company has entered into an engagement contract, which was notarized, to make a registration under the name of the Company's chairman due to the restriction of the laws and regulations, and has created a pledge as the collateral for the Company's bank borrowings.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

ii. For details on the Company's property, plant and equipment provided as the guarantee for long-term borrowings and facility credits as at 31 December 2020 and 2019, please refer to Note 8.

iii. As at 31 December 2020 and 2019, the capitalized amount related to the acquisition of equipment and construction of plants was NT\$764 thousand and NT\$453 thousand, which was calculated based on the capitalization rate of 1.96% and 2.12%, respectively.

**(7) Right-of-use assets**

Costs, depreciation, and impairment loss of lands, houses and buildings, machine and equipment, and transportation equipment leased by the Company are detailed as follows:

	Land	Houses and buildings	Transport ation equipmen t	Other equipme nt	Total
Cost of right-of-use assets:					
Balance on 1 January 2020	\$ 261	24,494	9,432	1	34,188
Addition	65	442	10,657	-	11,164
Decrease	(13)	(2,200)	(7,478)	-	(9,691)
Balance on 31 December 2020	<b>\$ 313</b>	<b>22,736</b>	<b>12,611</b>	<b>1</b>	<b>35,661</b>
Balance on 1 January 2019	\$ -	-	-	-	-
Effects of applying IFRS 16 retrospectively	261	1,300	180	1	1,742
Balance on 1 January 2019 (restated)	261	1,300	180	1	1,742
Addition	-	23,497	9,252	-	32,749
Decrease	-	(303)	-	-	(303)
Balance on 31 December 2019	<b>\$ 261</b>	<b>24,494</b>	<b>9,432</b>	<b>1</b>	<b>34,188</b>
Depreciation and impairment loss of right-of-use assets:					
Balance on 1 January 2020	\$ -	4,431	3,121	-	7,552
Depreciation of the period	96	5,789	6,776	-	12,661
Decrease	(13)	(1,996)	(7,533)	-	(9,542)
Balance on 31 December 2020	<b>\$ 83</b>	<b>8,224</b>	<b>2,364</b>	<b>-</b>	<b>10,671</b>
Balance on 1 January 2019	\$ -	-	-	-	-
Effects of applying IFRS 16	-	-	-	-	-

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

retrospectively					
Balance on 1 January 2019 (restated)	-	-	-	-	-
Depreciation of the period	-	4,614	3,121	-	7,735
Decrease	-	(183)	-	-	(183)
Balance on 31 December 2019	<u>\$ -</u>	<u>4,431</u>	<u>3,121</u>	<u>-</u>	<u>7,552</u>
Carrying amount:					
31 December 2020	<u>\$ 230</u>	<u>14,512</u>	<u>10,247</u>	<u>1</u>	<u>24,990</u>
31 December 2019	<u>\$ 261</u>	<u>20,063</u>	<u>6,311</u>	<u>1</u>	<u>26,636</u>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(8) Investment properties

	<b>Land and improvement s</b>	<b>Houses and buildings</b>	<b>Total</b>
<b>Cost or deemed cost:</b>			
Balance on 1 January 2020	\$ 198,684	14,241	212,925
Balance on 31 December 2020	<b>\$ 198,684</b>	<b>14,241</b>	<b>212,925</b>
Balance on 1 January 2019	\$ 198,684	14,241	212,925
Balance on 31 December 2019	<b>\$ 198,684</b>	<b>14,241</b>	<b>212,925</b>
<b>Depreciation and impairment loss:</b>			
Balance on 1 January 2020	\$ 92,789	5,437	98,226
Depreciation of the year	-	265	265
Balance on 31 December 2020	<b>\$ 92,789</b>	<b>5,702</b>	<b>98,491</b>
Balance on 1 January 2019	\$ 92,789	5,172	97,961
Depreciation of the year	-	265	265
Balance on 31 December 2019	<b>\$ 92,789</b>	<b>5,437</b>	<b>98,226</b>
<b>Carrying amount:</b>			
31 December 2020	<b>\$ 105,895</b>	<b>8,539</b>	<b>114,434</b>
1 January 2019	<b>\$ 105,895</b>	<b>9,069</b>	<b>114,964</b>
31 December 2019	<b>\$ 105,895</b>	<b>8,804</b>	<b>114,699</b>
<b>Fair value:</b>			
31 December 2020			<b>\$ 152,875</b>
1 January 2019			<b>\$ 150,604</b>
31 December 2019			<b>\$ 154,402</b>

i. Investment properties are self-owned assets held by the Company. The lease

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

contract includes an initial lease term of three years that is not cancellable. Leased investment properties have rental gains at fixed amounts. For details on relevant information (including rental income and direct operating expenses incurred), please refer to Note 6(11).

- ii. Fair value of investment properties are based on the valuation by an independent appraiser (with recognized relevant professional qualification, and has recent experiences related to the location and category of investment properties under valuation). Level 3 inputs are used in the fair value valuation technique.
- iii. For details on the pledged of the Company's investment properties as at 31 December 2020 and 2019, please refer to Note 8.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(9) Short-term borrowings

	2020.12.31	2019.12.31
Letter of credit borrowings	\$ -	11,783
Unsecured bank borrowings	175,000	75,000
Secured borrowings	220,000	-
Total	<b>\$ 395,000</b>	<b>86,783</b>
Unused credits	<b>\$ 1,191,958</b>	<b>1,582,344</b>
Range of interest rate	<b>1.18%~2.2317</b>	<b>1.40%~3.1128</b>
	<b>%</b>	<b>%</b>

For details on the Company's assets pledged as collateral for bank borrowings, please refer to Note 8.

(10) Long-term borrowings

Details on the Company's long-term borrowings, conditions, and terms are as follows:

2020.12.31				
	Currency	Range of interest rate	Expiry date	Amount
Secured borrowingsNTD - Syndicated loan		1.93%	111.07.15	\$ 1,139,900
Less: Organizing expenses for the syndicated loan				(4,053)
Less: Portion due within one year				(120,000)
Total				<b>\$ 1,015,847</b>
Unused credits				<b>\$ -</b>

2019.12.31				
	Currency	Range of interest rate	Expiry date	Amount
Secured borrowings - Syndicated loan	NTD	2.177%	111.07.15	\$ 1,200,000
Secured borrowings	NTD	1.705%	109.04.05	5,555
				1,205,555

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Less: Organizing expenses for the syndicated loan	(6,751)
Less: Portion due within one year	<u>(65,555)</u>
Total	<b><u>\$ 1,133,249</u></b>
Unused credits	<b><u>\$ -</u></b>

- i. For details on the Company's assets pledged as collateral for bank borrowings, please refer to Note 8.
- ii. In April 2019, the Company signed a syndicated loan contract with 16 financial institutions, including Taipei Fubon Bank, with a total credit amounted to NT\$1.8 billion. The contract sets out special commitments for the syndicated loan above, where the Company shall maintain particular financial ratios (including a current ratio no less than 100%, gearing ratio no more than 125%, interest coverage no less than 1.5 times, and net tangible value no less than NT\$5 billion, with a calculation based on the consolidated financial statements certified by CPA each year), starting from the consolidated financial statements of the Company for 2019.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

iii. In May 2017, the Company signed a syndicated loan contract with 16 financial institutions, including Taipei Fubon Bank. On 31 December 2018, the Company violated the above contractual requirements, and the Company had proposed a restructured syndicated loan contract to replace the original contract to the organizing bank. The Company signed a syndicated loan contract with 16 financial institutions, including Taipei Fubon Bank, with an amount of NT\$1.8 billion. However, such loans were transferred to current liabilities according to the standards on 31 December 2019, and were settled in advance on 5 September 2019.

(11) Operating lease

i. Lease as a lessor

The Company leases its investment properties. As the substantial risks and compensation for the ownership of the target assets are not transferred, such lease contracts are classified as operating leases. For details, please refer to Note 6(8) Investment properties.

The maturity analysis for lease payment based on the total undiscounted lease payment to be received after the Reporting Date is set out in the following table:

	<b>2020.12.31</b>	<b>2019.12.31</b>
1 to 2 years	\$ 3,457	3,510
2 to 3 years	3,457	1,353
3 to 4 years	2,619	-
4 to 5 years	2,200	-
Over 5 years	3,117	-
Total undiscounted lease payment	<b>\$ 14,850</b>	<b>4,863</b>

In 2020 and 2019, rental income arising from investment properties was NT\$5,305 thousand and NT\$5,315 thousand in total.

(12) Employee benefits

i. Defined benefit plans

Reconciliation between the current value of defined benefit obligations and

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

the fair value of plan assets of the Company is as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current value of defined benefit obligations	\$ 159,048	167,056
Fair value of plan assets	<u>(147,887)</u>	<u>(141,331)</u>
Net liabilities of defined benefit obligations	<u><b>\$ 11,161</b></u>	<u><b>25,725</b></u>

The Company's defined benefit plans contribute to the account for labor retirement reserve fund at the Bank of Taiwan. Retirement payments for employees subject to the Labor Standard Act are calculated based on years of services and the average salaries for the six months before their retirement.

(i) Composition of plan assets

The retirement fund appropriated by the Company according to the Labor Standard Act is managed by the Bureau of Labor Funds under the Ministry of Labor (the "BLF"). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," with regard to utilization of the fund, the minimum earnings in the distributions of each period shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

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**Notes to Individual Financial Statements (Cont'd)**

As of the Reporting Date, the balance in the Company's account for labor retirement reserve fund at Bank of Taiwan was NT\$147,887 thousand. Data regarding the utilization of labor retirement reserve fund assets include fund yield and fund asset allocation. For details, please refer to the information announced on the website of BLF.

(ii) Changes in the current value of defined benefit obligations

In 2020 and 2019, changes in the current value of defined benefits obligations of the Company are as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligations on 1 January	\$ 167,056	195,925
Current service costs and interests	3,220	4,829
Remeasurements for net defined benefit liabilities (assets)		
— Actuarial gains (losses) adjusted based on experiences	3,806	(9,575)
— Actuarial gains (losses) arising from changes in financial assumptions	2,794	2,769
Benefits paid under the plans	(17,828)	(26,892)
Defined benefit obligations on 31 December	<b>\$ 159,048</b>	<b>167,056</b>

(iii) Changes in the current fair value of plan assets

In 2020 and 2019, changes in the current fair value of plan assets of the Company are as follows:

	<b>2020</b>	<b>2019</b>
Current fair value of plan assets on 1 January	\$ 141,331	130,019
Interest income	1,245	1,365
Remeasurements for net defined benefit liabilities (assets)		
— Return of plan assets (excluding current interests)	4,293	4,461
Amount appropriated to the plans	18,846	32,378
Benefits paid under the plans	(17,828)	(26,892)
Current fair value of plan assets on 31 December	<b>\$ 147,887</b>	<b>141,331</b>

(iv) Expenses recognized in profit or loss

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

In 2020 and 2019, expenses recognized in profit or loss of the Company are as follows:

	<b>2020</b>	<b>2019</b>
Current service costs	\$ 2,005	2,847
Interest costs	(31)	617
	<b>\$ 1,974</b>	<b>3,464</b>
Operating costs	\$ 1,541	2,738
Marketing expenses	37	76
Management fees	305	494
R&D expenses	91	156
	<b>\$ 1,974</b>	<b>3,464</b>
Actual return of plan assets	<b>\$ 5,538</b>	<b>5,826</b>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(v) Actuarial gains or loss recognized in other comprehensive income

In 2020 and 2019, actuarial gains or loss recognized in other comprehensive income of the Company are as follows:

	<u>2020</u>	<u>2019</u>
Cumulative balance on 1 January	\$ 27,155	15,888
Recognized during the period	<u>(2,307)</u>	<u>11,267</u>
Cumulative balance on 31 December	<u><b>\$ 24,848</b></u>	<u><b>27,155</b></u>

(vi) Actuarial assumption

Major actuarial assumptions used by the Company at the end of the financial reporting period are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.38%	0.73%
Increase in future salaries	2.00%	2.00%

The Company expected to make payment for the appropriation of defined benefit plans within one year from the Reporting Date of 2020 in the amount of NT\$8,300 thousand.

The weighted average lifetime for defined benefit plans is 10 years.

(vii) Sensitivity analysis

On 31 December 2020 and 2019, the effects arising from changes in the major actuarial assumptions adopted on the current value of defined benefit obligations are as follows:

	<u>Effects on the current value of defined benefit obligations</u>	
	<u>Increase</u>	<u>Decrease</u>
31 December 2020		
Discount rate (changes of 0.25%)	(1,774)	1,808
Increase in future salaries (changes of 0.25%)	1,407	(1,389)
31 December 2019		
Discount rate (changes of 0.5%)	(3,859)	4,016

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Increase in future salaries (changes of 0.5%)	3,157	(3,073)
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The sensitivity analysis above analyzes the effects of changes in a single assumption based on the circumstances when other assumptions remain stable. In practice, changes in multiple assumptions may be linked. The method adopted for the sensitivity analysis is consistent with the calculation for net retirement fund liabilities in the balance sheet.

The method and assumptions used in preparing the sensitivity analysis for the period are the same as that of the previous period.

ii. Defined contribution plans

Subject to the Labor Pension Act, the Company's defined contribution plan make contributions to the labor pension personal account at the Bureau of Labor Insurance with a contribution rate equivalent to 6.00% of the monthly wages of laborers. Under the plans, the Company has no legal or constructive obligations to pay an additional amount after contributing a fixed amount to the Bureau of Labor Insurance.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Pension expenses under the Company's Regulations for Defined Contribution Pension, which were contributed to the Bureau of Labor Insurance, are as follows:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ 12,075	11,754
Marketing expenses	1,570	1,892
Management fees	2,483	2,702
R&D expenses	646	722
	<u>\$ 16,774</u>	<u>17,070</u>

3. Details on the Company's short-term employee benefit liabilities are as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Compensated absence liabilities	\$ 16,389	21,067

(13) Income tax

i. In 2020 and 2019, the Company's income tax expenses are detailed as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expenses		
Incurred during the period	\$ 74,492	13,555
Adjustments to current income tax for the previous period	868	(3,853)
Deferred income tax expenses		
Occurrence and reversal of temporary differences	15,150	(2,607)
Income tax expenses	<u>\$ 90,510</u>	<u>7,095</u>

In 2020 and 2019, details on income tax expense (gains) recognized under other comprehensive income of the Company are as follows:

	<u>2020</u>	<u>2019</u>
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of financial statements of institutions operating overseas	<u>\$ (4,133)</u>	<u>(15,627)</u>

ii. In 2020 and 2019, reconciliation between income tax expenses and net profit (loss) before

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

tax is as follows:

	<b>2020</b>	<b>2019</b>
Net loss before tax	\$ <u>(312,357)</u>	<u>(418,095)</u>
Income tax calculated based on the domestic tax rate where the Company locates	(64,737)	(83,619)
Investment losses recognized using equity method	155,675	103,711
Expenses not deductible	1,030	398
Tax-free income	(80)	(335)
Changes in unrecognized temporary differences	2	(1,244)
(Over) underestimation in the previous period	868	(3,853)
Others	<u>(2,248)</u>	<u>(7,963)</u>
	<b>\$ <u>90,510</u></b>	<b><u>7,095</u></b>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

iii. Deferred income tax assets and liabilities

(i) Unrecognized deferred income tax assets

Items not recognized as deferred income tax assets of the Company are as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Deductible temporary differences	<b><u>\$ 12,197</u></b>	<b><u>12,195</u></b>

(ii) Recognized deferred income tax assets and liabilities

In 2020 and 2019, changes in deferred income tax assets and liabilities are as follows:

	<b>Losses from inventory price drop</b>	<b>Others</b>	<b>Total</b>
Deferred income tax assets:			
Balance on 1 January 2020	\$ 36,219	12,543	48,762
(Debited)/credited to statements of profit or loss	<u>(3,075)</u>	<u>(12,075)</u>	<u>(15,150)</u>
Balance on 31 December 2020	<b><u>\$ 33,144</u></b>	<b><u>468</u></b>	<b><u>33,612</u></b>
Balance on 1 January 2019	\$ 36,631	11,895	48,526
(Debited)/credited to statements of profit or loss	<u>(412)</u>	<u>648</u>	<u>236</u>
Balance on 31 December 2019	<b><u>\$ 36,219</u></b>	<b><u>12,543</u></b>	<b><u>48,762</u></b>
	<b>Gains on overseas investment s</b>	<b>Provisions for land appreciation</b>	<b>Total</b>
Deferred income tax liabilities			
Balance on 1 January 2020	\$ 88,619	16,568	105,187
Debited/(credited) to other comprehensive income	<u>(4,133)</u>	<u>-</u>	<u>(4,133)</u>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Balance on 31 December 2020	<b>\$ 84,486</b>	<b>16,568</b>	<b>101,054</b>
Balance on 1 January 2019	\$ 106,617	16,568	123,185
Debited/(credited) to statements of profit or loss	(2,371)	-	(2,371)
Debited/(credited) to other comprehensive income	(15,627)	-	(15,627)
Balance on 31 December 2019	<b>\$ 88,619</b>	<b>16,568</b>	<b>105,187</b>

iv. The Company's Profit-seeking Enterprise Annual Income Tax Return was submitted to the tax authority and was approved up to 2018.

(14) Capital and other equity

i. Issuance ordinary shares

As at 31 December 2020 and 2019, the total registered share capital of the Company is NT\$4,500,000 thousand, divided into 450,000 thousand shares with a par value of NT\$10. The number of issued ordinary shares is 433,782 thousand shares.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

ii. Capital reserve

The balance of the Company's capital reserve comprises the following:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Premium for the issuance of shares	\$ 142,300	142,300
Treasury share transaction	15,639	15,639
Others	60	60
	<b>\$ 157,999</b>	<b>157,999</b>

According to the requirements of the Company Act, as amended in January 2012, distribution of new shares or cash may be made from the realized capital reserve according to the original shareholding of the shareholders after the capital reserve had been used for compensating losses first. The realized capital reserve mentioned above includes the premium received from the issuance of shares at a price exceeding its par value and proceeds received from donations. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, for capital reserves to be appropriated to capital, the aggregate appropriation amount each year shall not exceed 10% of the paid-up capital.

iii. Retained earnings

According to the Company's Articles of Association, any surplus from the final annual account shall be used for tax payment and compensation for losses in prior years. Appropriate 10% of the remaining surplus as the statutory surplus reserve; however, this shall not apply when the statutory surplus reserve has reached the amount of the Company's paid-up capital. A special surplus reserve shall be provided or reversed according to the laws and regulations or the requirements of the competent authority. Except for the distribution of dividends, the remaining surplus shall be combined with the undistributed earnings at the beginning of the period, and the Board shall propose the surplus distribution to the Shareholders' Meeting for the resolution on distribution.

(i) Statutory surplus reserve

When the Company has no loss, the Shareholders' Meeting may pass the resolution to distribute new shares or cash from the statutory surplus reserve to the extent that the reserve exceeds 25% of its paid-up capital.

(ii) Special surplus reserve

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**Notes to Individual Financial Statements (Cont'd)**

According to the original requirements of the Securities and Futures Commission, the Company shall provide the special surplus reserve from the surplus after tax for the year with an amount equal to the deduction to Shareholders' interest presented that occurred during the year. Where the special surplus reserve provided is the amount of the deduction to Shareholders' interest for the previous period, such special surplus reserve provided from the undistributed earnings for the previous period may not be distributed. Subsequently, when the deduction to Shareholders' interest decreases, transfer the amount deducted to undistributed earnings. As at 31 December 2020 and 2019, the special surplus reserve was NT\$121,349 thousand.

Upon the initial adoption of IFRSs endorsed by the FSC, the retained earnings increased by the unrealized revaluation appreciation under Shareholders' interests was NT\$42,581 thousand as the Company elected to apply the exemptions under the IFRS 1 "First-time Adoption of International Financial Reporting Standards." Furthermore, the retained earning recognized for the initial adoption of IFRSs on the conversion date was a net decrease of NT\$103,419 thousand. Therefore, According to the requirements under the Order Jin-guan-zheng-fa-zi No. 1010012865 issued by the FSC on 6 April 2012, the Company is not required to provide for the special surplus reserve.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(iii) Surplus distribution

On 16 June 2020 and 14 June 2019, the Annual Shareholders' Meeting passed the loss compensation resolutions for 2020 and 2019; please visit the MOPS for relevant information.

iv. Other equity

	Exchange differences arising from the translation of financial statements of institutions operating overseas	Unrealized losses (gains) on financial assets at fair value through other comprehensive income	Total
Balances on 1 January 2020	\$ 393,978	926	394,904
Share of exchange differences for subsidiaries using equity method	(16,531)	-	(16,531)
Unrealized losses (gains) on financial assets at fair value through other comprehensive income	-	(1,645)	(1,645)
Share of unrealized gains or losses on financial assets at fair value through other comprehensive income for associates using equity method	-	7,768	7,768
<b>Balances on 31 December 2020</b>	<b>\$ 377,447</b>	<b>7,049</b>	<b>384,496</b>
Balances on 1 January 2020	\$ 456,485	4,060	460,545
Share of exchange differences for subsidiaries using equity method	(62,507)	-	(62,507)
Unrealized losses (gains) on financial assets at fair value through other comprehensive income	-	(849)	(849)
Share of unrealized gains or losses on financial assets at fair value through other comprehensive income for associates using equity method	-	(2,285)	(2,285)
<b>Balances on 31 December 2019</b>	<b>\$ 393,978</b>	<b>926</b>	<b>394,904</b>

(15) Earnings per share

The calculation for the Company's basic earnings per share and the diluted earnings per share is as follows:

	2020	2019
Basic earnings per share		

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Net loss attributable to the Company for the period	\$ <u>(402,867)</u>	<u>(425,190)</u>
Weighted average number of issued ordinary shares	<u>433,782</u>	<u>433,782</u>
Basic loss per share	<u>\$ (0.93)</u>	<u>(0.98)</u>

(16) Income from contracts with customers

i. Income breakdown

	<u>2020</u>	<u>2019</u>
Major regional market:		
Asia	\$ 2,700,306	2,697,331
Others	<u>11,647</u>	<u>5,946</u>
	<u>\$ 2,711,953</u>	<u>2,703,277</u>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

	<u>2020</u>	<u>2019</u>
Major products/service lines:		
Tiles	\$ 2,711,953	2,694,065
Houses and lands available for sale	-	9,212
Total	<u>\$ 2,711,953</u>	<u>2,703,277</u>

ii. Contract balances

	<u>2020.12.31</u>	<u>2019.12.31</u>	<u>2019.1.1</u>
Note receivables	\$ 387,938	348,003	267,769
Account receivables	338,987	369,941	340,508
Less: Loss allowances	(68,255)	(68,157)	(73,189)
Allowances for sales return and discounts	<u>(16,109)</u>	<u>(14,105)</u>	<u>(14,109)</u>
Total	<u>\$ 642,561</u>	<u>635,682</u>	<u>520,979</u>
Contract liabilities - Advances for goods	<u>\$ 4,631</u>	<u>2,611</u>	<u>1,528</u>

(17) Remuneration for employees, Directors, and Supervisors

According to the Articles of Association of the Company, where the Company recorded any profits for the year, it shall allocate 3%~5% and no more than 1.5% as the remuneration for employees and the remuneration for Directors, respectively. However, when the Company has accumulated losses, it shall reserve the amount for compensation. The share or cash distribution targets for the above remuneration for employees include employees of subsidiaries fulfilling certain conditions.

The assessed amount of remuneration for employees and the assessed amount of remuneration for Directors during 2020 and 2019 were nil and nil, respectively. The amount was assessed by the net profit before tax for the respective period less remuneration for employees and remuneration for Directors multiplied by the ratio for the distribution of remuneration for employees and remuneration for Directors stated in the Articles of Association of the Company, and was included in operating costs or operating expenses in 2020 and 2019.

The actual distribution regarding the remuneration for employees and Directors during

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

2020      2019

2019 and 2018 equaled the amount recognized in the financial statements; please visit MOPS for relevant information.

(18) Non-operating income and expenses

i. Other income

Other income of the Company is detailed as follows:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 31,005	23,890
Rental income	6,676	6,686
Dividend income	400	1,674
	<u>\$ 38,081</u>	<u>32,250</u>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

ii. Other gains and losses

Other gains and losses of the Company are detailed as follows:

	<u>2020</u>	<u>2019</u>
Foreign currency exchange gains (losses)	\$ 5,009	(26,178)
Losses on the disposals of property, plant and equipment	(428)	222
Valuation gains from financial assets at fair value through profit or loss	-	108
Other income	6,466	(1,974)
	<u>\$ 11,047</u>	<u>(27,822)</u>

iii. Financial costs

Financial costs of the Company is detailed as follows:

	<u>2020</u>	<u>2019</u>
Interest expense		
Bank borrowings	\$ 32,095	38,442
Interest capitalization	(764)	(453)
	<u>\$ 31,331</u>	<u>37,989</u>

(19) Financial instruments

i. Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets is the maximum exposure to credit risks. On 31 December 2020 and 2019, the maximum exposure was NT\$3,262,952 thousand and NT\$2,667,594 thousand, respectively.

(ii) Concentrations of credit risk

As the Company has a broad customer base, there is no significant concentrated transaction with any single customer, and the sales region is dispersed; therefore, there is no significant risk regarding the concentration of credit risk for account receivables. The Company also continues to evaluate customers' financial positions regularly and require customers to provide collaterals to reduce credit risks.

(iii) Credit risks for receivables and debt securities

For the information related to credit risks for note receivables and account receivables, please see Note 6(3). Other financial assets measured at

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

amortized costs include other receivables and certificates of deposits.

Financial assets above have low credit risks; therefore, the loss allowance for the period was provided for was measures at the loss amount based on 12-month ECL. Time deposits held by the Company have transaction and performance counterparties that are financial institutions above the investment level; the risk is therefore deemed low. On 31 December 2020 and 2019, the changes in loss allowances are as follows:

	<b>Other receivables</b>
Balances on 1 January 2020	\$ 17,230
Provided during the period	5,630
Written-off during the period	<u>(12,600)</u>
Balances on 31 December 2020	<b><u>\$ 10,260</u></b>
Balances on 1 January 2019 (based on IAS39)	<u>\$ 17,230</u>
Balances on 31 December 2019	<b><u>\$ 17,230</u></b>

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

ii. Liquidity risks

The following table sets out the contractual maturity date for financial assets, including estimated interests but excluding the effects of netting agreements.

	<u>Carrying</u> <u>amount</u>	<u>Contract</u> <u>ual cash</u> <u>flows</u>	<u>Within 6</u> <u>months</u>	<u>6-12</u> <u>months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5</u> <u>years</u>
<b>31 December 2020</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 395,000	395,136	395,136	-	-	-	-
Note payables	111,558	111,216	110,988	-	228	-	-
Account payables	133,820	133,820	133,820	-	-	-	-
Other payables	174,892	174,892	174,892	-	-	-	-
Lease liabilities (including the non-current portion)	27,456	28,271	6,161	5,677	9,620	6,813	-
Long-term liabilities due within one year or one business cycle	120,000	120,661	60,044	60,617	-	-	-
Long-term borrowings	1,015,847	1,045,415	-	-	1,045,415	-	-
Guarantee deposit received	908	908	-	-	-	-	908
	<b><u>\$ 1,979,481</u></b>	<b><u>2,010,319</u></b>	<b><u>881,041</u></b>	<b><u>66,294</u></b>	<b><u>1,055,263</u></b>	<b><u>6,813</u></b>	<b><u>908</u></b>
<b>31 December 2019</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 86,783	86,954	86,954	-	-	-	-
Note payables	117,653	117,653	117,653	-	-	-	-
Account payables	156,850	156,850	156,850	-	-	-	-
Other payables	158,930	158,930	158,930	-	-	-	-
Lease liabilities (including the non-current portion)	28,907	30,117	6,857	5,064	6,334	11,862	-
Long-term liabilities due within one year or one business cycle	65,555	66,269	5,568	60,701	-	-	-
Long-term borrowings	1,133,249	1,199,055	-	-	123,368	1,075,687	-
Guarantee deposit received	908	908	-	-	-	-	908
	<b><u>\$ 1,748,835</u></b>	<b><u>1,816,736</u></b>	<b><u>532,812</u></b>	<b><u>65,765</u></b>	<b><u>129,702</u></b>	<b><u>1,087,549</u></b>	<b><u>908</u></b>

The Company does not expect the time of occurrence for cash flows within the maturity date analysis to be materially ahead of time or the actual amount to be significantly different.

iii. Currency risks

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(i) Exposure to currency risks

Financial assets and liabilities of the Company exposed to significant foreign currency risk are as follows:

	2020.12.31			2019.12.31		
	Foreign currency	Exchan ge rate	NTD	Foreign currenc y	Exchan ge rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 3,258	28.1000	91,548	2,653	30.0000	79,598
Euro:NTD	338	34.5620	11,674	361	33.6210	12,145
AUD:NTD	173	21.6690	3,757	259	21.0290	5,446
RMB:NTD	187,887	4.3200	811,673	149,909	4.3080	645,809
<u>Non-monetary items</u>						
USD	49,791	28.1000	1,399,126	72,816	30.0000	2,184,470
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	378	28.1000	10,581	1,111	30.0000	33,330
Euro:NTD	1	34.5620	17	11	33.6210	393

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(ii) Sensitivity analysis

The Company's currency risk primarily arises from the foreign currency exchange gains or loss upon translation regarding the cash and cash equivalents, account receivables and other receivables, borrowings, account payables, and other payables denominated in foreign currencies. On 31 December 2020 and 2019, when NTD depreciates or appreciates by 3% against USD, Euro, and AUD, and all other variants remain unchanged, the net profits after tax for 2020 and 2019 will decrease or increase by NT\$19,727 thousand and NT\$17,024 thousand, respectively. The analysis for both periods adopted the same basis.

iv. Interest rate analysis

The interest rate exposure for financial assets and financial liabilities of the Company is described in the "Liquidity risk management" in this Note.

The following sensitivity analysis is based on the interest rate exposure for derivatives and non-derivatives on the Reporting Date. For floating-rate liabilities, the analyzing method assumed that the outstanding liabilities amounts on the Reporting Date are outstanding throughout the year.

When the interest rate increases or decreases by 0.5%, and all other variants remain unchanged, the net profits of the Company for 2020 and 2019 will decrease or increase by NT\$6,293 thousand and NT\$5,322 thousand, respectively, primarily due to the variable-rate borrowings of the Company.

v. Sensitivity analysis - Equity price risks:

Changes in equity securities prices (the analysis for both periods adopts the same basis, and it is assumed that other variant factors remain unchanged) on the Reporting Date have the following effects on items of comprehensive income:

	2020		2019	
	Other comprehensive income after tax	Profit or loss after tax	Other comprehensive income after tax	Profit or loss after tax
<b>Securities prices on the Reporting Date</b>				
<b>Increase by 5%</b>	\$ 1,132	-	1,214	-
<b>Decrease by 5%</b>	\$ (1,132)	-	(1,214)	-

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

vi. Information on fair value

(i) Category and fair value of financial instruments

The carrying amount and fair value of the Company's financial assets (including information on the level of fair value, but the carrying amount of financial assets not measured at fair value shall be the reasonable equivalent to its fair value, and no information on the fair value of lease liabilities is required to be disclosed according to the rules) are set out as follows:

2020.12.31					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through other comprehensive income					
Domestic listed shares	\$ 12,631	12,631	-	-	12,631
Domestic non-listed shares	10,000	-	-	10,000	10,000
Sub-total	22,631	12,631	-	10,000	22,631



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**Notes to Individual Financial Statements (Cont'd)**

	2020.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic listed shares	\$ 14,276	14,276	-	-	14,276
Domestic non-listed shares	10,000	-	-	10,000	10,000
Sub-total	24,276	14,276	-	10,000	24,276
Financial assets at amortized costs					
Cash and cash equivalents	\$ 1,435,067	-	-	-	-
Note receivables and account receivables	635,683	-	-	-	-
Other receivables - Related parties	566,655	-	-	-	-
Other financial assets - Current	2,291	-	-	-	-
Refundable deposits	3,623	-	-	-	-
Sub-total	2,643,319	-	-	-	-
Total	<b>\$ 2,667,595</b>	<b>14,276</b>	<b>-</b>	<b>10,000</b>	<b>24,276</b>
Note payables and account payables (including those to related parties)					
Other payables	\$ 1,285,587	-	-	-	-
Sub-total	274,503	-	-	-	-
Total	97,860	-	-	-	-
Sub-total	1,657,950	-	-	-	-
Total	<b>\$ 1,657,950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(ii) Valuation techniques for the fair value of financial instruments at fair value

When the financial instrument has an active market quotation, its fair value shall be the active market quotation. Market prices announced by primary securities exchanges and Central Government Gre Tai Securities Market for securities determined

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

2020.12.31				
	Fair value			
Carrying amount	Level 1	Level 2	Level 3	Total

as popular are the bases for the fair value of listed equity instruments and debt instruments with active market quotations.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Where the quotation of the financial instrument may be acquired timely and regularly from securities exchanges, agents, underwriters, industry associations, pricing service institutions, or competent authorities, and the price represents the actual and regular fair market transaction, the financial instrument has an active market quotation. When the conditions above are not fulfilled, the market is not active. In general, any significant increase in the differences between sales and purchase prices or minor transaction volume are indicators for an inactive market.

Except for financial instruments with active market above, the fair value of other financial instruments is obtained via valuation techniques or referring to the quotation from transaction counterparties. The fair value obtained via valuation techniques may refer to the current fair value of financial instruments with substantially similar conditions and characteristics, discounted cash flow method, or other valuation techniques, including the calculation based on market information model available on the Consolidated Reporting Date (such as TPEX's reference yield curve and average quotation for interest rates of commercial notes by Reuters).

For financial instruments with no active market held by the Company, their fair value by category and nature is set out as follows:

- Equity instruments with no open quotation: The estimation of the fair value adopts the discounted cash flow model, in which the primary assumption is discounting the expected future cash flows of the investee at the return rate that reflects the monetary time value and investment risks.

(iii) Changes in Level 3: None.

(iv) Quantitative information on the fair value measurement of significant unobservable inputs (Level 3)

The fair value measurement of the Company categorized into Level 3 primarily comprises of financial assets at fair value through profit or loss - investments in equity securities, derivative financial instruments, and financial assets available for sale - investments in equity securities.

The majority of the fair value of the Company categorized into Level 3 merely has a single significant unobservable input, while equity instruments with no open

**Champion Building Materials Co., Ltd.**  
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quotation have multiple significant unobservable inputs. Significant unobservable inputs of equity instruments with no active market have no connectivity as they are independent.

Quantitative information on significant unobservable inputs is set out in the following table:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Relationship between significant unobservable input and fair value</b>
Financial assets at fair value through other comprehensive income (financial assets available for sale) - Investments in equity instruments with no active market	Discounted cash flow method	<ul style="list-style-type: none"> <li>• Long-term growth rate for operating income (1.5% on 31 December 2020 and 2019)</li> <li>• Weighted average capital costs (3.8% on 31 December 2020 and 2019)</li> <li>• Long-term operating net profit before tax (1.5% on 31 December 2020 and 2019)</li> <li>• Discount for lack of marketability (27.2% on 31 December 2020 and 2019)</li> <li>• Discount for minority equity (24.4% on 31 December 2020 and 2019)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the multiplier and control premium, the higher the fair value</li> <li>• The higher the discount for lack of marketability, the lower the fair value</li> <li>• The higher the weighted marketability, the lower the fair value</li> <li>• The higher the long-term growth rate for operating income and long-term operating net profit before tax, the higher the fair value</li> </ul>

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**Notes to Individual Financial Statements (Cont'd)**

(v) The sensitivity analysis of fair value based on reasonable substituting assumptions regarding the measurement of Level 3 fair value

The fair value measurement for the Company's financial instruments is reasonable; however, valuation results may differ when using different valuation models or valuation parameters. For financial instruments categorized into Level 3, the effects on profit or loss or other comprehensive income for the period arising from the changes in valuation parameters are as follows:

	Inputs	Upward or downward changes	Changes in fair value reflected in other comprehensive income	
			Favorable changes	Unfavorable changes
<b>31 December 2020</b>				
Financial assets at fair value through other comprehensive income				
Investments in equity instruments with no active market	Long-term growth rate for operating income	5%	500	(500)
Investments in equity instruments with no active market	Discount for lack of marketability	5%	818	(818)
Investments in equity instruments with no active market	Discount for minority equity	5%	788	(788)
<b>31 December 2019</b>				
Financial assets at fair value through other comprehensive income				
Investments in equity instruments with no active market	Long-term growth rate for operating income	5%	500	(500)
Investments in equity instruments with no active market	Discount for lack of marketability	5%	818	(818)
Investments in equity instruments with no active market	Discount for minority equity	5%	788	(788)

Favorable and unfavorable changes for the Company refer to the fluctuation in fair value, and the fair value is calculated using valuation techniques based on different levels of unobservable inputs. When the fair

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value of the financial instruments is affected by more than one input, the above table merely reflects the effects generated from the changes in a single input, without considering the relevance and variability between inputs.

(vi) There is no fair value measurement transfer during 2020 and 2019.

(20) Financial risk management

i. Summary

The Company is exposed to the following risks due to the use of financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

This note presents the exposure information, the Company's objectives for measuring and managing risks, policies, and procedures regarding the above risks. For details on further qualitative disclosures, please refer to the respective notes in the individual financial statements.

ii. Risk management structure

The Board is fully responsible for establishing and supervising the risk management structure of the Company. The finance department of the Company shall provide services for each business, coordinate the operations in domestic and international financial markets, supervise and manage financial risks related to combined operations in accordance with the internal risk report related to risk exposures based on the level and width of risks, and regularly report its operations to the Board.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

The Company's risk management policies are established to identify and analyze the financial risks faced by the Company, evaluate the effects of financial risks, and execute relevant hedging policies for financial risks. The risk management policies are regularly reviewed to reflect the changes in market conditions and the Company's operations. The Company develops a disciplinary and constructive control environment through training, management standards, and operating procedures to allow all employees to understand their roles and obligations.

The Board of the Company supervises how the management monitors the compliance with the Company's financial risk management policies and procedures and reviews the appropriateness of the financial risk management structure related to risks faced by the Company. Internal auditors assist the Board of the Company in supervision. The auditors conduct reviews on financial risk management control and procedures regularly and from time to time and report to the Board regarding the review results.

iii. Credit risks

Credit risks refer to risks of financial losses incurred to the Company when customers or the transaction counterparties failed to perform their contractual obligations for financial instruments, primarily arising from the Company's account receivables from customers and investments in securities.

(i) Account receivables and other receivables

The Company's exposure to credit risks is primarily affected by the individual conditions of each customer. However, the management also considered the basic statistics of the Company's customers, including the default risk in the industries and countries where the customers operate, as such factors may affect credit risks.

The Company has established its credit loan policies, according to the policies, before offering the standard payment and delivery conditions and terms, the Company has to individually analyze the credit rating for any new customer. The review conducted by the Company includes, when available, the external rating, and under certain circumstances, notes from banks. The procurement limits are established for individual customers, representing the maximum outstanding amount that is exempted from the approval of the Risk

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Management Committee. Such limitations are regularly reviewed. Customers not qualified for the Company's standard credit ratings may only carry out transactions with the Company on a prepayment basis.

When monitoring the credit risks of customers, the Company divides customers into groups based on their credit characteristics, including whether they are individuals or corporates, whether they are distributors, retailers, or end customers, the regions, industries, account ages, expiry dates, and financial difficulties existed in the past. The Company's account receivables and other receivables primarily arising from customers who are distributors of the Company.

The Company has a loss allowance account to reflect the estimation for losses incurred on account receivables, other receivables, and investments. The allowance account mainly comprises particular loss components related to exposures that are individually significant and portfolio loss components established for losses incurred but not yet identified regarding the similar asset groups. The portfolio loss allowance account is determined based on the historical payment statistics of similar financial assets. However, as the sales targets for transactions are not centralized with one customer, there is no significant concentration of credit risks for account receivables.

**(ii) Investments**

Credit financing for bank deposits and other financial instruments is measured and monitored by the finance department of the Company. As the transaction counterparties and other performing parties of the Company are banks and financial institutions and company organizations at the investment level and above with healthy credit, there is no significant risk related to performance, and therefore there is no significant credit risk.

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**Notes to Individual Financial Statements (Cont'd)**

(iii) Guarantee

The Company's policy is to execute according to requirements related to loaning funds and making endorsements and guarantees by public companies. For details regarding the endorsement and guarantees provided by the Company as of 31 December 2020 and 2019, please see Note 7 and 13.

iv. Liquidity risks

Liquidity risks are risks of being unable to perform relevant obligations when the Company is not capable of settling financial liabilities by the delivery of cash or other financial assets. The method adopted by the Company to manage its liquidity is to ensure the Company maintains sufficient working capital to pay for the liabilities falling due under general and pressured circumstances as possible without causing risks of unacceptable losses or compromising the Company's reputation.

As of 31 December 2020 and 2019, the unutilized borrowing limit of the Company in aggregate was NT\$1,191,958 thousand and NT\$1,582,344 thousand, respectively.

v. Market risks

Market risks refer to risks related to effects on the revenue of or value of financial instruments held by the Company due to changes in market prices, such as changes in exchange rates, interest rates, and prices of equity instruments.

To manage its market risks, the Company engages in derivative transactions, and thus incurring financial liabilities. The execution of all transactions is in compliance with the Board's instruction.

(i) Currency risks

The Company is exposed to currency risks arising from sales, procurements, and borrowing transactions not denominated in its functional currency. Such transactions are primarily denominated in currencies such as NTD; USD and Euro are also included.

Borrowing interests are calculated based on the currency of the borrowing's principals. In general, the currency of borrowings is the same as the currency of cash flows arising from the Company's operations, primarily NTD; USD is also included. Under such circumstances, the Company provides economic hedging without entering into derivatives, and no hedging account is therefore adopted.

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For monetary assets and liabilities denominated in other foreign currencies, when temporary unbalance occurred, the Company ensures the net exposure is maintained at an acceptable standard through instant purchases of currencies or sales of foreign currencies.

(ii) Interest rate risks

The Company's borrowings are at fixed and floating rates, and therefore give rise to risks related to changes in fair value and cash flows. The Company manages its interest rate risks by maintaining an appropriate portfolio of fixed and floating rates.

(iii) Other market price risks

Responding to the expected consumption and sales demand, the Company has not entered into any product contract; such product contracts are delivered at net value.

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**Notes to Individual Financial Statements (Cont'd)**

(21) Capital management

The capital management objective of the Company is to ensure its ability for ongoing operations, so as to continuously provide returns for Shareholders and other stakeholders and maintain the optimal capital structure for reducing its capital costs.

To maintain or adjust its capital structure, the Company may adjust dividends paid to Shareholders, carry out capital reduction and return capitals contributed by Shareholders, issue new shares, or sell assets to settle liabilities. Identical with the companies within the industry, the Company controls its capital based on its gearing ratio. The ratio is calculated based on net liabilities divided by total capital. Net liabilities shall be the total liabilities presented in the balance sheet less cash and cash equivalents.

Total capital is all components of equity (i.e., share capital, capital reserve, retained earnings, other equity, and non-controlling interests) plus net liabilities.

The capital management policy of the Company for 2020 is consistent with that of 2019 to ensure acquiring financing at reasonable costs. As at 31 December 2020 and 2019, the gearing ratio is as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total liabilities	\$ 2,190,477	1,918,143
Less: Cash and cash equivalents	<u>(1,816,230)</u>	<u>(1,435,067)</u>
Net liabilities	<b>\$ 374,247</b>	<b>483,076</b>
Total equity	<b>\$ 5,516,902</b>	<b>5,932,484</b>
Gearing ratio	<u><b>6.78%</b></u>	<u><b>8.14%</b></u>

7. Transactions with Related Parties

(1) Name and relationship of related parties

The Company's subsidiaries and other related parties having transactions with the Company during the period covered by the individual financial statements are as follows:

<u>Name of related parties</u>	<u>Relationship with the Company</u>
SWANVIEW INTERNATIONAL LTD. (the "Swanview")	A subsidiary of the Company

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Champion Highwealth Co., Ltd. (the “Champion Highwealth”)	A subsidiary of the Company
Guan Zhong Trading Co., Ltd. (the “Guan Zhong Trading”)	A subsidiary of the Company
Super Universal Ltd. (the “Super”)	A subsidiary of the Company
Xinyi Ceramic (China) Co., Ltd. (the “Xinyi China”)	A subsidiary of the Company
Xinyi Ceramic (Penglai) Co., Ltd. (the “Xinyi Penglai”)	A subsidiary of the Company
Xinyi Ceramic (Anhui) Co., Ltd. (the “Xinyi Anhui”)	A subsidiary of the Company
Great Central Building Materials Co., Ltd. (the “Great Central Building Materials”)	A subsidiary of the Company (the legal procedures for cancellation was completed on 12 August 2019)
JiangSu SinShuo Brewery Co., Ltd. (the “JiangSu SinShuo”)	A subsidiary of the Company (the legal procedures for cancellation was completed on 16 September 2019)
SiaoSian HuaGuan Products Co., Ltd. (the “SiaoSian HuaGuan”)	A subsidiary of the Company

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(2) Significant transactions with related parties

i. Operating income

Significant sales of the Company made to related parties are as follows:

	<u>2020</u>	<u>2019</u>
Subsidiary - Guan Zhong Trading	<u>\$ -</u>	<u>7,211</u>

Sales conditions for sales of the Company made to its associates and subsidiaries are no different from the general sales price. The collection term is no different from that offered to general customers.

ii. Purchase

Purchases of the Company from related parties are as follows:

	<u>2020</u>	<u>2019</u>
Subsidiary – Xinyi Penglai	<u>\$ 1,367</u>	<u>3,285</u>

iii. Amount due from related parties

Amount due from related parties of the Company is detailed as below:

<u>Accounting item</u>	<u>Category of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Other receivables	Subsidiary – Xinyi China	<u>\$ 655,385</u>	<u>566,655</u>

iv. Loans provided (accounted for as other receivables - related parties)

The actual utilization of loans provided by the Company to related parties is as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Subsidiary – Xinyi China	<u>\$ 648,000</u>	<u>560,040</u>

Interests received by the Company for 2020 and 2019 were NT\$29,850 thousand and NT\$21,571 thousand, respectively.

v. Endorsement and guarantee

Endorsement and guarantees provided by the Company for bank borrowings of related parties are as follows:

<u>2020.12.31</u>	<u>2019.12.31</u>
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Subsidiary - Guan Zhong Trading	USD	439	USD	166
Subsidiary – Xinyi Penglai	USD	5,000	USD	5,000
Subsidiary – Swanview	USD	2,000	USD	2,000

(iii) Compensation for executives

	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 7,986	9,760
Post-employment benefits	124	157
Other long-term benefits	1,242	1,050
	<b>\$ 9,352</b>	<b>10,967</b>

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**Notes to Individual Financial Statements (Cont'd)**

8. Pledged assets

The carrying amount of the Company's assets pledged for security is detailed as follows:

<u>Title of assets</u>	<u>Target of pledge</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Inventories (houses and lands available for sale)	Guarantee for borrowings	\$ 29,448	29,448
Investment properties	"	113,765	114,009
Property, plant and equipment	"	1,051,304	1,077,164
Other financial assets - Current	Guarantee for borrowings	120,012	-
Other financial assets - Current	Provisions for litigations	<u>2,400</u>	<u>-</u>
		<b><u>\$ 1,316,929</u></b>	<b><u>1,220,621</u></b>

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(1) Significant unrecognized contractual commitments:

i. The balances of unused letter of credits issued by the Company for the purchase of raw materials and equipment are detailed as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Unused letter of credits issued		
USD	<u>\$ 847</u>	<u>729</u>
Euro	<u>\$ 412</u>	<u>120</u>

ii. Guarantee notes issued by the Company for bank borrowings, purchase of machinery, and purchase of machinery and employing foreign workers by subsidiaries are detailed as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Guaranteed notes submitted	<u>\$ 132,000</u>	<u>453,500</u>

iii. Guarantee notes received incurred to the Company for sales to distributors, purchase of

**Champion Building Materials Co., Ltd.**  
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machinery and equipment, and construction warranty are detailed as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Guarantee notes received	<b>\$ 295,438</b>	<b>267,529</b>

iv. The total consideration for contracts entered into by the Company and unpriced amount for purchases of equipment, construction of office building, and plant renovation are as follows:

	<b>2020.12.31</b>		<b>2019.12.31</b>	
	Total contract considerati on	Unpriced amount	Total contract considerati on	Unpriced amount
Euro	\$ 923	539	400	222
USD	668	200	650	563
NTD	49,361	29,692	41,724	22,003

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v. Heng Shiang Co., Ltd (the “Heng Shiang Company”) initiated civil litigation at Taiwan Miaoli District Court on 4 December 2014 for requesting the confirmation regarding the existence of the distribution relationships between both parties, and a damage compensation of NT\$32,851 thousand and inventory consideration of NT\$14,033 thousand. After the first trial on 25 August 2016, the Court reached the verdict that the Company won the litigation for requesting the confirmation regarding the existence of the distribution relationships between both parties and the damage compensation. In addition, the Company lost the litigation for requesting the inventory consideration; the compensation amount sentenced included the lease expenses for preserving the inventories of NT\$1,690 thousand and the inventory consideration of NT\$11,987 thousand. The Company and Heng Shiang Company both lodged an appeal. On 3 July 2018, for the appeals from both parties, Taiwan High Court maintained the judgment regarding the compensation for the lease expenses for preserving the inventories of NT\$1,690 thousand and the inventory consideration of NT\$11,987 thousand by the Company. Furthermore, the Company was also sentenced to compensate for the distribution subsidy differences of NT\$3,965 thousand in the request items within the appeal proposed by Heng Shiang Company. However, the Company further submitted its appeal based on the reason that the above judgments had not taken into account the current status and market value of the inventories, and had provided for a loss of NT\$3,965 thousand regarding the distribution subsidy differences. As of 31 December 2020, the Company made provisions for a loss of NT\$9,765 thousand for the litigation.

(2) Significant contingent liabilities: None.

10. Significant Disaster Loss: None.

**11. Significant Events After the Period**

(1) Xinyi Ceramic (China) Co., Ltd., a subsidiary of the Company, organized its policy relocation in response to the arrangements made by Kunshan High-Tech Industrial Development Zone. On 29 January 2021, the Board passed the resolution to sell the land use

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rights, houses and buildings, above-ground structures, decorations and accessories to Kunshan High-Tech Zone House Collection Service Co., Ltd. (昆山高新區房屋徵收服務事務所有限公司) with a total transaction consideration amounted to RMB452,268 thousand. As of the publishing date of the financial statements, the first installment of RMB100,000 thousand had been received; the transaction is not completed.

- (2) On 30 March 2021, the Board passed a resolution relating to repurchase the Company's shares at the centralized securities exchange market to protect the credit of the Company and Shareholders' interests. The Company expects to repurchase 25,000 thousand shares, and the period of repurchases is expected to be from 6 April 2021 to 28 May 2021, with a repurchase price ranging from NT\$6 to NT\$12. Where the share price of the Company is lower than the bottom of the price range, the Chairman is authorized to continue executing the repurchase of the Company's shares.

**12. Others**

- (1) Liquidity analysis of assets and liabilities:

The liquidity analysis of assets and liabilities related to the Company's construction business is as follows:

	<b>Expect to be recovered or settled within 12 months__</b>	<b>Expect to be recovered or settled after 12 months__</b>	<b><u>Total</u></b>
<b><u>2020.12.31</u></b>			
Inventories (Houses and lands available for sale)	\$ <u>-</u>	<u>65,344</u>	<u>65,344</u>
<b><u>2019.12.31</u></b>			
Inventories (Houses and lands available for sale)	\$ <u>-</u>	<u>65,344</u>	<u>65,344</u>

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(2) The functions of employee benefits, depreciation, and amortized expenses are summarized as follows:

Function Nature	2020			2019		
	Operatin g costs	Operatin g expenses	Total	Operatin g costs	Operatin g expenses	Total
Employee benefit expenses						
Salary expenses	\$ 328,829	98,486	427,315	324,451	100,596	425,047
Labor and health insurance expenses	36,912	9,467	46,379	36,857	10,469	47,326
Pension expenses	13,616	5,132	18,748	14,492	6,042	20,534
Remuneration for Directors	-	3,540	3,540	-	3,860	3,860
Other employee benefit expenses	19,885	5,336	25,221	20,167	5,458	25,625
Depreciation expenses	128,178	28,065	156,243	129,319	28,822	158,141
Amortization expenses	16,519	4,240	20,759	13,171	3,971	17,142

- i. For 2020 and 2019, the depreciation under operating costs is breakdown losses of NT\$30,400 thousand and NT\$29,755 thousand, respectively.
- ii. For 2020 and 2019, additional information related to the Company's number of employees and employee benefit expenses is as follows:

	2020	2019
Number of employees	<u>767</u>	<u>778</u>
Number of Directors who are not concurrently employees	<u>6</u>	<u>6</u>
Average employee benefit expenses	<u>\$ 680</u>	<u>672</u>
Average employee salary expenses	<u>\$ 562</u>	<u>551</u>
Average employee salary expense adjustments	<u>2.00%</u>	

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**Notes to Individual Financial Statements (Cont'd)**

Remuneration for supervisors \$ - -

Items of salary and compensation for the Directors, Independent Directors, managers, and general employees are set out as follows:

i. Independent Directors:

- (i) Regardless of the operating profit or loss, the Company shall pay the remuneration for Independent Directors monthly (or quarterly or semi-annually) and make adjustments based on their participation in the Company's operations and the value of their contributions.
- (ii) Independent Directors are not included in the distribution of remunerations for Directors and the allocation of other bonuses.
- (iii) Based on the actual demands for business execution, the Company provides expenses such as traffic allowances.

ii. Other Directors:

- (i) The remuneration for other Directors is determined based on their participation in the Company's operations and the value of their contributions, with reference to the standards within the industry.
- (ii) Remuneration for Directors shall be appropriated according to the ratio stipulated in the Company's Articles of Association.
- (iii) Based on the actual demands for business execution, the Company provides expenses such as traffic allowances.

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**Notes to Individual Financial Statements (Cont'd)**

iii. Managers:

- (i) The monthly fixed salary is determined according to the salary standards for the titles.
- (ii) Performance bonuses are allocated according to the results of the operating performance evaluation.
- (iii) Year-end bonuses are distributed according to the results of the employee performance evaluation.
- (iv) Remuneration for employees shall be appropriated according to the ratio stipulated in the Company's Articles of Association.
- (v) The Company provides supervisory differential pay and traffic allowances based on the duties and standards.

iv. Other employees:

Salaries for the Company's employees are subject to the "Duty Scale" and "Table of Duty and Salary Standards." Salaries for employees are divided into regular and non-regular salaries.

- (i) Regular salaries comprise basic salaries, duty allowances, supervisory differential pay, professional differential pay, board wages, and other allowances.
- (ii) Non-regular salaries comprise overtime pay, year-end bonuses, and performance bonuses.

**13. Supplementary Disclosures**

(1) Information related to significant transactions

For 2020, information related to significant transactions of the Company to be disclosed according to the requirements under the Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows:

i. Loan to others:

No.	Lender	Borrower	Current item	Whether	Maximum	Closing	Actual	Interest	Loan	Amount	Reason	Amount	Title	Value	Loan limit	Total limit
													Collateral			

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				Is the borrower a related party	Amount for the period	Balance	Amount utilized	Rate	Nature	For business contact	The requirement of short-term financing	Provided for loss allowance		Respective borrower	for loans	
0	The Company	Xinyi China	Other receivables	Yes	993,600	648,000	648,000	5.4%	Not	-	Working capital	-	-	-	1,103,380	2,206,761
1	Swanview	Xinyi China	Other receivables	Yes	191,080	162,980	162,980	2.40%	Not	-	Working capital	-	-	-	559,650	559,650
1	Swanview	Xinyi Pengla	Other receivables	Yes	227,610	227,610	226,277	2.40%	Not	-	Working capital	-	-	-	559,650	559,650
2	Xinyi China	Jiang Su Sinhuo	Other receivables	Yes	17,280	-	-	-	Not	-	Working capital	-	-	-	198,722	198,722
2	Xinyi China	Siao Sian Hua	Other receivables	Yes	64,800	21,600	-	-	Not	-	Working capital	-	-	-	198,722	198,722
2	Xinyi China	Champion Anhui	Other receivables	Yes	259,200	129,600	45,196	-	Not	-	Working capital	-	-	-	198,722	198,722
3	Xinyi	Xinyi	Other	Yes	1,166,770	1,166,770	1,177,011	-	Not	-	Working	-	-	-	1,924,192	1,924,192

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**Notes to Individual Financial Statements (Cont'd)**

	Pengla i	China	receiv ables	400	400	16		e 1	ng capita				759	759
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Note 1: Companies with requirements of short-term financing.

Note 2: The total loans provided by the Company shall not exceed 40% of the Company's net value. Loan limits to individual borrowers shall not exceed 20% of the Company's net value.

Note 3: Except for Xinyi Penglai, the total loans provided by subsidiaries and loan limits to individual borrowers shall not exceed 40% of the subsidiaries' net value.

Note 4: The total loans provided by Xinyi Penglai and loan limits to individual borrowers shall not exceed 120% of the subsidiaries' net value.

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ii. Endorsement and guarantee for others:

No.	Name of the company providing the endorsement and guarantee	Counterparty for the endorsement and guarantee		Limits for the endorsement and guarantee provided to a single enterprise	Maximum balances of the endorsement and guarantee for the period	Closing balances of the endorsement and guarantee for the period	Actual amount utilized	Amount of endorsement and guarantee secured by properties	Ratio of accumulated endorsement and guarantee on the net value of the latest financial statements	Cap for endorsement and guarantee	Endorsement and guarantee provided by the parent company to its subsidiaries	Endorsement and guarantee provided by subsidiaries to its parent company	Endorsement and guarantee provided in the Mainland and region
		Name of the company	Relationship										
0	The Company	Swanview	1	1,655,071	168,600	84,300	56,200	-	1.02%	2,758,451	Y	N	N
0	The Company	Guan Zhong Trading	1	1,655,071	82,150	48,100	13,097	-	0.24%	2,758,451	Y	N	N
0	The Company	Xinyi Penglai	1	1,655,071	224,800	196,700	140,500	-	2.55%	2,758,451	Y	N	Y
0	The Company	Guang Li Yu Co., Ltd. (廣利宇(股)公	3	1,655,071	40,000	40,000	32,565	-	0.59%	2,758,451	N	N	N

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**Notes to Individual Financial Statements (Cont'd)**

1	Xinyi Penglai	Xinyi China	2	1,299,421	853,632	853,632	367,200	853,632	27.35%	1,603,966	N	Y	Y
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Note 1: The cap for endorsement and guarantee provided by the Company shall be 50% of the Company's net value; limits for the endorsement and guarantee provided to a single enterprise shall be 30% of the Company's net value.

Note 2: The cap for endorsement and guarantee provided by Xinyi Penglai shall be 100% of its net value; limits for the endorsement and guarantee provided to a single enterprise shall be 80% of its net value.

Note 3: Except for Xinyi Penglai, the cap for endorsement and guarantee provided by subsidiaries and limits for the endorsement and guarantee provided to a single enterprise shall be 50% of the subsidiaries' net value.

Note 4: The relationship between the company providing the endorsement and guarantee and the counterparty of the endorsement and guarantee is as follows:

- i. The Company, directly and indirectly, holds 50% of the shares with voting rights of the company.
- ii. Companies, directly and indirectly, hold 50% of the shares with voting rights of the Company.
- iii. Companies with business contacts.

iii. Securities held at the end of the period (excluding investments in the equity of subsidiaries, associates, and joint ventures):

Holding company	Category and name of securities	Relations hip with the securities issuer	Accounting item	At the end of the period				Note
				Number of shares	Carrying amount	Shareholding	Fair value	
The Company	Shares - Kwong Fong Industries Corporation	-	Financial assets at fair value through other comprehensive income - Current	1,061	12,631	0.57 %	12,631	
"	Shares - KHH Arena Corporation	-	Financial assets at fair value through other comprehensive income - Non-current	1,000	10,000	0.40 %	10,000	

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Xinyi China	Shares - Seagull Kitchen and Bath Products Co., Ltd.		Financial assets at fair value through profit or loss - Current	3,791	115,295	0.68 %	115,295
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Note: The carrying amount is the balance after deducting the accumulated impairments.

iv. Amount of cumulative purchases or sales of the identical securities reaching NT\$3 million or 20% of the paid-up capital and above:

Unit: NT\$000'

Purchasing or selling company	Category and name of securities	Accounting item	Transaction counterparty	Relationship	At the beginning of the period		Purchases		Sales			At the end of the period		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Carrying costs	Gain or loss on disposal	Number of shares	Amount
Xinyi China	Seagull Champion	Investment accounts	Investments with unlisted inventories for using equity consideration method	-	-	-	CNY 624,920	CNY 149,790	(CNY149,790)	-	-	-	-	CNY 624,920
Xinyi China	Seagull Champion	Investment accounts	Guangzhou Seagull	Non-related party	CNY 149,790	20 (Note 2)	-	-	CNY 76,000	317,070	317,070	(CNY76,000)	-	CNY 73,790

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

		using equit y meth od	ty											
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Note 1: Include items of adjustment related to investment gain or loss and Shareholders' equity recognized using the equity method.

Note 2: Balances of investments with inventories as considerations by Xinyi China for the period.

v. Amount of properties acquired reaching NT\$3 million or 20% of the paid-up capital and above: None.

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

vi. Amount of disposals of properties reaching NT\$3 million or 20% of the paid-up capital and above: None.

vii. Amount of purchases or sales with related parties reaching NT\$1 million or 20% of the paid-up capital and above:

			Transaction status				Circumstances and reasons for transaction conditions different from general transactions		Note and account receivables (payables)		
Purchasing (selling) company	Name of the transaction counterparty	Relationship	Purchase (sales)	Amount	Ratio on total purchases (sales)	Credit period	Unit price	Credit period	Balances	Ratio on total note and account receivables (payables)	Note
Xinyi China	Seagull Champion	A subsidiary with 43.46% of its shares held by the Company	Purchase	268,204	- %	Settled monthly for 60~90 days	-	-	(314,126)	(44)%	
Xinyi China	Xinyi Penglai	A subsidiary with 65.53% of its shares held by the Company	Purchase	365,727	- %	Settled monthly for 60~90 days	-	-	(398,258)	(56)%	

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Xinyi Penglaji	Seagull Champion	An associate	(Sales)	(242,475)	- %	Settled monthly for 60~90 days	-	-	168,378	15%
Xinyi Penglaji	Xinyi China	Parent company of the Company	(Sales)	(365,727)	- %	Settled monthly for 60~90 days	-	-	398,358	36%

viii. Amount due from related parties reaching NT\$1 million or 20% of the paid-up capital and above:

Unit: NT\$000'

Company with amount receivables accounted for	Name of the transaction counter party	Relationship	Balance of amounts due from related parties	Turnover rate	Overdue amount due from related parties		Amount due from related parties recovered after the period	Amount of loss allowances provided
					Amount	Handling method		
The Company	Xinyi China	A subsidiary	655,385	Note	-	-	-	-
Swanview	Xinyi China	A subsidiary	162,980	Note	-	-	-	-
Swanview	Xinyi Penglai	A subsidiary	226,277	Note	-	-	-	-
Xinyi Penglai	Seagull Champion	An associat	168,378	4.09	-	-	-	-

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Xinyi Penglai	in Xinyi China	Parent company <sup>4</sup>	1,168,37	Note	-	-	-	-
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Note: No turnover rate is available as the amount receivables were not incurred due to purchases or sales.

ix. Derivative transactions: None.

(2) Information related to investment businesses:

Information related to the Company's investment businesses for 2020 is as follows (excluding investee companies in Mainland):

Unit: Thousand shares/NT\$000'

Name of the investing company	Name of the investee company	Location	Primary scope of business	Initial investment amount		Held at the end of the period			Profit or loss for the investee company during the period	Investment gains or losses recognized for the period	Note
				At the end of the period	At the end of the previous year	Number of shares	Percentage	Carrying amount			
The Company	Swanview	British Virgin Islands	Holding company	3,033,281	3,033,281	93,906	100.00%	1,399,126	(764,680)	(764,680)	
The Company	Tai Yu Investment (台裕投資)	Taiwan	General investments	41,986	41,986	4,198	39.98%	59,924	(35)	(14)	
The Company	Guanzhong trading	Taiwan	International trade	96,000	96,000	9,600	100.00%	97,659	(2,367)	(2,367)	

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

The Compan y	Champi on Highwe alth	Taiw an	Cement, metal structure, and building compone nt manufact uring	18,000	18,000	1,800	100.0 0%	13,784	13	13
Swanvie w	Super	Britis h Virgin Islan ds	Holding company	894,189	894,189	-	100.0 0%	259,746	-	Exempte d from filling accordin g to the requirem ents

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(3) Information on investments in Mainland:

i. Information related to investments in businesses in the Mainland region:

Unit: NT\$000'

Name of the investee company in Mainland	Primary scope of business	Paid-up capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss for the investee company during the period	Shareholding of the direct or indirect investments from the Company	Investment gains or losses recognized for the period	Carrying amount of investments at the end of the period	Investment gains remitted to Taiwan for the period
					Remitted	Recovered						
Xinyi China	Production and sales of ceramics for daily use, art ceramics, electrical porcelain, refractories and heat insulators, acid and alkali resistance ceramic tiles, mosaic tiles,	1,545,500 (USD55,000)	Note 1	1,339,021 (USD47,652)	-	-	1,339,021 (USD47,652)	(251,626)	100.00%	(251,626)	496,805	-

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Xinyi Penglai	and other building materials Production and sales of high-end sanitary porcelain, new model architectural ceramics, high-end sanitary porcelain, and ceramic products, and R&D for relevant new products	1,256,070 (USD44,700)	Not e 2	204,006 (USD7,260)	-	-	204,006 (USD7,260)	(219,477)	100.00%	(219,477)	1,603,966	-
Champion Anhui	Production of new decoration and fitting materials, high-end sanitary porcelain, premium plastic composite doors and windows, fine blanking die, precision cavity mold, ceramic products, and alumina ball, and sales of self-produced products, and sales of self-produced products	1,773,307 (USD63,107)	Not e 1	346,726 (USD12,339)	-	-	346,726 (USD12,339)	(272,273)	100.00%	(272,273)	828,883	-
Seagull	Sales of daily	733,493	Not	-	-	-	-	65,688	43.46	65,688	385,2	-

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

Champion	supplies, ceramics for daily use, art ceramics, electrical porcelain, refractories and heat insulators, acid and alkali resistance ceramic tiles, mosaic tiles, and other building materials		Note 4 Note 7						%	8	98		
JiangSu SinShuo	Wholesale and retail of packaged food	21,600 (CNY5,000)	Note 4	-	-	-	-	937	100.00%	937	-	-	
SiaoSian HuaGuan	Sales of kaolinite, magnet, feldspar, and silica sand	182,736 (CNY42,300)	Note 4	-	-	-	-	(12,460)	100.00%	(12,460)	153,985	-	

ii. Limits on investments in the Mainland region:

Accumulated investment amount remitted from Taiwan to the Mainland region at the end of the period	Investment amount approved by the Investment Commission, MOEA	Limits for investment in the Mainland region according to the requirements of the Investment Commission, MOEA
1,940,614 (USD69,061)	3,032,945 (USD107,934)	3,310,141

Note 1: Investments in Mainland companies made through investing in the establishment of a company in a third region.

Note 2: Refer to the return on investments regarding investments made through investing in the establishment of a company in a third region of NT\$257,784 thousand (US\$8,150 thousand), cash investments of NT\$229,633 thousand (US\$7,260 thousand), and investments in Xinyi China of

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

NT\$926,443 thousand (US\$24,290 thousand).

Note 3: The portion of investment gains or losses recognized for the period related to Xinyi China includes 70% of the investment return of Xinyi Penglai; the portion related to Xinyi Penglai is the 30% of investments regarding investments made through investing in the establishment of a company in a third region, and was recognized using equity method based on the financial statements of the above investee companies for the same period certified based on CPAs.

Note 4: Refer to the 100% investments in Xinyi China.

Note 5: According to the relevant requirements under the “Review Principles for Investments or Technical Cooperation in the Mainland Region” amended by the Investment Commission on 29 August 2008, the investment limits in the Mainland region shall be the higher of the Company’s net value and 60% of the Consolidated Company’s net value.

Note 6: Jinyuan Ceramics (金元陶瓷) was derecognized on 31 December 2017; however, the Company has not made alteration registration with the Investment Commission; therefore, the accumulated investment amount remitted from Taiwan to the Mainland region at the end of the period still includes its initial investment amount of US\$1,810 thousand.

iii. Significant transactions:

For significant direct or indirect transactions between the Company and the investee companies in the Mainland region during 2020, please see the detailed descriptions in “Information related to significant transactions.”

**Champion Building Materials Co., Ltd.**  
**Notes to Individual Financial Statements (Cont'd)**

(4) Information on major shareholders

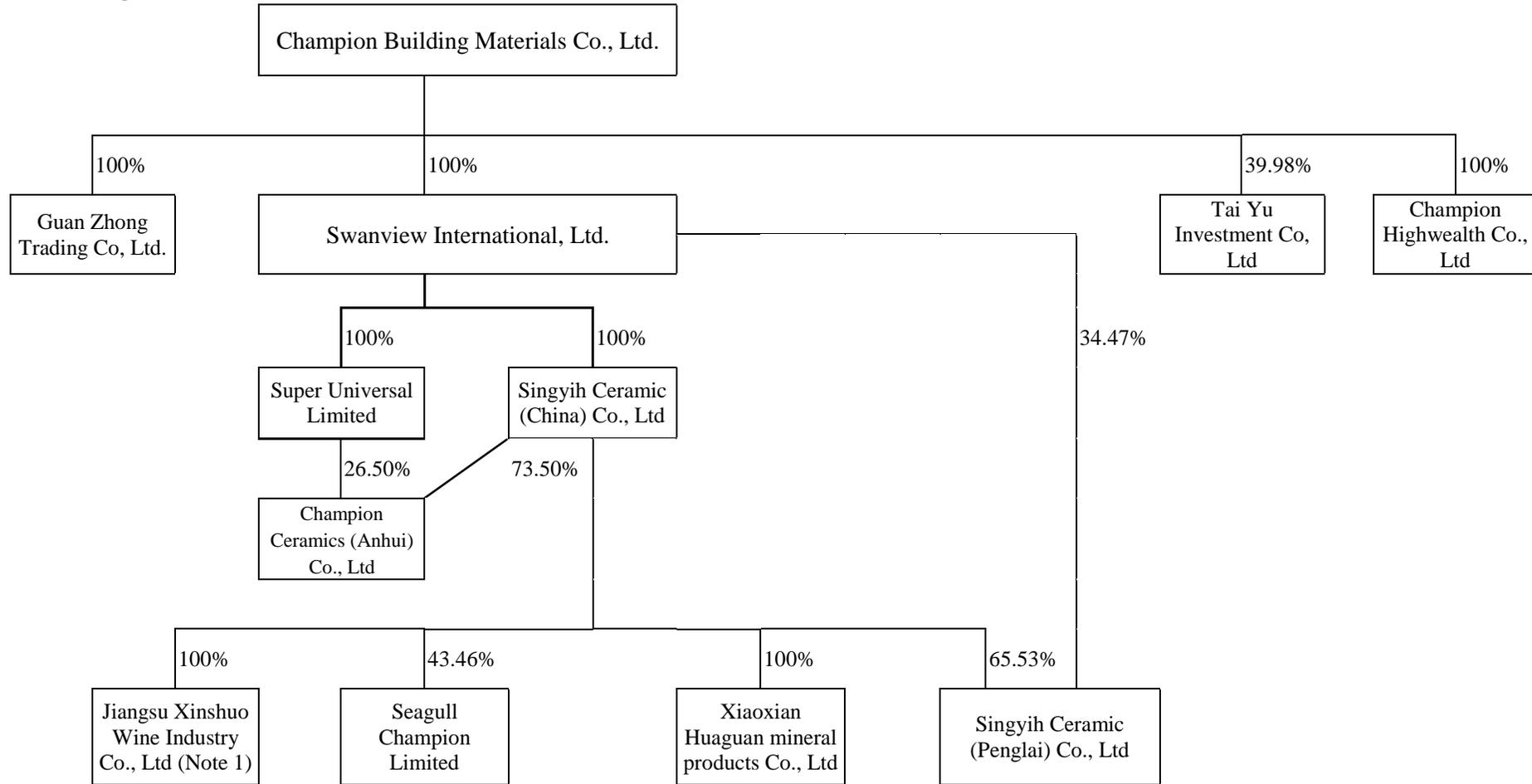
Unit: Share

<b>Name of Major Shareholders</b>	<b>Shares</b>	<b>Number of shares held</b>	<b>Shareholding</b>
Investment Account of United Commercial Bank Entrusted with Citibank Taiwan Ltd.		32,151,024	7.41%
De Qian Investment Co., Ltd. (德謙投資股份有限公司)		29,039,182	6.69%
Gui Cheng Investment Co., Ltd. (貴誠投資股份有限公司)		27,378,372	6.31%
RONG-TE, LIN		26,222,000	6.04%
Feng De Industrial Co., Ltd. (豐德實業股份有限公司)		25,347,235	5.84%
Zhong Yang Industrial Co., Ltd. (仲洋實業股份有限公司)		25,207,957	5.81%
Feng Deng Enterprise Co., Ltd. (豐登興業股份有限公司)		23,743,702	5.47%

**14. Segment Information**

For details, please see the consolidated financial statements for 2020.

I. Organizational Chart of Affiliates



Note 1: Statutory cancellation process was completed on 16 December 2020.

II. Basic Information of Affiliates

Unit: NT\$000'/US\$000'/RMB000'

Corporate name	Date of establishment	Address	Paid-up capital	Primary scope of business
Champion Building Materials Co., Ltd.	24 November 1972	No.200-7, Zhugaocuo, Dapu Vil., Zhunan Township, Miaoli County, Taiwan (R.O.C.)	4,337,821	<ol style="list-style-type: none"> <li>1. Processing, manufacturing, and trading of tiles, mosaic, electrical porcelain, refractories, and acid-resisting and alkali-resisting tools.</li> <li>2. Processing, manufacturing, and trading of daily-use ceramics, artistic ceramics, and building materials.</li> <li>3. Export and import trading for the above products.</li> <li>4. Engaging construction engineering suppliers to build commercial buildings and national housings for rental and sales.</li> </ol>
Swanview International, Ltd.	19 October 1994	P.O Box 3321, Road Town, Tortola, British Virgin Islands	US\$93,906,266	Investment and important export business.
Super Universal Limited	21 December 2001	British Virgin Islands	US\$12,119,000	Investment business.
Singyih Ceramic (China) Co., Ltd	16 October 1994	No. 8, Yuanfeng Road, Kunshan City, Jiangsu Province	US\$55,000,000	Production and sales of land tiles, wall tiles, external tiles, and other building materials.
Singyih Ceramic (Penglai) Co., Ltd	18 September 2002	No. 1, Guanjun Road, Jingji Development Area, Penglai City, Shandong Province	US\$44,700,000	Production and sales of high-end sanitary porcelain, new building ceramics and ceramic products, and R&D of new products.

Corporate name	Date of establishment	Address	Paid-up capital	Primary scope of business
Champion Ceramics (Anhui) Co., Ltd	2 December 1998	No. 628, Jinjiangsan Road, Jingji Technology Development Area, Suzhou City, Anhui Province	US\$63,107,000	Manufacturing and trading of tiles.
Jiangsu Xinshuo Wine Industry Co., Ltd	31 December 2011	House 1, No. 8, Yuanfeng Road, Yushan Town	RMB\$5,000,000	Wholesale and retail of packaged food.
Xiaoxian Huaguan mineral products Co., Ltd	1 March 2013	Xingzheng Village, Wangdazhuang, Longcheng Town, Xiaoxian	RMB\$52,300,000	Sales of kaolinite, magnet, feldspar, and unbonded silica sand.
Guan Zhong Trading Co., Ltd.	22 February 2006	No.200-7, Zhugaocuo, Dapu Vil., Zhunan Township, Miaoli County, Taiwan (R.O.C.)	96,000	Trading of tiles and building materials.
Champion Highwealth Co., Ltd	25 October 2013	No.200-7, Zhugaocuo, Dapu Vil., Zhunan Township, Miaoli County, Taiwan (R.O.C.)	18,000	Engage in cement, concrete products, stone material products, metal structures, and building components.

III. Information on Those Who Presumed to Have Controlling or Subordinating Relationships and theirs Shareholders: None.

IV. Overall Industries Covered by the Scope of Business of Affiliates: There is no other dealing or division of work between affiliates.

V. Information on Directors, Supervisors, and President of Affiliates

Corporate name	Title	Name or representative	Shareholding	
			Number of shares/capital contribution	Shareholding/capital contribution ratio
Champion Building Materials Co., Ltd.	Chairman (and President)	Corporate representative of Tai Yu Investment Co, Ltd: Lin, Jung-Te	19,047,510	4.39%
	Director	Corporate representative of Tai Yu Investment Co, Ltd: Lin, You-Yu	19,047,510	4.39%
	Director	Corporate representative of Tai Yu Investment Co, Ltd: Lin, He-Cun	7,658,000	1.77%
	Director	Corporate representative of Tai Yu Investment Co, Ltd: Chen, Jung-Yang	7,658,000	1.77%
	Independent Director	Wu, Yung-Ku	0	0%
	Independent Director	Lin, Tse-Tsang	0	0%
	Independent Director	Chen, Yin-Ho	0	0%
Swanview International, Ltd.	Chairman (and president)	Corporate representative of Champion Building Materials Co, Ltd: Lin, Jung-Te	Capital contribution of US\$ 93,906,266	100%
Super Universal Limited	Chairman	Corporate representative of Swanview International, Ltd.: Lin, Jung-Te	Capital contribution of US\$ 12,119,000	100%
Singyih Ceramic (China) Co., Ltd	Chairman (and president)	Corporate representative of Swanview International, Ltd.: Lin, Jung-Te	Capital contribution of US\$ 55,000,000	100%

	Director	Corporate representative of Swanview International, Ltd.: Lin, You-Yu	Capital contribution of US\$	55,000,000	100%
	Director	Corporate representative of Swanview International, Ltd.: Lin, He-Cun	Capital contribution of US\$	55,000,000	100%
Singyih Ceramic (Penglai) Co., Ltd	Chairman	Corporate representative of Swanview International, Ltd.: Lin, Jung-Te	Capital contribution of US\$	15,410,000	34.47%
	Director	Corporate representative of Singyih Ceramic (China) Co., Ltd: Lin Wang, Kuei-Feng	Capital contribution of US\$	29,290,000	65.53%
	Director	Corporate representative of Singyih Ceramic (China) Co., Ltd: Lin, He-Cun	Capital contribution of US\$	29,290,000	65.53%

Corporate name	Title	Name or representative	Shareholding		
			Number of shares/capital contribution	Shareholding/capital contribution ratio	
Champion Ceramics (Anhui) Co., Ltd	Chairman	Corporate representative of Singyih Ceramic (China) Co., Ltd: Lin, You-Yu	Capital contribution of US\$	46,383,000	73.50%
	Director	Corporate representative of Singyih Ceramic (China) Co., Ltd: Li, Cun-Feng	Capital contribution of US\$	46,383,000	73.50%
	Director	Corporate representative of Super Universal Limited: Lin, Jung-Te	Capital contribution of US\$	16,724,000	26.50%

Xiaoxian Huaguan mineral products Co., Ltd	Chairman	Corporate representative of Singyih Ceramic (China) Co., Ltd: Wang, Jun-Qin	Capital contribution of RMB	52,300,000	100%
	Director	Corporate representative of Swanview International, Ltd.: Lin, Jung-Te	Capital contribution of RMB	52,300,000	100%
	Director	信 Corporate representative of Singyih Ceramic (China) Co., Ltd: Lin, He-Cun	Capital contribution of RMB	52,300,000	100%
	Director	Corporate representative of Singyih Ceramic (China) Co., Ltd: Lin Wang, Kuei-Feng	Capital contribution of RMB	52,300,000	100%
Guan Zhong Trading Co, Ltd.	Chairman	Corporate representative of Champion Building Materials Co, Ltd: Lin, Jung-Te		9,600,000	100%
	Director	Corporate representative of Champion Building Materials Co, Ltd: Lin, He-Cun		9,600,000	100%
	Director	Corporate representative of Champion Building Materials Co, Ltd: Lin, Meng-Yu		9,600,000	100%
	Supervisor	Corporate representative of Champion Building Materials Co, Ltd: Zhou, Hui-Zheng		9,600,000	100%
Champion Highwealth Co., Ltd	Chairman	Corporate representative of Champion Building Materials Co, Ltd: Lin, Jung-Te		1,800,000	100%
	Director	Corporate representative of Champion Building Materials Co, Ltd: Lin, Meng-Yu		1,800,000	100%
	Director	Corporate representative of Champion Building Materials Co, Ltd: Lin, He-Cun		1,800,000	100%
	Supervisor	Corporate representative of Champion Building Materials Co, Ltd: Lin Wang, Kuei-Feng		1,800,000	100%

## VI. Business Overview for Affiliates

Unit: NT\$000'/US\$000'/RMB000'

Corporate name	Capital	Total assets	Total liabilities	Net value	Operating income	Operating (loss) gain	(Loss) gain for the period (after tax)	Earnings per share (NT\$1) (after tax)
Champion Building Materials Co., Ltd.	4,337,821	7,707,379	2,190,477	5,516,902	2,711,953	436,894	(402,867)	(0.93)
Swanview International, Ltd.	US\$93,906,266	US\$54,788,834	US\$4,997,860	US\$49,790,974	US\$0	US\$ (105,996)	US\$ (25,929,198)	-
Super Universal Limited	US\$12,119,000	US\$ 9,243,617	US\$0	US\$9,243,617	US\$0	US\$0	US\$(2,775,717)	-
Singyih Ceramic (China) Co., Ltd	RMB423,649,854	RMB 881,354,337	RMB 766,353,114	RMB 115,001,223	RMB249,021,218	RMB(58,984,060)	RMB(58,984,060)	-
Singyih Ceramic (Penglai) Co., Ltd	RMB329,424,700	RMB508,046,750	RMB136,758,423	RMB371,288,327	RMB200,835,383	RMB(51,447,947)	RMB(51,447,947)	-
Champion Ceramics (Anhui) Co., Ltd	RMB401,258,484	RMB298,078,816	RMB106,207,813	RMB191,871,003	RMB5,808,426	RMB(62,482,659)	RMB(63,823,959)	-
Jiangsu Xinshuo Wine Industry Co., Ltd	Note 1	—	—	—	—	—	—	-
Xiaoxian Huaguan mineral products Co., Ltd	RMB52,300,000	RMB49,232,264	RMB13,136,492	RMB36,095,772	RMB0	RMB(2,528,089)	RMB(2,920,817)	-
Guan Zhong Trading Co, Ltd.	96,000	110,029	12,370	97,659	40,884	(2,483)	(2,367)	-
Champion Highwealth Co., Ltd	18,000	17,241	3,456	13,784	—	(39)	13	-

Note 1: Statutory cancellation process was completed on 16 December 2020.

Champion Building Materials Co., Ltd.

Chairman: Lin, Jung-Te