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Champion Building Materials Co. Ltd.

2021

Annual Report



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

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Chapter 1. Letter to Shareholders

I. 2021 Business Report

(I) Implementation Results of the 2021 Business Plan

Looking back on 2021, the decrease in the consolidated was primarily due to the revenue of the Consolidated Company in the Taiwan region being affected by demand changes in Taiwan's domestic real estate market, and houses built for supply were primarily small-scale products with low total prices. The shipping volume of the tile products of the Company increased from the preceding year due to the lively market activities and the high demand for building projects in the market; however, our sales maintained at the equivalent level as the tile market was materially impacted by the low-priced import products, and, thus, the Consolidated Company only recorded a mild increase in its revenue in the Taiwan region in 2021. In addition, our investee, Seagull Champion Limited, began operating the main operating body in the Mainland region in April 2020; as the shareholding of the Company has not reached the criteria to prepare the consolidated statements, the consolidated revenue in 2021 decreased significantly.

As a result of the decreases in production activities of all countries from the beginning of 2020 to 2021 under the effects of COVID-19 worldwide, the price of natural gas that is necessary for the production of ceramic tiles dropped and resulted in beneficial contributions to our production costs, giving rise to an increase of our gross profit in 2021 as compared with 2020. Furthermore, Sinyih Ceramic (China) Co., Ltd., our subsidiary in the Mainland, performed a relocation in response to the policy of Kunshan High-Tech Industrial Development Zone. In January 2021, it entered into a demolition subsidy agreement with Kunshan High-Tech Zone House Co., Ltd. to sell the land-use rights, houses and buildings, above-ground structures, decorations and accessories, with a total transaction consideration of RMB452,268 thousand. In 2021, based on relevant relocation operations completed, we recognized disposal gains or losses of RMB321,694 thousand (equivalent to approximately NT\$1,393,031 thousand) in total in 2021; in 2021, the net profit after tax was NT\$991,496 thousand in aggregate.

In 2021, the net consolidated operating income was NT\$3,205,927 thousand, the sales cost was NT\$2,452,058 thousand, the gross sales profit was NT\$753,869 thousand, the profit margin was 23.51%, the net loss after tax was NT\$991,496 thousand, and the net profit margin was 30.93%; the comparison with 2020 is as follows:

Unit: NT\$000'

Item	2021	2020	Increase (decrease) in amount	Increase (decrease)
Sales income	3,205,927	3,609,001	(403,074)	(11.17)
Sales cost	2,452,058	2,918,008	(465,950)	(15.97)
Sales gross profit	753,869	690,993	62,876	9.10
Net profit after Tax	991,496	(402,867)	1,394,363	346.11

(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 2021 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		2021	2020	
Financial income and expense (NT\$000')	Net cash inflows from operating activities	29,982	331,348	
	Net cash outflows from investing activities	1,795,687	(87,915)	
	Net cash inflows (outflows) from financing activities	(1,204,292)	70,532	
Profitability (%)	Return on assets (%)	10.64	(3.43)	
	Return on equity (%)	16.50	(7.04)	
	Ratio to paid-in capital (%)	Operating profits	0.50	(8.08)
		Net profit before tax	29.41	(7.22)
	Net profit margin (%)	30.93	(11.16)	
	Earnings per share after tax (NT\$)	2.29	(0.93)	

(IV) R&D Status

The Company primarily engages in the operations of two brands (Champion and Marcobelli) and continues to develop various tile products with a focus on the reduction in product costs as well as energy-saving and carbon dioxide reduction, so as to improve our product competitiveness. We are committed to the R&D of new products under the two brands (Champion and Marcobelli), and our product R&D primarily focuses on product material, design, and sizes (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 with digital printing in sizes of 30×60 cm and 60×60 cm). Meanwhile, we invest in new equipment (such as production equipment of furnace, digital printer, and powder tanker) to improve our manufacturing capacity, improve product' added value, and produce various tile products to reinforce the Company's product competitiveness. On the other hand, we enhance our product R&D and production capacity with the aim of developing various products, including large-scale slabs and stone slabs) for our business expansion.

II. Summary of Operating Plans for 2022

(I) Operating Policy

The Company has a comprehensive sales network. We expand the sales services for our channels, upgrade our outlets, and increase our market share. We produce and sell various tile products with competitive strength in the market and create added value for consumers. The Company actively engages in its operations as a marketing service-oriented company and launches large-scale slab tiles, large-size tiles, SPC stone floors, and other new products as the “Best Surface Building Material System Provider.” We actively explore the order-taking opportunities for the surface building material market in Taiwan and carry out upgrades, and introduction of digital resources for our sales outlets 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 reduce carbon dioxide emissions to achieve our targets of sustainable development.

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: Focus on our major position as the “Best Surface Building Material System Provider” and the operations of 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, and 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 from 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 environment 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 costs, the Company proactively seeks alternative new raw materials and continues to strictly implement 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” in the 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 were 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 5th 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 amounting to NT\$2,315,000, secured the leading status within the industry, and became the top professional ceramic and tile production plant in Taiwan.

Zhaoqiao Plant II was 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 receive 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 receive 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 cooperation 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 delayed our organization, reinforced management and communication functions, and saved on management and sales expenses.
- 2002: Applied for a capital decrease to compensate for 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 65,20 thousand shares; our capital after the capital increase was

- NT\$3,000,000 thousand.
- 2005: Launched the extra-large polished crystal tiles with a size of 80×80CM, and the tiles successfully entered the market.
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 2nd 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 the 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 1st 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.
- 2021: Wave Grey digital stone tiles in the size of 90x90 received the Taiwan Golden Selection Award.
New products under Silky Marble and Matte Marble in the sizes of 60x60 and 30x60 were launched.
New timber tile products under North America Impression in the size of 15x75 were launched.
New digital stone tile products under Rockefeller in the size of 90x90 were launched.

Chapter 3. Corporate Governance Report

I. Organization

(I) Organizational Structure

Champion Building Materials Co., Ltd. Organizational Chart

							Shareholders' Meeting						
							Board of Directors	Audit Committee					
								Remuneration Committee					
								Audit Office					
				Secretariat	Chairman's Office		Chairman						
				Legal Office				General Administration Division					
							President						
							Executive Vice President						
								Operating Performance Office					
Procurement Department	Information Center	Finance Department	Human Resources Department	Administration Department	Warehouse Management Department	International Marketing Division	Project Promotion Division	Marketing Division	Planning Department	Design Department	Quality Assurance Department	Production Division	R&D Department
				Safety and Health and Environmental Protection Section									

(II) Scope of Business of Major Departments

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"> 1. Formulation, integration, execution, and examination of the internal control operations. 2. Execution of audit operations, preparation of audit reports, and subsequent follow-up on improvements for deficiencies found during the audit. 3. Assist departments and offices in executing self-evaluation, internal control, and educational training for internal audit knowledge. Regularly submit audit reports to the Board of Directors (the "Board") and explain the execution results.
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.
Project Promotion Division	Responsible for the designation teams and project teams (slabs and stone slabs), imported tiles of Marvelous Living, and coordinating all administration and sales operations.
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.

Department	Scope of Business
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.
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, finish good shipping schedule and material storage management.
(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)

24 April 2022

Title	Nationality or Place of Registration	Name	Gender	Date Elected (of Assumption)	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	20210727	Three years	20030606	19,047,510	4.39%	19,047,510	4.39%	0	0%	0	0%	None	Chairman and President of the Company; chairman of Swanview International, 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	Wang, Kuei-Feng	Spouse	Note 4
	Taiwan	Representative: Lin, Jung-Te	Male 61 to 70 years old																	
Director	Taiwan	Tai Yu Investment Co, Ltd	None	20210727	Three years	20220621	19,047,510	4.39%	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 4
	Taiwan	Representative: Lin, You-Yu	Male 31 to 40 years old																	

Title	Nationality or Place of Registration	Name	Gender	Date Elected (of Assumption)	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	20210727	Three years	20000526	11,035,000	2.54%	11,035,000	2.54%	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 71 to 80 years old						3,415,855	0.79%	0	0%	0	0%	Central Police University/Police Program; Chinese Culture University College of Law; passed the special examination class B for criminal police officer					
Director	Taiwan	Hua Yi Industrial Co., Ltd	None	20210727	Three years	20220621	11,035,000	2.54%	11,035,000	2.54%	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 71 to 80 years old						0	0%	0	0%	0	0%	Tamkang University/Master of International Affairs and Strategic Studies					
Independent Director	Taiwan	Wu, Yung-Ku	Male 71 to 80 years old	20210727	Three years	20150616	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 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	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Date Elected (of Assumption)	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	
																of Geosat Aerospace & Technology Inc.				
Independent Director	Taiwan	Lu Chin-Tsang	Male 71 to 80 years old	20210727	Three years	20210727	0	0%	0	0%	0	0%	0	0%	Hengchi University/Department of Finance Chinese Culture University/ Master of Law	Independent Director, Audit Committee member, and Remuneration Committee member of the Company; independent director of Arima Lasers Corp.	None	None	None	
Independent Director	Taiwan	Chen, Mei-Hua	Female 51 to 60 years old	20210727	Three years	20210727	0	0%	0	0%	0	0%	0	0%	Fu Jen University/ Department of Law	Independent Director, Audit Committee member, and Remuneration Committee member of the Company; a lawyer of Hengyang 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

24 April 2022

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	Wang, Kuei-Feng 98%

Table 2 Major Shareholders of Corporate Major Shareholders in Table 1

24 April 2022

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

Information on Directors and Supervisors (II)

I. Disclosure of Professional Qualification of Directors and Supervisors and Independence

Status of Independent Directors:

Name Condition	Professional Qualification and Experience (Note 1)	Independence Status (Note 2)	Number of other publicly listed companies in which the Director concurrently holds the position as an independent director
Representative of Tai Yu Investment Co, Ltd Chairman Lin, Jung-Te	1. 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. 2. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred.	N/A	0
Representative of Tai Yu Investment Co, Ltd Director Lin, You-Yu	1. 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. 2. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred.	N/A	0

Name Condition	Professional Qualification and Experience (Note 1)	Independence Status (Note 2)	Number of other publicly listed companies in which the Director concurrently holds the position as an independent director
Representative of Hua Yi Industrial Co, Ltd Director Lin, He-Cun	1. Director of the Company; director of Sinyih Ceramic (China) Co., Ltd.; director of Sinyih Ceramic (Penglai) Co., Ltd.; retired public servant; vice president, spokesperson, and chief of audit and legal affairs of Tidehold Development Co., Ltd.; independent director of Microview Technology Corp.; part-time lecturer of a police school; consultant of Mingtai Fire & Marine Insurance Co., Ltd. 2. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred.	N/A	0
Representative of Hua Yi Industrial Co, Ltd Director Chen, Jung-Yang	1. Director of the Company; director of Lin Mu Lin Tian Cun Culture and Education Foundation; director of Farglory Foundation. 2. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred.	N/A	0
Independent Director Wu, Yung-Ku (convenor of the Audit Committee and the Remuneration Committee)	1. Independent Director, Audit Committee's member, and Remuneration Committee's member of the Company; accountant of Defeng Accounting Firm; president of Realtec Technology Co., Ltd.; independent director and 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.; lecturer at Fu Jen University. 2. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred.	Independent Director Wu, Yung-Ku complies with the independence requirements under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	1. Number of other publicly listed companies in which the Director concurrently holds the position as an independent director: Two 2. Number of other publicly listed companies in which the Director concurrently holds the position as a member of the remuneration committee: Two
Independent Director Lu Chin-Tsang (member of the Audit Committee and the Remuneration Committee)	1. Head of the Tax Auditing Division, Taxation Administration, Ministry of Finance; Deputy Director-General of the Training Institute, Ministry of Finance, Ministry of Finance; vice president of Yung Kuang Hwa Metal Industrial Co., Ltd.; independent director, audit committee's member, and remuneration committee's member of Arima Lasers Corp. 2. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred.	Independent Director Lu Chin-Tsang complies with the independence requirements under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	1. Number of other publicly listed companies in which the Director concurrently holds the position as an independent director: One 2. Number of other publicly listed companies in which the Director concurrently holds the position as a member of the remuneration committee: Nil

Condition Name	Professional Qualification and Experience (Note 1)	Independence Status (Note 2)	Number of other publicly listed companies in which the Director concurrently holds the position as an independent director
Independent Director Chen, Mei-Hua (member of the Audit Committee and the Remuneration Committee)	1. Lawyer of Wu Ling Hua Law Firm ; Lawyer of We Zhang Xu Law Firm ; A lawyer of Quan Tai Law Firm ; A lawyer of Hengyang Law Firm. 2. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred.	Independent Director Chen, Mei-Hua complies with the independence requirements under the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”	1. Number of other publicly listed companies in which the Director concurrently holds the position as an independent director: Nil 2. Number of other publicly listed companies in which the Director concurrently holds the position as a member of the remuneration committee: Nil

Note 1: None of the circumstances in subparagraphs under Article 30 of the Company Act occurred to any Director of the Company.

Note 2: The Company regularly examines the qualification of Independent Directors.

None of the three Independent Directors, their spouses, relatives within the second degree of kinship, or lineal relatives by blood within the third degree of kinship is a natural person shareholder of the Company with 1% of the shareholding in the Company or with the top 10 shareholding, a director, supervisor, or employee of the Company or its affiliates. In addition, none of the three Independent Directors is a director, supervisor, or employee of any company stated in subparagraphs 5 to 8, paragraph 1, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” and apart from being the Independent Director and functional committees’ members of the Company, they provide no audit or other professional service to the Company. Based on the above, three Independent Companies of the Company comply with the independence requirement.

II. Board Diversity and Independence:

- (I) **Structure of the Board:** The Board of the Company is held responsible for the shareholders' meeting; for operations and arrangements of the corporate governance system, the Company shall ensure that the Board exercises its functions in accordance with laws and regulations, requirements of the Articles of Association, or resolutions made by the shareholders' meeting.
- The structure of the Company's Board shall be determined by choosing an appropriate number of Board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.
- The composition of the Board shall be determined by taking gender equality into consideration. All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties.
- (II) The Board shall possess the following abilities:
1. Ability to make operational judgments.
 2. Ability to perform accounting and financial analysis.
 3. Ability to conduct management administration.
 4. Ability to conduct crisis management.
 5. Knowledge of the industry.
 6. An international market perspective.
 7. Ability to lead.
 8. Ability to make policy decisions.
- (III) **Substantial management target:** The Board of the Company shall direct Company strategies, supervise the management, and be responsible to the Company and its shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board complies with laws, regulations, Articles of Association, and the resolutions of its shareholders' meetings. Directors shall listen to the reports by the management team at the Board meeting and provide instructions and recommendations, maintain a healthy relationship with the management team, and jointly create maximum interests for shareholders.
- (IV) **Board meeting:** In 2020, the Company held a total of five Board meetings, and the attendance rate of Directors was 100%. In 2021, the Company held a total of seven Board meetings, and the attendance rate of Directors was 100%. As of 15 May 2022, the Company held a total of three Board meetings, and the attendance rate of Directors was 100%.
- (V) **Independence:** The Board of the Company currently has a total of seven members. As of 31 December 2021, Independent Directors have complied with the specifications related to Independent Directors implemented by the Securities and Futures Bureau, Financial Supervisory Commission, and none of the circumstances set out in paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act occurred between Directors and Independent Directors. For the independence status of the Board of the Company, please refer to "Disclosure of Professional Qualification of Directors and Supervisors and Independence Status of Independent Directors" on page 12 of the Annual Report; for the experience and educational background, gender, and work experience of Directors, please refer to "3.2.1 Information on Directors" in the Annual Report.

(VI) Industrial and professional capacities of Directors are analyzed as follows:

Director	Date Elected (of Assumption)	Nationality	Gender	Age Distribution			Business Management	Leadership	Industrial Knowledge	Finance and Accounting	Law
				31 to 50 years old	51 to 70 years old	Over 71 years old					
Lin, Jung-Te	20210727	Taiwan	Male		V		V	V	V		
Lin, You-Yu	20210727	Taiwan	Male	V			V	V	V		
Lin, He-Cun	20210727	Taiwan	Male			V	V		V		V
Chen, Jung-Yang	20210727	Taiwan	Male			V			V		V
Wu, Yung-Ku	20210727	Taiwan	Male			V	V	V		V	
Lu Chin-Tsang	20210727	Taiwan	Male			V				V	
Chen, Mei-Hua	20210727	Taiwan	Female		V						V

The current Board of the Company has seven Directors; Directors who are employees account for 29% of the Board, and three Independent Directors account for 43% of the Board. The Company values gender equality in the Board composition, and the target for the ratio of female Director is over 10%. At present, there is one female Director, accounting for 14.29% of the Board composition, fully achieving our target.

(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

24 April 2022

Title	Nationality	Name	Gender	Date Elected (of Assumption)	Shares Held		Shares Held by Spouse and Minors		Shares Held in the Name of Others		Major Experience (Educational Background)	Current Positions in 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	20071101	25,744,000	5.93%	2,581,067	0.60%	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 Special assistant Assistant Vice President	Wang, Kuei-Feng Lin, Meng-Yu Lin, You-Yu	Spouse Father and daughter Father and son	Note
Executive Vice President	Taiwan	Wang, Kai-Ming	Male	20210628	0	0%	0	0%	0	0%	National Taiwan University/Institute of Civil Engineering	None	None	None	None	
Vice President	Taiwan	Lin, You-Yu	Male	20200812	2,863,427	0.66%	0	0%	0	0%	Pepperdine University/Department of Finance	Chairman of Champion Ceramics (Anhui) Co., Ltd Director of Sinyih Ceramic (China) Co., Ltd.; Director of Seagull Champion Limited Supervisor of Deqian Investment Co., Ltd. Chairman of Quicheng Investment Co., Ltd.	Chairman Senior special assistant Special assistant	Lin, Jung-Te Wang, Kuei-Feng Lin, Meng-Yu	Father and son Mother and son Sibling	
Senior Special Assistant	Taiwan	Wang, Kuei-Feng	Female	20080401	2,581,067	0.60%	25,744,000	5.93%	0	0%	Yuanpei University of Medical Technology/Health Administration	Director of Tai Yu Investment Co, Ltd Director of Sinyih Ceramic (Penglai) Co., Ltd Supervisor of Champion Highwealth Co., Ltd	Chairman President Assistant Vice President Special Assistant	Lin, Jung-Te Lin, You-Yu Lin, Meng-Yu	Spouse Mother and son Mother and daughter	
Assistant Vice President	Taiwan	Lin, Jen-Hsiung	Male	20020701	0	0%	0	0%	0	0%	National United University Ceramic	None	None	None	None	

Title	Nationality	Name	Gender	Date Elected (of Assumption)	Shares Held		Shares Held by Spouse and Minors		Shares Held in the Name of Others		Major Experience (Educational Background)	Current Positions in 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	
CFO	Taiwan	Liao, Hui-Yi	Female	20071207	10,930	0.00%	0	0%	0	0%	Soochow University/Department of	Supervisor of Seagull Champion Limited	None	None	None	
Special Assistant	Taiwan	Lin, Meng-Yu	Female	20130207	2,270,394	0.52%	0	0%	0	0%	Pepperdine University/Department of Science and Business Administration	Director of Guan Zhong Trading Co., Ltd. Director of Champion Highwealth Co., Ltd. Chairman of Deqian Investment Co., Ltd. Supervisor of Quicheng Investment Co., Ltd.	Chairman President Senior special assistant Vicepresident	Lin, Jung-Te Wang, Kuei-Feng Lin, You-Yu	Father and daughter Mother and daughter Sibling	
Assistant Vice President	Taiwan	Chang, Chih-Chung	Male	20171107	0	0%	0	0%	0	0%	Da-yeh University/Department of Information Management	None	None	None	None	
Assistant Vice President	Taiwan	Jang, Shiuan-Ming	Male	20181105	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	20190802	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	20210308	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 8)		The Company	All companies in the financial report (Note 7)				
														Amount in cash	Amount in shares	Amount in cash	Amount in shares						
Chairman	Tai Yu Investment Co, Ltd Representative Lin, Jung-Te																						
Director	Tai Yu Investment Co, Ltd Representative Lin, You-Yu																						
Director	Hua Yi Industrial Co, Ltd Representative Lin, He-Cun	0	0	0	0	11,354	11,354	1,870	2,886	1.33%	1.44%	4,035	5,859	53	53	1,145	0	1,145	0	1.86%	2.15%	0	
Director	Hua Yi Industrial Co, Ltd Representative Chen, Jung-Yang																						

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 8)		The Company	All companies in the financial report (Note 7)			
												Amount in cash	Amount in shares	Amount in cash	Amount in shares							
Independent Director	Wu, Yung-Ku																					
Independent Director	Lu Chin-Tsang																					
Independent Director	Chane, Mei-Hua																					
Independent Director	Lin, Tse-Tsang (released of the position on 27 July 2021)	0	0	0	0	0	0	1,770	1,770	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	0
Independent Director	Chen, Yin-Ho (released of the position on 27 July 2021)																					

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 nonemployee consultants of the parent company/any company in the financial statements/investee) to all companies in the financial report for the latest year was NT\$620,000.

Note 1: A driver is assigned to Chairman Lin, Jung-Te, and the driver's compensation was NT\$553,042. Note 2: The severance pay and retirement pension were the amounts provided. Note 3: A re-election of Directors took place on 27 July 2021. Note 4: Independent Director Chen, Yin-Ho received no remuneration.

(1-2-2) Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Names of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company (Note 8)	All consolidated entities (Note 9) H	The Company (Note 8)	All consolidated entities (Note 9) I
Less than NT\$1,000,000	Lin, Jung-Te Lin, You-Yu Lin, He-Cun Chen, Jung-Yang Wu, Yung-Ku Lu Chin-Tsang Chane, Mei-Hua Lin, Tse-Tsang Chen, Yin-Ho	Lin, You-Yu Lin, He-Cun Chen, Jung-Yang Wu, Yung-Ku Lu Chin-Tsang Chane, Mei-Hua Lin, Tse-Tsang Chen, Yin-Ho	Lin, He-Cun Chen, Jung-Yang Wu, Yung-Ku Lu Chin-Tsang Chane, Mei-Hua Lin, Tse-Tsang Chen, Yin-Ho	Lin, He-Cun Chen, Jung-Yang Wu, Yung-Ku Lu Chin-Tsang Chane, Mei-Hua Lin, Tse-Tsang Chen, Yin-Ho
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)		Lin, Jung-Te	Lin, You-Yu	Lin, You-Yu
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)				
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)	Hua Yi Industrial Co, Ltd	Hua Yi Industrial Co, Ltd	Hua Yi Industrial Co, Ltd Lin, Jung-Te	Hua Yi Industrial Co, Ltd
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)	Tai Yu Investment Co, Ltd	Tai Yu Investment Co, Ltd	Tai Yu Investment Co, Ltd	Tai Yu Investment Co, Ltd Lin, Jung-Te
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)				
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)				
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)				
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)				
NT\$100,000,000 or above				
Total	11	11	11	11

(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	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
President	Lin, Jung-Te	3,625	5,449	106	106	1,491	1,491	1,675	0	1,675	0	0.70%	0.88%	0
Executive Vice President	Wang, Kai-Ming (Note)													
Vice President	Lin, You-Yu (Note)													

Note: 1. The severance pay and retirement pension were the amounts provided. 2. Wang Kai-Ming was appointed as the Executive Vice President on 28 June 2021. 3. Lin, You-Yu was appointed as Executive Vice President on 11 August 2020 and appointed Vice President on 22 July 2020.

(2-1) Remuneration Range Table

Ranges of remuneration paid to each of the Company's supervisors	Names of Supervisors	
	The Company	All consolidated entities
Less than NT\$1,000,000		
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)	Wang, Kai-Ming Lin, You-Yu	Wang, Kai-Ming Lin, You-Yu
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)		
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)	Lin, Jung-Te	
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)		Lin, Jung-Te
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)		
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)		
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)		
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)		
NT\$100,000,000 or more		
Total	3	3

(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)		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 (Note 7)
		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	1,800	3,624	0	0	1,269	1,269	1,145	0	1,145	0	0.43%	0.61%	0
CFO	Liao, Hui-Yi	1,614	1,614	79	79	104	104	586	0	586	0	0.24%	0.24%	0
Assistant Vice President	Chang, Cing-Fu	1,348	1,348	82	82	105	105	556	0	556	0	0.21%	0.21%	0
Assistant Vice President	Lin, Jen-Hsiung	1,457	1,457	0	0	101	101	519	0	519	0	0.21%	0.21%	0
Assistant Vice President	Jang, Shiuan-Ming	1,115	1,115	66	66	57	57	518	0	518	0	0.18%	0.18%	0

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

31 December 2021; Unit: NT\$000'

	Title	Name	Amount in shares	Amount in cash	Total	Ratio of the total sum to net profit after tax (%)
Manager	President	Lin, Jung-Te	0	4,995	4,995	0.50%
	Executive Vice President	Wang, Kai-Ming				
	Vice President	Lin, You-Yu				
	Senior Special Assistant	Wang, Kuei-Feng				
	Assistant Vice President	Lin, Jen-Hsiung				
	CFO	Liao, Hui-Yi				
	Special Assistant	Lin, Meng-Yu				
	Assistant Vice President	Chang, Chih-Chung				
	Assistant Vice President	Jang, Shiuan-Ming				
	Assistant Vice President	Chang, Cing-Fu				
	Assistant Vice President	Chen, Yue-Nan				

(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

	2021		2020	
	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	1.51%	1.61%	(0.88%)	(0.92%)
President and Vice Presidents	0.70%	0.88%	(1.30%)	(1.36%)

Note: The Company established its Audit Committee to substitute 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 is 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 nature 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 trends 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 the 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, relates 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

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

Title	Name (Note 1)	Number of actual attendance (B)	Attendance by proxy	Actual attendance (presence) rate 【 B/A 】 (Note 2)	Remark
Chairman	Tai Yu Investment Co, Ltd Representative Lin, Jung-Te	7	0	100%	
Director	Tai Yu Investment Co, Ltd Representative Lin, You-Yu	7	0	100%	
Director	Hua Yi Industrial Co, Ltd Representative Lin, He-Cun	7	0	100%	
Director	Hua Yi Industrial Co, Ltd Representative Chen, Jung-Yang	7	0	100%	
Independent Director	Wu, Yung-Ku	7	0	100%	
Independent Director	Lu Chin-Tsang	3	0	100%	Elected on 27 July 2021; three meetings were held during its term of office
Independent Director	Chen, Mei-Hua	3	0	100%	Elected on 27 July 2021; three meetings were held during its term of office
Independent Director	Chen, Yin-Ho	4	0	100%	The term of office ended on 25 June 2021; four meetings were held during its term of office
Independent Director	Lin, Tse-Tsang	4	0	100%	The term of office ended on 25 June 2021; four meetings were held during its term of office

Other Matters to be Disclosed:

- I. Where 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 2021 and as of the date of publishing the Annual Report, please refer to page 48 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:

Meeting Date	Content of the Resolution	Director Abstained	Reason for the Abstention	Voting Status
2021.3.10 (2 nd meeting in 2021)	1. Discussion on the year-end bonus and performance achievement bonus distribution of managers in 2020.	Chairman Lin, Jung-Te Director Lin, You-Yu	Concurrent position as a manager Concurrent position as a manager	Passed by other attending Directors as proposed
	2. Discussion on the remuneration (standards and structure) of Directors and managers (including those who are newly appointed).).	Chairman Lin, Jung-Te Director Lin, You-Yu General Director: Chairman Lin, Jung-Te Director Lin, You-Yu Director Lin, He-Cun Director Chen, Jung-Yang Independent Director: Director Wu, Yung-Ku Director Lu Chin-Tsang Director Chen, Mei-Hua	Concurrent position as a manager Concurrent position as a manager Discussion on the remuneration of general Directors Review the remuneration of Independent Directors	Passed by other attending Directors as proposed Passed by other attending Directors as proposed Passed by other attending Directors as proposed
	3. Discussion on the lease of vehicles allocated to the Chairman/President of the Company.	Chairman Lin, Jung-Te	Lease of vehicles allocated to the Chairman/President	Passed by other attending Directors as proposed
2021.8.11 (6 th meeting in 2021)	1. Discussion on the “Regulations for the Performance Achievement Bonus in 2021” (including the performance evaluation standards and policies). 2. Discussion on the “remuneration of the Company’s managers (including those newly appointed) to be submitted for discussion.”	Chairman Lin, Jung-Te Director Lin, You-Yu Chairman Lin, Jung-Te Director Lin, You-Yu	Concurrent position as a manager Concurrent position as a manager Concurrent position as a manager Concurrent position as a manager	Passed by other attending Directors as proposed Passed by other attending Directors as proposed
2022.1.24 (1 st meeting in 2022)	1. Discussion on the “remuneration of the Company’s managers (including those newly appointed) and salary adjustment.” 2. The execution of the Company’s “year-end bonus and performance achievement bonus distribution for managers in 2021.”	Chairman Lin, Jung-Te Chairman Lin, Jung-Te	Concurrent position as a manager Concurrent position as a manager	Passed by other attending Directors as proposed Passed by other attending Directors as proposed

- 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 25.
- 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 2021, 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 2021 to 24:00 on 3 September 2022.
 2. On 30 March 2021, the Board passed the following: (1) Amendments to the “Rules of Procedure for Shareholders’ Meeting.” (2) Amendments to the “Rules of Procedure for Board Meeting.” (3) Amendments to the “Regulations for the Supervision on Subsidiaries.” (4) Amendments to the “Ethical Management Principles.” (5) Amendments to the “Corporate Governance Principles.”
 3. On 11 May 2021, the Board passed the following: The setting of the Company’s “Chief of Corporate Governance.”
 4. On 27 July 2021, the Board passed the following: (1) The appointment of the members of the 2nd Audit Committee. (2) The appointment of the members of the 5th Remuneration Committee.
 5. On 11 August 2021, the Board passed the following: (1) Establishment of the Company’s “Procedures for the Repurchase of Treasury Shares and the Management of the Procedures for the Repurchase of Treasury Shares.”
 6. On 29 March 2022, the Board passed the following: Amendments to the Company’s “Procedures for the Acquisition or Disposal of Assets.”

(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 2021 to 31 December 2021	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 in 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 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 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 2021 performance evaluation were submitted to the Board of the Company on 28 March 2022.

(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 "88, 93, 88, and 86," 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

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 (B)	Attendance by proxy	Actual attendance (presence) rate (B/A) (Note)	Remark
Independent Director	Wu, Yung-Ku	4	0	100%	
Independent Director	Wu, Yung-Ku	2	0	100%	Elected on 27 July 2021; three meetings were held during its term of office
Independent Director	Lu Chin-Tsang	2	0	100%	Elected on 27 July 2021; three meetings were held during its term of office
Independent Director	Chen, Yin-Ho	2	0	100%	The term of office ended on 25 June 2021; four meetings were held during its term of office
Independent Director	Lin, Tse-Tsang	2	0	100%	The term of office ended on 25 June 2021; four meetings were held during its term of office

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 27 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 with 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
20210330	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
20210511	Report on the execution of the audit operations in March 2021	Independent Directors and the Audit Committee
20210811	Report on the execution of the audit operations from April to June 2021	Independent Directors and the Audit Committee
20211111	Report on the execution of the audit operations from July to September 2021	Independent Directors and the Audit Committee
20220328	Report on the execution of the audit operations from October to December in 2021 and from January to February in 2022	Independent Directors and the Audit Committee

3. Communication with CPAs: For material investments, financing, or the issuance of financial reports, Independent Directors also directly contact and communicate with CPAs when necessary.

Date	Matter of communication
20210330	Discussion on the audit scope and methods for the 2020 consolidated and individual financial report The type of auditor's report with CPAs issuing unqualified opinions, key audit matters, and significant audit findings Updates on significant accounting standards or letters of explanation, laws and regulations related to securities administration, and laws and regulations related to taxation

Date	Matter of communication
20210511	Discussion on the review scope and methods for the 2020 Q1 The type of auditor's report with CPAs issuing unqualified opinions, key audit matters, and significant audit findings Updates on significant accounting standards or letters of explanation, laws and regulations related to securities administration, and laws and regulations related to taxation
20210811	Discussion on the review scope and methods for the 2020 Q2 The type of auditor's report with CPAs issuing unqualified opinions, key audit matters, and significant audit findings Updates on significant accounting standards or letters of explanation, laws and regulations related to securities administration, and laws and regulations related to taxation
20211111	Discussion on the review scope and methods for the 2020 Q3 The type of auditor's report with CPAs issuing unqualified opinions, key audit matters, and significant audit findings Updates on significant accounting standards or letters of explanation, laws and regulations related to securities administration, and laws and regulations related to taxation
20220328	Discussion on the audit scope and methods for the 2021 consolidated and individual financial report The type of auditor's report with CPAs issuing unqualified opinions, key audit matters, and significant audit findings Updates on significant accounting standards or letters 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 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, and 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 2021; for details on the content of the proposals and subsequent measures adopted, please refer to page 27 of the Annual Report.

Primary work highlight:

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 2021 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
2021.3.30 11 th meeting of the 1 st 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	
	4	Non-accommodation of material overdue accounts (past due for three months after the normal credit period) of the Company on 28 February 2021.	V	
	5	Proposal for the execution of the 4 th repurchase of treasury shares by the Company (to maintain the Company's credibility and shareholders' interests).	V	
	6	Proposal of providing a loan of RMB100 million (provision of a new loan with prior loans repaid) 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	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 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 Board Meeting."	V	
	11	Amendments to the Company's "Regulations for the Supervision on Subsidiaries."	V	
	12	Amendments to the Company's "Ethical Management Principles."	V	
	13	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>				
2021.5.11 12 th meeting of the 1 st Audit Committee	1	Discussion on the Company's 2021 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	
<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>				
2021.8.11 1 st meeting of the 2 nd Audit Committee	1	Discussion on the Company's 2021 Q2 consolidated financial report.	V	
	2	Proposal of providing a loan of RMB50 million to subsidiary Singyih Ceramic (China) Co., Ltd. (provision of a new loan with	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
	prior loans repaid).		
	3 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	
	4 Proposal of the application regarding the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Champion Highwealth Co., Ltd that intends to negotiate the financing limits (the composite limits for working capital and domestic/foreign letter of credit) of no more than \$10 million with the First Commercial Bank due to the requirements of operating development.	V	
	5 Proposal of the Company applying for financing limits of NT\$100 million with Toufen Branch, Land Bank of Taiwan, for business development.		
	6 Proposal of the establishment of the Company's "Procedures for the Repurchase of Treasury Shares and the Management of the Procedures for the Repurchase of Treasury Shares."	V	
	7 Proposal of the amendments to Article 17 of the Company's "Standards for Preparation of Financial Report" and the addition of Article 17-4 "Information of Major Shareholders."	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.		
2021.11.11 2 nd meeting of the 2 nd Audit Committee	1 Discussion on the Company's 2021 Q3 consolidated financial report.	V	
	2 Proposal for providing a loan of NT\$10 million to subsidiary Champion Highwealth Co., Ltd.	V	
	3 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	
	4 Proposal for the establishment of the 2022 audit plan according to the requirements under the "Regulations Governing Establishment of Internal Control Systems by Public Companies."	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.			
2022.3.28 2 nd meeting of the 2 nd Audit Committee	1 Discussion on the Company's 2021 business report, individual financial statements, and consolidated financial statements.	V	
	2 Proposal of the 2021 earning distribution.	V	
	3 Proposal of the issuance of the Statement of Internal Control after the completion of the internal control self-evaluation of the Company for 2021.	V	
	4 Proposal of a capital reduction in cash of the Company.	V	
	5 Proposal of an increase in the investment in subsidiary Champion Highwealth Co., Ltd of no more than NT\$30 million.	V	
	6 Proposal for providing a loan of RMB50 million to subsidiary	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
	Singyih Ceramic (China) Co., Ltd.		
7	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 apply for a loan of US\$1 million with financial institutions.	V	
8	Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Champion Highwealth Co., Ltd that intends to alter the loan limit to US\$0.5 million with financial institutions.	V	
9	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 2022 financial reports.	V	
10	Amendments to the Company's "Procedures for Acquisition or Disposal of Assets."	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 processes based on the procedure?	✓		The Company has a spokesperson and an acting spokesperson in place, and it engages stock affairs company and has dedicated personnel for stock affairs; the Company sets a section for investors' inquiries to process shareholders' recommendations or disputes.	
(II) Does the Company possess the list of its major shareholders and the ultimate controlling parties of the major shareholders?	✓		The Company keeps close contact with internal parties.	
(III) Has the Company established and executed the risk control and firewall system with its affiliates?	✓		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."	No significant deviation.
(IV) Has the Company established its internal regulations to forbid internal parties from using information undisclosed to the market in trading securities?	✓		(I) 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 2021; 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				
Has the Board developed and implemented a diversification policy for its composition?	✓		The composition of the Company's Board focuses on the element of diversification; members generally possess the knowledge, skills, and literacy required for the execution of their duties (please refer to page	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	
Has the Company voluntarily established other functional committees in addition to the Remuneration Committee and the Audit Committee established according to the law?		√	14 of the Annual Report). 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.
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?	√		(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. For the execution of the performance evaluations of the Board and functional committees in 2021, please refer to page 25. 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 the 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.	No significant deviation
(IV) Has the Company regularly evaluated the independence of CPAs?	√		(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. For the evaluation of the independence of CPAs, please refer to page 25 of the Annual Report). 2. The Company regularly (once a year) evaluates CPAs' professionalism and independence each year, and CPAs also issue a declaration of independence for the engaged audit operations. The appointment and compensation for CPAs for financial and taxational certifications in 2021 were passed by the Audit Committee on 30 March 2021 and were submitted to and passed by the Board.	No significant deviation.

<p>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)?</p>		<p>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)</p>	<p>No significant deviation.</p>
<p>V. Has the Company established communication channels with stakeholders (including but not limited to 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?</p>		<p>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 to pages 85 to 87 of the Annual Report.</p>	<p>No significant deviation.</p>
<p>VI. Has the Company appointed a professional stock affairs agency to process affairs related to shareholders' meetings?</p>		<p>The Company appointed SinoPac Securities Corporation as its stock affairs agency for processing affairs related to shareholders' meetings.</p>	<p>No significant deviation.</p>
<p>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</p>		<p>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 http://group.champion.com.tw/. 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.</p>	<p>No significant deviation.</p>

<p>spokesperson system, and uploading the course of investor conferences on the Company's website)?</p>			
<p>(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?</p>		<p>(III) The Company publishes and declares 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 it publishes and declares its financial reports for the first, second, and third quarters before the specified deadline.</p>	<p>Comply with requirements under the Securities Exchange Act; the Company will make adjustments according to future demand.</p>
<p>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, the execution of customer policies, and the purchase of responsibility insurance for Directors and supervisors)?</p>		<ol style="list-style-type: none"> 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 the 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 significant real-time 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; please refer to page 45 of the Annual Report. 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 realizing the maximization of shareholders' interests, the Company concurrently focuses on consumers' rights, environmental protection of communities and public welfare, and 	<p>No significant deviation.</p>

			values the Company's social responsibility. 9. Purchase of responsibility insurance for Directors and supervisors: The Company purchases responsibility insurance from Fubon Insurance for its Directors and supervisors; please refer to page 45 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 8 th Corporate Governance Evaluation for 2021 fell in the range of 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 Status
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	Professional qualification and experience	Independence status	Number of other publicly listed companies in which the member concurrently holds the position as a member of the remuneration committee
Independent Director	Wu, Yung-Ku	<ol style="list-style-type: none"> Independent Director, Audit Committee's member, and Remuneration Committee's member of the Company; accountant of Defeng Accounting Firm; president of Realtec Technology Co., Ltd.; independent director and 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.; lecturer at Fu Jen University. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred. 	Independent Director Wu, Yung-Ku complies with the independence requirements under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	2
Independent Director	Lu Chin-Tsang	<ol style="list-style-type: none"> Head of the Tax Auditing Division, Taxation Administration, Ministry of Finance; Deputy Director-General of the Training Institute, Ministry of Finance, Ministry of Finance; vice president of Yung Kuang Hwa Metal Industrial Co., Ltd.; independent director, audit committee's member, and remuneration committee's member of Arima Lasers Corp. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred. 	Independent Director Lu Chin-Tsang complies with the independence requirements under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	0
Independent Director	Chen, Mei-Hua	<ol style="list-style-type: none"> Lawyer of Wu Ling Hua Law Firm; a lawyer of We Zhang Xu Law Firm; a lawyer of Quan Tai Law Firm; a lawyer of Hengyang Law Firm. None of the circumstances in subparagraphs under Article 30 of the Company Act occurred. 	Independent Director Chen, Mei-Hua complies with the independence requirements under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	0

Note: For relevant work seniority, professional qualification, and independence status of members of the Remuneration Committee, please refer to page 12 of the Annual Report.

(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 5th session from 27 July 2021 to 26 July 2024. All members attended in person. 4 (A) meetings had been held for the Remuneration Committee in the latest year, and the attendance of members is as follows (2 meetings and 2 meetings were held for the Remuneration Committee in 2021 and from 1 January to 30 April 2022):

Title	Name	Number of actual attendance (B)	Attendance by proxy	Actual attendance (presence) rate (%) (B/A) (Note)	Remark
Convener	Wu, Yung-Ku	4	0	100	
Member	Lu Chin-Tsang	3	0	100	Elected on 27 July 2021; three meetings were held during its term of office
Member	Chen, Mei-Hua	3	0	100	Elected on 27 July 2021; three meetings were held during its term of office
Member	Chen, Yin-Ho	1	0	100	The term of office ended on 25 June 2021; one meeting was held during its term of office
Member	Lin, Tse-Tsang	1	0	100	The term of office ended on 25 June 2021; one meeting was held during its term of office

Other Matters to be Disclosed:

I. Where the Board refuses to adopt or amend 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 for discussion and resolution results of the Remuneration Committee in the latest year:

Remuneration Committee meeting	Content of the resolution and subsequent measures adopted	Resolution results	Measures adopted by the Company for the opinions of the Remuneration Committee
6 th meeting of the 4 th session 2021.03.30	1. Discussion on the year-end bonus and performance achievement bonus distribution of	All attending members passed the	N/A

		<p>managers in 2020.</p> <p>2. Discussion on the remuneration (standards and structure) of Directors and managers (including those who are newly appointed).</p> <p>3. Discussion on the lease of vehicles allocated to the Chairman/President of the Company.</p>	<p>resolution as proposed with no opposing opinions.</p>	
	<p>1st meeting of the 5th session 2021.08.11</p>	<p>1. Discussion on the “Regulations for the Performance Achievement Bonus in 2021” (including the performance evaluation standards and policies).</p> <p>2. Discussion on the remuneration (standards and structure) of managers (including those who are newly appointed).</p>	<p>All attending members passed the resolution as proposed with no opposing opinions.</p>	<p>N/A</p>
	<p>2nd meeting of the 5th session 2022.01.24</p>	<p>1. Discussion on the “remuneration of the Company’s managers (including those newly appointed) and salary adjustment.”</p> <p>2. Discussion on the execution of the Company’s “year-end bonus and performance achievement bonus distribution for managers in 2021.”</p> <p>3. Discussion on the Company’s “proposal for the performance bonus of the Executive Vice President in Taiwan in 2022)</p> <p>4. Discussion on the “Regulations for the Performance Achievement Bonus in 2022” (including the performance evaluation standards and policies).</p>	<p>All attending members passed the resolution as proposed with no opposing opinions.</p>	<p>N/A</p>
	<p>3rd meeting of the 5th session 2022.03.28</p>	<p>1. Discussion on the appropriation of the Company’s “Directors’ remuneration and employees’ bonus distribution in 2021.”</p>	<p>All attending members passed the resolution as proposed with no opposing opinions.</p>	<p>N/A</p>

(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 vote 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 them to the Board for discussion.

(IV) Performance of Sustainable Development:

Performance of Sustainable Development and Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Performance Item	Operation (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development and established a dedicated (part-time) unit for the performance of sustainable development? Has the Board authorized the senior management to handle such matters and supervise the conditions?		√	The Company has not established a dedicated (part-time) unit for the performance of sustainable development.	The Company will make arrangements in accordance with actual demand in the future or regulations.
II. 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 2)		√	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.
III. Environmental issues				
(I) Has the Company set up an appropriate environmental management system based on the characteristics of the industry in which it operates?	√		(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 & Development Centre (MIRDC); valid period: 12 December 2020 to 11 December 2022; certification date: 1 December 2006; certification number: 4XBE002-05.	No significant deviation.
(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?	√		(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. Certifying organization for the ISO50001:2011 certification of the	No significant deviation.

Performance Item	Operation (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
			Company: SGS; valid period: 26 July 2021 to 25 July 2024; certification date: 26 July 2021; certification number: ENMS749071.	
(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?	√		(II) The Company promotes the following energy-saving programs: 1. Replacement of traditional lighting with LED lighting equipment (40 mercury vapor lamps and 600 fluorescent lamps). 2. Energy-saving by the control of variable frequency for the drive motor of the spray fan. 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. 4. Energy-saving by reducing the rotation speed of drums. Energy-saving by installing heat preservation cotton on the dryers' body and top to reduce heat losses.	No significant deviation.
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 GHG reduction, water use reduction, or other wastes?	√		(IV) The Company continues to make integration and improvements for water, electricity, and oil gas at its primary production bases (such as fully replacing 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 2021 and 2022 are 1,100 tons CO ₂ e and 1,100 tons CO ₂ e, respectively. Regarding the Company's Zhaoqiao Plant, the GHG emission in 2020 and 2021 was 92,496.392 tons CO ₂ e, and 88,550.443 tons CO ₂ e, respectively; the total water use in 2020 and 2021 was 137,296 cubic meter and 127,125 cubic meter, respectively, the total waste in 2020 and 2021 was 20,533.70 tons and 18,045.56 tons, respectively. Afnor Asia Ltd. executed the GHG emission verification in 2021, and two audits were completed on 17 February and 24 February 2021, respectively. The Company registered the content on the National Greenhouse Gas (GHG) Registry provided by the	No significant deviation.

Performance Item	Operation (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
			Environmental Protection Administration, Executive Yuan. The GHG emission verification statement (No.: TEGHG15090-00) covers the period from 1 January 2021 to 31 December 2021. Achievement of the Company: The GHG emission was reduced by 4.27% (with a target achievement rate of 100%), the water usage increased by 7.41%, and the total waste decreased by 12.12% compared to the preceding year.	
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 22 of the Annual Report. 2. For the employees' benefit measures and implementation status, please refer to page 79 of the Annual Report.	
(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?	√		The Company regularly arranges fire security inspections and organizes health and safety inspections for employees. The Company makes requirements for 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 and work environment and the implementation status, please refer to page 85 of the Annual Report.	No significant deviation.
(IV) Has the Company established effective career development training plans for its employees?	√		The Company establishes educational training programs according to its policies and employees' personal career development and encourages employees to participate in continuing education and improve their personal abilities. For continuing education and training for employees, please refer to page 80 of the Company.	No significant deviation.

Performance Item	Operation (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
(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 to confirm 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 have established the internal procedures for processing customers' complaints and improvement, ensuring customers' opinions are included in the examination for actual improvement. In 2021, we received several customer complaint cases related to the improvement of quality management; we completed improvements after comprehensive communications with customers. 2. The labels of the Company's products comply with relevant regulations and international standards.	No significant deviation.
(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?		√	(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 by 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.	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 sustainability reports? Have the reports mentioned obtained certifications or assurance opinions from any certifying institution?		√	The Company has not prepared any sustainability report.	The Company will prepare its sustainability report based on its operating status and disclose such information on the Company's website and MOPS in the future.

VI. Where the Company has established its Sustainable Development Principles according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its operations and the deviation from the Principles established:

At present, the Company has not established the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies." However, for Sustainable Development Principles, the Company has considered its current status and the requirements under laws and regulations and implemented them step by step; there is no significant deviation.

VII. Other significant information to facilitate a better understanding of the Company's corporate social responsibility operations:

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 the 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," and "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 processes, 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 creating 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.

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.

2. Community participation, social contributions, social services, and social welfare: Over the years, we have adopted 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 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.

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 have 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.

One Dollar Charitable Tiles – "Local Care and Happy Households" – brought fruitful results; 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 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.

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.

3. Consumers' rights: Quality Assurance and Permanent Commitment

The creation of maximum value for customers is the primary task of all Champion's employees. We adhere to our corporate concepts of "insisting on 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."

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 a sustainable building material industry and premium living environment.

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.

(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 expressly 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?	✓		The Company has established its "Ethical Management Principles" and "Procedures for Ethical Management and Guidelines for Conducts" to expressly 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 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"?	✓		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.
(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?	✓		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. Implement ethical management				
(I) Has the Company evaluated business partners' ethical records and included clauses related to ethical management in contracts with business partners?	✓		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 the interests of the Company's Directors and all employees. It is stated that when discovering others involved 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 examining, accordingly, the compliance with the unethical behavior preventive plan, or engaged CPAs to carry out the audit?	✓		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.
(V) Has the Company regularly held internal and external educational training on ethical management?	✓		(V) In 2021, the Company organized educational training programs related to ethical management issues on the basis of 5 persons/3 hours.	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?	✓		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?	✓		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?	✓		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 http://group.champion.com.tw/ .	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 a review of and amendments to the Ethical Management Principles):				
<ol style="list-style-type: none"> 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. 2. The Company's "Rules of Procedure for Board Meetings" sets out the interest recusal system for Directors; when Directors or the corporate they represent 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. 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. 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. 				

(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 significant real-time 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 office of the current Directors is from 27 July 2021 to 26 July 2024; the continuing education for 2021:

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				
Director	Lin, You-Yu	2021/9/1	2021/9/1	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum	6.0	Yes
		2022/3/9	2022/3/9	Taiwan Institute of Directors	Leader's Academy Forum A New Start Under the New Reality – Prospect of A Digital Taiwan	3.0	Yes
Director	Lin, He-Cun	2022/3/9	2022/3/9	Taiwan Institute of Directors	Leader's Academy Forum A New Start Under the New Reality – Prospect of A Digital Taiwan	3.0	Yes
Director	Chen, Jung-Yang	2022/3/9	2022/3/9	Taiwan Institute of Directors	Leader's Academy Forum A New Start Under the New Reality – Prospect of A Digital Taiwan	3.0	Yes
Independent Director	Wu, Yung-Ku	2021/12/10	2021/12/10	Seminar, Professional Education Committee, ROCCPA	Latest Tax Laws and Regulations and Practices	7.0	Yes
Independent Director	Lu, Chin-Tsang	2022/3/9	2022/3/9	Taiwan Institute of Directors	Leader's Academy Forum A New Start Under the New Reality – Prospect of A Digital Taiwan	3.0	Yes
Independent Director	Chen, Mei-Hua	2021/12/28	2021/12/29	Securities and Futures Institute	Seminar of Practices for Directors and Supervisors (including Independent Directors or Supervisors), and Chief of Corporate Governance – Taipei Class	12.0	Yes
		2022/3/9	2022/3/9	Taiwan Institute of Directors	Leader's Academy Forum A New Start Under the New Reality – Prospect of A Digital Taiwan	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 realizing 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 purchased responsibility insurance for Directors and supervisors and has reported such matters at the 6th Board meeting on 11 August 2021.

Item	Content Summary
Insured company	Champion Building Materials Co., Ltd.
Insured persons	Directors, supervisors, and managers
Insured amount	US\$1,000,000
Insurance period	2021.9.3~2022.9.3
Insurance company	Fubon Insurance Co., Ltd.
Insurance coverage	<ol style="list-style-type: none"> 1. Insurance coverage for responsibilities of Directors and managers 2. Insurance coverage for corporate compensation 3. Insurance coverage for investigation and lawsuit expenses 4. Insurance coverage for securities claims Insurance coverage for employment behavior responsibilities

(IX) Execution of the Internal Control System

1. Statement of Internal Control:

Champion Building Materials Co. Ltd.

Statement of Internal Control System

Date: 28 March 2022

Based on the results of the self-evaluation on the internal control system for 2021, the Company hereby states 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 2021 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 28 March 2022. 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/
President 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 2021 Annual Shareholders' Meeting

Description	Resolution and execution status
(1) Ratification of the 2020 business report and financial statements.	<p>Relevant statements and documents have been archived by the competent authority, announced, and declared according to the Company Act and relevant laws and regulations.</p> <p>Passed after voting; the number of votes in favor: 263,670,153 votes (including voting rights exercised in electronic methods: 38,604,630 votes), accounted for 98.01% of the total voting rights; the number of votes in objection: 43,359 votes (including voting rights exercised in electronic methods: 43,359 votes), accounted for 0.01% 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: 5,306,236 votes (including voting rights exercised in electronic methods: 5,306,236 votes), accounted for 1.97% of the total voting rights; the number of voting rights of the attending shareholders: 269,019,748 votes.</p>
(2) Ratification for the 2020 earning distribution and loss compensation statement.	<p>The table of earning distribution and loss compensation was passed at the 2021 shareholders' meeting as a resolution. The execution had been completed according to the resolution made by the shareholders' meeting.</p> <p>Passed after voting; the number of votes in favor: 263,670,183 votes (including voting rights exercised in electronic methods: 38,604,660 votes), accounted for 98.01% of the total voting rights; the number of votes in objection: 61,404 votes (including voting rights exercised in electronic methods: 61,404 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: 5,288,161 votes (including voting rights exercised in electronic methods: 5,288,161 votes), accounted for 1.96% of the total voting rights; the number of voting rights of the attending shareholders: 269,019,748 votes.</p>
(3) Amendments to the Company's "Rules of Procedures for Shareholders' Meeting."	<p>The amendments were passed at the 2021 shareholders' meeting and published on MOPS and the Company's website.</p> <p>Passed after voting; the number of votes in favor: 263,646,092 votes (including voting rights exercised in electronic methods: 38,580,569 votes), accounted for 98.00% of the total voting rights; the number of votes in objection: 90,499 votes (including voting rights exercised in electronic methods: 90,499 votes), accounted for 0.03% 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: 5,283,157 votes (including voting rights exercised in electronic methods: 5,283,157 votes), accounted for 1.96% of the total voting rights; the number of voting rights of the attending shareholders: 269,019,748 votes.</p>

Description	Resolution and execution status
(4) Amendments to the Company's "Regulations for the Election of the Board of Directors."	The amendments were passed at the 2021 shareholders' meeting and published on MOPS and the Company's website. Passed after voting; the number of votes in favor: 263,650,102 votes (including voting rights exercised in electronic methods: 38,584,579 votes), accounted for 98.00% of the total voting rights; the number of votes in objection: 90,491 votes (including voting rights exercised in electronic methods: 90,491 votes), accounted for 0.03% 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: 5,279,155 votes (including voting rights exercised in electronic methods: 5,279,155 votes), accounted for 1.96% of the total voting rights; the number of voting rights of the attending shareholders: 269,019,748 votes.
(5) Re-election of the Directors (including Independent Directors) of the Company.	Seven Directors (including three Independent Directors) were re-elected at the 2021 shareholders' meeting; the term of office of the newly elected Directors is three years, from 28 June 2021 to 27 June 2024; the election results are announced on MOPS.

2. Significant Resolutions at the Board Meetings in 2021 and as of the Date of Publishing the Annual Report:

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
1 st meeting in 2021 2021.1.29	1. Discussion on relevant policy-backed relocation and the execution of corporate relocation agreement of Singyih Ceramic (China) Co., Ltd in response to Kunshan High-Tech Industrial Development Zone. 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.	V	
2 nd meeting in 2021 2021.3.30	1. Discussion on the Company's 2020 business report, individual financial statements, and consolidated financial statements. 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. 4. Discussion on the Company's 2021 business plan. 5. Non-accommodation of material overdue accounts (past due for three months after the normal credit period) of the Company on 28 February 2021. 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. 7. Re-election of the Company's Directors. 8. The Company executed the 4 th repurchase of treasury shares (to maintain the Company's credibility and shareholders' interests). 9. Discussion on the proposal of the Company's intention to negotiate the financing limits with financial institutions due to	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>the requirements of operating development.</p> <p>10. Proposal of providing a loan of RMB100 million (provision of a new loan with prior loans repaid) 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. Discussion on the remuneration (standards and structure) of the Company's Directors and managers (including those newly appointed).</p> <p>17. Discussion on the lease of vehicles allocated to the Chairman/President of the Company.</p> <p>18. Amendments to the Company's "Rules of Procedure for Shareholders' Meeting."</p> <p>19. Amendments to the Company's "Rules of Procedures for Board Meeting."</p> <p>20. Amendments to the Company's "Regulations for the Supervision on Subsidiaries."</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>	
	<p>21. Proposal for the amendments to the Company's "Ethical Management Principles."</p> <p>22. Proposal for the amendments to the Company's "Corporate Governance Principles."</p>	<p>V</p> <p>V</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>3rd meeting in 2021 2021.5.11</p>	<p>1. Discussion on the Company's 2021 Q1 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 for the list of Director and Independent Director candidates passed the nomination of the Board.</p> <p>4. 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 of the establishment of the Company's "Chief of Corporate Governance."</p>	<p>V</p> <p>V</p> <p>V</p>	
	<p>Opinions of Independent Directors: None. Measures adopted by the Company for opinions of Independent Directors: None.</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
	Resolution results: All attending Directors passed the resolution as proposed with no opposing opinions.		
4 th meeting in 2021 2021.7.5	1. Alteration of the time (and location) of the Company's 2021 annual shareholders' meeting.		
	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 th meeting in 2021 2021.7.27	1. Proposal for the election of the Chairman after the re-election of Directors. 2. Appointment of the 2 nd session of the Audit Committee. 3. Appointment of the 5 th session of the Remuneration Committee.		
	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.		
6 th meeting in 2021 2021.8.11	1. Discussion on the Company's 2021 Q2 consolidated financial report. 2. Proposal of providing a loan of RMB50 million to subsidiary Singyih Ceramic (China) Co., Ltd. (provision of a new loan with prior loans repaid). 3. 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. 4. Proposal of the application regarding the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Champion Highwealth Co., Ltd that intends to negotiate the financing limits (the composite limits for working capital and domestic/foreign letter of credit) of no more than \$10 million with the First Commercial Bank due to the requirements of operating development. 5. Proposal of the Company applying for financing limits of NT\$100 million with Toufen Branch, Land Bank of Taiwan, for business development.	V V V V	
	6. Discussion on the "Regulations for the Performance Achievement Bonus in 2021" (including the performance evaluation standards and policies). 7. Discussion on the remuneration (standards and structure) of managers (including those who are newly appointed). 8. Proposal of the establishment of the Company's "Procedures for the Repurchase of Treasury Shares and the Management of the Procedures for the Repurchase of Treasury Shares." 9. Proposal of the amendments to Article 17 of the Company's "Standards for Preparation of Financial Report" and the addition of Article 17-4 "Information of Major Shareholders." 10. Appointment of managers.	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>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>7th meeting in 2021 2021.11.11</p>	<ol style="list-style-type: none"> 1. Discussion on the Company's 2021 Q3 consolidated financial report. 2. Proposal for providing a loan of NT\$10 million to subsidiary Champion Highwealth Co., Ltd. 3. 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. 4. Proposal of the Company's intention to negotiate the financing limits with financial institutions due to the requirements of operating development. 5. Proposal for the establishment of the 2022 audit plan according to the requirements under the "Regulations Governing Establishment of Internal Control Systems by Public Companies." 	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</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>			

2022

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>1st meeting in 2022 2022.1.24</p>	<ol style="list-style-type: none"> 1. Proposal of the extension and loan condition alteration regarding the application of the Company for a syndicated loan amounting to NT\$1.8 billion from syndicated banks organized and managed by Fubon Commercial Bank. 2. Discussion on the Company's 2022 business plan. 3. Proposal of the Company's intention to negotiate the financing limits with financial institutions due to the requirements of operating development. 4. Dismissal of a manager (Special Assistant Li, Ming-Zhong from the Chairman's Office). 5. Discussion on the "remuneration of the Company's managers (including those newly appointed) and salary adjustment." 6. Execution of the Company's "year-end bonus and performance achievement bonus distribution for managers in 2021." 	<p style="text-align: center;">V</p>	
<p>7. Discussion on the "Regulations for the Performance Achievement Bonus in 2022" (including the performance evaluation standards and policies).</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>			

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
2ns meeting in 2022 2022.3.28	<ol style="list-style-type: none"> 1. Discussion on the appropriation of the Company's "Directors' remuneration and employees' bonus distribution in 2021." 2. Discussion on the Company's 2021 business report, individual financial statements, and consolidated financial statements. 3. Proposal of the 2021 earning distribution. 4. Proposal of the issuance of the Statement of Internal Control after the completion of the internal control self-evaluation of the Company for 2021. 5. Proposal of a capital reduction in cash of the Company. 6. Discussion on the proposal of the convening date, time, venue, major proposals, and matters related to accepting shareholders' proposals for the Company's 2022 annual shareholders' meeting. 7. Proposal of an increase in the investment in subsidiary Champion Highwealth Co., Ltd of no more than NT\$30 million. 8. Proposal for providing a loan of RMB50 million to subsidiary Singyih Ceramic (China) Co., Ltd. 9. Proposal of the Company's intention to negotiate the financing limits with financial institutions due to the requirements of operating development. 10. 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 apply for a loan of US\$1 million with financial institutions. 11. Proposal of the Company being the joint guarantor to provide endorsement and guarantee services for the Company's subsidiary Champion Highwealth Co., Ltd that intends to alter the loan limit to US\$0.5 million with financial institutions. 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 2022 financial reports. 13. Amendments to the Company's "Procedures for Acquisition or Disposal of Assets." 	<p style="text-align: center;">V</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>			

(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 for separation or dismissal
None				

IV. Information on Audit Fees

Information on Audit Fees

Unit: NT\$000'

CPA firm	Name of CPAs	Audit period	Audit fees	Non-audit fees	Total	Remark
KPMG (Taiwan)	Chen, Chung-Che	2021/1/1~ 2021/12/31	4,000	718	4,718	
	Chi, Shi-Qing	2021/1/1~ 2021/12/31				

Please specify the content of services for non-audit fees: Business registration – alteration registration for Directors' re-election of NT\$8 thousand, checklist for salary information of non-executive full-time employees of NT\$30 thousand, tax certification of NT\$650 thousand, and affiliate report of NT\$30 thousand.

(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: 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)	Chen, Chung-Che	4,000	0	8	30	680	718	2021/1/1~ 2021/12/31	Tax certification of NT\$650 thousand Report of affiliates of NT\$30 thousand
	Chi, Shi-Qing								

Note 1: When the Company changes CPAs or the CPA firm during the year, the audit period shall be specified separately, the reason for the change shall be provided in the remark column, and the audit and non-audit fees shall be disclosed according to the timeline.

Note 2: Please specify the service items for non-audit fees separately. When the "others" under non-audit fees reach 25% of the total audit fees, the service content shall be specified in the remark column.

(II) When Changing the CPA 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. 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	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Chairman	Tai Yu Investment Co, Ltd	0	0	0	0
	Representative: Lin, Jung-Te	0	0	0	0
Director	Tai Yu Investment Co, Ltd	0	0	0	0
	Representative: Lin, You-Yu	0	0	0	0
Director	Hua Yi Industrial Co, Ltd	0	0	0	0
	Representative: Lin, He-Cun	0	0	0	0
Director	Hua Yi Industrial Co, Ltd	0	0	0	0
	Representative: Chen, Jung-Yang	0	0	0	0
President	Lin, Jung-Te	(182,000)	5,000,000	(224,000)	0
Executive Vice President	Wang, Kai-Ming	0	0	0	0
Vice President	Lin, You-Yu	182,000	0	224,000	0
Senior Speical Assistant	Wang, Kuei-Feng	(182,000)	0	(224,000)	0
Assistant Vice President	Lin, Jen-Hsiung	(7,699)	0	0	0
Assistant Vice President	Lin, Meng-Yu	182,000	0	224,000	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	Chen, Yun-Nan	0	0	0	0

Information on Equity Transfer

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

Information on Equity Pledged

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	Shareholding	Pledged percentage	Amount borrowed (redeemed)
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

30 April 2021

Name (Note 1)	Shares held by the shareholders		Shares held by spouses 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 HSBC	32,051,024	7.39%	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	
	2,270,394	0.52%	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	
	2,863,427	0.66%	0	0	0	0	Lin, Jung- Te	Direct relative Relative within the second	

Name (Note 1)	Shares held by the shareholders		Shares held by spouses 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	
							Lin, Meng-Yu	degree of kinship	
Lin, Jung-Te	25,744,000	5.93%	2,581,067	0.60%	0	0	Tai Yu Lin, Meng-Yu Lin, You-Yu	Chairman Direct relative Direct relative	
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	
Founder Industrial Co., Ltd. Representative: Wang, Chun-Tian	25,097,235	5.79%	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 Representative: Lin, Jung-Te	19,047,510	4.39%	0	0	0	0	None	None	
	25,744,000	5.93%	2,581,067	0.60%	0	0	Lin, Meng-Yu Lin, You-Yu	Direct relative Direct relative	
Shi, Shan-Hsiung	18,489,000	4.26%	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
 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 (Note)	Investments of the Company		Investments of Directors, supervisors, managers, and companies directly or indirectly controlled by the Company		Investments in aggregation	
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding
SWANVIEW INTERNATIONAL,L TD.	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%

Note: Investments of the Company that are accounted for by using the equity method.

Chapter 4. Fund-raising

I. Capital and Shares

(I) Source of share capital

Unit: Share; NT\$

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
1972.11	10	370,000	3,700,000	370,000	3,700,000	Establishment		
1973.05	10	1,500,000	15,000,000	1,500,000	15,000,000	Capital increase by cash of NT\$11,300,000		
1975.05	10	1,960,000	19,600,000	1,960,000	19,600,000	Capital increase by cash of NT\$4,600,000		
1983.05	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		
1986.01	10	6,115,200	61,152,000	6,115,200	61,152,000	Capital increase by cash of NT\$10,192,000		
1989.05	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase by cash of NT\$38,848,000		
1989.11	10	15,000,000	150,000,000	15,000,000	150,000,000	Capital increase by cash of NT\$50,000,000		
1990.03	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		
1990.05	10	24,550,000	245,500,000	24,550,000	245,500,000	Capital increase from earnings of NT\$46,500,000		
1992.04	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
1992.07	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
1993.08	10	78,000,000	780,000,000	78,000,000	780,000,000	Capital increase from earnings of NT\$180,000,000		
1994.05	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		
1995.06	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		Approved by Letter (84) Tai-cai-zheng (Yi) No. 22981 on 6 May 1995

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
						NT\$117,180,000		
1996.08	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
1997.08	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
1998.08	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
1999.09	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
2001.02	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
2002.10	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
2004.08	10	300,000,000	3,000,000,000	269,800,000	2,698,000,000	Capital increase in cash through private offering of NT\$350,000,000		Jing-shou-shang-zi No. 09301162170 on 31 August 2004
2004.12	10	300,000,000	3,000,000,000	300,000,000	3,000,000,000	Capital increase in cash through private offering of NT\$302,000,000		Jing-shou-shang-zi No. 09401000820 on 5 January 2005
2007.07	10	400,000,000	4,000,000,000	315,375,400	3,153,754,000	Capital increase from earnings of NT\$153,754,000		Jin-guan-zheng-yi No. 0960039591 on 27 July 2007
2007.09	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
2008.04	10	400,000,000	4,000,000,000	339,324,117	3,393,241,170	Conversion of corporate bonds of NT\$9,487,170		
2008.07	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
2009.10	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
2009.11	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
2010.2	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
2010.5	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
2010.7	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
2010.9	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
2010.10	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

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
2011.5	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
2011.6	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
2011.8	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
2011.11	10	450,000,000	4,500,000,000	429,965,078	4,299,650,780	Conversion of corporate bonds of NT\$59,528,120		Jing-shou-shang-zi No. 10001253130 on 3 November 2011
2012.2	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
2012.4	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
2018.12	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 (Note)	Unissued shares	Total	
Ordinary shares	433,782,078	66,217,922	500,000,000	上市 433,782,078

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

22 June 2022

Shareholder structure \ Quantity	Government agencies	Financial institutions	Other corporates	Individuals	Foreign institutions and foreign individuals	Total
Number of shareholders	0	2	145	36,665	80	36,892
Number of shares held	0	363,644	168,267,683	220,780,463	44,370,288	433,782,078
Shareholding	0	0.08%	38.79%	50.90%	10.23%	100%

(III) Equity Dispersion

Equity Dispersion

Nominal value of NT\$10 per share

22 June 2022

Range of shareholding	Number of shareholders	Number of shares held	Shareholding
1 to 999	19,707	2,629,310	0.61
1,000 to 5,000	12,819	27,482,559	6.34
5,001 to 10,000	2,258	18,625,321	4.29
10,001 to 15,000	607	7,673,664	1.77
15,001 to 20,000	473	9,046,664	2.09
20,001 to 30,000	381	9,881,735	2.28
30,001 to 40,000	169	6,078,976	1.40
40,001 to 50,000	127	6,074,282	1.40
50,001 to 100,000	187	13,819,479	3.19
100,001 to 200,000	74	10,643,453	2.45
200,001 to 400,000	32	9,005,418	2.08
400,001 to 600,000	15	7,261,233	1.67
600,001 to 800,000	8	5,431,851	1.25
800,001 to 1,000,000	4	3,615,000	0.83
Ranges shall be provided for above 1,000,001 according to the circumstances	31	296,513,133	68.35
Total	36,892	433,782,078	100.00

(IV) List of Major Shareholders

List of Major Shareholders

22 June 2022

Shares	Number of shares held	Shareholding (%)
Title of major shareholders		
Investment account in the custody of HSBC	32,051,024	7.39%
Deqian Investment Co., Ltd.	29,214,182	6.73%
Quicheng Investment Co., Ltd.	27,534,312	6.35%
Lin, Jung-Te	25,744,000	5.93%
Chung Yang Industrial Co., Ltd.	25,207,957	5.81%
Founder Industrial Co., Ltd.	25,097,235	5.79%
Founden Industrial Co., Ltd.	23,743,702	5.47%
Tai Yu Investment Co, Ltd	19,047,510	4.39%
Shi, Shan-Hsiung	18,489,000	4.26%
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	2020	2021	Current year and as of 31 March 2022 (Note 8)
Market price per share (Note 1)	Highest		7.99	17.50	13.05
	Lowest		3.90	6.98	10.65
	Average		5.79	11.02	12.13
Net value per share (Note 2)	Before distribution		12.72	14.98	15.14
	After distribution		12.72	13.98	—
Earnings per share	Weighted average number of shares		433,782,078	433,782,078	433,782,078
	Earnings per share (before retrospective adjustments)		(0.93)	2.29	(0.03)
	Earnings per share (after retrospective adjustments)		(0.93)	1.29	(0.03)
Dividends per share	Cash dividends		0	1	0
	Right issue	Share allotment from earning	0	0	0
		Share allotment from capital reserve	0	0	0
	Accumulated unpaid dividends (Note 4)		0	1	1
Analysis of investment return	P/E ratio (Note 5)		(6.23)	4.81	(504.67)
	Price to dividend ratio (Note 6)		0	11.02	0
	Dividend yield (Note 7)		0	0.09	0

(VI) Dividend Policy of the Company and the Execution

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 Directors 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 a 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 2021 is as follows:

Champion Building Materials Co., Ltd.

Table for Earning Distribution and Loss Compensation

2021

Amount: NT\$

Undistributed earnings at the beginning of the period	14,146,142
Add: Net profit after tax for the year	991,496,590
Re-measurements of the defined benefit plan	(2,021,295)
Less: 10% appropriation as statutory surplus reserve	(98,947,530)
Earnings available for distribution	904,673,907
Distribution items:	
Shareholders' dividend – Cash dividend (NT\$1 per share)	(433,782,078)
Shareholders' dividend – Share dividend	0
Undistributed earnings at the end of the period	470,891,829

(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 Directors 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: Include into the profit or loss in the following year.

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 2021 was passed by the Board as a resolution on 28 March 2022. The net profit before tax in 2020 (without deducting remunerations of employees and Directors) was NT\$1,135,401,313, and there was no accumulated loss. Therefore, in accordance with Article 19 of the Articles of Association, the Company intends to appropriate 3% (NT\$11,354,013) and 1% (45,416,052) of its net profit before tax in 2020 (without deducting remunerations of employees and Directors) as the remuneration of employees and remuneration of Directors, respectively, totaled NT\$45,416,052, distributed in cash.

The amount of remuneration to employees and remuneration to Directors and supervisors for 2021 was NT\$45,416,052. 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 shares and amount distributed and share price), the differences with the recognized remuneration of employees and Directors, and the explanations of the differences, reasons, and processing status:

The Company's Table for Earning Distribution and Loss Compensation for 2020 was passed by the Board as a resolution on 27 July 2021; no distribution of shareholders' dividend or remuneration to employees and remuneration to Directors shall be made.

The Company recognized remuneration to employees and remuneration to Directors and supervisors of NT\$0 in 2020; 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 recognize 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

Tranche of repurchase	4 th 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	

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	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Tiles	3,190,047	99.50	3,609,001	100.00	4,721,031	99.81
Construction engineering income	15,880	0.50	0	0	9,212	0.19
Total	3,205,927	100.00	3,609,001	100.00	4,730,243	100.00

3. Products

Amount: NT\$000'

Product	2021	2020	2019
Polished tiles	1,058,268	1,174,982	1,486,331
External tiles	512,949	499,856	458,898
Slate tiles	1,046,654	1,277,615	1,844,080
Floor tiles	49,820	49,647	104,686
Wall tiles	344,145	168,802	401,109
Others	194,091	438,099	435,139
Total	3,205,927	3,609,001	4,730,243

4. New Products to be Developed

- (1) Development of slate tile series products 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:

In recent years, the large and thin trend of architectural ceramics has risen. Large-size tiles with various specifications have been launched into the market one after another; diverse shapes and colors, as well as natural textures, are also trends not neglectable.

Tiles are one of the best widely recognized building materials used in the fitting and decoration of households, shops, and offices. Under constant self-request, ceramics in Taiwan has been continuously upgraded 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 over 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; a trend of natural texture has also risen. In recent years, digital ink jet printing technology made advances, allowing the printing of nature-like stone textures and wooden textures on architectural ceramics, which can be called “Near Nature, Exceed Nature.” As such, we broke through the difficulties arising from price competition with tiles from Mainland, Southeast Asia, and India and created the value of high-end premium building materials equivalent to that of Europe, leveraging on the aesthetic soft power.

We cater to the diverse requirements of consumers and concurrently provide a 15-year warranty for household use consumption. 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.

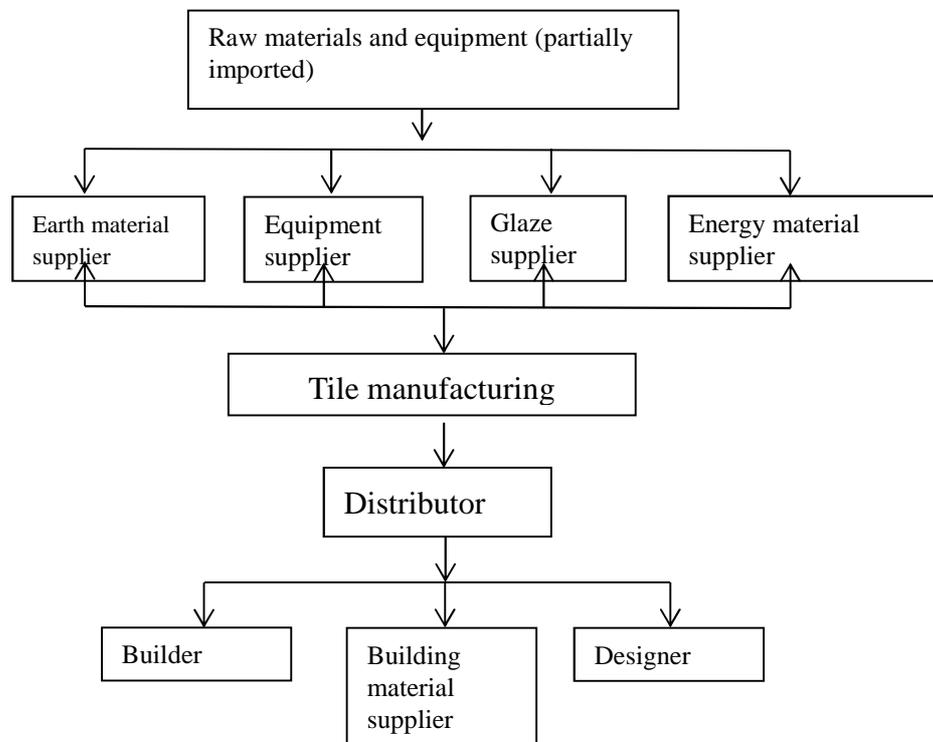
Catering to the requirements of all environments and spaces, our product functions have their unique merits. Our corporate commitment to providing the best materials for homes for life remains unchanged. Champion Building Materials integrate tiles with VR technology by utilizing modern technologies to 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.

In the post-pandemic era, people have different ideas about home decoration. First of all, the demand for fitting commences to surge, and the urge to perform a second fitment was deeply affected by the isolation conditions during the period of outbreak, as consumers attach more attention to the quality of space and field design; in addition, partial families with a second child have the demand for changing into larger houses and fitment. Second, new markets emerge due to the changes in consumers' demand.

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 Products and Competition:

From external walls to indoor spaces of houses, tiles certainly significantly affect the aesthetics of households. Regardless of grandeur and elegance or warming and romance, tiles with diverse prints and styles can easily achieve such spatial atmospheres.

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 and fields of wood to cement (architectural concrete). 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.

Modern people attach attention to their living quality; however, as the living space is decreasing, designs that allow expanded space and views have become necessary for our living environment. To maintain practicability, aesthetic, and roomy space, the basic condition is to transform the complex into the simple. The use of large-scale tiles is recommended to eliminate redundant wall surfaces and ground lines in the space to create a more visually transparent space regarding the floor of living rooms or walls and washrooms.

In recent years, there has been an international trend of large-scale designs, and there are more diverse specifications and sizes. Black, white, and gray remained 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. We 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\$7,908 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 90×90cm, 60×120 cm, and 60×60 cm.
- (7) Development of new specifications of digital slate tiles in the size of 50×100 cm.

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

1. Short-term Development Direction:

Domestic Market:

Benefitted from the environment of low-interest rates and capital investment trends, the purchases in the housing market recorded a booming increase. According to the latest statistics of the Ministry of the Interior, there was a total of 348,000 buildings registered for ownership transactions in 2021, representing an increase of 22,000 buildings as compared with 326,000 buildings in 2020; the number has been increasing for a consecutive five years and achieved a new high among the past eight years, showing the increasing activities in the transaction market; Kaohsiung City, with its ratio of increase reaching 17.32%, won the top ranking.

The quantity of old buildings over 30 years across Taiwan has exceeded 4.47 million buildings, with approximately one in every two houses being 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.

Firstly, we performed a business upgrade project for the Taiwan region, which accounted for over 90% of the overall revenue of the Group, to safeguard living quality through communications with builders and consumers regarding choosing building material suppliers with outstanding quality and favorable after-sale services, including:

- (1) Upgrade designs and production process of tile products: In response to the diverse fitting styles of building materials, with equal considerations given to the demand for outstanding product quality, apart from the introduction of the 3D digital ink jet printing equipment from Italy to provide more variety to the designs of delicate stone and wooden textures true to nature, we also launched marble tiles, nano anti-slip tiles with anti-slip, scratch-proof, and easy-clean features, matte tiles with styles catering to the younger generation, and other star products in the market.

- (2) Upgrade channels and outlets and introduce digital resources: Champion has been the leading brand with top market share in the tile sector in Taiwan for many years; it possesses comprehensive resources from R&D, production, service, and educational training. In 2020, it rolled out the strategy to “upgrade all fitting outlets” for restructuring and the provision of a favorable consumer shopping experience. For partner channels and outlets of different sizes, we provide outlet display design modules to transform their spaces into comfortable and elegant spaces. We developed the “Champion – Tile Professional” APP comprehensively and conveniently display the sizes, textures, and patching models of tiles online through digital methods. By adopting the panorama technology, the APP allows the visualization of tiles selected in the integral space to improve the performances of channels and outlets, which gave rise to the stable growth of distributing channels and outlets of our brands in the Taiwan region; as of 31 December 2021, there were 267 contracted channels and outlets.
- (3) Upgrade brand services: Champion occupies the first position in the market with outstanding product quality of “even elephants cannot break.” We also launched a product warranty of up to 15 years to serve as a robust backup force for the living environment of consumers and customers that are builders. Also, we regularly organize training lectures and programs for interior designers, cementers for construction and engineering, as well as contracted outlets, and strive to fully consider all details for building materials and fitting.
- (4) 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.
- (1) (5) Cemente r 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:

For operations in the Cina region, in 2020, we allied with Guangzhou Seagull Kitchen and Bath to expand our sales performances by using the brand “Seagull Champion” and adopted asset revitalization strategies for the lands and plants of the Champion Kunshan Plant by cooperating with Kunshan High-Tech Industrial Development Zone for the scheduled policy-based relocation; we have entered into the relocation agreement in January this year, and completed the disposal and recognized a gain of RMB321 million (approximately NT\$1.393 billion) in Q3 this year. In the future, we will continue adopting the model to cooperate with diverse industries and the light-asset operation to steadily expand our sales in the China region.

2. Long-term Business Plan:

The market layout strategy of the Champion Group for markets in Taiwan and China focuses on centralizing the Group's resources for the market performance in the Taiwan region. Upholding our position as the "Best Surface Building Material System Provider," we aim to create value for customers' operations; we launched diverse product lines for building materials, refined our services, upgraded our brand image, and adopted smart and green manufacturing, and utilized innovative layout plans to stand firmly as the top brand in Taiwan. Combining core elements of building, space, and humans, we create maximum value for buildings through premium building materials and designs, allowing the stable growth of the Champion Building Material Group in the Taiwan region. In addition, our operation in the China region focuses on the stable and light-asset policy; we focus on favorable project investments to strive for profits in the Mainland this year, showing the Group's favorable and reasonable profitability.

From floors, walls, external walls, parks, to sidewalks, and from the indoor private living spaces to the outdoor public spaces, "tiles are the best surface building material widely recognized," and they are also permanent building materials fulfilling the criteria for building durability and sense of design.

For the past 50 years, the Champion Building Material Group has constantly been making innovations and has become the largest tile design and production group in Taiwan; we receive awards for product innovation year after year, and our quality exceeds the national standards. From land tiles, wall tiles, external wall tiles to 2cm thick tiles, stone slabs, slabs, and slates, we became the leader in the industry, and proposed the longest warranty service of 15 years.

At the starting point of the next century, we will provide intact and comprehensive integrated surface building material solutions. In the future, we will introduce stone materials and large-size tile applications, wooden floors, public space applications, and innovative building materials development to transform Champion Building Material Group into the "Best Surface Building Material System Provider" through planning, designing, contracting for, and providing the comprehensive and diverse integrated system services, bearing the innovative spirit in mind.

II. Market, Production, and Marketing Overview

(I) Market Analysis

1. House-purchasing confidence and the number of buildings transferred achieved a new high for the past eight years

In 2021, the housing market was influenced by unfavorable news, including the pandemic outbreak and the policy-based suppression of property speculation implemented by the government. However, driven by niches of outstanding domestic economic performance, low-interest rates, and easing monetary policies, the purchase trend of the housing market recorded a new high. Furthermore, the number of building traded and transferred in the six major cities in Taiwan broke the historical record for the past eight years with 267,751 buildings.

2. New material for the housing market; capital investments in the plant establishment of technology enterprises

The plant establishment of technology enterprises has become the new material for capital investment in the market. In particular, Taoyuan, Taichung, and Kaohsiung recorded the first-ever 5,000 buildings for the comprehensive departments and stations of plants, bringing along a significant increase in the housing prices and construction projects in the neighborhood. Even though the government has been actively suppressing the speculation of properties, the

housing market remains prosperous.

3. The continual trend of old and obsolete building renovation brings about a surge in land prices within the area

In recent years, old and obsolete building renovation has been the trend. To facilitate the renovation of old and obsolete buildings, the government encourages citizens to perform integration and renovation through simple and fast methods with incentives. The Ministry of the Interior rolled out volume incentives that decrease on a yearly basis to encourage citizens to carry out renovation and integration as soon as possible. According to the statistics of the Ministry of the Interior, as of the 11th, there were 20 counties/cities that accepted 2,002 renovation plan applications; 1,439 cases were approved, and 379 cases had their constructions commenced. Each year, the number of applications grew multiple, driving the surge in the land prices within the region,

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 and 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 designs 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. Trending small house market with stable market demand and increasing case promotion volume in the market

In Taiwan, with the number of family members decreasing in recent years and the continual increases in housing prices, to control the total consideration of houses, builders facilitate the trend of “small housing” for housing products in Taiwan; small-scale houses with an area smaller than 30pings possess relatively better sales conditions in the market; “small house acquisition” has become the dominant trend in the market.

(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 company for brand awareness and market with our status far ahead of companies within the same industry. In 2015, we became a ceramic enterprise and 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. 2021 is the 50th anniversary of Champion Building Materials.

2. Comprehensive Sales Channel Layout and Structure:

We possess the largest marketing network in Taiwan by having 267 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, the Zhaoqiao Plant received the only “Excellent Energy-saving Performance Award – Excellent Award.” In 2013, we received the “green factory” label from the MOEA. In 2014, we received the golden medal of TTQS. In 2015, Champion Building Material received the honor of the 1st National Gold Seal Award and recognitions from different sectors. In 2017, Champion Building Material received the Outstanding Taiwanese Company Award in Mainland. In 2020 and 2021, 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, enhances product development, and improves the competitive strength in technology:

Champion performed upgrades for five major aspects, including product R&D, equipment improvements, newly established manufacturing procedures, product sales services, and management operating systems to create advances for the operational nature of the Group.

With 50 years of operating experience in building materials, Champion Building Materials adheres to providing diverse building materials for a wide base of consumers as the “Best Surface Building Material System Provider” for its sustainable corporate operation and adopts integrated services for design and engineering.

One step ahead of companies within the industry, Champion Building Materials introduced top-notch technologies and equipment from Italy. We actively infuse technologies and functions into traditional tiles, continue improving our technological R&D capacity, and accelerate the development of new products. For manufacturing crafts, product systems, and styles, we align ourselves with the market demand and have obtained additional attention from consumers. The “Champion Marble” tiles in the sizes of 90X90cm and 60X120cm and the slate tiles in the size of 90X90cm concurrently launched in Europe created a new trend that breakthroughs traditional mindsets.

(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, 2cm thick bricks, and slab tiles 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) 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) Display and Outlet Upgrade – Growth Momentum:

Throughout the course of renovation and fitting, consumers shall consider the entire plan in detail for the spatial structure that comprises ceiling, floor, wall, door, and window to display the visual aesthetic and spatial value. Champion Building Materials is committed to reinforcing the entire experience of all channels for consumers; it invests in the vertical and horizontal development niche for all brands of the Group and displays our product value through ten major exhibition centers in Taipei, Taichung, Kaohsiung, Pingtung, and other regions. We made improvements through promotion and consultation of fully renovated outlets, upgrades of outlet display, improved efficiency of information APP, together with diverse marketing activities at outlets and successful sales experience sharing session as a building material company from time to time.

(5) Newly Established Manufacturing Procedures and Upgrades of Equipment – Growth Momentum:

We continue introducing the latest production equipment and create smart factories for production benefits. Champion, as a leading brand in the domestic market, expects to make investments in the expansion of the new plant area of its Miaoli Zhaoqiao Plant (with an additional production area of approximately 8.4 hectares), which will be beneficial for bringing about the improvement in the self-production capacity of the domestic tile industry and the composite benefits of an increase in production efficiency and reduction in energy consumption.

2. Unfavorable Factor

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

According to the report of the International Trade Commission, the import volume of goods from India, Vietnam, Malaysia, and Indonesia has been increasing on a yearly basis; a year-on-year increase as high as 61.3% was recorded in Q1 of 2021; the market share of their goods in Taiwan increased from 25.9% in 2016 to 38.2% in 2021, and the market share of domestic products dropped from 58% to 44.3. 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 such issues. For the domestic tile industry, the tariff for imported tiles in Taiwan is lower than in other neighboring countries; furthermore, in the absence of any non-tariff trade barrier, it is similar to the non-equal trading model of “unblocked entrance passage to Taiwan, and multiplied barriers for export.” Over time, the market in Taiwan naturally becomes the first choice to solve the issue of production capacity surplus of involving countries.

Countermeasures:

Taiwan Ceramic Industries Association proposed the imposition of an anti-dumping tax for four countries, including India

Regarding the long-term low-price dumping of the involving countries, the Association proposed to defend the rights of the tile industry in 2020. Domestic companies proposed the anti-dumping tax as they were deeply affected due to the invasion to a state where they could barely survive; such dumping acts affected the development of the industry and the right to employment of the population employed within the ceramic industries. Through efforts spent over a year, the Ministry of Finance

announced the imposition of anti-dumping tax up to 20.07% regarding tiles from the four countries, including India, in September 2021 to recognize the fact that our domestic industry has been substantially injured and eliminate the unjust competition through the dumping of and import from involving countries, allowing our ceramics and tiles industries to achieve sustainable operations in Taiwan.

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 metals 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 of smuggled illegal tiles, and wall 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	2021	2020
Asia	3,168,542	3,562,386
America	2,410	4,864
Australia	21,396	15,768

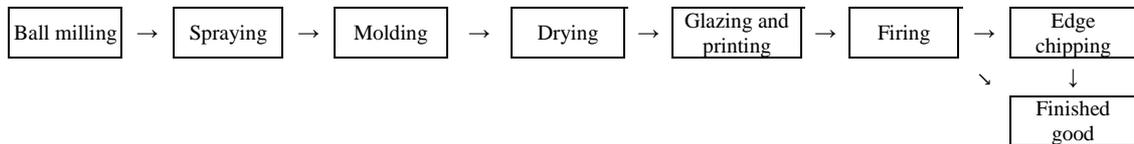
Others	13,579	25,983
Total	3,205,927	3,609,001

(V) Major Use and Production Process of Primary Products

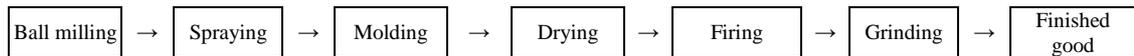
Primary products	Major use
External tiles	Tiles for laying on the external walls of buildings
Wall tiles	Tiles for laying on the internal walls of buildings
Floor tiles	Tiles for laying on the internal floors of buildings
Slate tiles	Tiles for laying on the internal and external floors and walls of buildings
Slate tiles (2cm thick tiles)	Tiles for laying on the external floor and wall of buildings and dry hanging
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 enriches 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 values that comply with the consumption trend and the global trend in the future.

Digital inkjet printing series product:

- Wooden tiles:

North America Impression, Fenghua Stunning, Aberdeen, and Captain Wood

Floor tiles: 地磚 :

D31, Top Stone, D61, F3AD, Ducale, and F6D

- Slate tiles:

Juno Granite, Aurisina Granitello, Granite, Mica, Wave Grey, Palermo, Basaltina, Build, Vesta, Piasentina, Minerva, Mist Flow, Lime Stone, Rockefeller, Oread, Murano, Lipica, Oread, Lavagrigia, and Antium

- Marble tiles:

New century, Brand New, Top Stone, Silky Marble, Impression, Venice, and Ducale

In 2021, we released tile products that led the design trend and the tile crafts successively.

Key Indicators for 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 a barb
	Water absorption	Below 2.0% for ceramic quartz Below 3.0% for stone glaze
	Crushing strength	Below 17.0% for pottery Below 3.0% for ceramic
Wall tiles	Water absorption	Over 700N for pottery Over 1200N for ceramic
	Crushing strength	Below 7.0%
Floor tiles	Water absorption	Over 1200N
	Crushing strength	Below 0.5%
Slate tiles	Water absorption	Over 1800N
	Crushing strength	Below 0.5%
Slate tiles (2cm thick brick)	Water absorption	Over 10000N
	Crushing strength	Below 0.1%
Polished tiles	Water absorption	Over 2200N
	Crushing strength	Below 17.0% for pottery Below 3.0% for ceramic

(VI) Supply of Major Raw Materials for 2021:

Unit: NT\$000'

Raw material	Purchase amount	%	Domestic		Foreign	
			Amount	%	Amount	%
Earth material	484,188	69.74	145,680	40.96	338,509	99.97
Glaze material	210,055	30.26	209,943	59.04	111	0.03
Total	694,243	100.00	355,623	100.00	338,620	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	2020				2021				2022 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.	592,242	16.41	None	Guangdori Co., Ltd.	552,304	17.23	None	Guangdori Co., Ltd.	127,180	17.02	None
2	Seagull Champion Limited	368,353	10.21	None	Gaoyu Wang Co., Ltd.	401,272	12.52	None	Gaoyu Wang Co., Ltd.	93,454	12.51	None
3	Gaoyu Wang Co., Ltd.	336,239	9.32	None	Guangliyu Co., Ltd.	370,855	11.57	None	Guangliyu Co., Ltd.	90,069	12.05	None
4	Guangliyu Co., Ltd.	327,831	9.08	None	Depot Company Limited	220,914	6.89	None	Feng Yu Wang Co., Ltd.	58,395	7.82	None
5	Depot Company Limited	262,265	7.27	None	Feng Yu Wang Co., Ltd.	208,051	6.49	None	Mao Jun Enterprise Co., Ltd	50,670	6.78	None
6	Mao Jun Enterprise Co., Ltd	187,378	5.19	None	Uian Ho Co., Ltd.	167,271	5.22	None	Depot Company Limited	49,099	6.57	None
7	Uian Ho Co., Ltd.	167,053	4.63	None	Mao Jun Enterprise Co., Ltd	163,170	5.09	None	Jheng Run Enterprise Co., Ltd.	39,934	5.35	None
8	Huayi Enterprise Co., Ltd	156,483	4.34	None	Jheng Run Enterprise Co., Ltd.	146,482	4.57	None	Uian Ho Co., Ltd.	39,614	5.30	None
9	Wei Xun Co., Ltd.	145,746	4.04	None	Wei Xun Co., Ltd.	144,054	4.49	None	Wei Xun Co., Ltd.	33,503	4.48	None
10	Jheng Run Enterprise Co., Ltd.	135,015	3.74	None	Fanyang Co., Ltd.	97,929	3.05	None	Deshi Co., Ltd.	28,426	3.80	None
	Others	930,396	25.77		Others	733,625	22.88		Others	136,905	18.32	
	Net sales	3,609,001	100.00		Net sales	3,205,927	100.00		Net sales	747,249	100.00	

Information on Major Suppliers for the Latest Two Years

Amount: NT\$000'

Item	2020				2021				2022 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	281,425	17.03	None	CPC Corporation, Taiwan	261,639	17.48	None	CPC Corporation, Taiwan	64,804	17.55	None
2	Seagull Champion Limited	268,204	16.23	None	Massive Trading Company Limited	140,661	9.40	None	Massive Trading Company Limited	45,581	12.34	None
3	Taiwan Power Company	134,802	8.16	None	Taiwan Power Company	132,152	8.83	None	Taiwan Power Company	30,071	8.14	None
4	China Glaze Co., Ltd.	105,417	6.38	None	China Glaze Co., Ltd.	98,732	6.60	None	China Glaze Co., Ltd.	26,372	7.14	None
5	Massive Trading Company Limited	92,831	5.62	None	Rising Wood Inc	63,280	4.23	None	Rising Wood Inc	18,675	5.06	None
6	Rising Wood Inc	61,450	3.72	None	Hongkong Lucky Group Co., Limited	59,019	3.94	None	Long Honor International Co., Ltd.	17,115	4.63	None
7	Hongkong Lucky Group Co., Limited	61,268	3.71	None	Cheng Loong Corporation	51,222	3.42	None	Hongong Lucky Group Co., Limited	16,369	4.43	None
8	Cheng Loong Corporation	46,820	2.83	None	Million Super Corp	41,194	2.75	None	Cheng Loong Corporation	13,946	3.78	None
9	Taimax Materials Co., Ltd.	38,324	2.32	None	Taimax Materials Co., Ltd.	39,692	2.65	None	Yung Sung Stoneware Co., Ltd.	11,656	3.16	None
10	Foshan Skyplanet Import And Export	35,298	2.14	None	Foshan Skyplanet Import And Export	34,797	2.33	None	Taimax Materials Co., Ltd.	10,982	2.97	None
	Others	526,633	31.86		Others	574,114	38.37		Others	113,749	30.80	
	Net purchases	1,652,472	100.00		Net purchases	1,496,502	100.00		Net purchases	369,320	100.00	

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

Volume Unit: 100m²
Amount Unit: NT\$000'

Year	2020			2021		
Production volume and value Major product	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Tiles	100,661	114,458	3,501,180	100,870	98,254	3,029,873

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

Volume Unit: 100m²
Amount Unit: NT\$000'

Year	2020				2021			
Sales volume and value Major product	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Tiles	118,915	3,538,972	2,492	70,029	100,174	3,132,011	2,825	73,916

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

31 March 2022

Year		2020	2021	Current year and as of 31 March 2022
Number of employees	Above assistant manager	44	42	37
	Section chief	200	173	170
	Basic	699	481	478
	Total	943	696	685
Average age		42	43	43
Average year of services		8	8	9
Educational background distribution	Ph. D	1	0	0
	Master	13	12	11
	University and college	232	188	180
	High school	444	318	317
	Below high school	253	178	177

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.

Amount: NT\$

Date of disposal	Disposal No.	Provisions under the regulations of such violations	Content violating the regulations	Content of disposal	Amount of compensation or disposal
2020.01.10	2020.01.10 Fu-huan-kong- zi No. 1090001984	Paragraph 1, Article 20 of the Air Pollution Control Act	The air pollutant emission of fixed pollution sources in public or private places shall comply with the emission standards.	The Environmental Protection Bureau appointed 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 ³ , exceeding the air pollutant emission standard (50mg/Nm ³) for ceramic industries (50mg/Nm ³).	300,000
2021.05.05	2021.05.05 Fu-huan-kong- zi No. 1100028197	Paragraph 1, Article 20 of the Air Pollution Control Act	The air pollutant emission of fixed pollution sources in public or private places shall comply with the emission standards.	The Environmental Protection Bureau performed a sample inspection; the granule pollutant concentration for the P601 emission pipe in the M01 manufacturing procedure was 98mg/Nm ³ , exceeding the emission standard (50mg/Nm ³).	120,000
2021.06.07	2021.06.07 Fu-huan-shui- zi No. 1100036198	Article 18 of the Water Pollution Control Act	Businesses shall adopt water pollution control measures.	The Central Branch, Bureau of Environmental Inspection, performed an audit; for the use of the reclaimed water for the grinding procedure from the reclaimed water pond S02, an independent accumulation water measurement device was not set up according to the requirements.	15,000
2021.07.02	2021.07.02 Fu-huan-kong- zi No. 1100041505	Paragraph 2, Article 24 of the Air Pollution Control Act	After the setting or the alteration of stationery sources, certifying documents shall be submitted in accordance with relevant requirements under the law to apply for and obtain the operational license, and the operations shall be performed in accordance with the license issued.	The Central Branch, Bureau of Environmental Inspection, performed an audit; the cleaning fluid flow rate of cleaning towers (A010, A011, and A403) in M02 procedures was not recorded on a daily basis, not complying with the content of the stationery source operating license.	100,000

Date of disposal	Disposal No.	Provisions under the regulations of such violations	Content violating the regulations	Content of disposal	Amount of compensation or disposal
2022.01.06	2022.01.06 Huan-fei-zi No. 1110001254	Subparagraph 2, paragraph 1, Article 31 of the Waste Disposal Act	Based on the format stated by the central competent authority, declare the output, storage, clearing, processing, reuse, export, import, passage, or transit of the wastes.	The Environmental Protection Bureau performed an audit on the online declared information; there were quality imbalances in 110.10 R-0403 and D-0902.	6,000
2022.03.17	2022.03.17 Fu-huan-kong- zi No. 1110009701	Paragraphs 2 and 4, Article 24 of the Air Pollution Control Act	After the setting or the alteration of stationery sources, certifying documents shall be submitted in accordance with relevant requirements under the law to apply for and obtain the operational license, and the operations shall be performed in accordance with the license issued.	The Central Branch, Bureau of Environmental Inspection, performed an audit; the differential value for the impulse baghouse (A601) failed to comply with the content in the license.	160,000
2022.04.11	2022.04.11 Huan-fei-zi No. 1110020936	Paragraph 2, Article 28 of the Waste Disposal Act	Enterprises designated in the announcements of the central competent authority shall have professional technicians in place; for enterprises that clear and process business wastes on their own, management regulations related to the conditions, licenses, licensed period abolishment, and other matters to be observed shall be established by the central competent authority at a meeting with the central competent authority in charge of particular target businesses.	The Environmental Protection Bureau performed an audit; the dedicated personnel for wastes concurrently engages in matters that require the license for occupational safety personnel.	6,000

(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 of 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
2022	(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	64,381
2023	(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	89,695
2024	(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	108,803

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'

2022	Human affairs expenses	Operational expenses	Equipment repair expenses	Equipment depreciation	Total
Exhaust gas	3,415	64,703	12,698	2,579	83,395
Wastewater	9,658	29,074	8,464	892	48,088
Waste	1,389	7,080	461	0	8,930
Noise	0	0	2,767	585	3,352
Total	14,462	100,857	24,390	4,056	143,765

V. Labor-capital Relationship

V. Labor-capital Relationship

(I) The Company's employee benefit measures, continuing education, training, and retirement systems and their implementation, 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, and 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 by 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 arrangements 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 of the organization and the 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, scholarships 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.

3. 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 performance. 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 exerting our human capital and duly implementing the sharing of training and development resources, we established the "Regulations for the Management of Internal Lecturers" to encourage employees to participate in 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 2021 is as follows:

Amount: NT\$

Item	Number of classes	Total number of employees	Total number of hours	Total training expenses
Management function training	6	309	22.50	\$246,049
Professional function training	22	389	136.25	\$143,585
General knowledge training	21	2,495	45.60	\$236,775
Total	49	3,193	204.35	\$626,409

* The Company introduced the E-learning training platform at the end of Q3 in 2021; employees may access learning courses via the learning platform at all times.

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 for 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. Relevant certificates designated by the competent authority obtained by personnel related to the financial information transparency of the Company:

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 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 with 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 consumption, 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, commission, or other illegal interests; souvenirs 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 their work locations 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 resulting 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 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 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 includes 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 who acknowledge information due to business or controlling relationships and the persons who 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 are 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.
- II. Insider Trading:

Once regulated targets of insider trading acknowledge 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 includes:
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 newspapers 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 acknowledge 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 about 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 acknowledge 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 occurred 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 inspections each year, engages specialists from the occupational medicine department for on-site services twice a month, and recruits dedicated nursing staff to continue caring for employees’ physical and mental health; furthermore, we create a healthy 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 takes safety into consideration in its operational process, prepares warning slogans (including foreign languages), and distributes 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	32
Occupational safety and health manager	1	Superiors of hazardous operations	15

Occupational safety and health managing staff	3	Fixed crane operator	8
Labor health service nursing staff	2	Forklift operator	103

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 2021
Competent authority	<ol style="list-style-type: none"> 1. Legal compliance 2. Customer protection and communication 3. Corporate governance 4. Risk management 5. Communication with the competent authority 	<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 four 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"> 1. Employees' benefits 2. Employees' evaluation system 3. Labor-capital relations 4. Corporate image 	<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 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</p>	<p>The Company held a total of five labor-capital conferences in 2021.</p>

Stakeholders	Concerned issues of priority	Communication channels, response methods, and communication frequency	Communication performance with stakeholders in 2021
		physical mailbox at the plant, and the handling unit and window (Ms. Gu and Ms. Chiang for Zhunan Plant and Zhaoqiao Plant, Human Resources Department).	
Shareholder	<ol style="list-style-type: none"> 1. Corporate governance 2. Sustainable development strategies 3. Shareholders' participation 4. Operating performance 	<p>Press release/significant information: real-time media release/publication of significant information on MOPS.</p> <p>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 32 news for each of the significant information and announcements</p> <p>Convened a shareholders' meeting on 27 July 2021</p> <p>Convened investor conferences on 23 September 2021 and 20 October 2021</p>
Customer	<ol style="list-style-type: none"> 1. Information security 2. Customer protection and communication 3. Information transparency 4. Service quality 5. Corporate governance 	<ol style="list-style-type: none"> 1. Corporate website: Provide product information, online tile display, has a customer service section in place with services of common Q&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). 2. Broadcast advertisements on TV, printed materials and online from time to time. 3. Upgraded the 10-year warranty to a "15-year" warranty 15-year warranty line: 037-561236 Official Facebook page operations: The Facebook page of Champion Tiles and Macrobelli Tiles has weekly interactions with consumers. 	<ol style="list-style-type: none"> 1. Organized the 2021 Building Material Enterprise Conference. 2. Participated in the 33rd Taipei Building Show in 2021.
Supplier	<ol style="list-style-type: none"> 1. Corporate image 2. Sustainable development strategies 3. Information transparency 4. Supplier management 	<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. Kuo, Zheng-Bin, Procurement Department (Ext. 1313; e-mail: ben.kuo@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\$62.12 million, accounting for 13.79% of the procurement volume. The Company conducts the evaluation once a year; the latest evaluation was completed on 5 March 2022.</p>
Society and community	<ol style="list-style-type: none"> 1. Environmental protection 	<ol style="list-style-type: none"> 1. Promote green environmental protection: 	<p>The Company set its energy-saving and</p>

Stakeholders	Concerned issues of priority	Communication channels, response methods, and communication frequency	Communication performance with stakeholders in 2021
care	<ol style="list-style-type: none"> 2. Community care 3. Social participation 	<p>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.</p> <ol style="list-style-type: none"> 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 enjoy healthy lives co-existing with nature. 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. 4. Social participation: We actively participate in various public welfare activities. We have 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 recognize themselves and grow through the course of learning, and in turn, improve their household economy by learning such skills. 	<p>carbon emission reduction target for the production process in 2022 at 1,100 tons CO₂e. The total GHG emission for 2021 was 88,550.443 tons CO₂e/year. The Company had made donations to 24 public welfare and charitable groups in 2021.</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 Furthermore, an extension of two years to 5 July 2024 was made on 25 March 2022	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 to improve 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'

Item	Year	Financial information for the latest five years					Financial information for the current year and as of 31 March 2022 (Note)
		2017	2018	2019	2020	2021	
Current assets		5,675,202	5,533,513	4,815,419	4,770,411	5,224,523	4,993,145
Property, plant and equipment		4,988,765	4,600,291	4,145,337	3,784,353	3,061,323	3,043,460
Right-of-use assets		0	0	340,286	287,563	265,517	270,070
Intangible assets		196,778	184,116	166,150	153,655	143,821	146,539
Other assets		700,874	707,336	444,753	898,794	826,249	1,009,842
Total assets		11,561,619	11,025,256	9,911,945	9,894,776	9,521,433	9,463,056
Current liabilities	Before distribution	2,888,085	4,176,723	2,449,478	3,035,705	2,655,669	1,631,707
	After distribution	2,888,085	4,176,723	2,449,478	3,035,705	2,221,887	1,197,925
Non-current liabilities		1,618,765	436,485	1,529,983	1,342,169	367,548	1,265,893
Total liabilities	Before distribution	4,506,850	4,613,208	3,979,461	4,377,874	3,023,217	2,897,600
	After distribution	4,506,850	4,613,208	3,979,461	4,377,874	2,589,435	2,463,818
Interests attributable to the owner of the		7,054,769	6,412,048	5,932,484	5,516,902	6,498,216	6,565,456
Share capital		4,373,351	4,337,821	4,337,821	4,337,821	4,337,821	4,337,821
Capital reserve		147,735	157,999	157,999	157,999	157,999	157,999
Retained earnings	Before distribution	2,033,176	1,455,683	1,041,760	636,586	1,626,061	1,615,178
	After distribution	2,033,176	1,455,683	1,041,760	636,586	1,192,279	1,181,396
Other equity		525,773	460,545	394,904	384,496	376,335	454,458
Treasury shares		(25,266)	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	7,054,769	6,412,048	5,932,484	5,516,902	6,498,216	6,565,456
	After distribution	7,054,769	6,412,048	5,932,484	5,516,902	6,064,434	6,131,674

Note: The financial information had been reviewed by CPAs.

Condensed Balance Sheet (Individual) – Adopting IFRS

Unit: NT\$000'

Year		Financial information for the latest five years				
		2017	2018	2019	2020	2021
Current assets		3,848,201	3,825,161	3,566,753	4,243,734	4,612,246
Investment accounted for by using the equity method		3,172,329	2,949,413	2,350,438	1,570,494	2,191,395
Property, plant and equipment		1,729,837	1,746,422	1,668,013	1,623,913	1,617,685
Intangible assets		5,576	5,764	4,538	1,707	517
Other assets		207,429	203,471	260,885	267,531	282,984
Total assets		8,963,372	8,730,231	7,850,627	7,707,379	8,704,827
Current liabilities	Before distribution	665,609	2,128,184	635,555	1,045,463	2,019,623
	After distribution	665,609	2,128,184	635,555	1,045,463	1,585,841
Non-current liabilities		1,242,994	189,999	1,282,588	1,145,014	186,988
Total liabilities	Before distribution	1,908,603	2,318,183	1,918,143	2,190,477	2,206,611
	After distribution	1,908,603	2,318,183	1,918,143	2,190,477	1,772,829
Interests attributable to the owner of the parent		7,054,769	6,412,048	5,932,484	5,516,902	6,498,216
Share capital		4,373,351	4,337,821	4,337,821	4,337,821	4,337,821
Capital reserve		147,735	157,999	157,999	157,999	157,999
Retained earnings	Before distribution	2,033,176	1,455,683	1,041,760	636,586	1,626,061
	After distribution	2,033,176	1,455,683	1,041,760	636,586	1,192,279
Other equity		525,773	460,545	394,904	384,496	376,335
Treasury shares		(25,266)	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	7,054,769	6,412,048	5,932,484	5,516,902	6,498,216
	After distribution	7,054,769	6,412,048	5,932,484	5,516,902	6,064,434

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 2022 (Note)
		2017	2018	2019	2020	2021	
Operating income		4,896,100	5,026,376	4,730,243	3,609,001	3,205,927	747,249
Operating gross profit		1,391,568	1,108,895	1,085,216	690,993	753,869	189,062
Operating gain or loss		34,311	(403,913)	(306,763)	(350,447)	21,545	43,045
Non-operating income and expenses		(83,732)	(158,580)	(111,611)	37,305	1,254,273	(36,466)
Net profit before tax		(49,421)	(562,493)	(418,374)	(313,142)	1,275,818	6,579
Net profit of continuing operations for the period		(49,421)	(562,493)	(418,374)	(313,142)	1,275,818	6,579
Losses from discontinued operations		0	0	0	0	0	0
Net gain (loss) for the period		(91,590)	(572,683)	(425,190)	(402,867)	991,496	(10,883)
Other comprehensive income for the period (net after tax)		(50,720)	(70,038)	(54,374)	(12,715)	(10,182)	78,123
Total comprehensive income for the period		(142,310)	(642,721)	(479,564)	(415,582)	981,314	67,240
Net profit attributable to the owner of the parent company		(91,590)	(572,683)	(425,190)	(402,867)	991,496	(10,883)
Net profit attributable to non-controlling interests		0	0	0	0	0	0
Total comprehensive income attributable to the owner of the parent		(142,310)	(642,721)	(479,564)	(415,582)	981,314	67,240
Total comprehensive income attributable to non-controlling interests		0	0	0	0	0	0
Earnings per share		(0.21)	(1.32)	(0.98)	(0.93)	2.29	(0.03)

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				
	2017	2018	2019	2020	2021
Operating income	2,380,312	2,590,864	2,703,277	2,711,953	2,912,598
Operating gross profit	708,453	602,025	617,914	869,701	908,769
Operating gain or loss	238,550	86,582	134,022	436,894	416,968
Non-operating income and expenses	(287,202)	(656,075)	(552,117)	(749,251)	673,017
Net profit before tax	(48,652)	(569,493)	(418,095)	(312,357)	1,089,985
Net profit of continuing operations for the period	(48,652)	(569,493)	(418,095)	(312,357)	1,089,985
Losses from discontinued operations	0	0	0	0	0
Net gain (loss) for the period	(91,590)	(572,683)	(425,190)	(402,867)	991,496
Other comprehensive income for the period (net after tax)	(50,720)	(70,038)	(54,374)	(12,715)	(10,182)
Total comprehensive income for the period	(142,310)	(642,721)	(479,564)	(415,582)	981,314
Net profit attributable to the owner of the parent company	(91,590)	(572,683)	(425,190)	(402,867)	991,496
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to the owner of the parent company	(142,310)	(642,721)	(479,564)	(415,582)	981,314
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	(0.21)	(1.32)	(0.98)	(0.93)	2.29

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 is as follows:

Unit: NT\$000'

Year	2017	2018	2019	2020	2021
Amount	\$347	\$833	\$382	\$415	\$750

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

Year	Name of CPAs	Audit opinions
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
110	Chen, Chung-Che and Chi, Shi-Qin	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 2022
		2017	2018	2019	2020	2021		
Financial structure (%)	Debt ratio	38.98	41.84	40.15	44.24	31.75	30.62	
	Ratio of long-term capital to property, plant and equipment	164.82	139.38	170.45	172.63	212.27	245.29	
Solvency (%)	Current ratio	196.50	132.48	196.59	157.14	196.73	306.01	
	Quick ratio	118.61	79.33	111.75	115.00	157.14	240.06	
	Interest coverage ratio	0.94	(3.88)	(2.78)	(1.67)	29.45	2.96	
Operating capacity	Turnover rate for receivables (time)	5.66	5.54	5.07	3.54	2.92	0.76	
	Average number of days for cash collection	64.00	66.00	72.00	103.00	125.00	118.00	
	Turnover rate for inventories (time)	1.63	1.87	1.81	1.87	2.33	0.60	
	Turnover rate for payable (time)	7.85	7.92	7.24	4.80	3.93	1.04	
	Average number of days for sales	224.00	195.00	202.00	195.00	157.00	150.00	
	Turnover rate for property, plant and equipment (times)	0.94	1.05	1.08	0.91	0.94	0.24	
	Turnover rate for total assets (times)	0.43	0.45	0.45	0.36	0.33	0.08	
Profitability	Return on assets (%)	(0.06)	(4.32)	(3.28)	(3.43)	10.64	(0.02)	
	Return on equity (%)	(1.29)	(8.51)	(6.89)	(7.04)	16.50	(0.17)	
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	(1.13)	(9.31)	(9.64)	(7.22)	29.41	0.15	
	Profit margin (%)	(1.87)	(11.39)	(8.99)	(11.16)	30.93	(1.46)	
	Earnings per share (NT\$)	(0.21)	(1.32)	(0.98)	(0.93)	2.29	(0.03)	
Cash flows	Cash flow ratio (%)	18.79	3.40	8.46	10.92	1.13	19.08	
	Cash flow adequacy ratio (%)	114.78	119.27	212.34	282.78	183.52	182.89	
	Cash reinvestment ratio (%)	6.82	2.34	3.11	5.44	0.48	4.43	
Leverage	Operating leverage	61.47	(5.09)	(6.14)	(5.58)	79.31	8.52	
	Financial leverage	(0.44)	0.78	0.74	0.81	(0.65)	1.40	

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. Financial structure: Due to the decrease in the total assets and liabilities of the year.
2. Solvency: Due to the increase in current assets and non-operating income and the decrease in the liabilities to be settled after the increase in the capital due to the increase in current liabilities in response to the demolition of lands.
3. Operating capacity: Due to the decrease in the turnover rate of receivables resulting from the net sales and cost of sales, and the increase in the average receivables of each period.
4. Profitability: Due to the increase in the net profit before and after tax resulting from the gains from the disposal arising from the completion of recognizing the policy-based relocation of our Mainland subsidiary in response to the Kunshan Government during the year.
5. Cash flows: Due to the decrease in the net cash flows from operating activities, current liabilities, and net cash flows from operating activities for the latest five years, and capital expenditures.

Financial Analysis (Individual) – Adopting IFRS

Analysis Item		Year	Financial information for the latest five years			
		2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio	21.29	26.55	24.43	28.42	25.35
	Ratio of long-term capital to property, plant and equipment	468.48	367.15	423.60	402.28	401.70
Solvency (%)	Current ratio	578.15	179.74	561.20	405.92	228.37
	Quick ratio	426.49	135.01	418.01	311.12	179.36
	Interest coverage ratio	0.80	(14.01)	(9.82)	(6.08)	38.33
Operating capacity	Turnover rate for receivables (time)	4.84	5.30	4.67	4.24	4.09
	Average number of days for cash collection	75.00	69.00	78.00	86.00	89
	Turnover rate for inventories (time)	1.76	2.23	2.48	2.13	2.24
	Turnover rate for payable (time)	9.11	9.04	7.81	7.09	7.78
	Average number of days for sales	207.00	164.00	147.00	171.00	163.00
	Turnover rate for property, plant and equipment (times)	1.33	1.49	1.58	1.65	1.80
	Turnover rate for total assets (times)	0.27	0.29	0.33	0.35	0.35
Profitability	Return on assets (%)	(0.79)	(6.15)	(4.79)	(4.88)	12.37
	Return on equity (%)	(1.29)	(8.51)	(6.89)	(7.04)	16.50
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	(1.11)	(13.13)	(9.64)	(7.20)	25.13
	Profit margin (%)	(3.85)	(22.10)	(15.73)	(14.86)	34.04
	Earnings per share (NT\$)	(0.21)	(1.32)	(0.98)	(0.93)	2.29
Cash flows	Cash flow ratio (%)	74.80	13.52	49.23	45.42	21.22
	Cash flow adequacy ratio (%)	371.25	336.21	302.08	339.02	332.97
	Cash reinvestment ratio (%)	6.03	4.49	4.49	7.39	6.67
Leverage	Operating leverage	4.58	13.28	7.23	2.68	3.41
	Financial leverage	1.14	1.77	1.40	1.08	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 liabilities of the year due to the transfer of long-term borrowings to liabilities due within one year due to maturity and the increase in net profit before deducting the interest expenses.
2. Profitability: The increase in the non-operating income was due to the increase in the net profit before and after tax resulting from the gains and losses from the completion of recognizing the policy-based relocation of the Mainland subsidiary in response to the Kunshan Government during the year.
3. Cash flow ratio: Due to the increase in the current liabilities due to the transfer of long-term borrowings to liabilities due within one year due to maturity.
4. Leverage: Due to the gains from the disposal arising from the completion of recognizing the policy-based relocation of our Mainland subsidiary in response to the Kunshan Government during 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 2021 financial report. The financial report had been duly audited by CPAs Chen, Chung-Che and Chi, Shi-Qin 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/

28 March 2022

IV. Financial Report of the Latest Year: Please refer to pages 107 to 172 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 173 to 227 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	2021	2020	Changes	
				Amount	%
Current assets		5,224,523	4,770,411	454,112	9.52
Non-current assets		4,296,910	5,124,365	(827,455)	(16.15)
Total assets		9,521,433	9,894,776	(373,343)	(3.77)
Current liabilities		2,655,669	3,035,705	(380,036)	(12.52)
Non-current liabilities		367,548	1,342,169	(974,621)	(72.62)
Total liabilities		3,023,217	4,377,874	(1,354,657)	(30.94)
Share capital		4,337,821	4,337,821	0	0
Capital reserve		157,999	157,999	0	0
Retained earnings		1,626,061	636,586	989,475	155.43
Other equity		376,335	384,496	(8,161)	(2.12)
Treasury shares		0	0	0	0
Total shareholders' interests		6,498,216	5,516,902	981,314	17.79

Descriptions of items with significant changes:

1. Decrease in non-current liabilities: Due to the transfer of long-term borrowings to current liabilities (long-term borrowings due within one year or a business cycle).
2. Total liabilities: Due to the repayment of short-term borrowings and account payables through the utilization of proceeds from the completion of the policy-based relocation of the Mainland subsidiary in response to the Kunshan Government, and the decrease in account payables and other payables during the year.
3. Retained earnings: Due to the gains from the disposal arising from the completion of recognizing the policy-based relocation of our Mainland subsidiary in response to the Kunshan Government during 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	2021	2020	Increase or decrease in amount	Changes (%)
Net operating income		3,205,927	3,609,001	(403,074)	(11.17)
Operating costs		<u>2,452,058</u>	<u>2,918,008</u>	(465,950)	(15.97)
Operating gross		753,869	690,993	62,876	9.10
Operating expenses		<u>732,324</u>	<u>1,041,440</u>	(309,116)	(29.68)
Operating gains		21,545	(350,447)	371,992	106.15
Non-operating income		<u>1,254,273</u>	<u>37,305</u>	1,216,968	3,262.21
Net profit before tax		1,275,818	(313,142)	1,588,960	507.42
Less: Income tax		<u>284,322</u>	<u>89,725</u>	194,597	216.88
Net profit after tax		991,496	(402,867)	1,394,363	346.11
Other comprehensive		<u>(10,182)</u>	<u>(12,715)</u>	2,533	19.92
Total comprehensive		<u>981,314</u>	<u>(415,582)</u>	1,396,896	336.13

Descriptions of the analysis of changes:

Our revenue decreased as the operating model of our Mainland subsidiary was altered and became to be operated by an investee that is not the consolidated main body, as well as the increase in consolidated revenue due to the reduction of fixed expenditure of plants. In addition, in 2021, due to the gains from the disposal arising from the completion of recognizing the policy-based relocation of our Mainland subsidiary in response to the Kunshan Government during the year, our non-operating income, net profit after tax, and total comprehensive income increased as compared to that of 2020.

(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	2021	2020	Changes (%)
Cash flow ratio		1.13	10.92	(89.65)
Cash flow adequacy		183.52	282.78	(35.10)
Cash re-investment		0.48	5.44	(911.18)

Descriptions of the analysis of changes:

Cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio: All ratios of flow analysis decreased due to the decrease in the net cash flows from operating activities, the increase of current liabilities arising from the transfer of long-term borrowings into short-term borrowings, and the decrease in the five-year net cash flows from operating activities and capital expenditure.

(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
2,624,014	450,000	(1,232,564)	1,841,450	—	—

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 resulting 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 for profit or loss and its improvement plan:

Our revenue decreased as the operating model of our Mainland subsidiary was altered in April 2020 and became to be operated by an investee that is not the consolidated main body for the domestic sales of tiles in the Mainland; however, after the significant reduction of manufacturing plants and operating expenses and other expenditures, our consolidated revenue increased. In addition, in 2021, due to the gains from the disposal arising from the completion of recognizing the policy-based relocation of our Mainland subsidiary in response to the Kunshan Government during the year, our non-operating income, net profit after tax, and total comprehensive income increased as compared to that of 2020.

Improvement plan: Introduce new products and upgrade sales channels, and constantly strive for the upgrades and advances of production equipment so as to provide products with brilliant designs and outstanding quality to consumers and improve the added value of tile products, and in turn, improve sales value.

(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 rates 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 remaining unchanged, the net profit in 2021 would decrease by NT\$2,245 thousand.

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 2021, when the functional currency depreciates or appreciates against the USD and Euro with all other variables remaining unchanged, the net profit in 2021 would decrease or increase by NT\$12,378 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 in 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, and 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 products 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 products in the sizes of 90×90 cm, 60×120 cm, and 60×60 cm.
- (7) Development of new specifications of digital slate tiles in the size of 50×100 cm.

2. R&D expenses estimated to be invested: NT\$28,000 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 has 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 of information security risk:

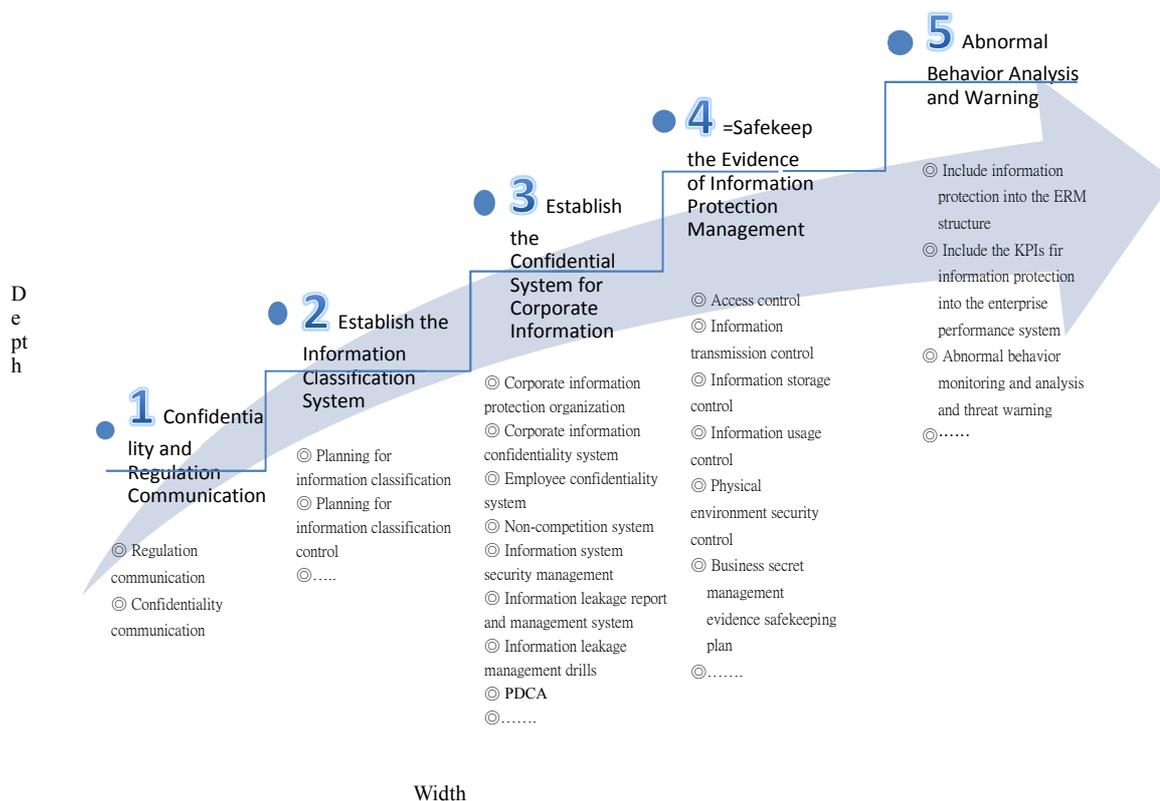
Promote Business Secret Inventory Check Statement



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 of 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 of 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 2021, there was no complaint related to the invasion of customers' privacy or the loss of customer 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 228 of the Annual Report.

(II) Consolidated financial statements and the relationship report of affiliates: Please refer to pages 228 to 232 of 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, 2021 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: 28 March 2022

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 2021 and 2020, 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 2021 and 2020, and its financial performance and its cash flows for the years ended December 31 2021 and 2020 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 2021. 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 31% 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 2021 and 2020, 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 2021. 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

Chung-Che Chen

CPA:

Shin-Chin Chih

March 28, 2022

Champion Building Materials Co., Ltd. and Its Subsidiaries
Consolidated Balance Sheet
31 December 2021 and 2020

Unit: NT\$000'

Assets		2021.12.31		2020.12.31		Liabilities and equity		2021.12.31		2020.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 2,624,014	28	2,006,126	20	2100	Short-term borrowings (Note 6(11))	\$ 424,286	4	1,278,965	14
1110	Financial at fair value through profit or loss - Current (Notes 6(2) and (22))	107,802	1	115,295	1	2130	Contract liabilities - Current (Note 6(19) and 7)	38,740	-	38,594	-
1120	Financial at fair value through other comprehensive – Current (Notes 6(3) and (22))	12,100	-	12,631	-	2150	Note payables	120,241	1	111,693	1
1141	Current contract assets (Notes 6(19) and (22))	6	-	-	-	2170	Account payables	177,959	2	288,802	3
1150	Net note receivables (Notes 6(4) and (22))	453,650	5	450,117	5	2181	Account payables – Related parties (Note 7)	235,465	2	314,126	3
1170	Net account receivables (Notes 6(4) and (22))	492,703	5	443,742	4	2200	Other payables	329,182	3	473,559	5
1180	Net account receivables - Related parties (Notes 6(4) and 7)	146,969	2	209,236	2	2220	Other payables – Related parties (Note 7)	40,189	-	148,401	1
1310	Inventories - Manufacturing industry (Notes 6(5))	869,808	9	1,110,525	11	2230	Income tax liabilities for the period	62,474	2	62,914	1
1321	Houses and lands available for sales (Note 8)	59,339	1	65,344	1	2251	Allowances for employee benefit liabilities - Current (Note (14))	16,389	-	16,389	-
1410	Prepayments	122,173	1	103,496	1	2280	Lease liabilities - Current	16,790	-	11,412	-
1476	Other financial assets - Current (Notes 6(21、22), 7, and 8)	272,870	3	188,389	2	2320	Long-term liabilities due within one year or one business cycle (Note 6(12))	1,018,548	11	120,000	1
1479	Other current assets – Others	63,089	1	65,510	1	2399	Other current liabilities - Others	175,406	2	170,850	2
		<u>5,224,523</u>	<u>56</u>	<u>4,770,411</u>	<u>48</u>			<u>2,655,669</u>	<u>27</u>	<u>3,035,705</u>	<u>31</u>
Non-current assets						Non-current liabilities:					
1517	Financial at fair value through other comprehensive – Non-current (Notes 6(3) and (22))	10,000	-	10,000	-	2540	Long-term borrowings (Note 6(12))	-	-	1,015,847	10
1550	Investments accounted for using the equity method (Note 6(6))	490,164	5	445,222	4	2556	Long-term provision for decommissioning, restoration and rehabilitation	54,421	1	52,106	1
1600	Property, plant and equipment (Notes 6(7) and 8)	3,061,323	31	3,784,353	38	2570	Deferred income tax liabilities (Note 6(16))	96,321	1	107,700	1
1755	Right-of-use assets (Notes 6(8) and 8)	265,517	3	287,563	3	2580	Lease liabilities - Non-current	66,585	1	16,044	-
1760	Net investment properties (Notes 6(9) and 8)	81,463	1	160,539	2	2630	Long-term deferred income (Note 6(15))	86,845	1	92,887	1
1780	Intangible assets (Note 6(10))	143,821	2	153,655	2	2640	Net liabilities for defined benefits - Non-current (Note 6(14))	31,807	-	11,161	-
1840	Deferred income tax assets (Note 6(16))	46,286	-	35,288	-	2645	Guarantee deposit received (Note 6(22))	31,569	-	46,424	-
1915	Prepayment for equipment (Note 9)	39,685	-	50,537	1			<u>367,548</u>	<u>4</u>	<u>1,342,169</u>	<u>13</u>
1980	Other financial assets – Non-current (Notes 6(22))	52,133	1	70,706	1		Total liabilities	<u>3,023,217</u>	<u>31</u>	<u>4,377,874</u>	<u>44</u>
1990	Other non-current assets – Others	106,518	1	126,502	1	Interests attributable to the owner off the parent company (Note 6(17)):					
		<u>4,296,910</u>	<u>44</u>	<u>5,124,365</u>	<u>52</u>	3100	Share capital	4,337,821	46	4,337,821	44
		<u>\$ 9,521,433</u>	<u>100</u>	<u>9,894,776</u>	<u>100</u>	3200	Capital reserve	157,999	2	157,999	2
						3300	Retained earnings	1,626,061	17	636,586	6
						3400	Other equity	376,335	4	384,496	4
						31XX	Total interests attributable to the owner off the parent company	<u>6,498,216</u>	<u>69</u>	<u>5,516,902</u>	<u>56</u>
						36XX	Non-controlling interests	-	-	-	-
							Total equity	<u>6,498,216</u>	<u>69</u>	<u>5,516,902</u>	<u>56</u>
							Total liabilities and equity	<u>\$ 9,521,433</u>	<u>100</u>	<u>9,894,776</u>	<u>100</u>

(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 Comprehensive Income
For the Year Ended December 31 2021 and 2020

Unit: NT\$000'

		2020		2019	
		Amount	Am oun t	Amount	%
Operating income (Note 6(19)):					
4110	Sales income	\$ 3,313,154	104	3,761,505	104
4511	Construction income	15,880	-	-	-
4170	Less: Sales return	57,034	2	85,261	2
4190	Sales discount	66,073	2	67,243	2
Net operating income		<u>3,205,927</u>	<u>100</u>	<u>3,609,001</u>	<u>100</u>
Operating costs (Notes 6(4), (14), and 12)					
5110	Total cost of sales	2,446,053	77	2,918,008	81
5510	Cost of construction sales	6,005	-	-	-
Operating costs		<u>2,452,058</u>	<u>77</u>	<u>2,918,008</u>	<u>81</u>
5900	Operating gross profit	<u>753,869</u>	<u>23</u>	<u>690,993</u>	<u>19</u>
Operating expenses (Notes 6(14),(20), and 12):					
6100	Marketing expenses	307,976	10	504,265	14
6200	Management fees	341,943	11	503,829	14
6300	R&D expenses	27,487	-	23,670	1
6450	Expected credit impairment losses (Notes 6(4) and (22))	54,918	2	9,676	-
6300	Total operating expenses	<u>732,324</u>	<u>23</u>	<u>1,041,440</u>	<u>29</u>
6900	Net operating income (loss)	<u>21,545</u>	<u>-</u>	<u>(350,447)</u>	<u>(10)</u>
Non-operating income and expenses:					
7010	Other income (Notes 6(15) and (21))	8,593	-	7,894	-
7020	Other gains and losses (Notes 6(7),(15) and (21))	1,294,212	40	47,433	1
7050	Financial costs (Note 6(21))	(54,834)	(1)	(83,696)	(2)
7060	Share of profit or loss from associates and joint ventures accounted for using the equity method (Note 6(6))	6,302	-	65,674	2
Total non-operating income and expenses		<u>1,254,273</u>	<u>39</u>	<u>37,305</u>	<u>1</u>
Net profit (loss) before tax		<u>1,275,818</u>	<u>39</u>	<u>(313,142)</u>	<u>(9)</u>
7950	Less: Income tax expenses (Note 6(16))	<u>284,322</u>	<u>8</u>	<u>89,725</u>	
Profit (loss)		<u>991,496</u>	<u>31</u>	<u>(402,867)</u>	<u>(11)</u>
Other comprehensive income:					
Items that will not be reclassified into profit or loss					
8311	Remeasurements of defined benefit plans	(2,021)	-	(2,307)	-
8316	Unrealized profit or loss of investments in equity instruments at fair value through other comprehensive income	(531)	-	(1,645)	-
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	36,481	1	7,768	-
8349	Less: Income tax related to items that will not be reclassified into profit or loss	-	-	-	-
Total items that will not be reclassified into profit or loss		<u>33,929</u>	<u>1</u>	<u>3,816</u>	<u>-</u>
8360	Items that may subsequently be reclassified into profit or loss				

(Please read the accompanying notes to consolidated financial statements)

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

8361	Exchange differences arising from the translation of financial statements of institutions operating overseas	(55,138)	(2)	(20,664)	(1)
8399	Less: Income tax related to items that may be reclassified into profit or loss	(11,027)	-	(4,133)	-
	Total items that may subsequently be reclassified into profit or loss	<u>(44,111)</u>	<u>(2)</u>	<u>(16,531)</u>	<u>(1)</u>
8300	Other comprehensive income for the period	<u>(10,182)</u>	<u>(1)</u>	<u>(12,715)</u>	<u>(1)</u>
	Total comprehensive income for the period	<u>\$ 981,314</u>	<u>30</u>	<u>(415,582)</u>	<u>(12)</u>
	Net loss for the period attributable to:				
8610	Owner of the parent company	\$ 991,496	31	(402,867)	(11)
8620	Non-controlling interests	-	-	-	-
	Total comprehensive income attributable to:	<u>\$ 991,496</u>	<u>31</u>	<u>(402,867)</u>	<u>(11)</u>
8710	Owner of the parent company	\$ 981,314	30	(415,582)	(12)
8720	Non-controlling interests	-	-	-	-
		<u>\$ 981,314</u>	<u>30</u>	<u>(415,582)</u>	<u>(12)</u>
	EARNINGS PER SHARE (NT\$) (Note 6(18))				
9750	Basic earnings per share	<u>\$</u>	<u>2.29</u>	<u>(0.93)</u>	
9810	Diluted earnings per share	<u>\$</u>	<u>2.27</u>	<u>-</u>	

(Please read the accompanying notes to consolidated financial statements)

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

Champion Building Materials Co., Ltd. and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Year Ended December 31 2021 and 2020

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				
Balance on 1 January 2020	\$ 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)	-	-	-	(402,869)
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)
Balance on 31 December 2020	4,337,821	157,999	501,090	121,349	14,147	636,586	377,447	7,049	384,496	5,516,902
Net loss for the period	-	-	-	-	991,496	991,496	-	-	-	991,496
Other comprehensive income for the period	-	-	-	-	(2,021)	(2,021)	(44,111)	35,950	(8,161)	(10,182)
Total comprehensive income for the period	-	-	-	-	989,475	989,475	(44,111)	35,950	(8,161)	981,314
Balance on 31 December 2021	\$ 4,337,821	157,999	501,090	121,349	1,003,622	1,626,061	333,336	42,999	376,335	6,498,216

(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 2021 and 2020

Unit: NT\$000'

	2021	2020
Cash flows from operating activities:		
Profit (loss) before tax	\$ 1,275,818	(313,142)
Adjusted for:		
Items of profit or loss		
Depreciation expenses	401,705	421,578
Amortization expenses	29,361	30,793
Change of lease benefits	(864,971)	1,563
Net loss (gain) on financial assets or liabilities at fair value	16,865	(2,911)
through profit or loss		
Interest expenses	54,834	83,696
Interest income	(3,113)	(2,189)
Dividend income	(931)	(400)
Share of loss (profit) of associates and joint ventures accounted	(6,302)	(65,674)
for using equity method		
Loss (gain) on disposal of property, plant and equipment	(486,654)	28,607
Property, plant and equipment transferred to	-	8,570
expenses		
Loss (gain) on disposal of investment properties	(57,441)	-
Impairment losses on property, plant and equipment	67,241	-
Impairment losses on other assets	11,556	-
Amortization of Deferred Revenue	(6,537)	(6,440)
Expected credit loss (gain)	54,918	9,676
Total adjustments to reconcile profit (loss)	(789,469)	506,869
Changes in asset/liabilities related to operating activities:		
Decrease (increase) in notes receivable	(3,386)	(95,355)
Decrease (increase) in accounts receivable	(45,324)	(78,526)
Decrease in inventory	251,661	142,051
Decrease (increase) in prepayments	(18,744)	30,670
Adjustments for decrease (increase) in other current assets	1,748	(17,047)
Decrease (increase) in other financial assets	18,345	(15,890)
Total changes in operating assets	204,300	(34,097)
Increase (decrease) in contract liabilities	66	(37,885)
Increase (decrease) in notes payable	8,548	(6,126)
Increase (decrease) in accounts payable	(189,504)	218,412
Increase (decrease) in other payable	(211,481)	81,820
Increase (decrease) in other payable to related parties	-	31,701
Decrease in allowance for liabilities	-	(4,678)
Increase in other current liabilities	39,587	425

Net decrease in liabilities for defined benefits	18,625	(16,871)
(Decrease) increase in decommissioning liabilities	-	(1,800)
Total net changes in liabilities related to operating activities	<u>(334,159)</u>	<u>264,998</u>
Total net changes in assets and liabilities related to operating activities	<u>(129,859)</u>	<u>230,901</u>
Total adjustments	<u>(919,328)</u>	<u>737,770</u>
Cash inflow generated from operations	356,490	424,628
Interests paid	(51,831)	(80,786)
Income tax paid	<u>(274,677)</u>	<u>(12,494)</u>
Net cash inflow from operating activities	<u>29,982</u>	<u>331,348</u>

Champion Building Materials Co., Ltd. and Its Subsidiaries
Consolidated Statements of Cash Flows (Cont'd)
For the Year Ended December 31 2021 and 2020

Unit: NT\$000'

	2021	2020
Cash flows from investment activities:		
Acquisition of financial assets at fair value through profit or loss	(8,758)	(112,384)
Disposal of investments accounted for using the equity method	-	317,070
Acquisition of property, plant and equipment	(110,703)	(99,474)
Disposal of property, plant and equipment	928,079	4,944
Decrease in refundable deposits	18,834	4,187
Acquisition of intangible assets	(192)	(435)
Proceeds from disposal of use-of-right assets	941,201	-
Proceeds from disposal of investment properties	132,309	-
Decrease (increase) in other financial assets	(63,564)	(130,040)
Increase in other non-current assets	(14,194)	(34,849)
Increase in prepayments for equipment	(31,369)	(39,523)
Interests received	3,113	2,189
Dividend received	931	400
Net cash inflow (outflow) from investment activities	1,795,687	(87,915)
Cash flows from financing activities:		
Increase in short-term borrowings	801,943	1,752,009
Decrease in short-term borrowings	(1,765,220)	(1,606,936)
Repayment for long-term borrowings	(120,000)	(65,656)
Decrease in guarantee deposits received	(15,035)	(31,588)
(Decrease) increase in other payables - Related parties	(87,024)	32,401
Repayment for lease principals	(18,956)	(9,698)
Net cash inflows (outflows) from financing activities	(1,204,292)	70,532
Effects of changes in exchange rate on cash and cash equivalents	(3,489)	(1,947)
Increase (decrease) in cash and cash equivalents for the period	617,888	312,018
Opening balance for cash and cash equivalents	2,006,126	1,694,108
Closing balance for cash and cash equivalents	\$ 2,624,014	2,006,126

(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 2021 and 2020
(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 2021 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 28 March 2022.

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 2021, and they had 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”

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

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(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 2022 are applicable to the Consolidated Company, and they have no significant effect on the consolidated financial statements.

- 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”

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

(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.

- 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 1 “Disclosure of Accounting Policies”
- Amendments to IFRS 8 “Definition of Accounting Estimate”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

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

The functional currency of entities within the Consolidated Company is the currency 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
			2021.12.3 1	2020.12.3 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.
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.
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.

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

Swanview	Sinyih Ceramic (Penglai) Co., Ltd. (the "Sinyih Penglai")	Production and sales of high-end sanitary porcelain, R&D for new model architectural ceramics and ceramic products, and R&D for relevant new products	100.00%	100.00%	A subsidiary in which Swanview directly and 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	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.**

(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.

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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 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

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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
- 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.

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Notes to Consolidated Financial Statements (Cont'd)

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

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.

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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.
- 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.

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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.

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

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Notes to Consolidated Financial Statements (Cont'd)

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).

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.

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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 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

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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.

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.

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(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 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

Champion Building Materials Co., Ltd. and Its Subsidiaries
Notes to Consolidated 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 includes goodwill identified upon initial investments less any cumulative impairment loss.

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.

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Notes to Consolidated Financial Statements (Cont'd)

(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).

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.

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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	3~15 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.

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Notes to Consolidated Financial Statements (Cont'd)

(12) 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

i. 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.

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

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circumstances:

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- (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.

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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.

ii. 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.

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.

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Notes to Consolidated Financial Statements (Cont'd)

(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.

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Notes to Consolidated Financial Statements (Cont'd)

iii. Other intangible assets

Other intangible assets with limited useful lives acquired by the 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	2~3 years
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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.

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

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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 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.

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Notes to Consolidated Financial Statements (Cont'd)

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.

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.

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Notes to Consolidated Financial Statements (Cont'd)

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.

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Notes to Consolidated 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 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.

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:

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

- 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.

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

(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.

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).

(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

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

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 occurred 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.

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

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

- (i) Note 6(9) Investment properties;
- (ii) Note 6(22) Financial instruments.

6. Description of Significant Accounting Items

(1) Cash and cash equivalents

	<u>2021.12.31</u>	<u>2020.12.31</u>
Cash and petty cash	\$ 1,926	3,264
Current deposits	1,991,312	1,591,800
Foreign currency deposits	441,953	233,748
Check deposits	79,207	129,618
Time deposits	109,616	47,696
	<u>\$ 2,624,014</u>	<u>2,006,126</u>

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>2021.12.31</u>	<u>2020.12.31</u>
gold passbook	\$ 8,170	-
Shares of listed foreign companies	99,632	115,295
Total	<u>\$ 107,802</u>	<u>115,295</u>

As at 31 December 2021 and 2020, the Consolidated Company had not pledged the above financial assets for security.

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

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

	2021.12.31	2020.12.31
Equity instruments measured at fair value through other comprehensive income – Current:		
Listed domestic shares	\$ 12,100	12,631
Equity instruments measured at fair value through other comprehensive income – Non-current:		
Non-listed domestic shares	10,000	10,000
Total	\$ 22,100	22,631

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 2021 and 2020, 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)

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

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

	<u>2021.12.31</u>	<u>2020.12.31</u>
Note receivables	\$ 453,650	450,117
Less: Loss allowance	-	-
Net amount	<u>\$ 453,650</u>	<u>450,117</u>
Account receivables (including those from related parties)	\$ 797,452	820,116
Less: Loss allowance	(143,542)	(151,028)
Allowance for sales return and discounts	<u>(14,238)</u>	<u>(16,110)</u>
Total	<u>\$ 639,672</u>	<u>652,978</u>

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.

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Notes to Consolidated Financial Statements (Cont'd)

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

	2021.12.31		
	Amount of note receivables and account receivables	ECL rate	Allowance for lifetime ECL
Not overdue	\$ 813,464	0%	-
Overdue below 30 days	44,618	0%~10%	-
Overdue for 31~120 days	159,730	0%~15%	7,142
Overdue over 12 days	233,290	70%~100%	136,400
	\$ 1,251,102		143,542
	2020.12.31		
	Amount of note receivables and account receivables	ECL rate	Allowance for lifetime ECL
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
	\$ 1,270,233		151,028

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).

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Notes to Consolidated Financial Statements (Cont'd)

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

	2021	2020
Opening balances	\$ 151,028	150,841
Impairment losses recognized	51,063	98
Unrecoverable amount written-off during the year	(61,969)	(140)
Gains or loss on foreign currency translation	3,420	229
Closing balances	<u>\$ 143,542</u>	<u>151,028</u>

As at 31 December 2021 and 2020, the Company had not pledged its note receivables and account receivables for security.

(5) Inventories - Manufacturing industry

	2021.12.31	2020.12.31
Products	\$ 59,225	50,368
Finished goods	1,058,233	1,160,772
Work in process	47,300	90,988
Raw materials	137,902	161,839
supplies	32,484	88,366
Sub-total	1,335,144	1,552,333
Less: Allowances for price drops and obsolete losses	(465,336)	(441,808)
Total	<u>\$ 869,808</u>	<u>1,110,525</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:

	2021	2020
	\$ 2,367,916	2,660,075
Transfer of sold inventories		
Breakdown losses	79,547	185,385
Unallocated manufacturing expenses	(61,306)	50,745
Scrapping losses	6,645	13,423
Inventory gains (losses)	16,275	1,501
Inventory price drops and obsolete losses (gains from price recovery)	37,028	(14,583)
Scraps income	(52)	(1,532)
Others	-	22,994
	\$ 2,446,053	2,918,008

As at 31 December 2021 and 2020, 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).

Investments by the Consolidated Company Using Inventories as Considerations in 2020 , please see Note 6(6).

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

(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:

	2021.12.31	2020.12.31
Associates	\$ 490,164	445,222

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 is as follows:

Name of the associate	Nature of relationship with the Consolidated Company	Country of primary operation/registration of the company	Ratios of ownership and voting rights	
			2021.12.31	2020.12.31
			1	1
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%	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

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in accounting policies:

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The aggregate information of Seagull Champion:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Current assets	\$ 1,650,723	\$ 1,470,240
Non-current assets	421,398	30,531
Current liabilities	(1,053,462)	(603,854)
Non-current liabilities	<u>(111,996)</u>	<u>(10,365)</u>
Net assets	<u>\$ 906,663</u>	<u>\$ 886,552</u>
	<u>2021</u>	<u>2020</u>
Operating income	<u>\$ 2,374,532</u>	<u>\$ 1,433,166</u>
Net profit for the period	\$ 14,620	151,146
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 14,620</u>	<u>\$ 151,146</u>
	<u>2021</u>	<u>2020</u>
Share of net assets from the associate by the Consolidated Company at the beginning of the period	\$ 385,298	-
Investments during the period	-	624,920
Disposals during the period	-	(317,070)
Total comprehensive income attributable to the Consolidated Company for the period	<u>6,354</u>	<u>65,688</u>
Share of net assets from the associate by the Consolidated Company at the end of the period	391,652	373,538
Effects of exchange rate	<u>2,159</u>	<u>11,760</u>
Carrying amount of the Consolidated Company's interests in the associate at the end of the period	<u>\$ 393,811</u>	<u>\$ 385,298</u>

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.:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Total aggregate carrying amount of the interests in associates that are not individually significant at the end of the period	<u>\$ 96,353</u>	<u>\$ 59,924</u>

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Notes to Consolidated Financial Statements (Cont'd)

	2021	2020
Share attributable to the Consolidated Company:		
Net loss of continuing operations for the period	\$ (52)	(14)
Other comprehensive income	36,481	7,768
Total comprehensive income	\$ 36,429	7,754

iv. As at 31 December 2021 and 2020, 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.

(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>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance on 1 January 2021	\$ 805,810	3,523,022	4,667,777	54,677	329,502	93	9,380,881
Addition	195	9,135	85,529	340	15,504	-	110,703
Inward transfer of prepayments	-	-	30,603	-	11,618	-	42,221
for equipment							
Disposal and scrapping	-	(1,074,325)	(90,437)	(2,274)	(40,836)	-	(1,207,872)
Effects of changes in exchange rate	-	12,259	21,006	227	1,276	1	34,769
Balance on 31 December 2021	\$ 806,005	2,470,091	4,714,478	52,970	317,064	94	8,360,702
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							
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	\$ 805,401	3,523,022	4,667,777	54,677	329,502	93	9,380,881

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Notes to Consolidated Financial Statements (Cont'd)

	<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>
Depreciation and impairment loss:							
Balance on 1 January 2021	\$ -	1,705,611	3,600,481	44,049	246,387	-	5,596,528
Depreciation	-	129,823	219,319	2,944	24,874	-	376,960
Disposal and scrapping	-	(640,512)	(85,997)	(2,465)	(37,473)	-	(766,447)
Impairment loss	-	-	67,122	119	-	-	67,241
Effects of changes in exchange rate	-	6,059	17,690	219	1,129	-	25,097
Balance on 31 December 2021	\$ -	1,200,981	3,818,615	44,866	234,917	-	5,299,379
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
Balance on 31 December 2020	\$ -	1,705,611	3,600,481	44,049	246,387	-	5,596,528
Carrying amount:							
31 December 2021	\$ 806,005	1,269,110	895,863	8,104	82,147	94	3,061,323
1 January 2020	\$ 805,401	2,010,484	1,232,667	4,896	90,872	1,017	4,145,337
31 December 2020	\$ 805,810	1,817,411	1,067,296	10,628	83,115	93	3,784,353

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 26,091m²) at Niulan Section of Zaoqiao Township acquired by the Consolidated Company in 2015, the Company has entered into an engagement contract, which was

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Notes to Consolidated Financial Statements (Cont'd)

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.

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Notes to Consolidated Financial Statements (Cont'd)

The Consolidated Company acquired three pieces of land at Dapu Section of Zhunan Township (with a total area of 4,384 m²) in prior years; an engagement contract, which was notarized, was entered into to make a registration under the name of a Consolidated Company's Director due to the restriction of the laws and regulations, resulting in a pledge as the collateral of the Company.

- ii. The Consolidated Company performed an impairment evaluation on the impairment of property, plant and equipment on 31 December 2021 and 2020, 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, In 2021, the Consolidated Company evaluated its property, plant, and equipment, and an impairment loss of NT\$67,241 thousand was provided for as there was an indication of decreases in the future use-value.
- iii. For details on the guarantee for long-term borrowings and facility credits as at 31 December 2021 and 2020, please refer to Note 8.
- iv. For 2021 and 2020, the capitalized amount related to the acquisition of equipment and construction of plants was NT\$750 thousand and NT\$764 thousand, which was calculated based on the capitalization rate of 1.97% and 1.96%, respectively.

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Notes to Consolidated Financial Statements (Cont'd)

(8) Right-of-use assets

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:

	Land	Houses and buildings	Transpo rtation equipme nt	Other equipm ent	Total
Cost of right-of-use assets:					
Balance on 1 January 2021	\$ 276,953	22,736	12,611	1	312,301
Addition	61,765	6,515	7,240	-	75,520
Decrease	(108,082)	(2,836)	(542)	(1)	(111,461)
Effects of exchange rate	1,201	10	-	-	1,211
Balance on 31 December 2021	<u>\$ 231,837</u>	<u>26,425</u>	<u>19,309</u>	<u>-</u>	<u>277,571</u>
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	<u>\$ 276,953</u>	<u>22,736</u>	<u>12,611</u>	<u>1</u>	<u>312,301</u>
Depreciation and impairment loss of right-of-use assets:					
Balance on 1 January 2021	\$ 14,150	8,224	2,364	-	24,738
Depreciation of the period	8,450	6,218	7,875	-	22,543
Decrease	(32,528)	(2,703)	-	-	(35,231)
Effects of exchange rate	2	2	-	-	4
Balance on 31 December 2021	<u>\$ (9,926)</u>	<u>11,741</u>	<u>10,239</u>	<u>-</u>	<u>12,054</u>
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	<u>\$ 14,150</u>	<u>8,224</u>	<u>2,364</u>	<u>-</u>	<u>24,738</u>
Carrying amount:					
31 December 2021	<u>\$ 241,763</u>	<u>14,684</u>	<u>9,070</u>	<u>-</u>	<u>265,517</u>
1 January 2020	<u>\$ 269,116</u>	<u>63,916</u>	<u>6,791</u>	<u>463</u>	<u>340,286</u>
31 December 2020	<u>\$ 262,803</u>	<u>14,512</u>	<u>10,247</u>	<u>-</u>	<u>287,563</u>

For details on the guarantee for long-term borrowings and facility credits as at 31 December 2021 and 2020, please refer to Note 8.

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Notes to Consolidated Financial Statements (Cont'd)

(9) Investment properties

	Land and improvement s	Houses and buildings	Total
Cost or deemed cost:			
Balance on 1 January 2021	\$ 198,684	107,224	305,908
Disposal and scrapping	(26,670)	(106,228)	(132,898)
Effects of exchange rate	-	(996)	(996)
Balance on 31 December 2021	\$ 172,014	-	172,014
Balance on 1 January 2020	\$ 198,684	14,241	212,925
Reclassification	-	92,983	92,983
Balance on 31 December 2020	\$ 198,684	107,224	305,908
Depreciation and impairment loss:			
Balance on 1 January 2020	\$ 92,789	52,580	145,369
Depreciation of the year	-	2,202	2,202
Disposal and scrapping	(2,238)	(55,792)	(58,030)
Effects of exchange rate	-	1,010	1,010
Balance on 31 December 2021	\$ 90,551	-	90,551
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	\$ 92,789	52,580	145,369
Carrying amount:			
31 December 2021	\$ 81,463	-	81,463
1 January 2020	\$ 105,895	8,804	114,699
31 December 2020	\$ 105,895	54,644	160,539
Fair value:			
31 December 2021		\$ 154,544	
1 January 2020		\$ 154,402	
31 December 2020		\$ 198,980	

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Notes to Consolidated Financial Statements (Cont'd)

- 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).
- ii. The Consolidated Company's investment properties had no significant increase in 2021 and 2020; for the provision of impairment losses during the period, please refer to Note 12(2) for details of depreciation, and refer to Note 6(21) for details of disposals.
- iii. 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.

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Notes to Consolidated Financial Statements (Cont'd)

iv. For details on the pledged of the Consolidated Company's investment properties as at 31 December 2021 and 2020, 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:

	Computer software	Mining rights	Others	Total
Costs:				
Balances on 1 January 2021	\$ 72,986	189,773	10,968	273,727
Additions	192	-	-	192
Disposal and scrapping	3,611	-	-	3,611
Effects of exchange rate	45	1,056	61	1,162
Balances on 31 December 2021	\$ 76,834	190,829	11,029	278,692
Balances on 1 January 2020	\$ 72,529	186,244	10,938	272,711
Additions	435	-	-	435
Effects of exchange rate	22	529	30	581
Balances on 31 December 2020	\$ 72,986	189,773	10,938	273,727
Amortization and impairment losses:				
Balances on 1 January 2020	\$ 71,150	37,954	10,968	120,072
Amortization during the year	1,328	9,628	-	10,956
Disposal and scrapping	3,611	-	-	3,611
Effects of exchange rate	45	126	61	232
Balances on 31 December 2021	\$ 76,134	47,708	11,029	134,871
Balances on 1 January 2020	\$ 67,237	28,386	10,938	106,561
Amortization during the year	3,882	9,370	-	13,255

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

Effects of exchange rate	28	198	30	256
Balances on 31 December 2020	<u>\$ 71,150</u>	<u>37,954</u>	<u>10,968</u>	<u>120,072</u>
Carrying amount:				
Balances on 31 December 2021	<u>\$ 700</u>	<u>143,121</u>	-	<u>143,821</u>
Balances on 31 December 2020	<u>\$ 1,836</u>	<u>151,819</u>	-	<u>153,655</u>
1 January 2020	<u>\$ 5,292</u>	<u>160,858</u>	-	<u>166,150</u>

i. Amortization expenses

In 2021 and 2020, amortization expenses of intangible assets are presented as the following items in the consolidated statements of comprehensive income:

	<u>2021</u>	<u>2020</u>
Operating expenses	<u>\$ 10,956</u>	<u>13,255</u>

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

ii. As of 31 December 2021 and 2020, the Consolidated has not pledged its intangible assets for security.

(11) Short-term borrowings

	2021.12.31	2020.12.31
Letter of credit borrowings	\$ 9,286	8,752
Unsecured bank borrowings	175,000	371,970
Secured bank borrowings	240,000	898,243
Total	\$ 424,286	1,278,965
Unused credits	\$ 1,107,281	1,196,302
Range of interest rate	0.37%~2.23%	0.39%~5.89%

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:

2021.12.31				
	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				(1,351)
Portion due within one year				(1,018,548)
Total				\$ -
Unused credits				\$ -

2020.12.31				
	Currency	Range of interest rate	Expiry date	Amount
Secured borrowings - Syndicated loan	NTD	1.93%	111.07.15	\$ 1,139,000
Less: Organizing expenses for the syndicated loan				(4,053)

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

Portion due within one year	<u>(120,000)</u>
Total	<u>\$ 1,015,847</u>
Unused credits	<u><u>\$ -</u></u>

- 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)

(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:

	2021.12.31	2020.12.31
1 to 2 years	\$ -	\$ 3,457
2 to 3 years	-	3,457
3 to 4 years	-	2,619
4 to 5 years	-	2,200
Over 5 years	-	3,117
Total undiscounted lease payment	\$ -	\$ 14,850

In 2021 and 2020, rental income arising from investment properties was NT\$2,387 thousand and NT\$5,305 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:

	2021.12.31	2020.12.31
Current value of defined benefit obligations	\$ 176,613	159,048
Fair value of plan assets	(144,806)	(147,887)
Net liabilities of defined benefit obligations	\$ 31,807	11,161

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

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

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.

As of the reporting date, the balance in the Consolidated Company’s account for labor retirement reserve fund at Bank of Taiwan was NT\$144,806 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.

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

(ii) Changes in the current value of defined benefit obligations

In 2021 and 2020, changes in the current value of defined benefits obligations of the Consolidated Company are as follows:

	2021	2020
Defined benefit obligations on 1 January	\$ 159,048	167,056
Current service costs and interests	2,137	3,220
Remeasurements for net defined benefit liabilities (assets)		
– Actuarial gains or losses adjusted based on experiences	4,030	3,806
– Actuarial gains or losses arising from changes in financial assumptions	(2,195)	2,794
– Actuarial gains arose from changes in demographic assumptions	2,204	-
Amendment to Plans	30,938	-
Benefits paid under the plans	(19,549)	(17,828)
Defined benefit obligations on 31 December	\$ 176,613	159,048

(iii) Changes in the current fair value of plan assets

In 2021 and 2020, changes in the current fair value of plan assets of the Consolidated Company are as follows:

	2021	2020
Current fair value of plan assets on 1 January	\$ 147,887	141,331
Interest income	566	1,245
Remeasurements for net defined benefit liabilities (assets)		
– Return of plan assets (excluding current interests)	2,018	4,293
Amount appropriated to the plans	13,884	18,846
Benefits paid under the plans	(19,549)	(17,828)
Current fair value of plan assets on 31 December	\$ 144,806	147,887

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

(iv) Expenses recognized in profit or loss

In 2021 and 2020, expenses recognized in profit or loss of the Consolidated Company are as follows:

	2021	2020
Current service costs	\$ 1,544	2,005
Interest costs	27	(31)
Amendment to Plans	30,938	-
	\$ 32,509	1,974
Operating costs	\$ 25,953	1,541
Marketing expenses	433	37
Management fees	4,906	305
R&D expenses	1,217	91
	\$ 32,509	1,974
Actual return of plan assets	\$ 2,584	5,538

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 2021 and 2020, actuarial gains or loss recognized in other comprehensive income of the Consolidated Company are as follows:

	<u>2021</u>	<u>2020</u>
Cumulative balance on 1 January	\$ 24,848	27,155
Recognized during the period	<u>(2,021)</u>	<u>(2,307)</u>
Cumulative balance on 31 December	<u>\$ 22,827</u>	<u>24,848</u>

(vi) Actuarial assumption

Major actuarial assumptions used by the Consolidated Company at the end of the financial reporting period are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	0.69%	0.38%
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 2021 and 2020, 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 2021		
Discount rate (changes of 0.25%)	(1,941)	1,978
Increase in future salaries (changes of 0.25%)	1,542	(1,522)
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)

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

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

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:

	2021	2020
Operating costs	\$ 11,462	12,075
Marketing expenses	1,828	1,808
Management fees	2,448	2,483
R&D expenses	660	646
	\$ 16,398	17,012

iii. In 2021 and 2020, details on pension expenses recognized by overseas subsidiaries according to relevant local laws and regulations are as follows:

	2021	2020
Operating costs	\$ 336	3,280
Marketing expenses	120	908
Management fees	139	4,436
Total	\$ 595	8,624

iv. Details on short-term employee benefit liabilities are as follows:

	2021.12.31	2020.12.31
Compensated absence liabilities	\$ 16,389	16,389

(15) Long-term deferred income

	Deferred government subsidy income
Balances on 1 January 2021	\$ 92,887
Recognized deferred income	(6,537)
Effects of exchange rate	495
Balances on 31 December 2021	\$ 86,845
Balances on 1 January 2020	\$ 99,131
Recognized deferred income	(6,440)
Effects of exchange rate	196
Balances on 31 December 2020	\$ 92,887

i. Subsidiary Champion Anhui entered into an agreement with the Economic Development Committee under the People's Government of Suzhou City in Anhui

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

(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 2021, 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 RMB11,341 thousand and NT\$9,923 thousand in aggregate as of 31 December 2021 and 2020, 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 RMB1,617 thousand and NT\$1,525 thousand in aggregate as of 31 December 2021 and 2020, respectively.

(16) Income tax

i. In 2021 and 2020, 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	\$ 472,097	74,492
Adjustments to current income tax for the previous period	1,898	854
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(11,437)	14,379
Recognition for the taxable losses not recognized in the preceding period	<u>(178,236)</u>	<u>-</u>
Income tax expenses	<u>\$ 284,322</u>	<u>89,725</u>

ii. In 2021 and 2020, the reconciliation between income tax expenses and net profit (loss) before tax of the Consolidated Company for 2020 and 2019 is as follows:

	<u>2021</u>	<u>2020</u>
Net loss before tax	<u>\$ 1,275,818</u>	<u>(313,142)</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	382,902	(238,030)
Effects of differences in tax rates in foreign jurisdictions	41,319	(43,227)
Investment losses recognized using the equity method	(127,912)	155,514
Non-deductible expenses	160,785	8,514
Exempted income	776	(80)
Recognition of taxable losses not recognized in the preceding period	(178,236)	-
Current taxation losses of unrecognized deferred income assets	904	206,482
Changes in unrecognized temporary differences	-	1,776
Under (over) estimation from the previous period	1,898	868
Others	1,886	(2,092)
Income tax expenses	<u>\$ 284,322</u>	<u>89,725</u>

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

iii. In 2021 and 2020, details on income tax expense (gains) recognized under other comprehensive income of the Consolidated Company are as follows:

	2021	2020
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of financial statements of institutions operating overseas	\$ (11,027)	(4,133)

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:

	2021.12.31	2020.12.31
Deductible temporary differences	\$ 444	12,638
Taxation losses	389,297	468,085
	\$ 389,741	480,723

(ii) Recognized deferred income tax assets and liabilities

In 2021 and 2020, 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 2021	\$ 33,144	2,144	70,576
(Debited)/credited to statements of profit or loss	(1,257)	12,255	21,996
Balance on 31 December 2021	\$ 31,887	14,399	92,572
Balance on January 2020	\$ 36,219	13,846	100,130
(Debited)/credited to statements of profit or loss	(3,075)	(11,702)	(29,544)
Balance on 31 December 2020	\$ 33,144	2,144	70,576
	Overseas investment gains	Others	Total
Deferred income tax liabilities			

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

Balance on January 2021	\$	84,486	23,214	107,700
Debited/(credited) to statements of profit or loss		-	(388)	(388)
Debited/(credited) to other comprehensive income		(11,027)	-	(11,027)
Effects of changes in exchange rate		-	36	36
Balance on 31 December 2021	\$	73,459	22,862	96,321
Balance on 1 January 2020	\$	88,619	23,597	112,216
Debited/(credited) to statements of profit or loss		(4,133)	(398)	(4,531)
Effects of changes in exchange rate		-	15	15
Balance on 31 December 2020	\$	84,486	23,214	107,700

- v. The Company's Profit-seeking Enterprise Annual Income Tax Return was submitted to the tax authority and was approved up to 2019.

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 2021 and 2020, The total authorized capital of the Company is NT\$5,000,000 thousand and NT\$4,500,000 thousand, respectively, divided into 500,000,000 and 450,000,000 shares. 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:

	2021.12.31	2020.12.31
Premium for the issuance of shares	\$ 142,300	142,300
Treasury share transaction	15,639	15,639
Others	60	60
	\$ 157,999	157,999

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.

To seek sustainable operations and long-term development based on the Company's future capital requirements as well as long-term operating plans, the Board may formulate the proposal for distribution in accordance with the then operating status, with equal consideration given to shareholders' interest, the balanced dividend policies, and capital requirement planning, and submit the proposal to the shareholders' meeting for resolution.

Earning distribution shall be made by means of cash dividends or stock dividends; however, the ratio of stock dividends shall not be more than 50% of the total dividends.

(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.

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

(ii) Special surplus reserve

- ① 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 2021 and 2020, the special surplus reserve was NT\$121,349 thousand.

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

② 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 28 June 2021 and 26 June 2020, the Annual Shareholders' Meeting passed the loss compensation resolutions for 2020 and 2019; please visit the MOPS for relevant information.

The Board formulated the proposal for the 2021 earning distribution on 28 March 2022; dividends distributed to the owners are as follows:

	2021	
	Dividend rate (NT\$)	Amount
Dividends distributed to owners of ordinary shares		
Cash	1.00	\$ 433,782

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 2021	\$ 377,447	7,049	384,496
Consolidated Company	(44,111)	(531)	(44,642)
Associates	-	36,481	36,481
Balances on 31 December 2021	\$ 333,336	42,999	376,335
Balances on 1 January 2020	\$ 393,978	926	394,904

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

Consolidated Company	(16,531)	(1,645)	(18,176)
Associates	-	<u>7,768</u>	<u>7,768</u>
Balances on 31 December 2020	<u>\$ 377,447</u>	<u>7,049</u>	<u>384,496</u>

v. Treasury Shares

On 30 March 2021, the Board passed a resolution relating to the repurchase of 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. For the maintenance of shareholders' interests and the market mechanism, to minimize the effects of stock prices in the centralized securities exchange market, and to give equal consideration to the effective use of the Company's capital, the repurchase had not taken place upon the expiry of the period.

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

(18) Earnings per share

The calculation for the Consolidated Company's basic earnings per share and the diluted earnings per share is as follows:

	2021	2020
Basic earnings per share		
Net loss attributable to the Company for the period	\$ 991,496	(402,867)
Weighted average number of issued ordinary shares	433,782	433,782
Basic earnings (loss) per share	\$ 2.29	(0.93)
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ 433,782	註
Effect of potentially dilutive ordinary shares	433,782	-
Employee stock bonus	2,703	-
Weighted-average number of ordinary shares (diluted)	436,485	-
Diluted earnings per share	\$ 2.27	-

Note: There was no diluted effect in 2020; therefore, no disclosure of diluted earnings per share is required.

(19) Income from contracts with customers

i. Income breakdown

	2021			
	Tile business segment	Chinese business segment	Other segments	Total
Major regional market:				
Asia	\$ 2,920,392	232,270	15,880	3,168,542
America	638	1,772	-	2,410
Australia	19,299	2,097	-	21,396
Others	-	13,579	-	13,579
	\$ 2,940,329	249,718	15,880	3,205,927

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Notes to Consolidated Financial Statements (Cont'd)

Primary product/service lines:					
Tiles	\$	2,940,329	249,718	-	3,190,047
Houses and lands available for sale		-	-	15,880	15,880
	\$	2,940,329	249,718	15,880	3,205,927

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Notes to Consolidated Financial Statements (Cont'd)

2020				
	Tile business segment	Chinese business segment	Other segments	Total
Major regional market:				
Asia	\$ 2,739,823	822,563	-	3,562,386
America	4,864	-	-	4,864
Australia	6,305	9,463	-	15,768
Europe	478	25,505	-	25,983
	\$ 2,751,470	857,531	-	3,609,001
Primary product/service lines:				
Tiles	\$ 2,751,470	857,531	-	3,609,001

ii. Contract balances (included those from related parties)

	2021.12.31	2020.12.31	2020.1.1
Note receivables	\$ 453,650	450,117	353,783
Account receivables	797,452	820,116	764,647
Less: Loss allowances	(143,542)	(151,028)	(150,841)
Allowances for sales return and discounts	(14,238)	(16,110)	(31,530)
Total	\$ 1,093,322	1,103,095	936,059
Contract liabilities –Sales of Good	\$ 6	-	-
Contract liabilities – Advances for goods	\$ 38,740	38,594	76,910

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 cash distribution targets for the above remuneration for employees include employees of subsidiaries fulfilling certain conditions.

In 2021 and 2020, the estimated remuneration of employees was NT\$34,062 thousand

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

and NT\$0, and the estimated remuneration of Directors was NT\$11,354 thousand and NT\$0, 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 2020 and 2019 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>2021</u>	<u>2020</u>
Interest income	\$ 3,113	2,189
Rental income	4,549	5,305
Dividend income	931	400
	<u>\$ 8,593</u>	<u>7,894</u>

ii. Other gains and losses

Other gains and losses of the Consolidated Company are detailed as follows:

	<u>2021</u>	<u>2020</u>
Foreign currency exchange (losses) gains	\$ 15,416	40,241
(Losses) gains on the disposals of property, plant and equipment	486,654	(28,607)
Loss (gain) on disposal of investment properties	57,441	-
Valuation gains from financial assets at fair value through profit or loss	(16,865)	2,911
Impairment losses on property, plant and equipment	(67,241)	-
Impairment losses on other assets	(11,519)	-
Other gains and losses	(41,182)	10,224
Amortization of deferred income	6,537	6,440
Losses from changes in lease	864,971	(1,563)
Subsidy income	-	17,787
Other gains and losses, net	<u>\$ 1,294,212</u>	<u>47,433</u>

(1) In 2021 and 2020, the depreciation expenses of the Consolidated Company arising from the lease of plant and equipment to related parties were NT\$156,495 thousand and NT\$0, which were accounted for under other gains and losses.

(2) Sinyih Ceramic (China) Co., Ltd., a subsidiary of the Consolidated Company, performed a planned policy relocation in response to the arrangements made by Kunshan High-Tech Industrial Development Zone; on 29 January 2021, the Board resolved to sell the land-use-right, houses and buildings, houses and buildings, above-ground structures, decorations and accessories to Kunshan High-Tech Zone House Co., Ltd., with a total transaction consideration was RMB452,268 thousand; the outstanding

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

RMB10,000 thousand was accounted for under other current financial assets (other receivables). In 2021, we recorded disposal gains or losses of RMB321,694 thousand in total (equivalent to approximately NT\$1,393,031 thousand); such amounts were accounted for as gains from disposals of property, plant and equipment of NT\$485,432 thousand, gains from disposals of investment properties of NT\$42,628 thousand, and gains from changes in the lease amounted to NT\$864,971 thousand.

- (3) The Consolidated Company entered into a property sale and purchase contract with Shin Long Wain Corporation on 18 May 2021, with a total transaction consideration amounting to NT\$49,000 thousand. As of 31 December 2021, all amounts were received, and gains or losses from the disposal amounted to NT\$14,813 were recognized and accounted for as gains from disposals of investment properties.

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Notes to Consolidated Financial Statements (Cont'd)

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	<u>(764)</u>	<u>(453)</u>
	<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 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.

(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.

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Notes to Consolidated Financial Statements (Cont'd)

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 2021 and 2020, the changes in loss allowances are as follows:

	Other receivables
Balances on 1 January 2021	\$ 37,483
Impairment losses recognized	3,855
Amounts written off as not recoverable during the year	(2,159)
Effects of changes in exchange rate	<u>175</u>
Balances on 31 December 2021	<u>\$ 39,354</u>
Balances on 1 January 2020	\$ 40,430
Impairment losses recognized	9,578
Amounts written off as not recoverable during the year	(12,639)
Effects of changes in exchange rate	<u>114</u>
Balances on 31 December 2020	<u>\$ 37,483</u>

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Notes to Consolidated 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>Contract</u>	<u>Within 6</u>	<u>6-12</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5</u>
	<u>amount</u>	<u>ual cash</u>	<u>months</u>	<u>months</u>			<u>years</u>
		<u>flows</u>					
31 December 2021							
Non-derivative financial liabilities							
Short-term borrowings	\$ 424,286	424,907	424,907	-	-	-	-
Note payables	120,241	120,241	120,241	-	-	-	-
Account payables (including those to related parties)	413,424	413,424	413,424	-	-	-	-
Lease liabilities	83,375	99,166	11,770	9,835	15,951	10,230	51,380
Other payables (including those to related parties)	369,371	369,371	369,371	-	-	-	-
Long-term liabilities due within one year or one business cycle	1,018,548	1,020,002	-	1,020,002	-	-	-
Guarantee deposit received	31,569	31,569	1,496	2,474	3,323	23,986	290
	\$ 2,460,814	2,478,680	1,341,209	1,032,311	19,274	34,216	51,670
31 December 2020							
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 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	46,424	46,424	-	-	-	-	46,424
	\$ 3,825,273	3,876,019	2,592,475	175,272	1,055,035	6,813	46,424

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.

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

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:

	2021.12.31			2020.12.31			
	Foreign currency	Exchang e rate	NTD	Foreign currency	Exchang e rate	NTD	
<u>Financial assets</u>							
<u>Monetary</u>							
<u>items</u>							
USD:NTD	\$	3,170	27.6800	87,739	3,528	28.1000	91,549
Euro:NTD		377	31.3170	11,792	349	34.5620	12,062
RMB:NTD		103,014	4.34	447,492	36,178	4.32	156,289
USD:RMB		184	6.3720	5,090	704	6.5046	19,772
AUD:NTD		310	20.0930	6,232	-	-	-

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

	2021.12.31			2020.12.31		
	Foreign currency	Exchang e rate	NTD	Foreign currency	Exchang e rate	NTD
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,473	27.6800	11,470	378	28.1000	10,581
Euro:NTD	1	31.3170	16	254	34.5620	8,770
USD:RMB	67	6.3720	1,863	18,559	6.5046	521,493
Euro:USD	-	-	-	1,720	1.2300	59,438

(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 2021 and 2020, 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 2021 and 2020 will decrease or increase by NT\$ 12,378 thousand and NT\$7,602 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 2021 and 2020, the net foreign currency exchange profit or loss (including those realized and unrealized) was profits of NT\$15,416 thousand and losses of NT\$40,241 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 2021 and 2020 will decrease

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

or increase by NT\$2,245 thousand and NT\$8,768 thousand, respectively, primarily due to the variable-rate borrowings of the Company.

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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:

	2021		2020	
	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%	\$ 1,105	5,390	1,132	5,765
Decrease by 5%	\$ (1,105)	(5,390)	(1,132)	(5,765)

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Notes to Consolidated Financial Statements (Cont'd)

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:

	2021.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Gold passbook	\$ 8,170	8,170	-	-	8,170
Foreign listed shares	99,632	99,632	-	-	99,632
Sub-total	107,802	107,802	-	-	107,802
Financial assets at fair value through other comprehensive income					
Domestic listed shares	\$ 12,100	12,100	-	-	12,100
Domestic non-listed shares	10,000	-	-	10,000	10,000
Sub-total	22,100	12,100	-	10,000	22,100
Financial assets at amortized costs					
Cash and cash equivalents	\$ 2,644,227	-	-	-	-
Note and account receivables (including those from related parties)	1,093,322	-	-	-	-
Other financial assets - Current (including restricted assets)	252,657	-	-	-	-
Other financial assets - Non-current	52,133	-	-	-	-
Sub-total	4,042,339	-	-	-	-
Total	\$ 4,172,241	-	-	-	-

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Notes to Consolidated Financial Statements (Cont'd)

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	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized costs					
Long-term and short-term borrowings (including borrowings due within one year)	\$ 1,442,834	-	-	-	-
Note payables and account payables (including those to related parties)	533,665	-	-	-	-
Other payables (including those to related parties)	369,371	-	-	-	-
Guarantee deposits received	31,569	-	-	-	-
Lease liabilities	83,375	-	-	-	-
Total	\$ 2,460,814	-	-	-	-

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Notes to Consolidated Financial Statements (Cont'd)

	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	<u>22,631</u>	<u>12,631</u>	<u>-</u>	<u>10,000</u>	<u>22,631</u>
Financial assets at amortized costs					
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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>3,368,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,506,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized costs					
Long-term and short-term borrowings (including borrowings due within one year)	\$ 2,414,812	-	-	-	-
Note and account receivables (including those from related parties)	714,621	-	-	-	-
Other payables (including those to related parties)	621,960	-	-	-	-

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Guarantee deposits received	46,424	-	-	-	-
Lease liabilities	<u>27,456</u>	-	-	-	-
Total	<u>\$ 3,825,273</u>	-	-	-	-

(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.

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Notes to Consolidated Financial Statements (Cont'd)

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 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.

Champion Building Materials Co., Ltd. and Its Subsidiaries
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Quantitative information on significant unobservable inputs is set out in the following table:

Item	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable input and fair value
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"> • Long-term growth rate for operating income (1.5% on 31 December 2021 and 2020) • Weighted average capital costs (3.8% on 31 December 2021 and 2020) • Long-term operating net profit before tax (1.5% on 31 December 2021 and 2020) • Discount for lack of marketability (27.2% on 31 December 2021 and 2020) • Discount for minority equity (24.4% on 31 December 2021 and 2020) 	<ul style="list-style-type: none"> • The higher the multiplier and control premium, the higher the fair value • The higher the discount for lack of marketability, the lower the fair value • The higher the weighted marketability, the lower the fair value • The higher the long-term growth rate for operating income and long-term operating net profit before tax, the higher the fair value

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Notes to Consolidated 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 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:

	Inputs	Upward or downward changes	Changes in fair value reflected in other comprehensive income	
			Favorable changes	Unfavorable changes
31 December 2021				
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)
31 December 2020				
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)

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Notes to Consolidated Financial Statements (Cont'd)

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 2021 and 2020.

(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 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.

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Notes to Consolidated Financial Statements (Cont'd)

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.

(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.

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Notes to Consolidated Financial Statements (Cont'd)

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 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.

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Notes to Consolidated Financial Statements (Cont'd)

As of 31 December 2021 and 2020, the unutilized borrowing limit of the Consolidated Company in aggregate was NT\$1,107,281 thousand and NT\$1,196,302 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.

(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.

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Notes to Consolidated Financial Statements (Cont'd)

(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.

Total capital is all components of equity (i.e., share capital, capital reserve, retained earnings, other equity, and non-controlling interests) plus net liabilities.

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Notes to Consolidated Financial Statements (Cont'd)

The capital management policy of the Consolidated Company for 2021 is consistent with that of 2020 to ensure acquiring financing at reasonable costs. As at 31 December 2021 and 2020, the gearing ratio is as follows:

	2021.12.31	2020.12.31
Total liabilities	\$ 3,023,217	4,377,874
Less: Cash and cash equivalents	(2,624,014)	(2,006,126)
Net liabilities	399,203	2,371,748
Total equity	6,498,216	5,516,902
Total capital	\$ 6,897,419	7,888,650
Gearing ratio	5.79%	30.07%

No alteration is made to the methods for capital management of the Consolidated Company has not as of 31 December 2021.

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:

Name of related parties	Relationship with the Consolidated Company
Wang, Gui-Feng	Spouse of the Company's Chairman
Lin, Jung-Te	Company's Chairman
Lin, You-Yu	Company's Director
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:

	2021	2020
Seagull Champion	\$ 12,544	271,437

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.

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Notes to Consolidated Financial Statements (Cont'd)

ii. Purchase

Purchases of the Consolidated Company from related parties are as follows:

	2021	2019
Seagull Champion	<u>\$ 268,204</u>	<u>201,788</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.

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iii. Amount due from related parties

Amount due from related parties of the Consolidated Company is detailed as below:

<u>Accounting item</u>	<u>Category of related parties</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Account receivables	Associate	\$ 146,969	\$ 209,236
Other receivables (accounted for as other financial assets - current)	Associate	39,576	36,155
		<u>\$ 186,545</u>	<u>\$ 245,391</u>

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>2021.12.31</u>	<u>2020.12.31</u>
Account payables	Associate	\$ 235,465	314,126
Other payables	Associate	12,509	31,701
		<u>\$ 247,974</u>	<u>345,827</u>

v. Contract liabilities

The breakdown of related parties with contract liabilities of the Consolidated Company is as follows:

<u>Category of related parties</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Affiliates	<u>\$ 123</u>	<u>121</u>

vi. Borrowings from related parties (accounted for as other payables – related parties)

<u>Category of related parties</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Other related parties	<u>\$ 27,680</u>	<u>116,700</u>

vii. 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>2021</u>	<u>2020</u>
Seagull Champion	<u>\$ 128</u>	<u>23,302</u>

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

(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>2021</u>	<u>2020</u>
Seagull Champion	<u><u>\$ 40,060</u></u>	<u><u>5,565</u></u>

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

The abovementioned rental is accounted for under other gains or losses

(iii) Service fees for accounting affairs executed by related parties upon being engaged by the Consolidated Company is as follows:

<u>Name of related parties</u>	<u>2021</u>	<u>2020</u>
Seagull Champion	<u>\$ 1,777</u>	<u>724</u>

viii. Others

For properties of the Consolidated Company registered under the names of other related parties, please see Note 6(7) for details.

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

(iii) Transactions with executives

	2021	2020
Short-term employee benefits	\$ 11,928	10,845
Post-employment benefits	226	573
Other long-term benefits	2,210	1,262
	\$ 14,364	12,680

8. Pledged assets

The carrying amount of the Consolidated Company's assets pledged for security is detailed as follows:

Title of assets	Target of pledge	2021.12.31	2022.12.31
Other financial assets - Current	Guarantee for borrowings	\$ 142,077	130,853
Houses and lands available for sale	"	-	29,448
Investment properties	"	81,463	113,765
Property, plant and equipment	"	1,223,114	1,678,919
Right-of-use assets (land use right)	"	12,242	89,288
Other financial assets - Current	Provisions for litigations	-	2,400
Other financial assets - Current	Engineering guarantee	22,391	-
		\$ 1,481,287	2,044,673

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:

	2021.12.31	2020.12.31
Unused letter of credits issued		
USD	<u>\$ 786</u>	<u>847</u>
Euro	<u>\$ -</u>	<u>412</u>
NTD	<u>\$ 20,000</u>	<u>-</u>

- ii. Guarantee notes issued by the Consolidated Company for bank borrowings, purchase of machinery, and sales performance guarantees are detailed as follows:

	2021.12.31	2020.12.31
Guaranteed notes submitted	<u>\$ 152,000</u>	<u>132,000</u>

- 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:

	2021.12.31	2020.12.31
Guarantee notes received	<u>\$ 337,382</u>	<u>295,437</u>

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

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:

	2020.12.31		2019.12.31	
	Total contract considerat ion	Unpriced amount	Total contract considera tion	Unpriced amount
Euro	\$ 1,226	938	923	540
USD	300	110	668	200
NTD	55,637	34,189	49,361	29,692

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

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

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 2021, 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

To adjust the capital structure and improve the ROE, on 28 March 2022, the Board resolved to perform a capital reduction of the Consolidated Company in cash, with an amount of NT\$433,782,080, with a reduction of 100 shares per 1,000 shares. After the proposal is passed by the shareholders' meeting and becomes effective after being submitted to the competent authority for declaration, it is intended to authorize the Chairman to set the base day for the capital reduction, the base day for the share conversion, and determine other relevant matters.

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

12. Others

The functions of employee benefits, depreciation, and amortized expenses are summarized as follows:

Function Nature	2021			2020		
	Operatin g costs	Operatin g expenses	Total	Operatin g costs	Operatin g expenses	Total
Employee benefit expenses						
Salary expenses	\$ 326,627	166,372	492,999	388,282	205,367	593,649
Labor and health insurance expenses	37,892	10,925	48,817	38,461	18,992	57,453
Pension expenses	37,751	11,751	49,502	16,896	10,714	27,610
Other employee benefit expenses	29,135	7,692	36,827	33,849	260,091	293,940
Depreciation expenses	152,215	92,995	245,210	178,329	243,249	421,578
Amortization expenses	18,235	11,126	29,361	16,917	13,876	30,793

1. For 2021 and 2020, the depreciation under operating costs is breakdown losses of NT\$79,547 thousand and NT\$153,623 thousand, respectively.
2. In 2021 and 2020, the depreciation expenses of the Consolidated Company arising from the lease of plant and equipment to related parties were NT\$156,495 thousand and NT\$0, respectively, accounted for under other gains and losses.

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 2021, 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	Sinyih Chinaables	Other receivables	Yes	999,120	651,600	434,400	4.8%	Not	-	Working capital	-	-	-	1,299,643	2,599,286
1	The Company	Champion Highway	Other receivables	Yes	10,000	10,000	-	2%~2.5%	Not	-	Working capital	-	-	-	1,299,643	2,599,286
1	Swanview	Sinyih Chinaables	Other receivables	Yes	215,904	132,864	132,864	2.5%~3%	Not	-	Working capital	-	-	-	797,425	797,425
1	Swanview	Sinyih Pengla	Other receivables	Yes	224,208	113,488	112,175	2.5%~3%	Not	-	Working capital	-	-	-	797,425	797,425
2	Sinyih	Xiaox	Other	Yes	21,720	21,720	11,225	-	Not	-	Working capital	-	-	-	775,618	775,618

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

	China	lian	receiv						e 1		ng					
		Huag	ables								capita					
		uan									l					
2	Sinyih	Cha	Other	Yes	130,320	130,320	43,974	-	Not	-	Worki	-	-	775,618	775,618	
	China	mpio	receiv						e 1		ng					
		n	ables								capita					
		Anhui									l					
3	Sinyih	Sinyi	Other	Yes	1,172,880	1,172,880	867,563	-	Not	-	Worki	-	-	1,742,036	1,742,036	
	Penglai	h	receiv						e 1		ng					
	i	China	ables								capita					
											l					

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.

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

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 region
		Name of the company	Relationship										
0	The Swanvi Company	Swanvi	1	1,949,465	166,080	83,040	-	-	- %	3,249,108	Y	N	N
0	The Guan Zhong Trading Company	Guan Zhong Trading	1	1,949,465	81,520	61,520	20,260	-	0.31%	3,249,108	Y	N	N
0	The Champion Highway Company	Champion Highway	1	1,949,465	10,000	10,000	-	-	- %	3,249,108	Y	N	N
0	The Sinyih Penglai Company	Sinyih Penglai	1	1,949,465	221,440	-	-	-	- %	3,249,108	Y	N	Y
0	The Guang Li Yu Company Co., Ltd.	Guang Li Yu Co., Ltd.	3	1,949,465	40,000	40,000	32,580	-	0.50%	3,249,108	N	N	N

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

1	Sinyih Penglai	Sinyih China	2	1,161,358	858,374	-	-	-	- %	1,451,697	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 Sinyih 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 Sinyih 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	Relationship with the securities issuer	Accounting item	At the end of the period				Note	Holding company
				Number of shares	Carrying amount	Shareholding	Fair value		
The Company	Shares - Kwong Fong Industries Corp.	-	Financial assets at fair value through other comprehensive income - Current	1,061	12,100	0.57 %	12,100	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%	
Sinyih China	Shares - Seagull Kitchen and Bath Products Co., Ltd.	-	Financial assets at fair value through profit or loss - Current	4,170	99,632	0.68 %	99,632	0.68%	
"	Gold passbook	-	Financial assets at fair value through profit or loss - Current	-	8,170	- %	8,170	- %	

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: None.
- 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:

Unit: NT\$000'

Company disposed of the property	Name of property	Occurrence date	Date of initial acquisition	Carrying amount	Transaction amount	Consideration collection status	Profit or loss from the disposal	Transaction counterparty	Relationship	Purpose of the disposal	References for the determination of the price	Other agreements
Sinyih China	Kunshan Plant and lands	110.1.29	98.3.21-101.12.5	640,690	1,958,456	1,915,153	1,393,031	Kunshan High-Tech Zone House Co., Ltd.	None	Corporate relocation in response to the arrangements made by Kunshan High-Tech Industrial Development Zone	In response to the Provisional Regulations for Corporate Relocation of Kunshan High-Tech Industrial Development Zone and the executed agreement	None
				(CNY147,955)	(CNY452,268)	(CNY442,268)	-					

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

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	242,360	- %	Settled monthly for 90 days	-	-	(235,465)	44%	

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	Name of the	Relation ship	Balance s of	Turnov er rate	Overdue amount due from related parties		Amount due from	Amount of loss
					Amount	Handling method		

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

receivables accounted for	transacti on counter party		amounts due from related parties				related parties recovered after the period	allowan ces provided
The Company	Sinyih China	A subsidiar y	449,664	註	-	-	-	-
Swanview	Sinyih China	A subsidiar y	132,864	註	-	-	-	-
Swanview	Sinyih Penglai	A subsidiar y	112,175	註	-	-	-	-
Sinyih Penglai	Sinyih China	Parent company	867,563	註	-	-	-	-
Sinyih Penglai	Seagull Champion	An associate	109,321	0.05	-	-	-	-

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	4.72%
1	Swanview	Sinyih China	3	Other receivables - Related parties	162,980	"	1.40%
1	Swanview	Sinyih Penglai	3	Other receivables - Related parties	226,277	"	1.18%
2	Sinyih China	Sinyih Penglai	3	Other payables - Related parties	770,116	"	9.11%
2	Sinyih China	Champion Anhui	3	Other receivables - Related parties	44,885	"	0.12%
2	Sinyih China	Xiaoxian Huaguan	3	Other receivables - Related parties	6,847	"	0.46%
2	Sinyih	Champion Building	2	Other	655,385	"	4.72%

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

	China	Materials		payables - Related parties			
2	Sinyih China	SWANVIE W	3	Other payables - Related parties	162,980	"	1.40%
3	Sinyih Penglai	SWANVIE W	3	Other payables - Related parties	226,277	"	1.18%
3	Sinyih Penglai	Sinyih China	3	Other receivables - Related parties	770,116	"	9.11%
4	Xiaoxian Huaguan	Sinyih China	3	Other payables - Related parties	6,847	"	0.12%
5	Champion Anhui	Sinyih China	3	Other payables - Related parties	44,885	"	0.46%

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.

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

(2) Information related to investment businesses:

Information related to the Consolidated Company's investment businesses for 2021 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 capital 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				
The Swanvie Company	Swanvie	British Virgin Islands	Holding company	3,033,281	3,033,281	93,906	100.00%	1,993,562	100.00%	649,574	649,574	
The Tai Yu Company	Tai Yu Investment	Taiwan	General investments	41,986	41,986	4,198	39.98%	96,353	39.98%	(131)	(52)	
The Guan zhong trading Company	Guan zhong trading	Taiwan	International trade	96,000	96,000	9,600	100.00%	92,214	100.00%	(5,445)	(5,445)	
The Champion Company	Champion Highwealth	Taiwan	Cement, metal structure, and building component manufacturing	18,000	18,000	1,800	100.00%	9,266	100.00%	(4,519)	(4,519)	
Swanvie w	Super	British Virgin Islands	Holding company	894,189	894,189	-	100.00%	192,919	100.00%	-	Exempted from filling according to the	

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 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 tiles, mosaic tiles,	1,522,400	Note 1	1,319,007	-	-	1,319,007	846,465	100.00%	100.00%	846,465	1,939,045	-

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

	and other building materials	(USD55,000)		(USD47,652)			(USD47,652)						
Sinyih Penglai	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	1,237,296	Note 2	200,957	-	-	200,957	(103,998)	100.00%	100.00%	(103,998)	1,451,697	-
		(USD44,700)		(USD7,260)			(USD7,260)						
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	1,746,802	Note 1	341,544	-	-	341,544	(111,775)	100.00%	100.00%	(111,775)	748,078	-

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

	self-produced products	(USD63,107)		(USD12,339)			(USD12,339)						
Xiaoxian Huaguan	Sales of kaolinite, magnet, feldspar, and silica sand	227,191 (CNY52,300)	Not e 4	-	-	-	-	(12,549)	100.00%	100.00%	(12,549)	144,212	-
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	737,568 (CNY169,790)	Not e 7	-	-	-	-	14,620	43.46%	43.46%	6,354	393,811	-

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

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
1,911,608 (USD69,061)	2,987,613 (USD107,934)	3,898,930

USD exchange rate: US\$1:NT\$28.1; RMB exchange rate: RMB1:NT\$4.32

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.		32,051,024	7.38%
De Qian Investment Co., Ltd. (德謙投資股份有限公司)		29,214,182	6.73%
Gui Cheng Investment Co., Ltd. (貴誠投資股份有限公司)		27,534,312	6.34%
LIN, JUNG-TE		26,040,000	6.00%
Zhong Yang Industrial Co., Ltd. (仲洋實業股份有限公司)		25,207,957	5.81%
Feng De Industrial Co., Ltd. (豐德實業股份有限公司)		25,197,235	5.80%
Feng Deng Enterprise Co., Ltd. (豐登興業股份有限公司)		23,743,702	5.47%

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

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:

2021	Tiles business segment	Chinese business segment	Others	Adjustmen ts and written-off	Consolid ation
External income	\$ 2,940,329	249,718	15,880	-	3,205,927
Intra-departmental income	<u>4,709</u>	-	-	<u>(4,709)</u>	-
Total income	<u>\$ 2,945,038</u>	<u>249,718</u>	<u>15,880</u>	<u>(4,709)</u>	<u>3,205,927</u>
Interest expenses	\$ 31,882	54,449	2,951	(34,448)	54,834
Depreciation and amortization	193,197	208,508	-	-	401,705
Profit or loss before tax of the department	<u>\$ 423,901</u>	<u>835,187</u>	<u>16,797</u>	<u>(67)</u>	<u>1,275,818</u>

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

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

2020	Tiles business segment	Chinese business segment	Others	Adjustmen ts and written-off	Consolid ation
External income	\$ 2,751,470	857,531	-	-	3,609,001
Intra-departmental income	-	1,367	-	(1,367)	-
Total income	<u>\$ 2,751,470</u>	<u>858,898</u>	<u>-</u>	<u>(1,367)</u>	<u>3,609,001</u>
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	<u>\$ 451,947</u>	<u>(757,488)</u>	<u>(7,622)</u>	<u>21</u>	<u>(313,142)</u>

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

(2) Overall corporate information

i. Information on products and services

Information on income from external customers of the Consolidated Company is as follows:

Name of products	2021	2020
Quartz bricks	\$ 1,058,268	1,174,982
External tiles	512,949	499,856
Slate tiles	1,046,654	1,277,615
Floor tiles	49,820	49,647
Wall tiles	344,145	168,802
Others	194,091	438,099
Total	\$ 3,205,927	3,609,001

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:

Region	2021	2020
Asia	\$ 3,168,542	3,562,386
America	2,410	4,864
Australia	21,396	15,768
Others	13,579	25,983
Total	\$ 3,205,927	3,609,001

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

Non-current assets

<u>Region</u>	<u>2021</u>	<u>2020</u>
Taiwan region	\$ 1,819,625	1,817,033
Mainland region	1,782,846	2,630,692
Total	<u>\$ 3,602,471</u>	<u>4,447,725</u>

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 2021 and 2020, 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 2021 and 2020, and its financial performance and its cash flows for the years ended December 31 2021 and 2020 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 2021. 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 2021. 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:

Shin-Chin Chih

Financial Supervisory Commission Approval No. Securities and Futures Commission Approval No.
Jin-guan-zheng-shen-zi No. 1000011652 Jin-guan-zheng-shen-zi No. 1020000737

March 28, 2022

Champion Building Materials Co., Ltd.

Balance Sheet

31 December 2021 and 2020

Unit: NT\$000'

Asset	2021.12.31		2020.12.31			Liabilities and Equity	2021.12.31		2020.12.31	
	Amount	%	Amount	%			Amount	%	Amount	%
Current asset						Current liabilities:				
1100 Cash and cash equivalents (Note 6(1))	\$ 2,225,120	26	1,816,230	25	2100	Short-term borrowings (Notes 6(9) and 8)	\$ 415,812	5	395,000	5
1120 Financial assets at fair value through other comprehensive income – Current (Note 6(2) and (19))	12,100	-	12,631	-	2130	Contract liabilities – Current (Note 6(16))	8,554	-	4,631	-
1150 Net note receivables (Notes 6(3), (16), (19))	451,291	5	387,938	5	2150	Note payables	118,589	1	111,558	1
1170 Net account receivables (Notes 6(3), (16), (19))	331,430	4	254,623	3	2170	Account payables	151,335	2	133,820	2
1210 Other receivables)Related parties (Notes 6(19) and 7)	451,742	5	655,385	9	2200	Other payables (Notes 6(19) and 7)	200,956	2	174,892	3
1310 Inventory – Manufacturing industry (Note 6(4))	823,808	10	841,782	11	2230	Income tax liabilities for the period (Note 6(13))	57,851	1	62,914	1
1320 Inventory (applicable to the construction industry) (Notes 8 and 12)	59,339	1	65,344	1	2251	Allowance for liabilities of employees' benefits (Notes 6(12))	16,389	-	16,389	-
1410 Prepayment	106,705	1	83,923	1	2280	Lease liabilities – Current (Note 6(19))	15,567	-	11,412	-
1476 Other financial assets – Current (Notes 6(19) and 8)	121,853	1	123,443	2	2320	Long-term liabilities due within one year or an operating cycle (Notes 6(10) and 8)	1,018,548	12	120,000	2
1479 Other current assets - Others	1,858	-	2,435	-	2399	Other current liabilities - Others	16,022	-	14,847	-
	<u>4,612,246</u>	<u>53</u>	<u>4,243,734</u>	<u>57</u>			<u>2,019,623</u>	<u>23</u>	<u>1,045,463</u>	<u>14</u>
Non-current asset:						Non-current liabilities:				
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
1550 Investments accounted for using equity method (Note 6(5))	2,191,395	25	1,570,494	20	2570	Deferred income tax liabilities (Note 6(13))	90,027	1	101,054	1
1600 Property, plant and equipment (Notes 6(6) and 8)	1,617,685	19	1,623,913	21	2580	Lease liabilities – Non-current (Note 6(19))	64,864	1	16,044	-
1755 Right-of-use assets (Note 6(7))	80,276	1	24,990	-	2640	Net liabilities for defined benefits – Non-current (Note 6(12))	31,807	-	11,161	-
1760 Net investment properties (Notes 6(8) and 8)	81,463	1	114,434	1	2645	Guarantee deposit received	290	-	908	-
1780 Intangible assets	517	-	1,707	-			<u>186,988</u>	<u>2</u>	<u>1,145,014</u>	<u>15</u>
1840 Deferred income tax assets (Note 6(13))	43,928	1	33,612	-		Total liabilities	<u>2,206,611</u>	<u>25</u>	<u>2,190,477</u>	<u>29</u>
1915 Prepayment for equipment (Note 9)	39,685	-	50,537	1		Equity (Note 6(14)):				
1920 Refundable deposits	4,520	-	2,702	-	3100	Share capital	4,337,821	50	4,337,821	56
1990 Other non-current assets - Others	23,112	-	31,256	-	3200	Capital reserve	157,999	2	157,999	2
	<u>4,092,581</u>	<u>47</u>	<u>3,463,645</u>	<u>43</u>	3300	Retained earnings	1,626,061	19	636,586	8
Total asset	<u>\$ 8,704,827</u>	<u>100</u>	<u>7,707,379</u>	<u>100</u>	3400	Other equity	376,335	4	384,496	5
						Total equity	<u>6,498,216</u>	<u>75</u>	<u>5,516,902</u>	<u>71</u>
						Total liabilities and equity	<u>\$ 8,704,827</u>	<u>100</u>	<u>7,707,379</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 2021 and 2020

Unit: NT\$000'

		<u>2021</u>		<u>2020</u>	
		Amount	%	Amount	%
Operating income (Notes 6(16) and 7):					
4110	Sales income	\$ 3,017,748	104	2,822,096	104
4511	Construction income	15,880	-	-	-
4170	Less: Sales return	55,093	2	44,937	2
4190	Sales discounts	65,937	2	65,206	2
Net operating income		<u>2,912,598</u>	<u>100</u>	<u>2,711,953</u>	<u>100</u>
Operating costs (Notes 6(4), (12), 7, and 12):					
5110	Sales costs	1,997,824	69	1,842,252	68
5510	Construction costs	6,005	-	-	-
		<u>2,003,829</u>	<u>69</u>	<u>1,842,252</u>	<u>68</u>
5900	Operating gross profit	908,769	31	869,701	32
6000	Operating expenses (Notes 6(3), (11), (12), and 12):				
6100	Marketing expenses	277,982	10	247,837	9
6200	Management fees	185,691	6	155,571	6
6300	R&D expenses	27,487	1	23,671	1
6450	Expected credit impairment losses (gains)	641	-	5,728	-
Total operating expenses		<u>491,801</u>	<u>17</u>	<u>432,807</u>	<u>16</u>
6900	Net operating profit	<u>416,968</u>	<u>14</u>	<u>436,894</u>	<u>16</u>
Non-operating income and expenses:					
7010	Other income (Notes 6(11) and (18))	36,676	1	38,081	1
7020	Other gains and losses (Note 6(18))	28,617	1	11,047	-
7050	Financial costs (Note 6(18))	(31,834)	(1)	(31,331)	(1)
7070	Share of profit or loss from subsidiaries, associates, and joint ventures accounted for using the equity method	639,558	22	(767,048)	(28)
Total non-operating income and expenses		<u>673,017</u>	<u>23</u>	<u>(749,251)</u>	<u>(28)</u>
Net loss before tax		1,089,985	37	(312,357)	(12)
7950	Less: Income tax expenses	98,489	3	90,510	3
Net loss for the period		<u>991,496</u>	<u>34</u>	<u>(402,867)</u>	<u>(15)</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified into profit or loss				
8311	Remeasurements of defined benefit plans	(2,021)	-	(2,307)	-
8316	Unrealized valuation (losses) gains from equity instruments at fair value through other comprehensive income	(531)	-	(1,645)	-
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	36,481	1	7,768	-
8349	Less: Income tax related to items that will not be reclassified	-	-	-	-
Total items that will not be reclassified into profit or loss		<u>33,929</u>	<u>-</u>	<u>3,816</u>	<u>-</u>
8360	Items that may subsequently be reclassified into profit or				

(Please read the accompanying notes to individual financial statements)

Chairman: LIN, RONG-DE Manager: LIN, RONG-DE Chief Auditor: LIAO, HUI-

	loss				
8361	Exchange differences arising from the translation of financial statements of institutions operating overseas	(55,138)	(2)	(20,664)	(1)
8399	Less: Income tax related to items that may subsequently be reclassified into profit or loss	(11,027)	-	(4,133)	-
	Total items that may subsequently be reclassified into profit or loss	<u>(44,111)</u>	<u>(2)</u>	<u>(16,531)</u>	<u>(1)</u>
8300	Other comprehensive income for the period	<u>(10,182)</u>	<u>(1)</u>	<u>(12,715)</u>	<u>(1)</u>
	Total comprehensive income for the period	<u>\$ (981,314)</u>	<u>(33)</u>	<u>(415,582)</u>	<u>(16)</u>
9750	Basic loss per share (NT\$) (Note 6(15))	<u>\$ 2.29</u>		<u>(0.93)</u>	
9810	Diluted earnings per share	<u>\$ 2.27</u>		<u>-</u>	

(Please read the accompanying notes to individual financial statements)

Chairman: LIN, RONG-DE Manager: LIN, RONG-DE Chief Auditor: LIAO, HUI-

Champion Building Materials Co., Ltd.
Statements of Changes in Equity
For the Year Ended December 31 2021 and 2020

Unit: NT\$000'

	Ordinary share capital	Capital reserve	Retained earning			Total	Other equity items		Total	Total equity
			Statutory surplus reserve	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		
Balance on 1 January 2020	\$ 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)
Balance on 31 December 2019	4,337,821	157,999	501,090	121,349	14,147	636,586	377,447	7,049	384,496	5,516,902
Net loss for the period	-	-	-	-	991,496	991,496	-	-	-	991,496
Other comprehensive income for the	-	-	-	-	(2,021)	(2,021)	(44,111)	35,950	(8,161)	(10,182)

(Please read the accompanying notes to individual financial statements)

Chairman: LIN, RONG-DE Manager: LIN, RONG-DE Chief Auditor: LIAO, HUI-YI

period										
Total comprehensive income for the	-	-	-	-	989,475	989,475	(44,111)	35,950	(8,161)	981,314
period										
Balance on 31 December 2020	\$ 4,337,821	157,999	501,090	121,349	1,003,622	1,626,061	333,336	42,999	376,335	6,498,216

(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 2021 and 2020

Unit: NT\$000'

	2021	2020
Cash flows from operating activities:		
Net loss before tax for the period	\$ 1,089,985	(312,357)
Adjusted for:		
Items of profit or loss		
Depreciation expenses	172,804	156,243
Amortization expenses	19,597	20,759
Expected credit impairment losses (gains reversal)	641	5,728
Interest expenses	31,834	31,331
Interest income	(29,852)	(31,005)
Dividend income	(931)	(400)
Share of losses from subsidiaries, associates, and joint ventures accounted for using the equity method	(639,558)	767,048
Losses (gains) on disposals and scrapping of property, plant and equipment	(462)	428
Losses (gains) on Investment Property	(14,813)	-
Losses from changes in lease	(1)	7
Total items of profit or loss	(460,741)	950,139
Changes in asset/liabilities related to operating activities:		
Net changes of asset related to operating activities:		
Increase in note receivables		
Decrease (increase) in account receivables	(633,353)	(39,935)
(Increase) decrease in inventory	(77,448)	32,958
Decrease in prepayments	28,374	(79,421)
Decrease (increase) in other current assets	(22,782)	1,198
(Increase) decrease in other financial assets - Current	577	247
Total net changes of asset related to operating activities	(804)	(4,370)
Net changes of liabilities related to operating activities:	(135,436)	(89,323)
Increase in contract liabilities		
(Decrease) increase in note payables	3,923	2,020
Decrease in account payables	7,031	(6,095)
Increase in other payables	17,515	(23,030)
Decrease in allowance for liabilities	26,229	15,752
Increase in other current liabilities	-	(4,678)
Net decrease in liabilities for defined benefits	1,175	130
Total net changes in liabilities related to operating activities	18,625	(16,871)
Total net changes in assets and liabilities related to operating activities	(60,938)	(122,095)
Total adjustments	521,679	828,044
Cash inflow generated from operations	568,306	515,687
Interests paid	(29,537)	(28,422)
Income tax paid	(110,295)	(12,447)
Net cash inflow from operating activities	428,474	474,818

Champion Building Materials Co., Ltd.
Statements of Cash Flows (Cont'd)
For the Year Ended 31 December 2021 and 2020

Unit: NT\$000'

	2021	2020
Cash flows from investment activities:		
Acquisition of property, plant and equipment	(108,378)	(88,661)
Disposal of property, plant and equipment	663	433
Decrease(Increase) in refundable deposits	(1819)	921
Decrease(Increase) in other receivables – Related parties	203,643	(88,730)
Acquisition of intangible assets	-	(390)
(Increase) decrease in other financial assets - Current	2,394	(122,412)
Losses (gains) on Investment Property	47,652	-
Decrease in other non-current assets	(14,655)	(25,357)
Increase in prepayments for equipment	(31,369)	(30,953)
Interests received	26,539	31,005
Dividend received	931	400
Net cash outflow from investment activities	125,601	(323,744)
Cash flows from financing activities:		
Increase in short-term borrowings	837,315	904,930
Decrease in short-term borrowings	(816,503)	(596,713)
Long-term borrowings	(120,000)	-
Repayment for long-term borrowings	(618)	(65,656)
Repayment for lease principals	(18,379)	(12,472)
Net cash inflows (outflows) from financing activities	(118,185)	230,089
Increase (decrease) in cash and cash equivalents for the period	435,890	381,163
Opening balance for cash and cash equivalents	1,816,230	1,435,067
Closing balance for cash and cash equivalents	\$ 2,252,120	1,816,230

(Please read the accompanying notes to individual financial statements)

Chairman: LIN, RONG-DE Manager: LIN, RONG-DE Chief Auditor: LIAO, HUI-

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements
For the Year Ended December 31 2021 and 2020
(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 28 March 2022.

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 2021, and they had 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”.

The following newly revised International Financial Reporting Standards (the “IFRS”) are applicable to the Company starting from 1 April 2021, and they had no significant effect on the individual financial statements.

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”.

(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 2022 are applicable to the Company, and they have no significant effect on the individual financial statements.

- 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”

(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.

- 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 1 “Disclosure of Accounting Policies”
- Amendments to IFRS 8 “Definition of Accounting Estimate”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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 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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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;
- 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.
Notes to Individual 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.

(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.

Champion Building Materials Co., Ltd.
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 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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

Champion Building Materials Co., Ltd.
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 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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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 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.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

(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 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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

Champion Building Materials Co., Ltd.
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).

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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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	3~15 years
Transportation equipment	5 years
Other equipment	3~10 years

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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

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.

i . 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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

- (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.

Champion Building Materials Co., Ltd.
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.

ii. Lessor

For transactions where the Company is the lessor, the Company classifies the lease

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

(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	2~3 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.

Champion Building Materials Co., Ltd.
Notes to Individual 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.

(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.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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 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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

Champion Building Materials Co., Ltd.
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.

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.

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.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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 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 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.

Champion Building Materials Co., Ltd.
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 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(4).

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:

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

- (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>2021.12.31</u>	<u>2020.12.31</u>
Cash and petty cash	\$ 1,362	2,303
Current deposits	1,625,769	1,423,787
Foreign currency deposits	437,440	216,175
Check deposits	77,933	129,169
Time deposits	109,616	44,796
	<u>\$ 2,252,120</u>	<u>1,816,230</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>2021.12.31</u>	<u>2020.12.31</u>
Equity instruments measured at fair value through other comprehensive income – Current:		
Listed domestic shares	\$ 12,100	12,631
Equity instruments measured at fair value through other comprehensive income – Non-current:		
Non-listed domestic shares	10,000	10,000
Total	<u>\$ 22,100</u>	<u>22,631</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 2021 and 2020, the 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

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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 2021 and 2020, the Company had not pledged its financial assets for security.

(3) Note receivables and account receivables

	<u>2021.12.31</u>	<u>2020.12.31</u>
Note receivables	\$ 451,291	387,938
Less: Loss allowance	-	-
Net amount	<u>\$ 451,291</u>	<u>387,938</u>
Account receivables	\$ 352,597	338,987
Less: Loss allowance	(6,929)	(68,225)
Allowance for sales return and discounts	(14,238)	(16,109)
Net amount	<u>\$ 331,430</u>	<u>254,623</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:

	2021.12.31		
	Amount of note receivables and account receivables	ECL rate	Allowance for lifetime ECL
Not overdue	\$ 788,889	0%	-
Overdue below 30 days	3,900	0%	-
Overdue for 31~120 days	1,623	0%~15%	-
Overdue over 12 days	9,476	70%~100%	6,929
	\$ 803,888		6,929
	2020.12.31		
	Amount of note receivables and account receivables	ECL rate	Allowance for lifetime ECL
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%	68,255
	\$ 726,925		68,255

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:

	2021	2020
Opening balances	\$ 68,255	68,157
Impairment loss recognized	643	98
Reversal of impairment loss	(61,969)	-
Closing balances	\$ 6,929	68,255

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

As at 31 December 2021 and 2020, 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>2021.12.31</u>	<u>2020.12.31</u>
Products	\$ 1,824	2,284
Finished goods	769,882	785,582
Work in progress	47,030	42,301
Raw materials	107,711	102,638
Supplies	<u>30,262</u>	<u>40,333</u>
Sub-total	956,709	973,138
Less: Loss allowances for price drops and doubtful debts	<u>(132,901)</u>	<u>(131,356)</u>
Total	<u>\$ 823,808</u>	<u>841,782</u>

For 2021 and 2020, details on expenses related to inventories recognized as cost of sales are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Transfer of sold inventories	\$ 1,995,357	1,886,065
Losses from machine suspension	39,308	30,400
Scrapping losses	6,645	7,824
Inventory losses	16,275	1,166
Unamortized manufacturing expenses	(61,306)	(67,827)
Loss allowances for price drop and doubtful debts (gain from price recovery)	<u>1,545</u>	<u>(15,376)</u>
	<u>\$ 1,997,824</u>	<u>1,842,252</u>

As at 31 December 2021 and 2020, 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>2021.12.31</u>	<u>2020.12.31</u>
Subsidiaries	\$ 2,095,042	1,510,570
Associates	<u>96,353</u>	<u>59,924</u>
	<u>\$ 2,191,395</u>	<u>1,570,494</u>

i. Subsidiaries

Please refer to consolidated financial statements for 2020.

ii. Associates

For associates accounted for using equity methods that are not individually

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

significant, the aggregate financial information is as follows; such financial information is the amount included in the financial statements of the Company:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Aggregate carrying amount for interests in associates that are not individually significant at the end of the period	<u>\$ 96,353</u>	<u>59,924</u>
	<u>2021</u>	<u>2020</u>
Share attributable to the Company:		
Net loss of continuing operations for the period	\$ (52)	(14)
Other comprehensive income	<u>36,481</u>	<u>7,768</u>
Total comprehensive income	<u>\$ 36,429</u>	<u>7,754</u>

As at 31 December 2021 and 2020, the Company had not pledged investment accounted for using equity method for security.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

(6) Property, plant and equipment

Costs, depreciation, and impairment loss of the Company's property, plant and equipment are detailed as follows:

	<u>Land</u>	<u>Houses and building</u>	<u>Machines and equipment</u>	<u>Kiln and equipment</u>	<u>Electrical equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance on 1 January 2021	\$ 805,810	765,598	622,860	99,399	143,529	13,475	108,519	2,559,190
Purchases	195	9,135	62,561	8,953	14,015	340	13,179	108,378
Disposal and scrapping	-	(115,656)	(47,228)	(8,031)	(2,787)	(2,066)	(7,582)	(183,350)
Inward transfer of prepayments for equipment	-	-	28,437	2,166	-	-	11,618	42,221
Balance on 31 December 2021	\$ 806,005	659,077	666,630	102,487	154,757	11,749	125,734	2,526,439
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 2020	\$ 805,810	765,598	622,860	99,399	143,529	13,475	108,519	2,559,190
Depreciation and impairment loss:								
Balance on 1 January 2021	\$ -	373,311	345,445	65,587	86,832	4,703	59,399	935,277
Depreciation of the year	-	25,139	88,876	10,653	13,372	2,477	16,109	156,626
Disposal and scrapping	-	(115,656)	(47,227)	(8,031)	(2,786)	(2,066)	(7,383)	(183,149)
Balance on 31 December 2021	\$ -	282,794	387,094	68,209	97,418	5,114	68,125	908,754
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	\$ -	373,311	345,445	65,587	86,832	4,703	59,399	935,277
Carrying amount:								
31 December 2021	\$ 806,005	376,283	279,536	34,278	57,339	6,635	57,609	1,617,685
31 December 2020	\$ 805,810	392,287	277,415	33,812	56,697	8,772	49,120	1,623,913
1 January 2020	\$ 805,401	416,630	295,179	43,468	51,633	4,221	51,481	1,668,013

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

- 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 26,091m²) 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. Our company acquired three pieces of land at Dapu Section of Zhunan Township (with a total area of 4,384 m²) in prior years; an engagement contract, which was notarized, was entered into to make a registration under the name of a Consolidated Company's Director due to the restriction of the laws and regulations, resulting in a pledge as the collateral of the Company.
- 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 2021 and 2020, please refer to Note 8.
- iii. As at 31 December 2021 and 2020, 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.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

(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:

	<u>Land</u>	<u>Houses and building</u>	<u>Transporta tion equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost of right-of-use assets:					
Balance on 1 January 2021	\$ 313	22,736	12,611	1	35,661
Addition	61,765	3,003	7,240	-	72,008
Decrease	-	(2,836)	(542)	(1)	(3,379)
Balance on 31 December 2021	<u>\$ 62,078</u>	<u>22,903</u>	<u>19,309</u>	<u>-</u>	<u>104,290</u>
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	<u>\$ 313</u>	<u>22,736</u>	<u>12,611</u>	<u>1</u>	<u>35,661</u>
Depreciation and impairment loss of right-of-use assets:					
Balance on 1 January 2021	\$ 83	8,224	2,364	-	10,671
Depreciation of the period	2,636	5,535	7,875	-	16,046
Decrease	-	(2,703)	-	-	(2,703)
Balance on 31 December 2021	<u>\$ 2,719</u>	<u>11,056</u>	<u>10,239</u>	<u>-</u>	<u>24,014</u>
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	<u>\$ 83</u>	<u>8,224</u>	<u>2,364</u>	<u>-</u>	<u>10,671</u>
Carrying amount:					
31 December 2021	<u>\$ 59,359</u>	<u>11,847</u>	<u>9,070</u>	<u>-</u>	<u>80,276</u>
31 December 2020	<u>\$ 230</u>	<u>14,512</u>	<u>10,247</u>	<u>1</u>	<u>24,990</u>
1 January 2020	<u>\$ 261</u>	<u>20,063</u>	<u>6,311</u>	<u>1</u>	<u>26,636</u>

冠軍建材股份有限公司個體財務報告附註(續)

<u>土</u>	<u>地</u>	<u>房</u>	<u>屋</u>	<u>及</u>	<u>建</u>	<u>築</u>	<u>運</u>	<u>輸</u>	<u>設</u>	<u>備</u>	<u>其</u>	<u>他</u>	<u>設</u>	<u>備</u>	<u>總</u>	<u>計</u>
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of depreciation, and refer to Note 6(18) for details of disposals.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

- iii. 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.
- iv. For details on the pledged of the Company's investment properties as at 31 December 2021 and 2020, please refer to Note 8.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

(9) Short-term borrowings

	2021.12.31	2020.12.31
Letter of credit borrowings	\$ 812	-
Unsecured bank borrowings	175,000	175,000
Secured borrowings	240,000	220,000
Total	\$ 415,812	395,000
Unused credits	\$ 1,079,861	1,191,958
Range of interest rate	1.07%~2.2301%	1.18%~2.2317%

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:

2021.12.31				
	Currency	Range of interest rate	Expiry date	Amount
Secured borrowings - Syndicated loan	NTD	1.93%	2022.07.15	\$ 1,019,900
Less: Organizing expenses for the syndicated loan				(1,351)
Less: Portion due within one year				(1,018,548)
Total				\$ -
Unused credits				\$ -
2020.12.31				
	Currency	Range of interest rate	Expiry date	Amount
Secured borrowings - Syndicated loan	NTD	1.93%	2022.07.15	\$ 1,139,900
Less: Organizing expenses for the syndicated loan				(4,053)
Less: Portion due within one year				(120,000)
Total				\$ 1,015,847
Unused credits				\$ -

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

- 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)

(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:

	<u>2021.12.31</u>	<u>2020.12.31</u>
1 to 2 years	\$ -	3,457
2 to 3 years	-	3,457
3 to 4 years	-	2,619
4 to 5 years	-	2,200
Over 5 years	-	<u>3,117</u>
Total undiscounted lease payment	<u>\$ -</u>	<u>14,850</u>

In 2021 and 2020, rental income arising from investment properties was NT\$2,387 thousand and NT\$5,305 thousand in total.

(12) Employee benefits

i. Defined benefit plans

Reconciliation between the current value of defined benefit obligations and the fair value of plan assets of the Company is as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Current value of defined benefit obligations	\$ 176,613	159,048
Fair value of plan assets	<u>(144,806)</u>	<u>(147,887)</u>
Net liabilities of defined benefit obligations	<u>\$ 31,807</u>	<u>11,161</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").

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

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 2021 and 2020, changes in the current value of defined benefits obligations of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligations on 1 January	\$ 159,048	167,056
Current service costs and interests	2,137	3,220
Remeasurements for net defined benefit liabilities (assets)		
— Actuarial gains (losses) adjusted based on experiences	4,030	3,806
— Actuarial gains (losses) arising from changes in financial assumptions	(2,195)	2,794
— Actuarial gains arose from changes in demographic assumptions	2,204	-
Amendment to Plans	30,938	-
Benefits paid under the plans	<u>(19,549)</u>	<u>(17,828)</u>
Defined benefit obligations on 31 December	<u>\$ 176,613</u>	<u>159,048</u>

(iii) Changes in the current fair value of plan assets

In 2021 and 2020, changes in the current fair value of plan assets of the Company are as follows:

<u>2021</u>	<u>2020</u>
-------------	-------------

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

Current fair value of plan assets on 1 January	\$	147,887	141,331
Interest income		566	1,245
Remeasurements for net defined benefit liabilities (assets)			
– Return of plan assets (excluding current interests)		2,018	4,293
Amount appropriated to the plans		13,884	18,846
Benefits paid under the plans		(19,549)	(17,828)
Current fair value of plan assets on 31 December	\$	144,806	147,887

(iv) Expenses recognized in profit or loss

In 2021 and 2020, expenses recognized in profit or loss of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 1,544	2,005
Interest costs	27	(31)
Amendment to Plans	30,938	-
	\$ 32,509	1,974
Operating costs	\$ 25,953	1,541
Marketing expenses	433	37
Management fees	4,906	305
R&D expenses	1,217	91
	\$ 32,509	1,974
Actual return of plan assets	\$ 2,584	5,538

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

(v) Actuarial gains or loss recognized in other comprehensive income

In 2021 and 2020, actuarial gains or loss recognized in other comprehensive income of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Cumulative balance on 1 January	\$ 24,848	27,155
Recognized during the period	(2,021)	(2,307)
Cumulative balance on 31 December	<u>\$ 22,827</u>	<u>24,848</u>

(vi) Actuarial assumption

Major actuarial assumptions used by the Company at the end of the financial reporting period are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	0.69%	0.38%
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 2021 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 2021 and 2020, 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 2021		
Discount rate (changes of 0.25%)	(1,941)	1,978
Increase in future salaries (changes of 0.25%)	1,542	(1,522)
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)

The sensitivity analysis above analyzes the effects of changes in a single

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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.

2. 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>2021</u>	<u>2020</u>
Operating costs	\$ 11,462	12,075
Marketing expenses	1,457	1,570
Management fees	2,448	2,483
R&D expenses	660	646
	<u>\$ 16,027</u>	<u>16,774</u>

3. Details on the Company's short-term employee benefit liabilities are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Compensated absence liabilities	\$ 16,389	16,389

(13) Income tax

i. In 2021 and 2020, the Company's income tax expenses are detailed as follows:

	<u>2021</u>	<u>2020</u>
Current income tax expenses		
Incurred during the period	\$ 104,647	74,492
Adjustments to current income tax for the previous period	4,158	868
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(10,316)	15,150
Income tax expenses	<u>\$ 98,489</u>	<u>90,510</u>

In 2021 and 2020, details on income tax expense (gains) recognized under other comprehensive income of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of financial statements of institutions operating overseas	<u>\$ (11,027)</u>	<u>(4,133)</u>

ii. In 2021 and 2020, reconciliation between income tax expenses and net profit (loss) before tax is as follows:

	<u>2021</u>	<u>2020</u>
Net loss before tax	\$ (1,089,985)	(312,357)
Income tax calculated based on the domestic tax rate	217,997	(64,737)

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

where the Company locates

Investment losses recognized using equity method	(127,912)	155,675
Expenses not deductible	1,584	1,030
Tax-free losses (income)	776	(80)
Changes in unrecognized temporary differences	-	2
(Over) underestimation in the previous period	4,158	868
Others	1,886	(2,248)
	<u>1,886</u>	<u>(2,248)</u>
	<u>\$ 98,489</u>	<u>90,510</u>

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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:

	2021.12.31	2020.12.31
Deductible temporary differences	\$ -	12,197

(ii) Recognized deferred income tax assets and liabilities

In 2021 and 2020, changes in deferred income tax assets and liabilities are as follows:

	Losses from inventory price drop	Others	Total
Deferred income tax assets:			
Balance on 1 January 2021	\$ 33,144	468	33,612
(Debited)/credited to statements of profit or loss	(1,257)	11,573	10,316
Balance on 31 December 2021	\$ 31,887	12,041	43,928
Balance on 1 January 2020	\$ 36,219	12,543	48,762
(Debited)/credited to statements of profit or loss	(3,075)	(12,075)	(15,150)
Balance on 31 December 2020	\$ 33,144	468	33,612
	Gains on overseas investments	Provisions for land appreciation	Total
Deferred income tax liabilities			
Balance on 1 January 2021	\$ 84,486	16,568	101,054
Debited/(credited) to other comprehensive income	(11,027)	-	(11,027)
Balance on 31 December 2021	\$ 73,459	16,568	90,027
Balance on 1 January 2020	\$ 88,619	16,568	105,187
Debited/(credited) to other comprehensive income	(4,133)	-	(4,133)
Balance on 31 December 2020	\$ 84,486	16,568	101,054

iv. The Company's Profit-seeking Enterprise Annual Income Tax Return was submitted to

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Notes to Individual Financial Statements (Cont'd)

the tax authority and was approved up to 2019

(14) Capital and other equity

i. Issuance ordinary shares

As at 31 December 2021 and 2020, the total registered share capital of the Company are NT\$5,000,000 thousand and NT\$4,500,000 thousand, divided into 500,000 thousand and NT\$4,50,000 thousand shares with a par value of NT\$10. The number of issued ordinary shares are the same of 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:

	2021.12.31	2020.12.31
Premium for the issuance of shares	\$ 142,300	142,300
Treasury share transaction	15,639	15,639
Others	60	60
	\$ 157,999	157,999

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.

To seek sustainable operations and long-term development based on the Company's future capital requirements as well as long-term operating plans, the Board may formulate the proposal for distribution in accordance with the then operating status, with equal consideration given to shareholders' interest, the balanced dividend policies, and capital requirement planning, and submit the proposal to the shareholders' meeting for resolution.

Earning distribution shall be made by means of cash dividends or stock dividends; however, the ratio of stock dividends shall not be more than 50% of the total dividends.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

(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 period may not be distributed. Subsequently, when the deduction to Shareholders' interest decreases, transfer the amount deducted to undistributed earnings. As at 31 December 2021 and 2020, 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.

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Notes to Individual Financial Statements (Cont'd)

(iii) Surplus distribution

On 16 June 2021 and 16 June 2020, the Annual Shareholders' Meeting passed the loss compensation resolutions for 2020 and 2019; please visit the MOPS for relevant information.

The Board formulated the proposal for the 2021 earning distribution on 28 March 2022; dividends distributed to the owners are as follows:

	2021	
	Payout Ratio	Amount
	(Dollar)	
Dividends distributed to owners of ordinary shares :		
Cash	\$ 1.00	433,782

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	\$ 377,447	7,049	384,496
Share of exchange differences for subsidiaries using equity method	(44,111)	-	(44,111)
Unrealized losses (gains) on financial assets at fair value through other comprehensive income	-	(531)	(531)
Share of unrealized gains or losses on financial assets at fair value through other comprehensive income for associates using equity method	-	36,481	36,481
Balances on 31 December 2020	\$ 333,336	42,999	376,335
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
Balances on 31 December 2019	\$ 377,447	7,049	384,496

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Notes to Individual Financial Statements (Cont'd)

v . Treasury shares

On 30 March 2021, the Board passed a resolution relating to the repurchase of 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. For the maintenance of shareholders' interests and the market mechanism, to minimize the effects of stock prices in the centralized securities exchange market, and to give equal consideration to the effective use of the Company's capital, the repurchase had not taken place upon the expiry of the period.

(15) Earnings per share

The calculation for the Company's basic earnings per share and the diluted earnings per share is as follows:

	<u>2021</u>	<u>2020</u>
Basic earnings per share		
Net loss attributable to the Company for the period	\$ 991,496	(402,867)
Weighted average number of issued ordinary shares	433,782	433,782
Basic loss per share	<u>\$ 2.29</u>	<u>(0.93)</u>
Diluted Earnings per Share		
Profit attributable to ordinary shareholders (diluted)	<u>\$ 991,496</u>	<u>(Note)</u>
Weighted average number of issued ordinary shares	433,782	-
Employee stock bonus	2,703	-
Weighted-average number of ordinary shares (diluted)	436,485	-
Diluted Earnings per Share (Dollar)	<u>\$ 2.27</u>	<u>-</u>

(16) Income from contracts with customers

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

i. Income breakdown

	<u>2021</u>	<u>2020</u>
Major regional market:		
Asia	\$ 2,892,662	2,700,306
Others	19,936	11,647
	<u>\$ 2,912,598</u>	<u>2,711,953</u>
Major products/service lines:		
Tiles	\$ 2,896,718	2,711,953
Houses and lands available for sale	15,880	-
Total	<u>\$ 2,912,598</u>	<u>2,711,953</u>

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

ii. Contract balances

	<u>2021.12.31</u>	<u>2020.12.31</u>	<u>2020.1.1</u>
Note receivables	\$ 451,291	387,938	348,003
Account receivables	352,597	338,987	369,941
Less: Loss allowances	(6,929)	(68,255)	(68,157)
Allowances for sales return and discounts	(14,238)	(16,109)	(14,105)
Total	<u>\$ 782,721</u>	<u>642,561</u>	<u>635,682</u>
Contract liabilities – Advances for goods	<u>\$ 8,554</u>	<u>4,631</u>	<u>2,611</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.

In 2021 and 2020, the estimated remuneration of employees was NT\$34,062 thousand and NT\$0, and the estimated remuneration of Directors was NT\$11,354 thousand and NT\$0, 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 2021 and 2020.

The actual distribution regarding the remuneration for employees and Directors during 2020 and 2019 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>2021</u>	<u>2020</u>
Interest income	\$ 29,852	31,005
Rental income	5,893	6,676
Dividend income	931	400

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Notes to Individual Financial Statements (Cont'd)

\$ 36,676 38,081

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ii. Other gains and losses

Other gains and losses of the Company are detailed as follows:

	<u>2021</u>	<u>2020</u>
Foreign currency exchange gains (losses)	\$ 4,167	5,009
Losses on the disposals of property, plant and equipment	462	(428)
Disposals revenue of investment Property	14,813	-
Change of lease benefits	1	-
Other income	9,174	6,466
	<u><u>\$ 28,617</u></u>	<u><u>11,047</u></u>

iii. Financial costs

Financial costs of the Company is detailed as follows:

	<u>2021</u>	<u>2020</u>
Interest expense		
Bank borrowings	\$ 32,584	32,095
Interest capitalization	(750)	(764)
	<u><u>\$ 31,834</u></u>	<u><u>31,331</u></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 2021 and 2020, the maximum exposure was NT\$3,635,056 thousand and NT\$3,262,952 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 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.

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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 2021 and 2020, the changes in loss allowances are as follows:

	Other receivables
Balances on 1 January 2021	\$ 10,260
Recovered during the year	(2)
Mounts written off as not recoverable during the yea	<u>(2,159)</u>
Balances on 31 December 2021	<u>\$ 8,099</u>
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	<u>\$ 10,260</u>

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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 amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
31 December 2021							
Non-derivative financial liabilities							
Short-term borrowings	\$ 415,812	416,620	416,620	-	-	-	-
Note payables	118,589	118,589	118,589	-	-	-	-
Account payables	151,335	151,335	151,335	-	-	-	-
Other payables	200,956	200,956	200,956	-	-	-	-
Lease liabilities (including the non-current portion)	80,431	96,215	11,166	9,215	14,668	9,786	51,380
Long-term liabilities due within one year or one business cycle	1,018,548	1,020,002	-	1,020,002	-	-	-
Guarantee deposit received	290	290	-	-	-	-	290
	\$ 1,985,961	2,004,007	898,666	1,029,217	14,668	9,786	51,670
31 December 2020							
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
	\$ 1,979,481	2,010,319	881,041	66,294	1,055,263	6,813	908

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

(i) Exposure to currency risks

Financial assets and liabilities of the Company exposed to significant foreign currency risk are as follows:

	<u>2020.12.31</u>			<u>2019.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 3,170	27.6800	87,739	3,258	28.1000	91,548
Euro:NTD	365	31.3170	11,441	338	34.5620	11,674

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AUD:NTD	310	20.0930	6,232	173	21.6690	3,757
RMB:NTD	103,014	4.3440	447,492	187,887	4.3200	811,673
<u>Non-monetary items</u>						
USD	72,022	27.6800	1,993,562	49,791	28.1000	1,399,126
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	414	27.6800	11,470	378	28.1000	10,581
Euro:NTD	1	31.3170	16	1	34.5620	17

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(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 2021 and 2020, when NTD depreciates or appreciates by 3% against USD, Euro, and AUD, and all other variants remain unchanged, the net profits after tax for 2021 and 2020 will decrease or increase by NT\$12,995 thousand and NT\$19,727 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 2021 and 2020 will decrease or increase by NT\$2,228 thousand and NT\$6,293 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:

<u>Securities prices on the Reporting Date</u>	<u>2021</u>		<u>2020</u>	
	<u>Other comprehensive income after tax</u>	<u>Profit or loss after tax</u>	<u>Other comprehensive income after tax</u>	<u>Profit or loss after tax</u>
Increase by 5%	\$ 1,105	-	1,132	-
Decrease by 5%	\$ (1,105)	-	(1,132)	-

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

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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:

	2021.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic listed shares	\$ 12,100	12,100	-	-	12,100
Domestic non-listed shares	10,000	-	-	10,000	10,000
Sub-total	22,100	12,100	-	10,000	22,100

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	2021.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized costs					
Cash and cash equivalents	\$ 2,252,120	-	-	-	-
Note receivables and account receivables	782,721	-	-	-	-
Other receivables – Related parties	451,742	-	-	-	-
Other financial assets - Current	121,853	-	-	-	-
Refundable deposits	4,520	-	-	-	-
Sub-total	3,612,956	-	-	-	-
Total	\$ 3,635,056	12,100	-	10,000	22,100
Financial liabilities at amortized costs					
Long-term and short-term borrowings (including borrowings due within one year)	\$ 1,434,360	-	-	-	-
Note payables and account payables (including those to related parties)	269,924	-	-	-	-
Other payables	200,956	-	-	-	-
Lease liabilities	80,431	-	-	-	-
Guarantee deposit received	290	-	-	-	-
Sub-total	1,985,961	-	-	-	-
Total	\$ 1,985,961	-	-	-	-
2020.12.31					
	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount
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					
Cash and cash equivalents	\$ 1,816,230	-	-	-	-
Note receivables and account receivables	642,561	-	-	-	-
Other receivables – Related parties	655,385	-	-	-	-
Other financial assets - Current	123,443	-	-	-	-
Refundable deposits	2,700	-	-	-	-
Sub-total	3,240,319	-	-	-	-
Total	\$ 3,262,950	12,631	-	10,000	22,631
Financial liabilities at amortized costs					

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

	2021.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Long-term and short-term borrowings (including borrowings due within one year)	\$ 1,530,845	-	-	-	-
Note payables and account payables (including those to related parties)	245,378	-	-	-	-
Other payables	174,892	-	-	-	-
Lease liabilities	27,456	-	-	-	-
Guarantee deposit received	908	-	-	-	-
Sub-total	1,979,479	-	-	-	-
Total	\$ 1,979,479	-	-	-	-

(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.

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 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

Champion Building Materials Co., Ltd.
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following table:

Item	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable input and fair value
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"> • Long-term growth rate for operating income (1.5% on 31 December 2021 and 2020) • Weighted average capital costs (3.8% on 31 December 2021 and 2020) • Long-term operating net profit before tax (1.5% on 31 December 2021 and 2020) • Discount for lack of marketability (27.2% on 31 December 2021 and 2020) • Discount for minority equity (24.4% on 31 December 2021 and 2020) 	<ul style="list-style-type: none"> • The higher the multiplier and control premium, the higher the fair value • The higher the discount for lack of marketability, the lower the fair value • The higher the weighted marketability, the lower the fair value • The higher the long-term growth rate for operating income and long-term operating net profit before tax, the higher the fair value

Champion Building Materials Co., Ltd.
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
31 December 2021				
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)
31 December 2020				
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 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 2021 and 2020.

(20) Financial risk management

i. Summary

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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 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

Champion Building Materials Co., Ltd.
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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.

Champion Building Materials Co., Ltd.
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 2021 and 2020, 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 2021 and 2020, the unutilized borrowing limit of the Company in aggregate was NT\$1,079,861 thousand and NT\$1,191,958 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.

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

Champion Building Materials Co., Ltd.
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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.

Champion Building Materials Co., Ltd.
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 2021 is consistent with that of 2020 to ensure acquiring financing at reasonable costs. As at 31 December 2021 and 2020, the gearing ratio is as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Total liabilities	\$ 2,206,611	2,190,477
Less: Cash and cash equivalents	<u>(2,252,120)</u>	<u>(1,816,230)</u>
Net liabilities	(45,509)	374,247
Total equity	<u>6,498,216</u>	<u>5,516,902</u>
Total assets	<u>\$ 6,452,707</u>	<u>5,891,149</u>
Gearing ratio	<u>(0.70)%</u>	<u>6.78%</u>

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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
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
SiaoSian HuaGuan Products Co., Ltd. (the "SiaoSian HuaGuan")	A subsidiary of the Company
RONG-TE, LIN	Chairman of the Company
YOU-YU, LIN	Director of the Company

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

(2) Significant transactions with related parties

i. Purchase

Purchases of the Company from related parties are as follows:

	2021	2020
Subsidiary – Xinyi Penglai	\$ -	1,367

ii. Amount due from related parties

Amount due from related parties of the Company is detailed as below:

Accounting item	Category of related parties	2021.12.31	2020.12.31
Other receivables	Subsidiary – Xinyi China	\$ 449,664	655,385
Other receivables	Subsidiary –Guan Zhong Trading	2,078	-
		\$ 451,742	655,385

iii. Loans provided (accounted for as other receivables – related parties)

The actual utilization of loans provided by the Company to related parties is as follows:

	2021.12.31	2020.12.31
Subsidiary – Xinyi China	\$ 434,400	648,000

Interests received by the Company for 2021 and 2020 were NT\$28,885 thousand and NT\$29,850 thousand, respectively.

iv. Endorsement and guarantee

Endorsement and guarantees provided by the Company for bank borrowings of related parties are as follows:

	2021.12.31	2020.12.31
Subsidiary - Guan Zhong Trading	USD 732	USD 439
Subsidiary – Xinyi Penglai	USD -	USD 5,000
Subsidiary – Swanview	USD -	USD 2,000

v. Property transaction

Acquisition of property, plant and equipment

The acquisition considerations for property, plant, and equipment acquired by the Company from related parties are summarized as follows :

2021

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Subsidiary – Xinyi China	\$	902
Subsidiary –Guan Zhong Trading		566
		\$ 1,468

In 2021, the Company acquired sundry equipment from subsidiaries in a total consideration of NT\$1,468 thousand; as of 31 December 2021, the outstanding payment was NT\$0.

VI. Lease

In 2021, the company lease the warehouse to the subsidiary for business use and sign a 1~3 year lease contract with reference to the rental market in neighboring areas. The relevant details are as follows

Related parties	Period	monthly rent (untaxed)	rental income (untaxed)
2021			
Subsidiary - Guan Zhong Trading	2021.01.01 ~ 2021.12.31	\$ 114	1,343
Champion Highwealth	2021.08.01 ~ 2024.05.31	57	286

VII. Other

(1) For properties of the Company registered under the names of other related parties, please see Note 6(6) for details

(2) Due to the needs of operation and management, Guanzhong Trading is entrusted by the company to provide labor services. It will report other income of NT\$1,390 thousand in 2021.

(3) Due to operational needs, the company purchased supplies and consumables from Xinyi Penglai, the reported manufacturing cost is NT\$267 thousand in 2021.

(iii) Compensation for executives

	2021	2020
Short-term employee benefits	\$ 7,475	7,986
Post-employment benefits	166	124
Other long-term benefits	2,203	1,242
	\$ 9,844	9,352

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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>2021.12.31</u>	<u>2020.12.31</u>
Inventories (houses and lands available for sale)	Guarantee for borrowings	\$ -	29,448
Investment properties	"	81,463	113,765
Property, plant and equipment	"	1,026,720	1,051,304
Other financial assets - Current	Guarantee for borrowings	120,018	120,012
Other financial assets - Current	Provisions for litigations	-	2,400
		<u>\$ 1,228,201</u>	<u>1,316,929</u>

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>2021.12.31</u>	<u>2020.12.31</u>
Unused letter of credits issued		
USD	<u>\$ 518</u>	<u>847</u>
Euro	<u>\$ -</u>	<u>412</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>2021.12.31</u>	<u>2020.12.31</u>
Guaranteed notes submitted	<u>\$ 152,000</u>	<u>132,000</u>

iii. Guarantee notes received incurred to the Company for sales to distributors, purchase of machinery and equipment, and construction warranty are detailed as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Guarantee notes received	<u>\$ 337,382</u>	<u>295,438</u>

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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:

	2021.12.31		2020.12.31	
	Total contract consideration	Unpriced amount	Total contract consideration	Unpriced amount
Euro	\$ 1,226	938	923	539
USD	300	110	668	200
NTD	55,637	34,189	49,361	29,692

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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 2021 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

To adjust the capital structure and improve the ROE, on 28 March 2022, the Board resolved to perform a capital reduction of the Consolidated Company in cash, with an amount of NT\$433,782,080, with a reduction of 100 shares per 1,000 shares. After the proposal is passed by the shareholders’ meeting and becomes effective after being

Champion Building Materials Co., Ltd.
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submitted to the competent authority for declaration, it is intended to authorize the Chairman to set the base day for the capital reduction, the base day for the share conversion, and determine other relevant matters.

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:

	Expect to be recovered or settled within 12 months	Expect to be recovered or settled after 12 months	Total
2021.12.31			
Inventories (Houses and lands available for sale)	\$ -	59,339	59,339
2020.12.31			
Inventories (Houses and lands available for sale)	\$ -	65,344	65,344

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(2) The functions of employee benefits, depreciation, and amortized expenses are summarized as follows:

Function Nature	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$ 324,176	100,128	424,304	328,829	98,486	427,315
Labor and health insurance expenses	37,592	9,897	47,489	36,912	9,467	46,379
Pension expenses	37,415	11,121	48,536	13,616	5,132	18,748
Remuneration for Directors	-	14,264	14,264	-	3,540	3,540
Other employee benefit expenses	27,715	5,465	33,180	19,885	5,336	25,221
Depreciation expenses	138,915	33,889	172,804	128,178	28,065	156,243
Amortization expenses	18,235	1,362	19,597	16,519	4,240	20,759

- i. For 2021 and 2020, the depreciation under operating costs is breakdown losses of NT\$39,308 thousand and NT\$34,000 thousand, respectively.
- ii. For 2021 and 2020, additional information related to the Company's number of employees and employee benefit expenses is as follows:

	2021	2020
Number of employees	<u>708</u>	<u>767</u>
Number of Directors who are not concurrently employees	<u>6</u>	<u>6</u>
Average employee benefit expenses	<u>\$ 788</u>	<u>680</u>
Average employee salary expenses	<u>\$ 604</u>	<u>562</u>
Average employee salary expense adjustments	<u>7.47%</u>	
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

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

Champion Building Materials Co., Ltd.
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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 2021, 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 the borrower is a related party	Maximum amount for the period	Closing balances	Actual amount utilized	Interest rate range	Loan nature	Amount for business contact	Reason for the requirement of short-term financing	Amount provided for loss allowances	Collateral		Loan limit to the respective borrower	Total limit for loans
													Title	Title		
0	The Company	Xinyi China	Other receivables	Yes	999,120	651,600	434,400	4.8%	Note 1	-	Working capital	-	-	-	1,299,643	2,599,286
0	The Company	Champion Highwealth	Other receivables	Yes	10,000	10,000	-	2%~2.5%	Note 1	-	Working capital	-	-	-	1,299,643	2,599,286
1	Swanview	Xinyi China	Other receivables	Yes	215,904	132,864	132,864	2.5%~3%	Note 1	-	Working capital	-	-	-	797,425	797,425
1	Swanview	Xinyi	Other	Yes	224,208	113,488	112,175	2.5%~3%	Note 1	-	Working capital	-	-	-	797,425	797,425

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2	Xinyi China	Penglai SiaoSian HuaGuan	receivables Other receivables	Yes	21,720	21,720	11,229	-	1 Note 1	-	capital Working capital	-	-	-	775,618	775,618
2	Xinyi China	Champion Anhui	Other receivables	Yes	130,320	130,320	43,974	-	1 Note 1	-	Working capital	-	-	-	775,618	775,618
3	Xinyi Penglai	Xinyi China	Other receivables	Yes	1,172,880	1,172,880	867,563	-	1 Note 1	-	Working capital	-	-	-	1,742,036	1,742,036

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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Notes to Individual Financial Statements (Cont'd)

ii. Endorsement and guarantee for others:

No.	Name of the company providing the endorsement and guarantee	Counterparty for the endorsement and guarantee	Relationship	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 region
0	The Company	Swanview	1	1,949,465	166,080	83,040	-	-	- %	3,249,108	Y	N	N
0	The Company	Guan Zhong Trading	1	1,949,465	81,520	61,520	20,260	-	0.31%	3,249,108	Y	N	N
0	The Company	Champion Highwealth	1	1,949,465	10,000	10,000	-	-	- %	3,249,108	Y	N	N
0	The Company	Xinyi Penglai	1	1,949,465	221,440	-	-	-	- %	3,249,108	Y	N	Y
0	The Company	Guang Li Yu Co., Ltd. (廣利宇(股)公司)	3	1,949,465	40,000	40,000	32,580	-	0.50%	3,249,108	N	N	N
1	Xinyi Penglai	Xinyi China	2	1,161,358	858,374	-	-	-	- %	1,451,697	N	Y	Y

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	Relationship 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	12,100	0.57 %	12,100	
"	Shares - KHH Arena Corporation	-	Financial assets at fair value through other comprehensive income - Non-current	1,000	10,000	0.40 %	10,000	
Xinyi China	Shares - Seagull Kitchen and Bath Products Co., Ltd.	-	Financial assets at fair value through profit or loss - Current	4,170	99,632	0.68 %	99,632	
"	Gold bankbook	-	"	-	8,170	- %	8,170	

iv. Amount of cumulative purchases or sales of the identical securities reaching NT\$3

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

million or 20% of the paid-up capital and above: None.

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:

Unit: NT\$000'

Company disposed of the property	Name of property	Occurrence date	Date of initial acquisition	Carrying amount	Transaction amount	Consideration collection status	Profit or loss from the disposal	Transaction counterparty	Relationship	Purpose of the disposal	References for the determination of the price	Other agreements
Sinyih China	Kunshan Plant and lands	110.1.29	98.3.21-101.12.5	640,690	1,958,456	1,915,153	1,393,031	Kunshan High-Tech Zone House Co., Ltd.	None	Corporate relocation in response to the arrangements made by Kunshan High-Tech Industrial Development Zone and the executed agreement	In response to the Provisional Regulations for Corporate Relocation of Kunshan High-Tech Industrial Development Zone and the executed agreement	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)		
			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	242,360	- %	Settled monthly for 90 days	-	-	(235,465)	(44)%	

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 counterparty	Relationship	Balances 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	449,664	Note	-	-	-	-
Swanview	Xinyi China	A subsidiary	132,864	Note	-	-	-	-
Swanview	Xinyi Penglai	A subsidiary	112,175	Note	-	-	-	-
Xinyi Penglai	Seagull Champion	An associate	109,321	0.05	-	-	-	-

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

Xinyi Penglai	Xinyi China	Parent company	867,563	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 2021 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%	1,993,562	649,574	649,574	
The Company	Tai Yu Investment	Taiwan	General investments	41,986	41,986	4,198	39.98%	96,353	(131)	(52)	
The Company	Guan zhong trading	Taiwan	International trade	96,000	96,000	9,600	100.00%	92,214	(5,445)	(5,445)	
The Company	Champion Highwealth	Taiwan	Cement, metal structure, and building component manufacturing	18,000	18,000	1,800	100.00%	9,266	(4,519)	(4,519)	
Swanview	Super	British Virgin Islands	Holding company	894,743	894,189	-	100.00%	192,919	-	Exempted from filling according to the requirements	

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: NTS000'

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 remitter 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, and other building materials	1,522,400 (USD55,000)	Note 1	1,319,007 (USD47,652)	-	-	1,319,007 (USD47,652)	846,465	100.00%	846,465	1,939,045	-
Xinyi Penglai	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	1,237,296 (USD44,700)	Note 2	200,957 (USD7,260)	-	-	200,957 (USD7,260)	(103,998)	100.00%	(103,998)	1,451,697	-
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	1,746,802 (USD63,107)	Note 1	341,544 (USD12,339)	-	-	341,544 (USD12,339)	(111,775)	100.00%	(111,775)	748,078	-
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	737,568 (CNY169,790)	Note 4 Note 7	-	-	-	-	14,620	43.46%	6,354	393,811	-
SiaoSian HuaGuan	Sales of kaolinite, magnet, feldspar, and silica sand	227,191 (CNY52,300)	Note 4	-	-	-	-	(12,549)	100.00%	(12,549)	144,212	-

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
1,911,608 (USD69,061)	2,987,613 (USD107,934)	3,898,930

Note 1: Investments in Mainland companies made through investing in the establishment of a company in a third region.

Champion Building Materials Co., Ltd.
Notes to Individual Financial Statements (Cont'd)

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 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 2021, please see the detailed descriptions in “Information related to significant transactions.”

(4) Information on major shareholders

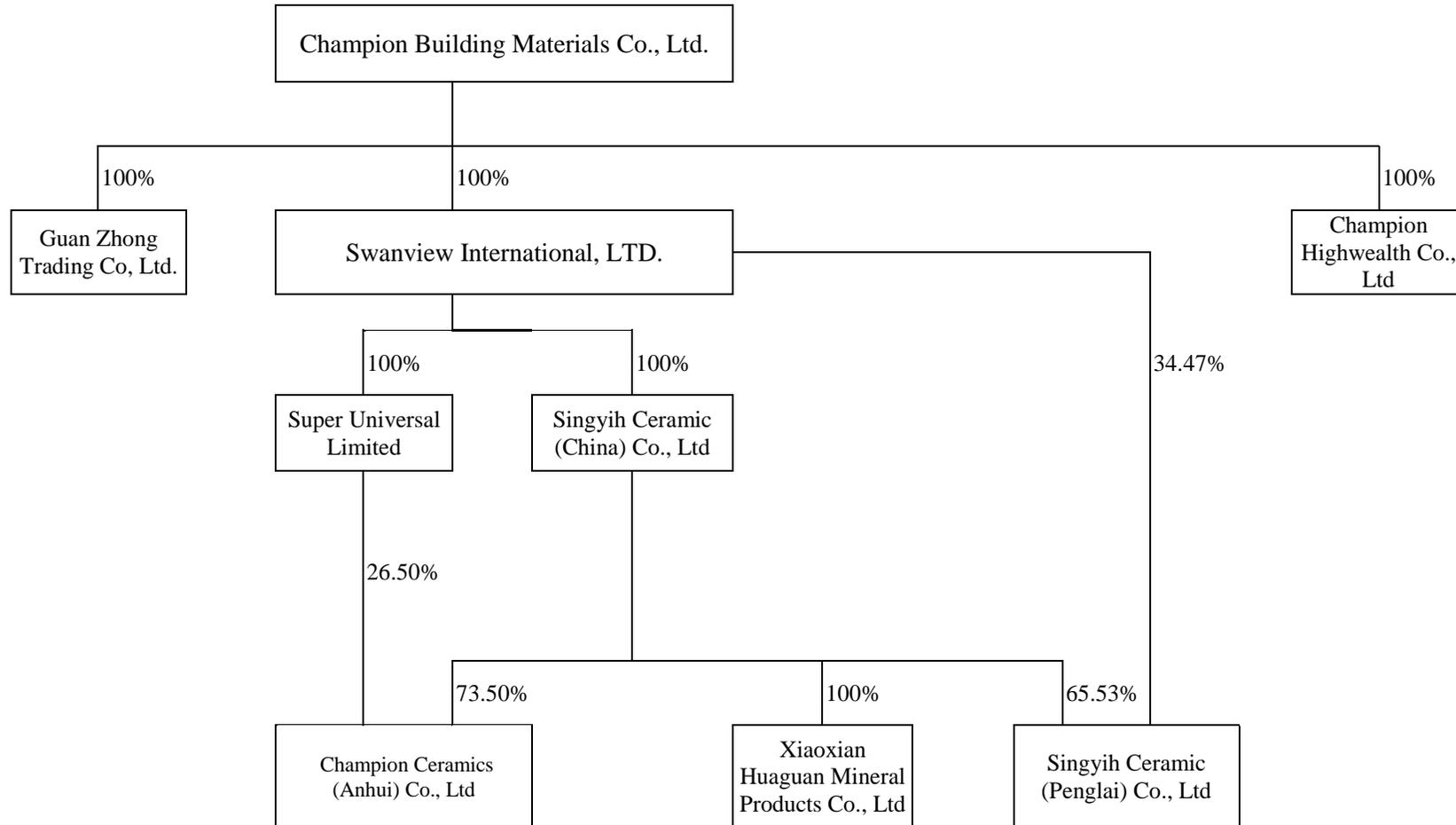
Unit: Share

Name of Major Shareholders	Shares	Number of shares held	Shareholding
Investment Account of United Commercial Bank Entrusted with Citibank Taiwan Ltd.		32,051,024	7.38%
De Qian Investment Co., Ltd. (德謙投資股份有限公司)		29,214,182	6.73%
Gui Cheng Investment Co., Ltd. (貴誠投資股份有限公司)		27,534,312	6.34%
RONG-TE, LIN		26,040,000	6.00%
Feng De Industrial Co., Ltd. (豐德實業股份有限公司)		25,207,957	5.81%
Zhong Yang Industrial Co., Ltd. (仲洋實業股份有限公司)		25,197,235	5.80%
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 2021.

I. Organizational Chart of Affiliates



II. Basic Information of Affiliates

III. 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	1. Processing, manufacturing, and trading of tiles, mosaic, electrical porcelain, refractories, and acid-resisting and alkali-resisting tools. 2. Processing, manufacturing, and trading of daily-use ceramics, artistic ceramics, and building materials. 3. Export and import trading for the above products. Engaging construction engineering suppliers to build commercial buildings and national housings for rental and sales.
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.
Champion Ceramics (Anhui) Co., Ltd	2 December 1998	Jingji Technology Development Area, Suzhou City, Anhui Province	USD 63,107,000	Manufacturing and trading of tiles.
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 their 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	11,035,000	2.54%
	Director	Corporate representative of Tai Yu Investment Co, Ltd: Chen, Jung-Yang	11,035,000	2.54%
	Independent Director	Wu, Yung-Ku	0	0%
	Independent Director	Chen, Mei-Hua	0	0%
	Independent Director	Lu Chin-Tsang	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\$ 12,139,000	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%
	Supervisor	Wang, Kuei-Feng	0	0%

Corporate name	Title	Name or representative	Shareholding		
			Number of shares/capital contribution		Shareholding/capital contribution ratio
Singyih Ceramic (Penglai) Co., Ltd	Chairman (and president)	Corporate representative of Singyih Ceramic (China) Co., Ltd: Lin, Jung-Te	Capital contribution of US\$	15,410,000	34.47%
	Director	Corporate representative of Singyih Ceramic (China) Co., Ltd: 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%
	Supervisor	Lin, He-Cun			
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%
	Supervisor	Lin, He-Cun		0	0%
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%
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: 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	8,704,827	2,206,611	6,498,216	2,912,598	416,968	991,496	2.29
Swanview International, Ltd.	USD 93,906,266	USD 50,826,635	USD 1,000,000	USD 49,826,635	USD 0	USD (5,029)	USD 23,256,572	-
Super Universal Limited	USD 12,139,000	USD 6,969,614	USD 0	USD 6,969,614	USD 0	USD (2,825)	USD -	-
Singyih Ceramic (China) Co., Ltd	RMB 423,649,854	RMB 877,993,363	RMB 431,620,762	RMB 446,372,601	RMB 51,562,503	RMB(27,339,515)	RMB 195,475,022	-
Singyih Ceramic (Penglai) Co., Ltd	RMB 329,424,700	RMB 372,116,571	RMB 37,932,674	RMB 334,183,897	RMB 12,133,128	RMB (11,882,877)	RMB (24,016,288)	-
Champion Ceramics (Anhui) Co., Ltd	RMB 409,215,975	RMB 276,919,046	RMB 104,709,834	RMB 172,209,212	RMB 21,973,418	RMB (28,118,208)	RMB (25,812,331)	-
Xiaoxian Huaguan mineral products Co., Ltd	RMB 52,300,000	RMB 48,315,164	RMB 15,117,311	RMB 33,197,853	RMB 0	RMB (2,440,061)	RMB (2,897,919)	-
Guan Zhong Trading Co, Ltd.	96,000	109,448	17,234	92,214	45,817	(6,702)	(5,445)	-
Champion Highwealth Co., Ltd	18,000	17,853	8,588	9,265	2,502	(4,594)	(4,519)	-

Champion Building Materials Co., Ltd.

Chairman: Lin, Jung-Te