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# 卓越成功股份有限公司

SUCCESS PRIME CORPORATION

## 110 年度年報

2021 ANNUAL REPORT

Printing Date: April 11, 2022

**I. Company Spokesperson and Deputy:**

Spokesperson: Shu Ling Tseng

Title: General Manager

Tel: (02) 2389-9200

E-Mail: [tricia@chenliedu.com](mailto:tricia@chenliedu.com)

Deputy spokesperson: Xiang Yi

Luo Title: Manager

Tel.: (02) 2389-9200

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

Headquarter: 15F-1, No. 17, Xuchang Street, Zhongzeng Dist, Taipei City

Tel: (02) 2389-9200

Taipei Branch : 15F-1, No. 17, Xuchang Street, Zhongzeng Dist, Taipei City

Tel: (02) 2389-9200

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

Name: Grand Fortune Securities Co., Ltd.

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

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

Tel.: (02) 2371-1658

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

CPAs: Jin-Chuan Shi, Yung-Ming Chiu

CPA Firm: Deloitte & Touche Taiwan

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

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

Tel.: (02) 2725-9988

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

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

# I. Annual Business Report

Dear Shareholders!

With the domestic epidemic outbreak in May 2021, nationwide level 3 alert policy is implemented after Junior High Assessment on May 18, 2021. The Ministry of Education announced that schools, after-school cares, and cram schools would stop on-site classes, classes have switched to live broadcast or live recordings to avoid impact on students' learning progress and maintain Company's business performance. As there are less part-time staff required on-site, the part-time salary expense was reduced, hence the 2021 operating profit performance is better than that of 2020. As the epidemic eased in early September, on-site teaching gradually resumed with social distancing seating policy and student number control policy. With the removal of optical fiber entity, Success Prime Corporation is more focused on the integration and growth of Education sector, nurturing more business opportunities within the same industry. Despite the impact of the pandemic, the Company delivered remarkable results and a stable performance in 2021.

## 1. 2021 Annual Business Report

### (1) Business Plan Outcome

The consolidated net operating income in 2021 is NT\$661,920 thousand, which is 14.74% lower than 2020 figure of NT\$776,397 thousand. The consolidated net profit attributable to the parent Company only in 2021 is NT\$56,900 thousand, which declined by 8.57% compared to 2020 figure of NT\$62,234 thousand. The decrease in consolidated net operating income was mainly attributable to the impact of the disposal of the optical fiber subsidiary in July 2020; the decrease in consolidated net profit was mainly attributable to the recognition of impairment losses of subsidiaries in China.

### (2) Budget Implementation: The Company has not disclosed financial forecasts.

### (3) Analysis of Financial Income, Expenditure and Profitability

Units: NT\$ Thousand; %

Item/Year		Consolidated		Individual		
		2021	2020	2021	2020	
Income and expenditure	Operating Income	77,212	71,543	33,098	26,789	
	Non-operating Income and Expenses	(2,956)	12,261	31,219	47,291	
	Pre-tax Income	74,256	83,804	64,317	74,080	
	Net Income	56,623	62,913	56,900	62,234	
Analysis of profitability	Return on asset	4.71	4.78	6.81	6.67	
	Return on equity	7.07	7.84	7.14	7.81	
	Pre-tax Income	38.87	43.68	33.67	38.61	
	Net Profit Margin	8.55	8.10	26.09	19.24	
	Earnings per share (basic)	Non-adjusted	3.02	3.30	3.02	3.30
		Adjusted	-	-	-	-

### (4) Research and Development

The Corporation's main business is education service with faculty and curriculum management for primary and secondary education, there is no R&D fee investments in 2021.

## 2. 2022 Business Plan Prospects

### (1) Operation Strategy

A. Establish the K12 Integrated Education platform in accordance to 2019 Education Curriculum and STEM trend, and expand new business projects.

(a) To continue promote "Chen Li Education's" high school curriculum tutorials, but also fully drive the educational sales for middle school and elementary STEM education division, adding new hybrid courses for resume certifications and new assessments.

(b) Develop the possibility of vertical integration and cross-industry cooperation, so that products and services can drive more revenue and profits.

B. Digital Products and Courses

The new digital system with new products and courses based on elementary school thinking and mathematics is promoted through elementary alliance schools and authorized schools. Chen Li Education provides various tutorial subjects ranging from Mathematics, Science and Language studies. With comprehensive unified faculty training, Chen Li Education can quickly roll out high quality teaching via online and offline channels. The rapid expansion and course replication helps grow Company's net income.

C. Deepening the Enterprise Management

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

### (2) Sales Volume Forecast and Basis

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

### (3) Important Production and Marketing Policies

In response to the outbreak of the epidemic, education institutions that are previously focuses on on-site teaching, has rapidly developed online digital division. In addition to service-based online tutoring and online Q&A, it also incorporates with the national 2019 syllabus to develop multiple courses such as resume interviews, learning credential, and independent learning. The Corporation has established a three-teachers mechanism to utilize online teachers, on-site teachers, and supervise teachers to manage the scattered students in each branch school, and continue to expand business in new districts using new innovative cooperation model.

The 'Chen Li ELEM', specially designed for kindergarten and primary schools, has built strategic alliance with other primary education institutions and elite private schools to promote mathematics, along with hands-on projected based education.

The new product differentiation and strategic partnerships has led the corporation to grow new competitive advantage within education industry. With the market reputation and sales performance grow together simultaneously, it is a promising growth driver for the Corporation in the future.

### **3. Impact from Future Development Strategies, External Market Environment, Legal Environment, and Global Environment**

The cram school education industry is a licensed industry regulated by the central government and approved by the municipal government. Our corporate value is to operate legally and pay meticulous attention to public safety, which all of our business operating locations fit all the legal criteria.

The pandemic has accelerated the new norm of online education, we increased the ratio of online classes vs. offline to accommodate the 2019 national curriculum two-wave interviews, learning credential, and independent learning. The expansion of the "One School District, One Chen Li" in various channels, provision of digital platform, new courses such as thinking dimension, hands-on project-based experiments, extra-curricular courses and winter and summer vacation camps, and improvements of teacher training and high retention rate, all serve to generate high academic performances and business profit. The combination of strategic partnerships has become a key growth driver which is expected to drive the corporation to another peak.

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

Chairman: Min-Chun Chen

## II. Company Profile

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

### **II. Company History**

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

Year	Important Events
	May: "Optical fiber laser Module Development Plan" by the Ministry of Economy industry branch subsidies.
	June: and the United States. Company signed COATING Transfer of technology and procurement from GGP Fiber Of important contracts.
2006	December: successfully developed the first fiber laser module.
2008	January: 3M (Taiwan) Co., Ltd. visited the factory to carry out FTTH on-site vertical optical cable connector (NPC) and connection sub-construction education and training, and issued a training certificate to the Company's trainees after the meeting.
	March: The Company's ECB was fully converted into the Company's common stock, and therefore introduced a new professional investor - Singapore Dark Horse Asset Management Co., Ltd., becoming the Company's largest shareholder.
	September: Company's high-strength cable, high-strength bending house optical fiber cable, high- strength fiber hopping wiring and other products through the China Telecom test specifications.
2009	February: to obtainISO-9001 (2008Annual edition) International Quality certification.
	May: to obtain high-strength bending fiber (BendSafe™) Trademarks of Taiwan region.
	September: high strength bend resistant fiber(Bend Safe™)Products obtained by Intel Corporation(Intel)Used in the latest launch of the Light Peak Solutions, and at the Intel Development Forum(IDF)Published in the.
	October: A new type of patent in Taiwan is obtained from the structure of the monthly axle-free cable winding body.
	November: The POFC study on optical fiber lasers for advanced high-power near-infrared and visible light bands for scientific research and industrial use in the cooperation program for the Qing Dynasty "was subsidized by the National Science and research program.
	December: cooperation with Asahi Ming Optoelectronics Intelligent Building Energy saving and carbon reduction program. Obtained the National Space Center of the National Experimental Institute(National Space Organization)Procurement of a batch of high-strength bending fiber(BendSafe™), And successfully completed the delivery acceptance, so thatBendSafe™Optical fibers have been successfully applied to the national space program.
2010	February: non-axle cable winding body structure to obtain a new type of patent in mainland China.
	March: to obtain high-strength bending fiber (Bend Safe™) Trademark rights in mainland China.
	April: Launched high-strength optical fiber cable with innovative "shaftless carton packaging" to break through the obstacle of FTTH.
	October: Company and Qing Dynasty industry cooperation program- Light Peak Research on novel Optical fiber for Technology "has been subsidized by the National Science Research and Development project.
2011	June: Participated in the Taipei International Optoelectronics Exhibition and demonstrated the advantages of 'BendSafe™ for FTTH cabling construction', which include more efficient use of manpower, time and cost.



Year	Important Events
	September: The Company sets up the Remuneration Committee in accordance with the provisions of the relevant laws and regulations.
2012	February: The Company hired Dr. Stan Lumish, an American optical communications expert, as a senior consultant.
	May: in order to promote corporate governance, the Company in accordance with the provisions of the relevant laws and regulations to set up audit committees.
	July: Provisional shareholders' meeting resolution through the Company changed its name to "excellent Success Co., Ltd." (Success Prime Corporation)☞
	August: Science Park Authority approved the filing Company changed its name to "excellent Success Co., Ltd." (Success Prime Corporation)☞
2014	October: Huihua Investment Co., Ltd. made a public acquisition of the Company's common stock shares.
2015	June: Participated in the <2015 Annual cross-Strait Optical communication Forum> sponsored by Cross-Strait Optical Communication Industry Alliance Council.
	June: application for scientific industrial Park R&D Cooperation program "R&D of high energy noise-like pulsed fiber laser for material processing" was developed by the Hsinchu Science Industrial Park Authority of the Ministry of Science and Technology to develop the cooperation grant for excellence in industry and science.
	September: General Manager Heng Tai Xiang participated in 2015 OF week Seminar on optical communication technology and applications, presented at the conference "How to create a rugged fiber entry solution for new hard skin fibers".
	November: exercise of employee equity first application for recognition and listing.
2016	Successful manufacture of stealth fiber successfully obtained two Chinese standard cases (Inner Mongolia; Guangdong Shaoguan China Telecom); The achievement of the product from a small amount of personal specimens began to enter the standard model of the milestone.
	General meeting of shareholders resolution through the reduction of funds to cover losses and private equity to handle cash increase in the issuance of common stock cases.
	October: acquisition of common stock of Chen Li Education Co., Ltd. 1,680,000 Shares, with a shareholding ratio of 15%
2017	March: acquisition of common stock of Chen Li Education Co., Ltd. 8,176,000 Shares, the cumulative shareholding ratio is 88%
	Chen Li Education Co., Ltd. began to be incorporated into the Company's consolidated statements.
	July: acquisition of common stock of Chen Li Education Co., Ltd. 1,344,000 Shares, the cumulative shareholding ratio is 100%
	October: investment set up subsidiary Prime Optical Fiber Co., Ltd.
2018	January: in order to expand the Kaohsiung supplementary education market, acquired Yi He Short-term cram school jointly set up an Prime Education Consulting Co., Ltd.
	March: share subscription warrants of 800,000 Share.
	August: capital reserve transferred to common stock \$8,314 Thousand NT.
2019	October: In order to develop elementary school digital education products other than national curriculum. The corporation has acquired Chuang-Si Technology Co., Ltd., and subsequently changed its name to "Chen Li Elm Co., Ltd."

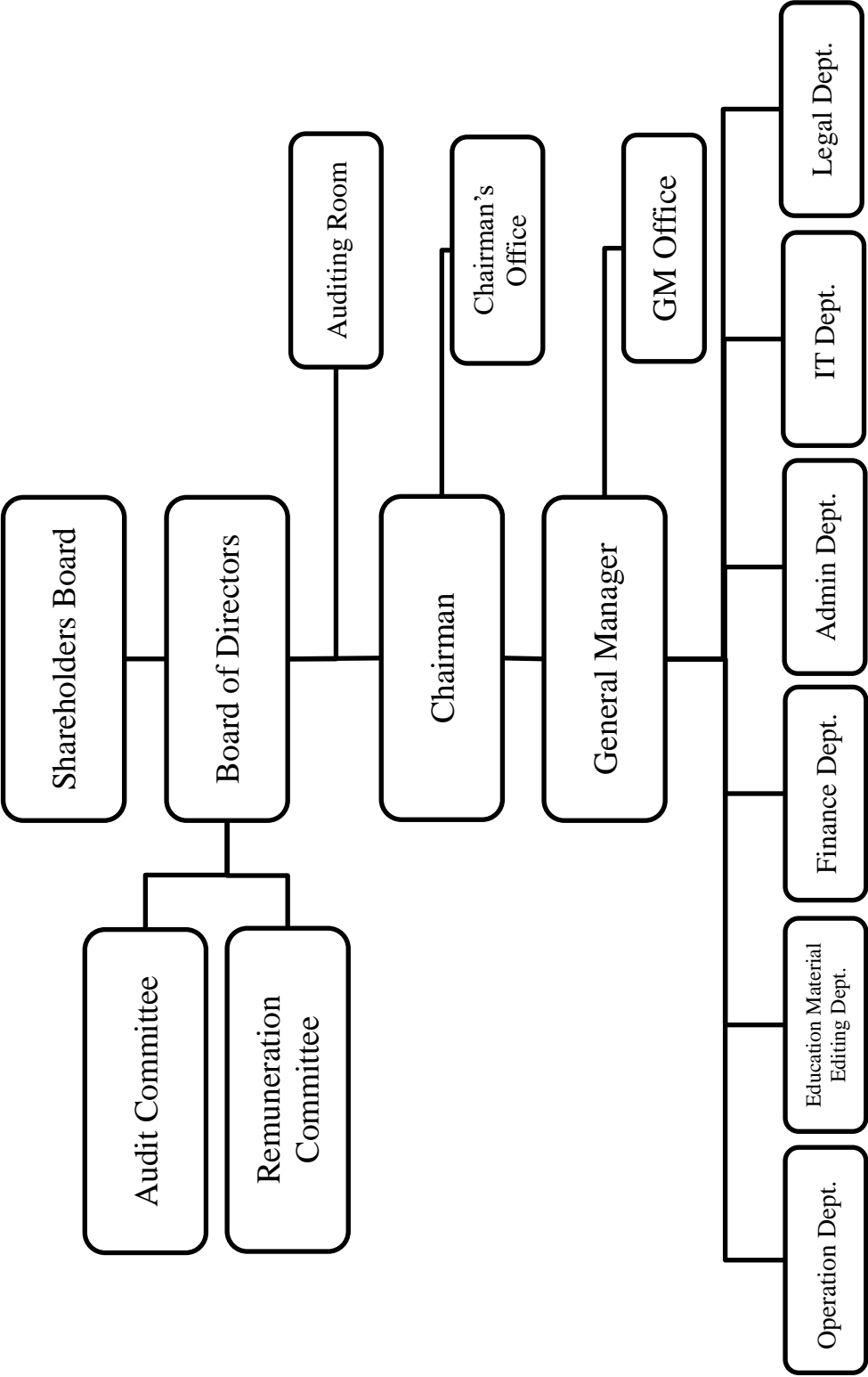


Year	Important Events
2020	January: The Corporation has joint-ventured with the head of the biology academics division to create a new entity, "Li-ren Education Co., Ltd." to further expand the operation to the field of biology.
	February: The Corporation has joint-ventured with the leading American education brand, American Eagle Institute, and Teacher Zhang Min-ru to create a new subsidiary "Chen Li Zhiyi Education Co., Ltd." This purpose of the joint-venture is to expand operations to Hsinchu Zhubei community.
	March: The board of directors have passed a resolution on the sale of the Optic fiber business Division. The sale of this division will be transferred to the Corporation's 100% owned subsidiary-Prime Optical Fiber Corporation. The base date of this sale is on 2020/05/15.
	July: The Board of Directors has approved a resolution to dispose the optical fiber subsidiary.
	August: capital reserve transferred to common stock \$17,260 Thousand NT.
	September: acquisition of common stock of Prime Education Consulting Co., Ltd 490,000Shares, the cumulative shareholding ratio is 100%. The entity is renamed as "Here Co., Ltd.".
2021	July: The Company moved out of Hsinchu Science Park and moved to Zhongzheng District, Taipei City.
	July: The treasury shares were cancelled and the capital was reduced by NT\$850,000.
	Dec: Due to the impact of the pandemic, Chen Lizhiyi Education Co., Ltd., which was mainly engaged in Hsinchu and Zhubei, was dissolved and liquidated.

III. Corporate Governance Report

I. Organization

(1) Organizational Chart



## (2) Functions of the Main Departments

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

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

### (I) Directors and Supervisors

April 11, 2022

Title	Nationality	Name	Gender	Date Elected	Years	Initial Elected Date	Shareholding when elected		Number of shares held		Spouses, minor children now hold shares		To hold shares in the name of others		Education and selected past elections	Current additional positions	Other supervisors, directors or monitors with as spouse or kin within the second-degree			Note
							Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio			Title	Name	Relationship	
Chairman	R.O.C	Min-Chun Chen	M 64	2019.05.02	3	2019.01.21 (Note 1)	-	-	236,000	1.24%	978,728	5.12%	-	-	(Note 3)	(Note 3)	Director	Shu-Ling Tseng	Spouse	Note 2
Director	R.O.C	Shu-ling Tseng	F 64	2019.05.02	3	2019.01.23	-	-	978,728	5.12%	236,000	1.24%	-	-	(Note 3)	(Note 3)	Director	Yen-Shuan Chen	Within second degree	Note 2
																	Director	Yun Chen	Within second degree	
Director																	Chairman	Min-Chun Chen	Spouse	Note 2
																	Director	Yen-Shuan Chen	Within second degree	
																	Director	Yun Chen	Within second degree	
																	-	-	-	
Director																				
Independent Director																				

Title	Nationality	Name	Gender	Date Elected	Years	Initial Elected Date	Shareholding when elected		Number of shares held		Spouses, minor children now hold shares		To hold shares in the name of others		Education and selected past elections	Current additional positions	Other supervisors, directors or monitors with as spouse or kin within the second-degree			Note
							Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio	Number of shares	Holding Ratio			Title	Name	Relationship	
Independent Director	R.O.C	Pei-Jun Hong	F 35	2019.05.02	3	2019.05.02			-	-	-	-	-	-	(Note 3)	(Note 3)	None	None	None	
Independent Director	R.O.C	Ying-De Wu	M 43	2020.06.18	Current Tenure	2020.06.18			-	-	-	-	-	-	(Note 3)	(Note 3)	None	None	None	

Note 1: On Jan 21, 2019, Min-Chun Chen served as a director as the representative of Endow Capital Management Co., Ltd., and was elected as the Chairman by the board of directors on Jan 30, 2019. On May 2, 2019, at the shareholders' meeting was elected as a director (as natural person), and was elected as Chairman by the board of directors on the same day.

Note2: The Chairman of the company, Min-Chun Chen, and the General Manager, Shu-Ling Tseng are spouses. To strengthen the independence of the board of directors, the company intends to enhance the functions of the board of directors and strengthen the supervision function by increasing the number of independent directors in 2023.

The company has the following specific measures:

- (1) The current two independent directors are specialized in the fields of financial accounting and law and can effectively play their supervisory functions.
- (2) Every year, each director is arranged to participate in the training of professional director courses by external institutions such as the Securities and Exchange Commission, so as to enhance the operational efficiency of the board of directors.
- (3) Independent directors can fully discuss and propose suggestions for the board of directors through Audit Committee and Remuneration Committee to implement corporate governance in each functional committee.
- (4) More than half of the members of the board of directors do not concurrently serve as employees or managers.

Note 3: The directors of the company currently hold the positions of the company and other companies as follows:

Title	Name	Work (Academic) Experience	Currently Holding Positions of the Company and Other Companies	
Chairman	Min-Chun Chen	National Tsinghua University, EMBA National Tsinghua University, Bachelor of Industrial Engineering Bachelor Chen Li Education, Founder	Chen Li Education Foundation, Director Li-Ren Education, Director Asia Pacific Fuel Cell Technologies, Director Top Green Bio-Bioproducts, Director EDCLASSIC INC., Chairman	King's Metal Fiber Technologies Co., Ltd, Director Chenli Education Technology, Chairman TRI-I Advanced Technology Inc, Director TRI-I Biotech Inc, Director TRI-I International, Chairman
Director	Shu-Ling Tseng	National Taiwan University, EMBA National Taiwan University, Bachelor of Foreign Language Studies	Success Prime Corporation, Director Chen Li Education, Chairman CHENLI Education Group Limited, Chairman Chen Li Education Group (HK) Limited, Chairman Chen Li (Xiamen) Education, Representative Director Chen Li ELM, Chairman	Li-Ren Education, Director Here Enterprise, Chairman Chenli Education Technology, Director Chen Li Education Foundation, Chairman Top Green Bio-Bioproducts, Supervisor
Representative Director	Xiang-Qi Fang	Fengjia University, Bachelor of Accounting	SULDE International Consulting Corporation, Chairman and General Manager SULDE Strategy, Chairman Keystone Intellectual Property Office, Director Chen Li Education Foundation, Director	Newretail Co., Ltd, Independent Director Federal Corporation, Director
Representative Director	Jin-Ru Cheng	National Taiwan University, EMBA Chinese Culture University, Bachelor of Economics Chen Li Education, Vice General Manager		
Representative Director	Yen-Shuen Chen	University of Washington, Bachelor of Graphic Design Chen Li Education, Graphic Designer Success Prime Corporation, Manager		
Representative Director	Yun Chen	McGill University, Bachelor of Finance Chen Li Education, Founder Executive Assistant	None	
Independent Director	Bing-Quan Shi	TamKang University, Masters of Accounting Deloitte & Touche, Audit Executive Manager	JYH HER CPAs, Partner Accountant	Lian Hong Art Company Limited, Independent Director
Independent Director	Pei-Jun Hong	National Taiwan University, Masters of Law National Taipei University, Bachelor of Law LCC Partners Law Firm, Attorney CHIH and WU Law Firm, Attorney	Tengri International Law Firm, Director	
Independent Director	Ying-De Wu	USA Washington University in St. Louis, J.D. USA Washington University in St. Louis, L.L.M. USA Case Western Reserve University, L.L.M. Chinese Culture University, Bachelor of Law Examination Yuan of R.O.C., Drafter and Grader Taiwan Institute of Financial Law, Member Society of International Law of R.O.C, Member World Society of International Law, Member	Chinese Culture University, Law Professor Central Police University, Assistant Law Professor National Taipei University, Assistant Law Professor National Taipei University of Business, Assistant Finance Professor Financial Ombudsman Institution, Evaluation Committee Member	TMP Steel Corporation, Independent Director Mega International Commercial Bank Co., Ltd, Director Chinese Arbitration Association Taipei, Arbitrator Chinese Arbitration Association Taipei, Financial Arbitrator

April 11, 2022

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

# 1. Disclosure of Information on the Professional Qualifications of Directors and the Independence of Independent Directors

Conditions Name	Professional Qualifications and Experience	Independence Status	As Independent Director of other public companies
Min-Chun Chen	National Tsinghua University, EMBA. Have more than five years of working experience in company business. Chen Li Education, Founder. None of the provisions of Article 30 of the Company Law apply.	Employed by the Group. Appointed by the company as a director of the Group's subsidiary. He and his spouse hold about 6.36% of the company's shares. Spouse of director Shu-Ling Tseng, and is within the second degree of kinship with directors Yen-Shuen Chen and Yun Chen.	-
Shu-Ling Tseng	National Taiwan University, EMBA. Have more than five years of working experience in company business. Success Prime Corporation, General Manager. None of the provisions of Article 30 of the Company Law apply.	Employed by the Group. Appointed by the company as a director of the Group's subsidiary. She and her spouse hold about 6.36% of the company's shares. Spouse of director Shu-Ling Tseng, and is within the second degree of kinship with directors Yen-Shuen Chen and Yun Chen.	-
Endow Capital Management Co., Ltd. Representative: Xiang-Qi Fang	Fengjia University, Bachelor of Accounting More than five years working experience in business, finance and accounting. None of the provisions of Article 30 of the Company Law apply.	As Corporate representative director. Do not own any shares of the company.	1
Endow Capital Management Co., Ltd. Representative: Jing-Ru Cheng	Chinese Culture University, Bachelor of Economics Have more than five years of working experience in company business. Was Chen Li Education, Vice General Manager None of the provisions of Article 30 of the Company Law apply.	As Corporate representative director. Hold 0.74% of Company shares.	-
Bash Consulting Co., Ltd. Representative: Yen-Shuen Chen	University of Washington, Bachelor of Graphic Design Have more than five years of working experience in company business. Chen Li Education, Arts Director None of the provisions of Article 30 of the Company Law apply.	Employed by the Group. As Corporate representative director. Hold 0.23% of Company shares. Within the second degree of kinship with directors Min-Chun Chen, Shu-Ling Tseng and Yun Chen.	-
Bash Consulting Co., Ltd. Representative: Yun Chen	McGill University, Bachelor of Finance. Have more than five years of working experience in company business. Was Chen Li Education, Founder Executive Assistant. None of the provisions of Article 30 of the Company Law apply.	As Corporate representative director. Hold 0.30% of Company shares. Within the second degree of kinship with directors Min-Chun Chen, Shu-Ling Tseng and Yen-Shuen Chen.	-
Bing-Quan Shi	TamKang University, Masters of Accounting. More than five years working experience in finance and accounting. Holds R.O.C CPA License. In 2002, joined Deloitte & Touche as the Audit Executive Manager; In 2010, joined JYH HER CPAs as Partner Accountant. During practice, obtained the certification of evaluation accountant of the R.O.C. Convener of the Audit Committee. Remuneration Committee member. None of the provisions of Article 30 of the Company Law apply.	There are no matters in Article 3 of the "Measures for the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed", which is in line with the independence criteria. Neither the independent directors themselves, their spouses, or relatives within the second degree of relatives hold company shares, nor do they hold company shares in the name of others. No business, legal, financial, accounting or other services provided by the company or affiliated companies in the past two years.	1
Pei-Jun Hong	National Taiwan University, Masters of Law More than five years working experience in business and law. Holds attorney license of R.O.C. The main practice areas are general civil and criminal litigation cases, corporate and securities business incidents, administrative relief incidents, and government legal affairs. Member of Audit Committee. Convener of the Remuneration Committee. None of the provisions of Article 30 of the Company Law apply.	There are no matters in Article 3 of the "Measures for the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed", which is in line with the independence criteria. Neither the independent directors themselves, their spouses, or relatives within the second degree of relatives hold company shares, nor do they hold company shares in the name of others. No business, legal, financial, accounting or other services provided by the company or affiliated companies in the past two years.	-
Ying-De Wu	USA Washington University in St. Louis, J.D. USA Washington University in St. Louis, L.L.M. USA Case Western Reserve University, L.L.M. Chinese Culture University, Bachelor of Law More than five years working experience in law. Chinese Culture University, Law Professor Central Police University, Assistant Law Professor National Taipei University, Assistant Law Professor National Taipei University of Business, Assistant Finance Professor Member of Audit and Remuneration Committee. None of the provisions of Article 30 of the Company Law apply.	There are no matters in Article 3 of the "Measures for the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed", which is in line with the independence criteria. Neither the independent directors themselves, their spouses, or relatives within the second degree of relatives hold company shares, nor do they hold company shares in the name of others. No business, legal, financial, accounting or other services provided by the company or affiliated companies in the past two years.	1



## 2. Diversity and Independence of the Board of Directors

### (1) Diversity of the Board

The company advocates and respects the policy of director diversity. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, a candidate nomination system is adopted for the selection and appointment of directors. Diversification policy of operation type and development needs is in consideration, including but not limited to gender, age, nationality, culture and professional knowledge and skills of candidates. The specific management objectives are as follows:

- A. Each gender of the directors shall be more than one third (inclusive) of the board of directors.
- B. Directors who concurrently serve as managers of the company shall not exceed one-third of the board of directors.
- C. At least two independent directors whose consecutive terms shall not exceed three terms.

The company currently has 9 directors (including 3 independent directors), and the implementation of diversification is as follows:

- A. 4 seats for male directors (including 2 seats for independent directors), accounting for 44%; 5 seats for female directors (including 1 seat for independent directors), accounting for 56%.
- B. 1 director who also serves as general manager, accounting for 11%; 3 directors (including GM) are employees of the Group, accounting for 33%.
- C. There are 3 independent directors in total, accounting for 33%; all independent directors' tenure does not exceed more than three terms.
- D. Diversity backgrounds of individual directors:

April 11, 2022

Title	Name	Nationality	Gender	Independent Director Tenure	Age			Professions			Core Competence				
					25~40	41~55	56~70	Industry	Finance & Accounting	Law	Business Management	Industry Knowledge	Legal	Finance Accounting	Marketing
Director	Min-Chun Chen	R.O.C	M	-			✓	✓			✓	✓			✓
Director	Shu-Ling Tseng	R.O.C	F	-			✓	✓			✓	✓		✓	✓
Director	Xiang-Qi Fang	R.O.C	M	-		✓			✓		✓		✓	✓	
Director	Jing-Ru Cheng	R.O.C	F	-			✓	✓			✓	✓			✓
Director	Yen-Shuen Chen	R.O.C	F	-	✓			✓			✓	✓			✓
Director	Yun Chen	R.O.C	F	-	✓			✓			✓	✓	✓		✓
Independent Director	Bing-Quan Shi	R.O.C	M	Below 3 years		✓		✓	✓		✓	✓		✓	
Independent Director	Pei-Jun Hong	R.O.C	F	Below 3 years	✓			✓		✓		✓	✓		
Independent Director	Ying-De Wu	R.O.C	M	Below 3 years		✓		✓		✓	✓	✓	✓		

### (2) Independence of the Board

The current board of directors consists of 9 directors, including 3 independent directors, accounting for 33%. More than half of all directors do not have a spouse or family relationship within the second degree of kinship, which complies with the provisions of Article 26-3, clause 3 of the Securities and Exchange Act; in addition, the company has set up an Audit Committee to replace the supervisor role, which Article 26-3, clause 4 of the Securities and Exchange Act does not apply. In conclusion, the Board of Directors of the Company is independent.

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

April 11 2022

Title (Note1)	Nationality	Name	Gender	Elected Date	Holding shares		Shares held by spouses and minor children		Holding shares in the name of others			Currently holds position for other companies	A manager with a relationship within a spouse or two relatives.		
					Number of shares	Holding s Ratio	Number of shares	Holdings Ratio	Number of shares	Holdings Ratio			Title	Name	Relation ship
General Manager	R.O.C	Shu Ling Tseng	F	2017/07/12	978,728	5.12%	236,000	1.24%	-	-		Please refer to page 12.	None	None	None
Accounting Manager	R.O.C	Xiang-Yi Luo	F	2019/01/29 (Note 2)	10,000	0.05%	-	-	-	-		None	None	None	None

Note 1: The Chairman of the company, Min-Chun Chen, and the general manager, Shu-Ling Tseng are spouses. To strengthen the independence of the board of directors, the company intends to enhance the functions of the board of directors and strengthen the supervision function by increasing the number of independent directors in 2023. The company has the following specific measures:

- (1) The current three independent directors are specialized in the fields of financial accounting and law, and can effectively play their supervisory functions.
- (2) Every year, each director is arranged to participate in the training of professional director courses by external institutions such as the Securities and Exchange Commission, so as to enhance the operational efficiency of the board of directors.
- (3) Independent directors can fully discuss and propose suggestions for the board of directors through the Audit and Remuneration Committee to implement corporate governance.
- (4) More than half of the members of the board of directors do not concurrently serve as employees or managers.

Note 2: Appointed on Jan 28, 2019, and completed recognition by the Board on Jan 30, 2019.

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

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

December 31, 2021 Unit: NT\$; in Thousands of Shares

Title	Name	Director's fee						A, B, C, D The ratio of 4 total amounts to net profit after tax		Concurrently employees receive related Remunerations						A, B, C, D, E, F, G. The ratio of seven total amounts to net profit after tax				Receive remuneration from non-subsidiary business or parent company									
		Payment (A)		Retirement Pension (B)		Director's Remuneration (C) (Note)		Operational Implementation costs (D)		Salary, bonus and special fee (E)	Retirement Pension (F)		Employee Reward (G) (Note)				The Company	All companies in the financial report	The ratio of seven total amounts to net profit after tax										
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report		Cash Amount	Shares	The Company	All companies in the financial report	Cash Amount	Share's amount													
Chairman	Min-Chun Chen	720	720	-	-	68	68	12	12	800	800	-	1,042	-	44	173	-	173	-	973	2,059	973	2,059	3.62%	1.71%	-	2,059	3.62%	None
Director	Shu-Ling Tseng	60	60	-	-	68	68	12	12	140	140	140	1,887	1,887	87	87	174	-	174	-	2,288	2,288	2,288	4.02%	4.02%	-	2,288	4.02%	None
Director	Endow Capital Management Co., Ltd. Representative: Xiang-Qi Fang	60	60	-	-	67	67	12	12	139	139	139	-	-	-	-	-	-	-	139	139	139	0.24%	0.24%	-	139	0.24%	None	
Director	Endow Capital Management Co., Ltd. Representative: Jing-Ru Cheng	60	60	-	-	67	67	9	9	136	136	136	-	-	-	-	-	-	-	136	136	136	0.24%	0.24%	-	136	0.24%	None	
Director	Bash Consultant Incorporated Representative: Yen-Shuen Chen	60	60	-	-	67	67	12	12	139	139	139	418	480	24	27	-	-	-	581	646	581	1.02%	1.14%	-	646	1.14%	None	
Director	Bash Consultant Incorporated Representative: Yun Chen	60	60	-	-	67	67	9	9	136	136	136	-	-	-	-	-	-	-	136	136	136	0.24%	0.24%	-	136	0.24%	None	
Independent Director	Bing-Quan Shi	120	120	-	-	202	202	12	12	334	334	334	-	-	-	-	-	-	-	334	334	334	0.59%	0.59%	-	334	0.59%	None	
Independent Director	Pei-Jun Hong	120	120	-	-	202	202	12	12	334	334	334	-	-	-	-	-	-	-	334	334	334	0.59%	0.59%	-	334	0.59%	None	
Independent Director	Ying-De Wu	120	120	-	-	202	202	9	9	331	331	331	-	-	-	-	-	-	-	331	331	331	0.58%	0.58%	-	331	0.58%	None	

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

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

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

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

Remuneration received: Director Yun Chen translated the English annual financial report and the annual report of the shareholders meeting for the company, and the translation fee was NT\$100,000.

Note: Directors' remuneration and employee remuneration in 2021 have not been actually distributed. The remuneration of directors in this table is calculated based on the actual distribution amount calculation model last year, and the employee compensation is calculated based on the proportion of the actual distribution amount last year.

(II) Supervisor's Remuneration: The company has set up an Audit Committee to replace the supervisor, hence it is not applicable.

(III) Remunerations of General Manager and Deputy General Manager

December 31, 2021 Unit: in thousands NT\$; in thousands of Shares

Title	Name	Salary(A)		Retirement Pension(B)		Bonus and Allowances (C)		Employee Remuneration (D)				A, B, C and D ratio of four total amounts to net benefits after tax		payments from outside the subsidiary
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report				
								Cash Amount	Share Amount		Cash Amount	Share Amount		
General Manager	Shu-Ling Tseng	1,791	1,791	87	87	96	96	174	-	174	-	2,148 3.77%	2,148 3.77%	None

(IV) Remuneration of the Top Five Executives with the Highest Remuneration

December 31, 2021 Unit: in thousands NT\$; in thousands of Shares														
Title	Name	Salary (A)		Retirement Pension(B)		Bonus and Allowances (C)		Employee Remuneration (D)				A, B, C and D ratio of four total amounts and net benefits after tax		Payments from outside the subsidiary
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
						Cash Amount	Share Amount	Cash Amount	Share Amount					
General Manager	Shu-Ling Tseng	1,791	1,791	87	87	96	96	174	-	174	-	2,148 3.77%	2,148 3.77%	None
Accounting Manager	Xiang-Yi Luo	1,205	1,205	63	63	150	150	118	-	118	-	1,536 2.70%	1,536 2.70%	None

Note 1: In the year of 2021, among the above mentioned only two employees meets the authority's standards of the "Top Five Remuneration Executives".

Note 2: The 2021 employee compensation has not been distributed; the table is calculated based on the ratio of the actual numbers last year.

(V) Managers Name and Distributions of Employee Remuneration s:

December 31, 2021; Unit: in thousands NT\$

	Title	Name	Stock	Cash Amount	Total	Total share of net benefits after tax (%)
Managers	General manager	Shu Ling Tseng	-	292	292	0.51%
	Head of Accounting	Xiang Yi Luo				

Note: The employee compensation for 2021 has not been actually allocated. This table is calculated according to the proportion of the actual distribution amount last year.

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

1. The ratio of the total remuneration paid to the directors, supervisors, general managers and deputy general managers of the company in the last two years to the net profit after tax of the individual or individual financial statements

Unit: in thousands NT\$

Items	Individual				Consolidated			
	2020		2021		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Directors remuneration	1,923	3.09%	2,489	4.37%	1,923	3.09%	2,489	4.37%
Supervisor remuneration	-	-	-	-	-	-	-	-
General Manager/Vice Manager remuneration	3,251	5.22%	2,148	3.77%	4,043	6.49%	2,148	3.77%
Total	5,174	8.31%	4,637	8.15%	5,996	9.58%	4,637	8.15%

The total remuneration of directors, general managers and deputy general managers paid by the company and all companies in the consolidated statements in 2021 and 2020 accounted for 8.15% and 8.31% of the net profit after tax, respectively. Since the remuneration of directors, general managers and deputy general managers is mostly fixed remuneration and salary, the general manager and deputy general manager were both reassigned to subsidiary in May 2020 in accordance with the sale of the subsidiary in July 2020. This implies that the total remuneration paid to directors, general managers and deputy general managers accounts for the proportion of net profit after tax in fact decreased compared to last year.

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

Director's remuneration includes director's compensation, director's remuneration and travel expenses, etc. With regard to the compensation, the compensation is determined with reference to the Articles of Association. Regardless of the operating profit or loss, the Board of directors is authorized to set a reasonable compensation according to individual contribution and domestic/foreign industry standards. Independent directors, on the other hand, the compensation should be set at a reasonable salary that is different from ordinary directors. In terms of board remuneration, the Articles of Association state that the remuneration shall not be

higher than 5% of the annual profit. The matters relating to the remuneration shall be submitted to both the board and the shareholders' meeting after the recommendations of the Remuneration Committee. With regard to the travel expenses, the amount is determined through the board meeting as a approved resolution after the recommendation from the Remuneration Committee. The expense will be paid directly to directors whom have attended the board meetings.

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

The company has set up a remuneration committee. The performance appraisal of directors and managers and the rationality of their remuneration are all reviewed and evaluated by the compensation and remuneration committee, and are adjusted according to the operating conditions and relevant laws and regulations. In addition to considering the company's future operational development and operational risks, it also comprehensively considers the amount of salary and remuneration, payment methods and the company's future risk issues, and at the same time evaluates the positive correlation with its operational performance, in order to achieve a balance between sustainable operation and risk control.

## IV. Corporate Governance

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

A total of 8 Board Meetings were held in the 2021. The attendance of Directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Chairman	Min-Chun Chen	8	-	100%	2019/01/21 appointed 2019/05/02 re-elected
Director	Shu-Ling Tseng	8	-	100%	2018/01/23 appointed 2019/05/02 re-elected
Director	Endow Capital Management Inc. Representative: Xiang-Qi Fang	7	1	88%	2019/05/02 appointed
Director	Endow Capital Management Inc. Representative: Jing-Ru Cheng	7	1	88%	2020/09/30 appointed
Director	Bash Consultant Incorporated Representative: Yen-Shuen Chen	8	-	100%	2019/05/02 appointed
Director	Bash Consultant Incorporated Representative: Yun Chen	6	2	75%	2019/05/02 appointed
Independent Director	Bing-Quan Shi	8	-	100%	2019/05/02 appointed
Independent Director	Pei-Jun Hong	8	-	100%	2019/05/02 appointed
Independent Director	Ying-De Wu	7	-	88%	2020/06/18 appointed

Other matters to be documented:

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

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

Date and Term of Board Meeting	Motion	Independent Directors' opinion	Corporate response to Opinions	Resolutions by the board
2021.02.26 The 12 Term, The 14 time	1. The case of buying back the shares of the company. 2. Appointment of certified accountants.	No objection or abstained opinion.	Not applicable.	After the chairman consulted all the members present, no objections were passed as approved.
2021.03.09 The 12 Term, The 15 time	1. 2020 Annual internal control system effectiveness assessment and internal control system statement case. 2. 2020 Annual business report and financial statement. 3. 2020 Annual surplus distribution proposal. 4. The case of issuing cash dividends from capital reserves. 5. It is proposed to transfer the shares to employees at a lower average price than the actual repurchased shares. 6. Audit the appointment of supervisor.			
2021.07.01 The 12 Term, The 18 time	1. The second repurchase of the company's shares transferred to employees. 2. Set the base date for the cancellation of treasury shares and capital reduction.			
2021.08.12 The 12 Term, The 19 time	1. Revise the company's internal control cycle.			
2021.11.04 The 12 Term, The 20 time	1. The case of changing the registered address of the company's head office and Taipei branch.			
2021.12.15 The 12 Term, The 21 time	1. In line with the internal adjustment of the certified accountant, the company's certified accountant is switched.			



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

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

Date of Board Meeting	Name	Motion	Reasons for avoidance of conflicts of interests	Participation
2021.05.06	Shu-Ling Tseng Min-Chun Chen Yen-Shuen Chen Yun Chen	2020 Employee Remuneration Distribution Project.	Shu-Ling Tseng and Min-Chun Chen are assigned personnel, Yen-Shuen Chen and Yun Chen are relatives within the second degree of kinship with Shu-Ling Tseng and Min-Chun Chen. All individuals have conflicts of interests.	Recused in accordance with the law and did not participate in discussions and voting.
2021.07.01	Shu-Ling Tseng Min-Chun Chen Yen-Shuen Chen Yun Chen	The second time of buying back the company's shares and transferring to employees.	Shu-Ling Tseng and Min-Chun Chen are assigned personnel, Yen-Shuen Chen and Yun Chen are relatives within the second degree of kinship with Shu-Ling Tseng and Min-Chun Chen. All individuals have conflicts of interests.	

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

Evaluation Cycle	Evaluation Period	Range	Method	Content
At Least Once per Year	2021 Full Year	Individual Board Members	Board of Directors self-evaluation	Handlings of company's goals and tasks: 4.83↑ Recognition of board responsibilities: 4.96↑ Participation in Company's operations: 4.76↑ Internal relationship management and communication: 4.78↑ Directors' Professional and Continuing Education: 4.89↑ Internal Control: 4.89↑ Others: 4.94↑
		Board of Directors	Board of Directors self-evaluation	Participation in Company's Operation: 4.91↑ Promotion of the quality of the Board: 4.93↑ Composition and Structure of the Board: 4.93↑ Directors' Professional and Continuing Education: 4.94↑ Internal Control: 4.85↑
		Functional Committee	Committee self-evaluation (first assessment)	Participation in company operations: 4.93 Functional Committee Responsibilities Perception: 4.67 Improve functional committee decision-making quality: 4.80 Functional Committee Composition and Membership: 5.00 Internal Control: 4.83

The 2021 annual performance evaluation results have been submitted to the report of the board of directors on March 9, 2022. Reviewing the evaluation results, the scores of each evaluation point in 2021 were higher than those in 2020, and the evaluation results were excellent. On the whole, the operation performance of the board of directors is good, the operation is perfect, and it meets the requirements of corporate governance.

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

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

- (2) Actively arrange directors to participate in various advanced courses to facilitate the directors to obtain relevant information to maintain their core values and professional advantages and capabilities. The directors of the company arranged for a total of 18 times in the year 2021, a total of 54 hours (Please refer to page 31 of this annual report.)
- (3) In order to enhance the transparency of information, the company website has sections such as "For Investors", "Corporate Governance" and "Stakeholders", which provide relevant information in both Chinese and English. Important information of the board of directors is also announced on the public information observatory immediately to avoid inconsistencies in information.
- (4) The company purchases liability insurance for directors and managers every year, and regularly reviews the content of the insurance policy to ensure that the insurance compensation amount and coverage meet the needs.

(II) Operation of the Audit Committee:

The company's Audit Committee is composed of 3 independent directors. Please refer to page 13 of the annual report for the professional qualifications and experience of its members.

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

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

A total of 6 Audit Committee Meetings were held in the 2021. The attendance of Independent Directors was as follows:

Title	Name	Actual attendance Number	Entrusted to attend Number	Actual attendance Rate (%)	Note
Independent director	Bing-Quan Shi	6	0	100%	2019.05.02 appointed
Independent director	Pei-Jun Hong	6	0	100%	2019.05.02 appointed
Independent director	Ying-De Wu	6	0	100%	2020.06.18 appointed

Other matters to be documented:

I. If the operation of the audit committee falls under any of the following circumstances, the meeting date of the audit committee, the period, the content of the proposals, the independent directors' objections, reservations or major recommendations, the results of the audit committee's resolutions, and the company's comments on the audit committee's opinions shall be stated. deal with.

(1) Securities and Exchange Act Article 14-5 listed:

Date and Term of Audit Committee	Motion	Independent directors' objections, reservations or major proposals	Resolution from the Audit Committee	Corporate response to Audit Committee's Opinions
2021.02.26 The 4 Term The 12 time	1. Appointment of certified accountants.	None	After the chairman consulted all the members present, no objections were passed as approved.	Proposed to the Board.
2021.03.08 The 4 Term The 13 time	1.2020 Annual Internal Control System Effectiveness Assessment and Internal Control System Statement. 2.2020 Annual business report and financial statement. 3.2020 Annual surplus distribution proposal. 4. The case of issuing cash dividends from capital reserves. 5. Audit the appointment of supervisor.			
2021.08.12 The 4 Term The 15 time	1. Revise the company's internal control cycle.			
2021.12.15 The 4 Term The 17 time	1. In line with the internal adjustment of the certified accountant, the company's certified accountant is switched.			

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

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

- (1) After the monthly audit report is reviewed, the head of internal audit will submit it to the independent directors for review within the specified time limit, and report it to the board of directors on a quarterly basis. In 2021, the independent directors did not raise any objections to the relevant reports, and the communication was good. And hold talks before the audit committee meeting, timely cooperate with the revision of external laws and the actual operation, and revise relevant internal control systems or management measures.
- (2) The company's certified accountants communicate well with independent directors. The certified accountants attend Audit Committee meetings when necessary, and independently communicate with independent directors on the responsibility and independence of the annual audit report, the internal control system of the annual audit and the audit status of key audit matters, and Other communication matters required by relevant laws and regulations...etc. During the process, if the independent directors have any questions or ideas, they can propose to discuss with the accountants, and the accountants will provide supplementary explanations. The independent directors and accountants have contact information, and they can also contact each other by e-mail, telephone and other means at any time as needed, and the communication is good.

IV. Summary of Work Priorities in 2021

- (1) Review of the Financial Reports

The board of directors submitted the company's 2020 annual business report, consolidated financial statements, parent-only financial statements and surplus distribution proposals, etc., of which the consolidated financial statements and individual financial statements were audited by Jin-Chuan Shi and Shu-Lin Liu accountants. The above-mentioned business report, consolidated financial statements, individual financial statements and surplus distribution proposals have been reviewed by the Audit Committee, and there is no discrepancy.

- (2) Evaluate the effectiveness of the internal control system

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

(3) Appointment of CPA Accountants

The Audit Committee is entrusted with the responsibility of overseeing the independence of the Certified Public Accountants to ensure the impartiality of the financial statements. In order to ensure the independence of the certified accounting firm, the Audit Committee has formulated an independence evaluation form with reference to Article 47 of the Accountants Law and the Code of Professional Ethics for Accountants Article 10 "Integrity, Impartiality, Objectivity and Independence", professional and suitability assessment, assess whether the company is a mutual relationship person, has mutual business or financial interests and other items. The Audit Committee reviewed and approved on March 8, 2021 that accountants Jin-Chuan Shi and Shu-Lin Liu of CPA firm of Deloitte & Touche met the independent assessment standards and were qualified to serve as the company's financial and tax certified accountants; then on December 15, 2021, in order to align with the needs of the internal adjustment of the accounting firm, it was reviewed and approved that Yung-Ming Chiu, an accountant of Deloitte & Touche, met the independent evaluation standards, and the certified accountants were switched from Accountants Jin-Chuan Shi and Shu-Lin Liu to Accountants Jin-Chuan Shi and Yung-Ming Chiu.

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

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
1. Does the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles?	V		The Company has based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles for guidelines on the MOPS in 2017. All information is also disclosed in the company's website.	None
2. The Company's equity structure and shareholder's equity (A) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes and litigation matters; also have the procedures implemented accordingly?	V		In addition to the stock affairs agency, the company also has a spokesperson, acting spokesperson, and stock affairs department to deal with shareholders' related matters, which can effectively deal with related issues.	None
(B) Does the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	V		The Company has a special unit responsible for handling, and appointed a brokerage stock agent to assist in the handling of shares related matters, and master the actual control of the Company's main shareholders and the main shareholders of the final controller list situation, and at any time to maintain a good communication pipeline.	None
(C) Does the Company establish and implement the risk control and firewall mechanism with the related parties?	V		Business transactions are conducted in compliance with the Company's internal control system and the relevant requirements. For reinforcing the control mechanism, the procedures for monitoring subsidiaries are regulated with proper risk control.	None
(D) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	V		The Company worked out a "Procedure Preventing Insiders' Trading" for all employees, managers and board members, as well as those who know the information based on the occupation or control relation to prohibit any behaviors that could be involved in the insider trading.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors (A) Does the board of directors formulate diversity policies, specific management objectives and implement them?	V		The Company has a diversity policy set out in the "Code of Practice on Corporate Governance". The nomination and selection of members of the board of directors of the company follows the provisions of the company's articles of association and adopts the candidate nomination system. Ensure the diversity and independence of directors. Please refer to Note 1 on page 14 of the annual report for details on the implementation of diversity by the Board of Directors.	None
(B) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		The company has set up both Remuneration and Audit committee. In the future, the company will establish other functional committees according to business needs.	Planning for future needs
(C) Does the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year?	V		The company has formulated a board of directors' performance evaluation method and evaluation takes place once a year. The evaluation for the 2021 performance have been completed in 2022 and submitted to the board on 2022.03.09. In the future, the company will expand the targets for evaluation to individual board members and functional members with regard to remunerations and re-elections. For the performance evaluation results of the Board of Directors and functional committees in 2021, please refer to page 21 of the annual report.	None
(D) Does the Company have the independence of the public accountant evaluated regularly?	V		The board of directors of the company formulates an independent assessment form for certified accountants with reference to the independence stipulated in Article 47 of the Accountants Law and the content of the "Accountants' Professional Ethics Regulation" No. 10 "Integrity, Fairness, Objectivity and Independence". After the preliminary evaluation is carried out one by one, the board of directors will be referred for re-evaluation. If there is an interim change of certified accountant, the new accountant must also complete the independent assessment of the candidate to confirm his independence.	None



Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			and then be appointed by the board of directors. On March 8, 2021, the Audit Committee reviewed and approved the resolution of the Board of Directors on March 9, 2021 to approve the company's 2021 independent assessment of certified accountants; On December 15, 2021, the audit committee reviewed and approved the resolution of the board of directors on the same day, in line with the internal adjustment of the accounting firm to replace the independent assessment of the certified public accountant in the fourth quarter of 2021. For auditors independent evaluation of important items, please see page 10 note 2 of the annual report.	
4. Does the Company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing Company registration and changes to Company registration, and producing minutes of board meetings and shareholders' meetings)?		V	The Company has a spokesperson, stock affairs supervisor, and associated stock unit assigned to establish a comprehensive communication channel, and regularly or irregularly held briefings to offer a face-to-face and comprehensive communication interface targeting on various issues and inquiries including meetings of the Board of Directors and shareholders' meeting in accordance with the law, handling Company registration and change registration, making proceedings of the Board of Directors and shareholders' meeting, etc.	No significant difference
5. Does the Company establish a communication channel and build a designated section on its website for stakeholder (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The company has set up a stakeholder area on the company's website to provide the contact information of the spokesperson and various related business departments to properly respond to the concerns of stakeholders and the smooth communication channel.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company appoints Grand Fortune Securities Co., Ltd. Stock Agency department to handle the shareholders' meeting affairs.	None
7. Information disclosure (A) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		The Company webpage has been fully set up in both Chinese and English. All financial reports, corporate governance reports will be updated on the MOPS website. The website can be found in Note 6 of the annual report.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
(B) Does the Company have adopted other information disclosure methods (such as, establishing an English website, designating responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		The company has a spokesperson system to speak on behalf of the company. Usually, the company is responsible for the disclosure of company information. The website is also set up to be bilingual in both Chinese and English for foreign investors to read.	None
(C) Does the company announce and file the annual financial report within two months after the end of the fiscal year, and announce and file the financial report for the first, second and third quarters and the operating conditions of each month before the specified deadline?		V	The company announces and declares the annual financial report within the time limit prescribed by the law, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation within the specified period	No significant difference
8. Does the company have other important information that is helpful to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, training of directors and supervisors, risk management) The implementation of policies and risk measurement standards, the implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, etc.)?	V		<p>1. The company has established an employee welfare committee, implemented a pension system to protect employees' rights and interests; regularly arranged health checks, organized employee tours from time to time, and conducted various employee trainings, focusing on employees' physical and mental health and learning and development.</p> <p>2. The company's website has set up an investor area. In the investor area, the communication channels between interested parties and the company can maintain good communication with various stakeholders.</p> <p>3. All directors should complete at least 6 hours of director courses every year. Please refer to page 31 for details of director courses.</p> <p>4. The company formulates internal control systems and various internal regulations according to law, carries out various risk management and evaluations, and the internal audit unit regularly and irregularly checks the degree of implementation of the internal control system.</p> <p>5. The company maintains good relations with customers and strictly abides by the contracts and</p>	None

Evaluation Item	Implementation Status		Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	
			<p>relevant regulations signed with customers to ensure the relevant rights and interests of customers and provide good service quality.</p> <p>6. The company has insured Director Liability Insurance from Mingtai Product Insurance Co., Ltd., and the insured amount for the year 2021 is USD 5 million.</p>
9. Please explain the improvement in the recent annual Corporate governance evaluation of the Corporate Governance center of the Taiwan Stock Exchange Co., Ltd., and propose priority enhancements and measures for those who have not yet improved. (Not required to be included in the Company under review)			
Label	Topic		Improved situation or priority enhancements and measures
2.3	Are the chairman and general manager of the company or other persons of equivalent rank (top managers) not the same person or are each other's spouse or first-degree relative?		Plan to increase the number of independent directors in 2023.
2.21	Does the company set up a corporate governance supervisor to be responsible for corporate governance-related affairs, and explain the terms of reference and training status on the company's website and annual report?		The candidate for the corporate governance director is being evaluated.
3.2	Does the company simultaneously release material information in English?		Material information has been released simultaneously in English since the year 2021.
3.12	Does the company's annual report disclose a specific dividend policy?		The Articles of Incorporation will be amended at the 2022 Annual General Meeting of Shareholders.
3.20	Has the company been invited (by itself) to hold at least two corporate briefings, and the interval between the first and last two corporate briefings in the year under evaluation is more than three months?		Corporate briefings were held in March and December 2021 respectively.

Note 1: Director's 2021 Annual Training Status

Title	Name	Date of Class	Organizers	Course Name	Hour
Director	Min-Chun Chen	2021/10/28	Securities and Futures Market Development Foundation	2021 Legal Compliance of Insider Transactions	3
Director	Shu-Ling Tseng	2021/11/09	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Conference	3
Corporate Director Representative	Xiang-Qi Fang	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
Corporate Director Representative	Jing-Ru Cheng	2021/11/09	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Conference	3
Corporate Director Representative	Yen-Shuen Chen	2021/10/28	Securities and Futures Market Development Foundation	2021 Legal Compliance of Insider Transactions	3
Corporate Director Representative	Yun Chen	2021/11/03	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Conference	3
Independent Director	Bing-Quan Shi	2021/11/03	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Conference	3
Independent Director	Pei-Jun Hong	2021/11/29	Taiwan Institute of Certified Public Accountants	Types of competition for management rights of companies and prevention and countermeasures for deadlocks	3
Independent Director	Ying-De Wu	2021/08/11	Securities and Futures Market Development Foundation	Relevant Norms and Operational Practices of the Audit Committee	3
		2021/09/22	Securities and Futures Market Development Foundation	Corporate M&A Practice Sharing - Focusing on Hostile M&A	3
		2021/10/28	Securities and Futures Market Development Foundation	2021 Legal Compliance of Insider Transactions	3
		2021/11/05	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Conference	3

Note 2: Important Assessment on the Independence of Accountants

	Possible events affecting the independence of accountants	Review Results
1. Whether there is a situation where "independence is affected by self-interest" as mentioned in Article 8 of the Bulletin on the 10th Professional Ethics.		No
2. Whether there is a situation where "independence is affected by self-assessment" as mentioned in Article 9 of the Bulletin No. 10 of the Code of Professional Ethics.		No
3. Whether there is any one of the "independence affected by defense" as mentioned in Article 10 of the Bulletin on Professional Ethics.		No
4. Whether there is any matter of the "influence of familiarity on independence" as mentioned in Article 11 of the Bulletin on Professional Ethics.		No
5. Whether there is a situation called "the effect of coercion on independence" as mentioned in Article 12 of the Bulletin No. 10 of the Code of Professional Ethics.		No
6. Whether or not the certified public accountants of the accounting firm have one of the conditions in Subparagraph 1, Subparagraph 2, Subparagraph 4, and Subparagraph 5 of Paragraph 1 of Article 47 of the Accountants Act.		No
7. Whether the legal person accounting firm has any of the situations in Subparagraph 4 to Subparagraph 6 of Paragraph 1 of Article 47 of the Accountants Law. Deloitte & Touche is not a corporate accounting firm, so this item does not apply.		Not applicable

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

##### 1. Remuneration Committee Member Information

Title	Conditions	Professional Qualifications and Experience	Independence Status	As Remuneration Committee Member of other public companies
	Name			
Independent Director (Convener)	Pei-Jun Hong	Please see page 13	Please see page 13	-
Independent Director	Bing-Quan Shi	Please see page 13	Please see page 13	1
Independent Director	Ying-De Wu	Please see page 13	Please see page 13	1

##### 2. Operations of Remuneration Committee

(1) There are 3 members of the company's Remuneration Committee.

(2) The term of the members of the current term: from May 13, 2019 to May 1, 2022. In the year 2021, Remuneration Committee held meetings four times. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance	Entrusted to attend	Actual Attendance Rate (%)	Note
Convener (Independent Director)	Pei-Jun Hong	4	-	100%	2019.05.13 appointed
Members (Independent Director)	Bing-Quan Shi	4	-	100%	2019.05.13 appointed
Members (Independent Director)	Ying-De Wu	3	-	75%	2020.05.12 appointed

Other matters to be documented:

- If the board does not adopt or amend the recommendations of the Pay compensation Board, it shall specify the date, period of the Board, the content of the motion, the outcome of the Board's resolution and the Company's treatment of the comments of the Pay Committee (If the remuneration paid by the Board of Directors is better than that of the Pay compensation committee, the difference and the reasons for it should be stated): None.
- The resolutions of the Remuneration Committee, if members have objections or reservations and have a record or written statement, shall state the date, period, content of the opinions of all members and the treatment of the members' opinions: None.
- Communication matters and resolutions this year:

Date and Term of Remuneration Committee	Motion	Resolution	The company's handling of the opinions of the Remuneration Committee
2021.03.08 The 5 Term The 5 time	1.2020 Annual employee remuneration and director remuneration distribution plan.	Consultation by the chairman, all present board members pass the proposal.	It was proposed to the board of directors and passed by a resolution of all directors' present.
2021.05.06 The 5 Term The 6 time	1. 2020 Annual Director's Remuneration Allocation Proposal. 2.2020 Annual Employee Remuneration Amount Allocation Proposal.		
2021.07.01 The 5 Term The 7 time	1. The second time to buy back the company's shares and transfer them to the employee's stock subscription list proposal.		
2021.11.04 The 5 Term The 8 time	1. To formulate a proposal for the management of the remuneration of the directors, managers and functional members of the company.		

3. Composition, responsibilities and operation of the nomination committee: The company has not established a nomination committee, so it is not applicable.

(V) Promoting Sustainable Development Implementation Status:

Evaluation Item	Operational scenarios (Note 1)		Differences from the Code of Practice for Sustainable Development of Listed OTC Companies and Reasons
	Yes	No	
1. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?		V	No significant difference
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V	<p>Considering the operational significance and impact on major issues, the relevant risk assessment boundaries are mainly based on the Company and its important subsidiaries.</p> <p>In accordance with the relevant norms of the internal control system, the company takes preventive measures in advance to reduce the losses caused by risks, and regularly identifies, evaluates, handles and monitors potential risks that may affect the company's achievement of goals, and regularly tracks and incorporates them into The daily operations of all relevant units. Based on the principle of materiality, on issues such as environmental protection, society and corporate governance, risk management policies or measures are formulated as follows:</p> <p>1. Environmental issues:</p> <p>In terms of environmental protection, various measures to save water and electricity have been introduced successively, and efforts have been made to promote and promote the implementation of resource recycling policies, striving to become an environmentally friendly company.</p> <p>2. Social issues:</p> <p>(1) In terms of occupational safety and health, fire prevention managers are selected, various safety protection measures are established, and emergency evacuation drills such as fires and earthquakes are regularly conducted; in response to the continued spread of the new crown pneumonia epidemic, all personnel entering and leaving are strictly required to wear Masks, temperature measurement and disinfection.</p> <p>(2) In terms of information security risks, regularly educate and train employees to enhance employees' awareness of information security and avoid the risk of data</p>	None

Evaluation Item	Operational scenarios (Note 1)		Differences from the Code of Practice for Sustainable Development of Listed OTC Companies and Reasons
	Yes	No	
		Summary description (Note 2)	
		<p>leakage; have confidentiality agreements and personal data protection for customers' privacy to protect the rights and interests of stakeholders; establish Firewall, improve network security and avoid the risk of external malicious intrusion and attack.</p> <p>3. Corporate governance:</p> <p>(1) In terms of compliance with laws and regulations, through internal education and training to promote corporate governance-related courses and regulations to enhance employees' awareness of compliance with laws and regulations; implement internal control mechanisms to ensure that the company's operations truly comply with relevant laws and regulations; Internal norms to reduce the risk of non-compliance.</p> <p>(2) In terms of strengthening the functions of directors, plan relevant training topics for directors, provide directors with the latest regulations, system development and policies; insure directors' liability insurance for directors to protect them from litigation or compensation due to the performance of their duties.</p> <p>(3) In terms of stakeholders, establish various communication channels and actively communicate to reduce confrontation and misunderstanding; set up investor mailboxes, which will be handled and responded by the spokesperson.</p>	
3. Development of a sustainable environment	V		None
(A) Does the company have an appropriate environmental management established in accordance with its industrial character?			
(B) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?	V		None
(C) Does the company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues?		V	No significant difference



Evaluation Item	Operational scenarios (Note 1)		Differences from the Code of Practice for Sustainable Development of Listed OTC Companies and Reasons
	Yes	No	
(D) Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?		V	Although the company has yet carried out greenhouse gas inventories, it is committed to implementing energy saving and carbon reduction, such as electronic form documents, energy saving, resource recycling, etc.
4. Social issues			
(A) Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		The company has implemented the labor-based laws, labor insurance regulations, employee welfare regulations and related laws.
(B) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?	V		The company follows labor standards laws and regulations, handles employee remuneration and vacation systems, and handles related welfare measures in accordance with the Employee Welfare Fund Regulations. The performance appraisal situation is allocated to colleagues, and a year-end bonus system is set up to motivate colleagues to work together for the company's goals.
(C) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	V		In order to provide a safe and healthy working environment, fire prevention managers are selected, various safety protection measures are established, and emergency evacuation drills such as fires and earthquakes are regularly conducted; in response to the continued spread of the new crown pneumonia epidemic, all personnel entering and leaving are strictly required to wear masks, measure body temperature and conduct disinfection.
(D) Does the company establish an effective career development training program for employees?	V		From time to time, the company will train employees for career development through daily education and training, and arrange to participate in external training in accordance with the work content, so as to enhance professional functions and help colleagues continue to improve and expand their knowledge.
			None

Evaluation Item	Operational scenarios (Note 1)		Differences from the Code of Practice for Sustainable Development of Listed OTC Companies and Reasons
	Yes	No	
(E) Has the company complied with relevant regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has formulated relevant consumer protection policies and appeal procedures?	V	The company attaches great importance to customer opinions, has provided product contact windows and email mailboxes on the company's website, and has set up a stakeholder area to provide channels for customer questions, complaints or suggestions. The company adheres to the principle of integrity and properly handles and gives feedback to protect customers' rights and interests.	None
(F) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and their implementation?	V	Before cooperating with suppliers, the company will evaluate the suitability of suppliers according to internal procedures, and conduct regular audits and evaluations to ensure that suppliers comply with relevant norms in issues such as environmental protection, safety or health.	None
5. Whether the company refers to the preparation of the international general report Standards or guidelines, preparation of corporate sustainability reports and other reports that disclose company non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?		V	Still evaluating.
6. If a company has its own sustainable development code in accordance with the "Code of Practice for Sustainable Development of Listed OTC Companies", please describe the differences between its operation and the established code: In June 2017, the board of directors of the company approved the "Code of Practice for Corporate Social Responsibility", and in November 2021, the board of directors approved and revised the code to strengthen the implementation of corporate social responsibility. The company regularly reviews the implementation of this code and makes improvements accordingly. So far, there has been no significant difference in implementation.			
7. Other important information that helps to understand the operational circumstances of corporate social responsibility: None.			

Evaluation Item	Operational scenarios (Note1)			The difference and reason of the Code of good faith management with the IPO/OTC Company
	Yes	No	Summary description	
1. The setting of good faith management policies and solutions (A) Whether the Company has stated in its regulations and external documents the policies and practices of operating in good faith and the commitment of the Board and Management to actively implement their business policies?  (B) Whether the Company has established a program for the prevention of dishonesty, and has established operational procedures, codes of conduct, disciplinary and complaint systems for irregularities and implementation in the various program?	V	V	The company has not yet established Ethical Corporate Management Best Practice Principles, but when signing various contracts external parties, they are in accordance with the principle Ethical corporate management, negotiate reasonable contract content, and actively fulfill the contractual commitments.  The company has internal operation rules and reward and punishment systems in order to prevent the occurrence of dishonesty of colleagues and establish an effective accounting system and internal control system, regularly audit the implementation of the situation, and report the results to the board of directors.	No significant differences
(C) Whether the Company shall implement preventive measures against the business activities which have a high risk of dishonest conduct within the second section of article seventh of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business scope?	V		The company's reward and punishment clauses in the "Personnel Regulations" have provisions for preventing dishonesty and have established effective accounting systems and internal control systems. Internal auditors regularly check compliance with the preceding system.	None
2. The implementation of Ethical Corporate Management (A) Whether the Company evaluates the integrity record of the subject and sets out the terms of good faith in its contract with the transaction object?  (B) Whether the Company has established a special (part) unit to promote corporate integrity management under the Board of directors and regularly reports its implementation to the board of Directors?	V	V	The company has established an evaluation mechanism for its customers and suppliers. When entering into a contract with it, the rights and obligations of both parties are specified in detail, and there are terms of good faith behavior.  The company has not set up a dedicated unit to promote the integrity of the enterprise. The management department only promotes integrity promotion partly, and occasionally publishes irrelevant information promotion through employee internal training or company announcements.	No significant difference

Evaluation Item	Operational scenarios (Note1)		The difference and reason of the Code of good faith management with the IPO/OTC Company
	Yes	No	
(C) Does the Company have a policy to prevent conflicts of interest, provide a channel for proper presentation, and implement it?	V	The company's reward and punishment clauses in the "Personnel Regulations" have provisions for preventing conflicts of interest and provide appropriate statement channels through the company's email.	None
(D) Whether the Company has established an effective accounting system and internal control systems for the implementation of good faith operations, which are regularly checked by internal audit units, or commissioned by accountants to carry out checks?	V	The Company's accounting system and internal control systems are regularly checked by internal audit units to ensure that the design and implementation of the system is practical and effective.	No significant difference
(E) Whether the Company regularly organizes education and training within and outside the integrity operation?	V	The Company does not regularly hold the relevant education and training courses in good faith management within the Company.	Plan and arrange related internal and external education and training.
3. Operation of the Company's whistle-blower system (A) Whether the Company has formulated a specific system of whistle-blowing and reward, and has established a convenient prosecution pipeline, and has assigned appropriate admissibility to the subject of the complaint Accountable personnel?	V	The company sets up personnel regulations and reward and punishment measure and has a suggestion box. If the company's personnel suspect or find violations, they can report to the company, and assign appropriate personnel to deal with the object of the report.	None
(B) Whether the Company has established standard operating procedures and relevant confidentiality mechanisms for the investigation of prosecution matters?	V	The company has established personnel regulations and reward and punishment measures, and has the duty to keep the information of the parties concerned confidential.	No significant difference
(C) Whether the Company has taken measures to protect whistleblowers from improper disposal as a result of prosecution?	V	The company has established personnel regulations and reward and punishment measures, and has the confidentiality obligation for the whistleblower, and to protect the informant from improper disposal due to the whistle blowing.	None
4. Strengthening information disclosure Whether the Company, on its website and the Public Information Observatory, exposes the contents of its Code of good faith and promotes its effectiveness?	V	The company has not yet formulated Ethical Corporate Management Best Practice Principles	It will be determined according to the company's situation.
5. If the Company has its own integrity code of practice in accordance with the "Code of good faith management of listed cabinets companies", please specify the difference between its operation and the code laid down: It has not yet been decided.			
6. Other important information to help understand the integrity of the Company's business operations: (A) The company follows the corporate law, securities trading law, business accounting law and other relevant regulations or other business conduct related laws and regulations as the basis for the implementation of management. (B) The company has signed NDA with its employees. All employees must strictly observe the secrets of the company's secrets in handling affairs and business and must not disclose them, and have the obligation to keep the company's business secrets confidential.			



Evaluation Item	Operational scenarios (Note1)		The difference and reason of the Code of good faith management with the IPO/OTC Company
	Yes	No	
(C) The company has set up the "Measures for Preventing the Management of Insider Transactions", which specifies that directors, managers and employees shall not disclose the internal information they know to others, and shall not inquire or collect from those who know the internally important information of the company A company that is not related to an individual's position has not disclosed material internal information. It is also not allowed to disclose internal material information that has not been disclosed to the company outside of any business transactions.			

- (VII) If the company has formulated a corporate governance code and related regulations, it should disclose its inquiry method: please refer to the public information observatory.
- (VIII) Other important information sufficient to enhance the understanding of the operation of corporate governance: None.
- (IX) Implementation status of internal control system
1. Internal control statement: page 40 of the detailed annual report.
  2. Those who entrust an accountant to review the internal control system should disclose the accountant's review report: Not applicable.
- (X) In the most recent year and as of the publication date of the annual report, the company and its internal personnel have been punished according to law, or the company has punished its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' rights and interests or securities prices, the content of the punishment, main deficiencies and improvements should be listed: None.
- (XI) Important resolutions of the shareholders' meeting and the board of directors in the most recent year and up to the date of publication of the annual report: see page 41 of the annual report for details.
- (XII) In the most recent year and as of the publication date of the annual report, if the directors or supervisors have different opinions on the important resolutions passed by the board of directors and have records or written statements, the main content: None.
- (XIII) A summary of the resignation and dismissal of the company's chairman, general manager, accounting director, financial director, internal audit director, corporate governance director, and R&D director in the most recent year and as of the publication date of the annual report: None.

# Success Prime Corporation

## Statement of Internal Control

Date: March 9, 2022

The internal control of the Company for 2021, based on the results of its own assessment, may state the following:

- (1) The Company is aware of the establishment, implementation and maintenance of internal control system is the responsibility of the Company's board of directors and managers, and the Company has established this system. Its purpose is to the effectiveness and efficiency of the operation (Including profit, performance and security of assets, etc.), reporting reliability, time duration, transparency and compliance with relevant norms and relevant laws and regulations to comply with the objectives of the achievement, to provide reasonable assurance.
- (2) The internal control system has its own innate limitations, no matter how perfect the design, effective internal control system can only provide limited measures to ensure the achievement of the above three objectives, and the effectiveness of the internal control system may change as a result of changes in the environment and circumstances. However, the Company's internal control system has a self-monitoring mechanism, missing once identified, the Company to take corrective action.
- (3) The Company is based on the "Open issuing Company to establish internal control system processing Guidelines" (hereinafter referred to as the "treatment criteria") under the effectiveness of the internal control system judgment project, to judge whether the internal control system design and implementation is effective. The internal control system used in the "Processing guidelines" determines the project, which is based on the process of management control, dividing the internal control system into five subsections: 1.Control of the environment, 2.Risk Assessment, 3.Operational Control, 4.Information and Communication, and 5.Supervision of the operation. Each component also includes a number of projects. Please refer to the "Handling guidelines" for the aforementioned items.
- (4) The Company has adopted the above-mentioned internal control system to assess and evaluate the effectiveness of the design and implementation of the internal control system.
- (5) Based on the results of the preceding assessment, the Company considers that the internal control system of the Company on December 31, 2021 (containing the supervision and management) of the subsidiaries, including understanding the effectiveness of the operation and the extent to which the efficiency objectives have been achieved, and that the report is reliable, timely and The design and implementation of the internal control system, such as transparency and compliance with relevant norms and relevant laws and regulations, is valid and can reasonably ensure the achievement of the above objectives.
- (6) This statement will become the main content of the company's annual report and prospectus, and will be made public. If the above-mentioned public content is false, concealment or other illegal activities, it will involve legal liability in Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- (7) This statement has been approved by the board of directors of the company on March 9, 2022. Among the 9 directors present, no one has any objection, and they all agree with the content of this statement and hereby declare.

Success Prime Corporation  
Chairman: Min-Chun Chen  
General Manager: Shu-Ling Tseng

Important resolutions of the shareholders' meeting and the board of directors in the most recent year and up to the date of publication of the annual report

1. Important resolutions and Implementations of the Shareholders Meeting:

Meeting Date	Important Resolution matters	Implementation
(Originally scheduled for May 28, 2021) 2021.07.01 Annual shareholders meeting (Postponed due to the pandemic)	<ol style="list-style-type: none"> <li>1. Approved the 2020 annual business report and final accounts list.</li> <li>2. Approved the 2020-year surplus distribution proposal.</li> <li>3. The case of issuing cash dividends through capital reserves.</li> <li>4. Amend the company's articles of association.</li> <li>5. It is proposed to transfer the shares to employees at a lower average price than the actual repurchased shares.</li> </ol>	<ol style="list-style-type: none"> <li>1. Comply with the results of the resolution.</li> <li>2. &amp; 3. Set July 24, 2021 as the ex-dividend base date, and cash dividends will be distributed on August 9, 2021.</li> <li>4. Comply with the results of the resolution and handle the change registration in accordance with the law.</li> <li>5. Set July 1, 2021 as the base date for stock subscription, and the treasury shares will be allocated to employees on August 19, 2021.</li> </ol>

2. Important Board Resolutions

Meeting Date	Important Resolutions
2021.2.26	<ol style="list-style-type: none"> <li>1. Through the case of buying back the company's shares.</li> <li>2. By revising the company's second repurchase of shares to transfer employees.</li> <li>3. Passed the independent assessment of the company's accountants.</li> <li>4. Passed the company visa accountant appointment case.</li> </ol>
2021.3.9	<ol style="list-style-type: none"> <li>1. Passed the 2020 annual internal control system effectiveness assessment and internal control system statement.</li> <li>2. Approved the 2020 annual employee compensation and director compensation distribution plan.</li> <li>3. Approved the 2020 annual business report, individual financial statements and consolidated financial reports.</li> <li>4. Approved the 2020-year surplus distribution plan.</li> <li>5. The case of issuing cash dividends through capital reserves.</li> <li>6. By revising some of the articles of the articles of association of the company.</li> <li>7. Approval of the proposed transfer to employees at a lower average price than the actual repurchased shares.</li> <li>8. Approved the proposal on the time, place and reasons for holding the 2021 Annual General Meeting of Shareholders.</li> <li>9. Passed the company's audit supervisor appointment.</li> </ol>
2021.5.6	<ol style="list-style-type: none"> <li>1. The Company's consolidated financial report for the first quarter of 2011.</li> <li>2. The company's 2019 director's remuneration distribution plan.</li> <li>3. The company's 2019 employee remuneration distribution plan.</li> </ol>
2021.6.9	<ol style="list-style-type: none"> <li>1. Re-setting the date, time and place of the 2021 Annual General Meeting of Shareholders.</li> </ol>
2021.7.1	<ol style="list-style-type: none"> <li>1. The second repurchase of the company's shares transferred to employees.</li> <li>2. Set the base date for the cancellation of treasury shares and capital reduction.</li> <li>3. Determining the ex-dividend base date and relevant schedule for cash dividends issued by the surplus and capital reserve.</li> </ol>
2021.8.12	<ol style="list-style-type: none"> <li>1. 2021 Annual 2nd Quarter Consolidated Financial Report.</li> <li>2. Application case of preferential interest rate application for the renewal of credit line of Taipei Fubon Bank and the rescue project.</li> <li>3. Revise the company's internal control cycle case.</li> </ol>
2021.11.4	<ol style="list-style-type: none"> <li>1. 2021 Annual 3rd Quarter Consolidated Financial Report.</li> <li>2. The case of changing the registered address of the company's head office and Taipei branch.</li> <li>3. To formulate a proposal for the management of the remuneration of the directors, managers and functional members of the company.</li> <li>4. Formulate the company's risk management policies and procedures.</li> <li>5. Revise the company's regulations.</li> </ol>
2021.12.15	<ol style="list-style-type: none"> <li>1. The company's 2022 annual audit plan.</li> <li>2. Handle the dissolution and liquidation of the subsidiary "Chen Li Zhiyi Education Co., Ltd.".</li> <li>3. The company's 2022 annual internal budget.</li> <li>4. To meet the needs of the internal adjustment of the certified accounting firm, replace the certified accountant of the company.</li> </ol>
2022.3.9	<ol style="list-style-type: none"> <li>1. 2021 Annual Internal Control System Effectiveness Assessment and Internal Control System Statement.</li> <li>2. 2021 Annual employee remuneration and director remuneration distribution plan.</li> <li>3. 2021 Annual business report, individual financial statement and consolidated financial report.</li> <li>4. 2021 Annual surplus distribution proposal.</li> <li>5. The case of issuing cash dividends from capital reserves.</li> <li>6. Revise some of the articles of the articles of association of the company.</li> <li>7. Revise the Company's "Measures for the Management of Acquisition or Disposal of Assets".</li> <li>8. Revise the Company's "Administrative Measures for Engaged in Derivative Commodities Trading".</li> <li>9. The 13th session of the election of directors (including independent directors).</li> <li>10. To determine the time, place and reasons for the 2022 Annual General Meeting of Shareholders.</li> <li>11. Accountants' independence assessment case.</li> <li>12. Appointment of certified accountants of the company.</li> </ol>



## V. Certified Accountants Information

(1) The amount of public audit fees and non-audit public fees paid to the certified public accountants, their affiliated firms and affiliated companies, and the content of non-audit services

Unit: in thousands NT\$

Name of the Accounting Firm	Name of Accountant	Audit Period	Audit Fee	Non-Audit Fee	Total	Note
Deloitte & Touche	Jin-Chuan Shi	2021 Full Year	2,380	500	2,880	-
	Shu-Lin Liu	2021 Q1-Q3				
	Yung-Ming Chiu	2021 Q4				

Note: The content of non-audit public expenses is NT\$220,000 for tax visa and NT\$280,000 for transfer pricing report.

1. If the accounting firm is changed and the audit fee paid in the year of change is lower than the audit fee of the year before the change: None.
2. The public audit fee has been reduced by more than 10% compared with the previous year: None.

## VI. Change of Certified Accountants Information

(1) About the Former Accountant

Replacement Date	2021.12.15			
Reason	Internal adjustment of accounting firms(Liu Jiang holds accountant's age retirement)			
Description is the termination or non-acceptance of the appointment by the appointing person or accountant	Parties		Accountant	Appointing persons
	Situation			
	Proactive termination of appointment			
	No longer accept (continue) appointed		Not applicable, for the internal rotation of the firm	
Comments and reasons for the issuance of unqualified opinions other than reservations in the latest two years	None			
Whether there is disagreement with the issuer.	Yes		Accounting principles or practices	
			Disclosure of financial reports	
			Check scope or steps	
			Other	
	None			
Note: Not Applicable				
Other disclosure matters (Article 10-6: 1-4 to 1-7 of the present guidelines shall be disclosed to the person)	None of this case.			

(2) About the Successor Accountant

Name of the Firm	Deloitte & Touche
Name of Accountant	Jin-Chuan Shi and Yung-Ming Chiu
Date of Appointment	2021.12.15
Consultation matters and results prior to appointment on accounting treatment or accounting principles for a particular transaction and comments on the possible issuance of financial reports	None of this case.
Written opinion of the successor accountant on the different opinions of the former accountant	None of this case.

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

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

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

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

Title	Name	Year ended 2021		As of April 11, 2022	
		Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)	Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)
Director	Min-Chun Chen	121,000	-	-	-
Director and General Manager	Shu-Ling Tseng	468,000	-	10,000	-
Legal Director	Far East International Commercial Bank entrusted custody of Endow Capital Management Co., Ltd. Investment Special Account	-	-	-	-
Representative of Legal Director	Endow Capital Management Co., Ltd. Representative: Xiang-Qi Fang	-	-	-	-
Representative of Legal Director	Endow Capital Management Co., Ltd. Representative: Jing-Ru Cheng (Note)	-	-	-	-
Legal Director	Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	-	-	-	-
Representative of Legal Director	Bash Consultant Incorporated Representative: Yen-Shuen Chen	44,000	-	-	-
Representative of Legal Director	Bash Consultant Incorporated Representative: Yun Chen	58,000	-	-	-
Independent Director	Bing-Quan Shi	-	-	-	-
Independent Director	Pei-Jun Hong	-	-	-	-
Independent Director	Ying-De Wu (Note)	-	-	-	-
Head of Accounting	Xiang-Yi Luo	-	-	-	-

(II) The relative person of the equity transfer is a related person: None.

(III) Equity pledge information: None.

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

April 11, 2022; Unit: Shares

NAME	HOLDING SHARES		SHARES HELD BY SPOUSES AND CHILDREN		SHARES IN THE NAME OF ANOTHER PERSON		THE NAME OR NAME AND RELATIONSHIP OF THE FORMER TOP TEN SHAREHOLDERS WHO ARE RELATED TO EACH OTHER OR TO THEIR SPOUSES AND RELATIVES WITHIN TWO RELATIVES.		NOTE
	Number of share	Holdings ratio	Number of shares	Holdings Ratio	Number of shares	Holdings Ratio	Name	Relationship	-
Far East International Commercial Bank entrusted with the custody of Endow Capital Management Co., Ltd. Investment specialty	1,890,039	9.90%	-	-	-	-	-	-	-
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.90%	-	-	-	-	-	-	-
Witty Sino Holdings Co., Ltd.	1,737,020	9.09%	-	-	-	-	-	-	-
Taipei Fubon Commercial Bank entrusted custody Optimistic Forward Investment limited.	1,599,177	8.37%	-	-	-	-	-	-	-
Shu-Ling Tseng	978,728	5.12%	236,000	1.24%	-	-	Shu-Cheng Tseng Wei Chen	Within 2 <sup>nd</sup> degree Within 2 <sup>nd</sup> degree	-
Shu-Cheng Tseng	951,564	4.98%	-	-	-	-	Shu-Ling Tseng Yen-Tang Wu	Within 2 <sup>nd</sup> degree Within 2 <sup>nd</sup> degree	-
Yen-Tang Wu	577,006	3.02%	-	-	-	-	Shu-Cheng Tseng	Within 2 <sup>nd</sup> degree	-
Far East International Commercial Bank entrusted custody Reap Global Investment Co., Ltd. Investment specialty	521,357	2.73%	-	-	-	-	-	-	-
De-Jie Investment Co., Ltd.	334,293	1.75%	-	-	-	-	-	-	-
Wei Chen	313,651	1.64%	-	-	-	-	Shu-Ling Tseng	Within 2 <sup>nd</sup> degree	-

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

December 31, 2021; Unit: Shares

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

Note: The Company adopts the equity method.

## IV. Capital Overview

### I. Capital & Shares

#### (1) Sources of Capital Stock

April 11, 2022; Unit: in thousands of NT\$ / thousands shares

Years	Issue Price	Share capital		Paid-in Capital		Note		
		Number of shares (Thousand shares)	Amount (Thousand dollars)	Number of shares (Thousand shares)	Amount (Thousand dollars)	Sources of equity	Note1	Other
1991.06	10	10,000	100,000	5,000	50,000	Cash replenishment 37,500 Replenishment of technical units 12,500	-	1990.12.29(79) Yuan Tou Zi No.15123
1992.11	10	10,000	100,000	10,000	100,000	Cash replenishment 37,500 Replenishment of technical units 12,500	-	-
1993.11	10	20,000	200,000	12,500	125,000	Cash replenishment 25,000	-	1993.11.16(82) Yuan Tou Zi No.14737
1994.09	10	20,000	200,000	17,500	175,000	Cash replenishment 50,000	-	-
1996.07	10	40,000	400,000	40,000	400,000	Cash replenishment 225,000	-	1996.05.16(85) Yuan Tou Zi No.07414
1997.09	10	120,000	1,200,000	60,000	600,000	Cash replenishment 200,000	-	1997.07.17(86) Taiwan Financial Certificates(1) No. 53384
2000.08	10	120,000	1,200,000	62,000	620,000	Cash replenishment 20,000	-	2000.07.11 (89) Taiwan Financial Certificates(1) No. 59923
2002.07	10	120,000	1,200,000	74,330	743,300	Surplus to increase capital 123,300	-	2002.07.17 (91) Taiwan Financial Certificates(1) No.0910139852
2004.08	10	120,000	1,200,000	42,801	428,010	Reduction of capital 315,290	-	2004.08.09 FSC (1)No.0930132052
2007.04	10	120,000	1,200,000	66,521	665,211	Overseas convertible Corporate debt transfer to equity 237,201.3 6	-	2007.05.29 (96) Yuan Shang Zi No.14395
2008.04	1.98	250,000	2,500,000	206,925	2,069,252	Overseas convertible Corporate debt transfer to equity 395,959.6 1	-	2008.05.26 (97) Yuan Shang Zi No.14228
2008.12	1.17	250,000	2,500,000	221,027	2,210,277	Private Cash Replenishment 1 41,025.65	-	2008.12.18 (97) Yuan Shang Zi No.36121
2009.11	1.81	250,000	2,500,000	237,602	2,376,023	Private Cash Replenishment 1 65,745.86	-	2009.11.09 (98) Yuan Shang Zi No.30801
2010.02	-	250,000	2,500,000	36,133	361,336	Reduction of capital 2,014,687.4 (In-circulation shares include 4,665,995 Shares for private equity, not yet on the market)	-	2010.02.24 (99) Yuan Shang Zi No.4674
2013.07	10	250,000	2,500,000	39,133	391,336	Private Cash Replenishment 3 0,000	-	2013.08.09 (102) Yuan Shang Zi No.1020024195
2015.06	6.3	250,000	2,500,000	46,133	461,336	Private Cash Replenishment 7 0,000	-	2015.06.29 (104) Zhu Tou Zi No.20150018177
2016.03	10	250,000	2,500,000	46,757	467,576	The exercise of shareholding voucher 6,240	-	2016.03.10 (105) Zhu Shang Zi No.1050006170
2016.08	10	250,000	2,500,000	46,917	469,176	The exercise of shareholding voucher 1,600	-	2016.08.02 (105) Zhu Shang Zi No.1050021155
2016.08	-	250,000	2,500,000	7,560	75,600	Reduction of capital 393,575.86	-	
2016.09	73.25	250,000	2,500,000	15,760	157,600	Private Cash Replenishment 82,000	-	2016.09.12 (105) Zhu Shang Zi No.1050025323
2017.08	10	200,000	2,000,000	16,548	165,480	Capital reserve transfer and replenishment 7,880	-	2017.09.06 (106) Zhu Shang Zi No.1060024094
2018.03	10	200,000	2,000,000	16,628	166,280	The exercise of shareholding voucher 800	-	2018.05.04 (107) Zhu Shang Zi No.1070013752
2018.08	10	200,000	2,000,000	17,459	174,594	Capital reserve Transfer of capital 8,314	-	2018.08.06 (107) Zhu Shang Zi No.1070023770
2020.07	10	200,000	2,000,000	19,185	191,854	Capital reserve Transfer of capital 17,260	-	2020.08.18 (109) Zhu Shang Zi No.1090023115
2021.07	10	200,000	2,000,000	19,100	191,004	Cancellation of treasury shares reduce capital by 850	-	2021.09.03 (2021) Fu Industrial Business No. 11050958140

April 11, 2022; Unit: shares

Type of Shares	Authorized Capital Stock			Note
	Circulation of external shares	Non-issued shares	Total	
Common	19,100,440	180,899,560	200,000,000	Shares of listed companies, including 178,000 Shares Treasury shares

## (2) Shareholder Structure

April 11, 2022

Shareholder structure Number	Government agencies	Financial institutions	Other legal entities	Foreign institutions and Foreigners	Personal	Total
Number	-	2	16	18	4,478	4,514
Number of shares held	-	115	2,282,373	5,944,719	10,873,233	19,100,440
Shareholding ratio	-	-	11.95%	31.12%	56.93%	100.00%

## (3) Shareholding Dispersion

April 11, 2022

Shareholding rating	Number of Shareholders	Number of shares held	Shareholding ratio
1-999	3,150	224,530	1.18%
1,000-5,000	1,099	2,011,711	10.53%
5,001-10,000	128	940,997	4.93%
10,001-15,000	42	511,099	2.68%
15,001-20,000	11	201,088	1.05%
20,001-30,000	21	510,529	2.67%
30,001-40,000	14	488,966	2.56%
40,001-50,000	9	407,890	2.14%
50,001-100,000	19	1,259,379	6.59%
100,001-200,000	9	1,249,770	6.54%
200,001-400,000	4	1,149,551	6.02%
400,001-600,000	2	1,098,363	5.75%
600,001-800,000	-	-	-
800,001-1,000,000	2	1,930,292	10.11%
1,000,001 Stocks or more	4	7,116,275	37.25%
Total	4,514	19,100,440	100.00%

## (4) List of Major Shareholders

April 11, 2022; Unit: shares

Shares Name of major shareholder	Number of shares held	Shareholding Ratio (%)
Far East International Commercial Bank entrusted with the custody of Endow Capital Management Co., Ltd. Investment specialty	1,890,039	9.90%
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.90%
Witty Sino Holdings Co., Ltd.	1,737,020	9.09%
Taipei Fubon Commercial Bank entrusted custody Optimistic Forward Investment limited.	1,599,177	8.37%
Shu-Ling Tseng	978,728	5.12%
Shu-Cheng Tseng	951,564	4.98%
Yen-Tang Wu	577,006	3.02%
Far East International Commercial Bank entrusted custody Reap Global Investment Co., Ltd. Investment specialty	521,357	2.73%
De-Jie Investment Co., Ltd.	334,293	1.75%
Wei Chen	313,651	1.64%

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

Unit: NT\$

Project		Year	2020	2021	As of April 11, 2022 (Note 8)
Market value per share (Note 1)	Highest		79.50	62.90	50.30
	Lowest		46.80	48.00	48.65
	Average		64.44	55.37	49.41
NET value per share	Before Allocation		42.10	41.18	-
	After Allocation (Note 2)		37.60	38.18	-
Per share Surplus	Weighted average number of shares(Thousand shares)		18,883	18,819	-
Earnings per share	Earnings per share	Before adjusting	3.30	3.02	-
		After Adjustment (Note 3)	-	-	-
Dividend per share	Stock grants	Cash Dividend	4.50	3.00	-
		Surplus rights Issued	-	-	-
		Capital reserve rights issued	-	-	-
	Accumulated unpaid Dividends (Note 4)		-	-	-
Investment return Analysis	P/E ratio (Note 5)		18.96	17.66	-
	Profit ratio (Note 6)		13.90	17.77	-
	Dividend Yield (Note 7)		7.19%	5.63%	-

Note 1: List the highest and lowest market prices of ordinary shares in each year, and calculate the average market price of each year based on the transaction value and transaction volume in each year.

Note 2: Please refer to the number of issued shares at the end of the year and fill in according to the resolution of the board of directors or the shareholders meeting of the following year.

Note 3: If retrospective adjustment is required due to free allotment, etc., the earnings per share before and after adjustment shall be listed.

Note 4: If the conditions for the issuance of equity securities stipulate that the unpaid dividends in the current year shall be accumulated to the year when there is a surplus, the accumulated and unpaid dividends up to the current year shall be disclosed separately.

Note 5: P/E ratio = average closing price per share for the year ÷ earnings per share.

Note 6: Cost-earnings ratio = average closing price per share for the year ÷ cash dividend per share.

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

Note 8: As of the printing date of the annual report, there is no net value per share and earnings per share calculated based on the financial information reviewed by accountants in the first quarter of 2022; the remaining columns are the information for the current year as of the printing date of the annual report.

(6) Dividend policy and implementation status of the Company

1. Dividend allocation policy as stipulated in the Articles of Incorporation

If there is an after-tax surplus in the annual accounts of the Company, it shall first make up for the loss of 10% of the statutory surplus after the previous annual losses, provided that the statutory surplus reserve has reached the amount of capital paid by the Company, and may, subject to operational requirements or statutory requirements, refer to or reverse the reserve of special surplus; In addition to considering that the business needs of the Company are retained as unallocated surpluses, the proposed surplus allocation by the Board of Directors is submitted to the shareholders' meeting for assignment. The Company is a capital-intensive industry, is currently in the business growth stage, and in order to meet the Company's long-term stable development needs, the Company's dividend policy should take into account the industry environment and surplus status, future capital expenditure needs and long-term financial planning and other situations, if there is a surplus distribution dividend, the proportion of cash dividend payment should not be less than 10% of the total dividend allocated in the current year, and the rest is issued by stock dividend.



The Company plans to revise the company's Articles of Incorporation this year and the dividend distribution policy is as follows:

This Corporation shall not pay dividends or bonuses to shareholders when there are no earnings. When allocating the earnings for each fiscal year, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the earnings left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.

After this Corporation has set aside the capital reserves pursuant to the first Paragraph of this Article, the balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting: Earnings may be distributed in total after taking into consideration financial, business and operational factors. Earnings of this Corporation may be distributed by way of cash dividend and/or stock dividend.

The Company is in a stable growth stage. The dividend policy will consider the industrial environment and earnings status, future capital expenditure needs and long-term financial planning. If there is any surplus to distribute dividends, the total dividends distributed to shareholders should not be less than 10 % of the current year's earnings minus the adjustments. The proportion of cash dividends shall not be lower than 10% of the total dividends distributed in the current year, and the remaining part shall be distributed in the form of stock dividends.

## 2 The proposed dividend distribution of the shareholders' meeting

On March 9, 2022, the 2021 earnings distribution plan was approved by the board of directors, with a cash dividend of NT\$41,629,368 (NT\$2.2 per share) and a resolution to distribute a cash dividend of NT\$15,137,952 (NT\$0.8 per share) through capital reserves, the above is still subject to the resolution of the shareholders' ordinary meeting on June 9, 2022.

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

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

- (8) Remuneration of employees, directors and supervisors

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

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



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

In 2021, the basis for evaluating the remuneration of employees and directors is to set aside 3% of the pre-tax net profit before deducting the remuneration of employees and directors in the current year as employee compensation and 1.5% as director compensation. If employee compensation is distributed in shares, the basis for calculating the number of shares is based on the closing price on the day before the resolution of the board of directors. If there is a difference between the actual distribution amount and the estimated amount, it will be treated as a change in accounting estimates and listed as profit or loss for the following year.

3. The Board of directors and distribution of remuneration

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

Unit: NT\$

Distributed Items	Employee Remuneration -Stock	Employee Remuneration -Cash	Board remuneration
Allotment status			
Actual distributed amount approved by the Board	-	2,020,432	1,010,216
Annual estimated amount of expenses recognized	-	2,020,432	1,010,216
Differences	-	-	-
Differences and explanations	Not applicable	Not applicable	Not applicable

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

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

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

Unit: NT\$

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

(9) Buy-back Shares in the Company:

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

April 11, 2022

Buy back period	The 4th Time
Buy Back the purpose	Maintain company credit and shareholders' rights
Buyback period	2021/03/02~2021/04/29
Buyback interval prices (NT\$)	NT\$34.75 to NT\$78.50
Type and quantity of buyback shares	Common shares 85,000
Value of shares bought back	NT\$4,726,537
The ratio of the quantity bought back to the estimated quantity bought back (%)	57%
Quantity of shares that have been eliminated and transferred	85,000 shares
Cumulative number of shares held by the company	178,000 shares
Cumulative holdings of shares in the company as a proportion of the total number of shares issued (%)	0.93%

Note: The cumulative number of shares held by the company is the number of shares that have not been transferred to employees after the third repurchase.

2. Continued implementation in the most recent year and up to the date of printing of the annual report: None.

**II. Company Debt: None.**

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

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

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

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

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

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

## V. Operation Overview

### (1) Business Content

#### (1) Scope of Business

##### 1. Main Business Operation

The major business operation is now the provision of education services and consulting management services for elementary schools, middle schools, and high schools.

##### 2. Operation Ratio

Unit: in thousands of New Taiwan Dollars

Account \ Operation ratio	2021	
	Sales Amount	Sales Amount
Education and Consulting Services	659,031	99.56%
Others	2,889	0.44%
Total	661,920	100.00%

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

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

##### (1) High School Department

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

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

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

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

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

### (3) Digital services

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

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

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

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

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

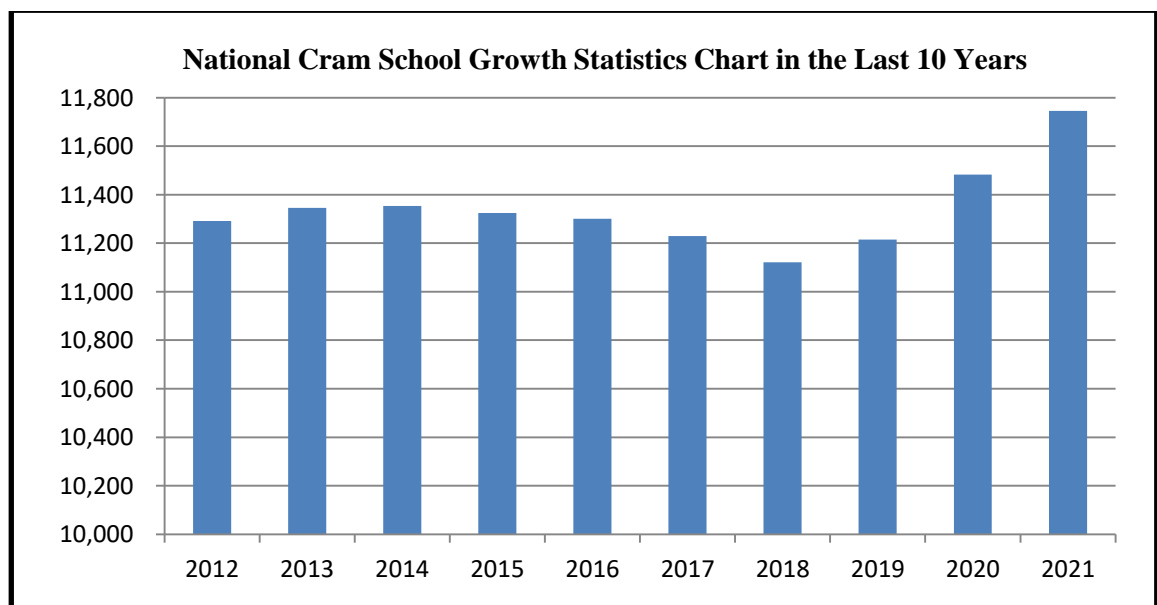
- (2) Industry Profile
1. Current Industry status and development

1) Education Business

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

In recent years, due to the impact of the declining birthrate, the Statistics Department of the Ministry of Education pointed out that because the people generally attach importance to education, the school is flourishing, and with the age of knowledge, the education and lifelong learning are gradually expanding, offsetting the impact of minority births. The GDP in the past 10 years from 2009 to 2021 has not changed much.

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

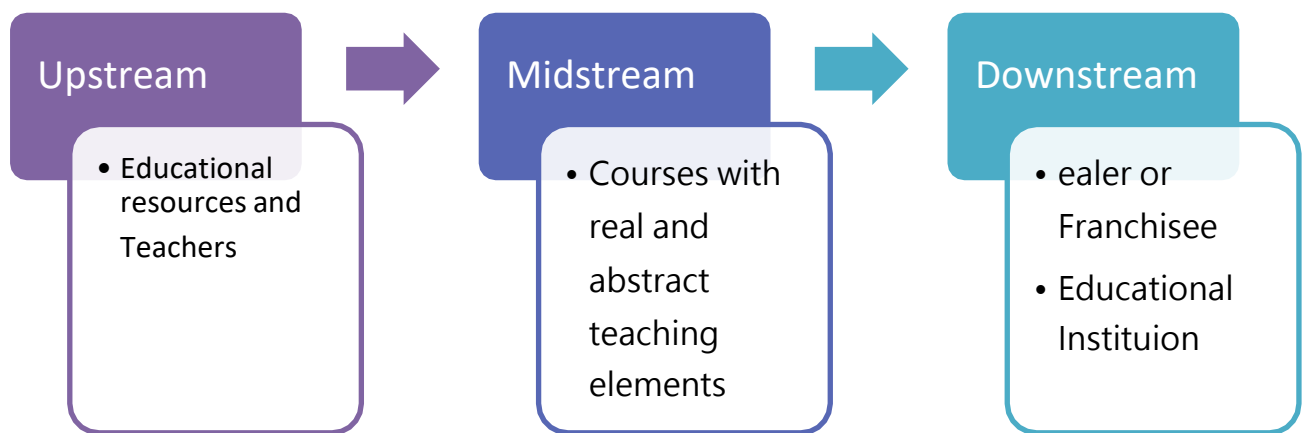


Data Source: 2022, The Ministry of Education and the county and city short-term remedial information management system

## 2. Industry upstream, midstream and downstream structure

### 1) Education Business

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



## 3. Various Development Trends of Products

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

In order to generate a more comprehensive operation development, the corporation will leverage on the resource integration of various subsidiary education entities, and will rapidly develop blank markets and expand market share through the dual-track strategy of "direct management + alliance". The 10 branch schools in Taiwan are the basis for the development strategy:

- (1) Establish a digital department to gain wider coverage in areas that have not been reached upon.
- (2) In response to the 2019 syllabus, the senior high school has successively launched certification courses, digital courses, and testing courses, as well as adjustments to the test course schedule, classification of teaching materials, and other related plans.

- (3) In response to the pandemic, strengthen digital services such as appointment-based online education counseling, online lesson observation and continuous online learning.
- (4) Continue to actively expand the market of junior high schools and elementary schools.

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

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

#### 4.Competition Overview

Chen Li Education has marked itself as the most competitive education enterprise dominating all age groups across the K-12 curriculum. There are 10 provincial branches of the province extending from North to south, and covering from High school mathematics professional field to the general high school education, the general middle school education, and elite elementary education, making Chen-Li one of the leading enterprises in this field.

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

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

#### (3) Technology and Innovation Overview

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

As main business of the Group is to provide short-term education services. There is no full-time R&D department, hence there is no investment in R&D expenses in 2021.

2. Successfully developed technology or product

- (1) High school general subjects, higher vocational mathematics, middle school mathematics, elementary school mathematics, elementary school STEMath digital electronic courses series
- (2) Intelligent Test diagnosis system for middle and high school
- (3) Online Counselling Q&A Services



(4) Long-term and short-term business development plans

1. Short-term plan

(1) Continue to increase the market share of the "Chen Li Education" brand in the education market

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

In 2021 Q4, core mathematics was introduced to large-scale parenting care centers. Under the pandemic, the self-study-based elementary school mathematics combined with the AI placement assessment system will help the income growth of the elementary school.

(2) Strengthen the services of digital products

Actively develop cloud-based smart digital courses in high schools and junior high schools, online Q&A digital platforms, long-term reading camps, three-teaching system consists of online prestigious teachers, offline teachers and strict management, and facilitation of co-learning between parents and students. Improvements on planning different physical curriculum combinations and digital learning products, and generate mutual support for virtual and real teaching.

2. Mid-term plan

(1) Through digital tools and services, carry out physical sales of digital services, increase revenue and profit.

(2) Continue to explore the possibility of inter-industry and inter-industry cooperation, and seamlessly cooperate and integrate with online functional operators that can create synergy cross platforms, including program design courses, robotics courses, artificial intelligence and big data courses so as to provide more diversified products and services across national boundaries. Goal is to transfer Success Prime Corporation into a comprehensive education platform.

3. Long-term plan

The pandemic has accelerated the norm to switch to online medium, where the original brand and product core competence will be used to build a global Asia education service platform under the Chen Li education brand, integrate world education resources, and make Chen Li Education the most influential Asia education leading brand.

## (2) Overview of the Market, Production and Sales

### (1) Market analysis

#### 1. Major product sales regions

Sales Region	2020		2021	
	Amount	%	Amount	%
Taiwan	721,448	92.92%	661,920	100.00%
China	5,092	0.66%	-	-
USA	31,818	4.10%	-	-
Others	18,039	2.32%	-	-
Total	776,397	100.00%	661,920	100.00%

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

The 2021 pandemic has also accelerated the growth of K12 online education. Even in the densely populated Taiwan, the acceptance and penetration rate of digital education has also increased significantly due to the outbreak.

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

In July 2021, the China's double reduction policy was clearly promulgated and implemented, and Chen Li Xiamen Consulting Company was also affected, thus shifting the focus of development to Southeast Asia, and took extending the product line as the future strategy. Although Taiwan's low birthrate has an impact, the future trend of market polarization will help to develop high-end product courses for the younger age group. The primary school, which originally only accounted for less than 5%, and the middle school, which accounts for 10%, will target double growth and increase per capita consumption. Internally, by reducing personnel and improving performance, the lean management achieves the expected net profit rate of the budget.

#### 3. Competitive Niche

As the most important subsidiary of the Success Prime Corporation, Chen Li Education Group has been established for 30 years, the first largest educational service group in Taiwan, and the first corporate supplementary education organization in Taiwan. Chen Li Education has marked itself as the most competitive education enterprise dominating all age groups across the national K-12 curriculum. There are 10 provincial branches of the province extending from North to south, and covering from High school mathematics professional field to the general high school education, the general middle school education, and elite elementary education, making Chen-Li one of the leading enterprises in this field.

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

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

(1)Exceptional management of Teachers and Teaching Resources

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

(2)10 Direct Branches all over ten years

Many tutoring industries in Taiwan are mostly expanded by the mode of franchise and chain stores. The direct physical branch schools are limited, and their teaching quality control and brand image are difficult to maintain accurately. Chen Li is conducted in the direct mode of 10 high school branches, which can be met everywhere. Chen Li's brand, each management class is specially trained by Chen Li, teaching, administrative, marketing and multi-talented personnel, from the point of operation to each branch school to operate and layout, in order to maintain operational stability and high quality, which do not fail the students and Parents' expectations.

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

The successful three-in-one package that constitute the core of the enterprise is the selfless dedication that takes into account the quality of the teaching teachers, the efficiency of administrative management and brand management. The three components contribute to the unprecedented success of Chen Li Education Group as one of the earliest education Company to be publicly listed.

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

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

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

#### 4. Advantages, Disadvantages and Countermeasures of the Future Prospects

##### (1)Favorable factors

- A. Has more than 30 years of Taiwan's supplementary education industry management experience, has experienced the market from the demand for quality attention, good at mastering the fine team operation process, to create high- quality education services.
- B. The high cost cultivation of famous teachers, the construction of teaching team as a connection and continuation.
- C. Standardize R & D, teaching and administrative processes to establish the durability and stability of brand management.
- D. Individualized tutoring learning strategies to help each child with different learning performance to carry out a comprehensive layout and learning planning, to obtain the best strategy, to win personal learning performance.
- E. For Taiwan's largest all-around integrated teaching industry, through the integration of physical stores and virtual / digital services to maintain high penetration rate.

##### (2)Unfavorable factors

- A. Due to the small number of children and changes in education policies in the Taiwan market, the high-school, middle school, primary school and digital market sectors have undergone dramatic changes. The Company will prioritize middle and high school markets and will continue to expand kindergarten market as well as enriching its own digital content to accommodate the market trend.
- B. The teaching teacher must quantify to cope with the huge market demand and the business model, and the staff turnover rate of the part-time teachers, its administrative control and the quality of teaching problems abound.

##### (3)Countermeasures

- A. Keeping Taiwanese companies on the basis of continuous operation, maintaining stable profits, avoiding excessive shifting of the center of gravity due to the cross-border market, steady and steady, and reducing investment risks.
- B. To provide free education services with physical branch schools as the main fee field, virtual apps and websites, establish an integrated strategy of real masters and virtual assistants, and control the input costs in accordance with the acceptance of the virtual market.
- C. The epidemic has accelerated the acceptance of online education, adjustment of the integration between online and offline, the advanced level of mathematics of the 2019 syllabus, learning credential, and independent learning. The expansion of the “One School District, One Chen Li” in various channels, provision of digital platform, courses such as thinking dimension, hands-on project based experiments, club courses and winter and summer vacation camps and improvements of teacher training and high retention rate, all serve to generate high academic performances and profit. The combination of strategic partnerships has become a key growth driver which it is expected to drive the corporation to another peak.
- D. Steady and steady organic growth is not in line with the company's growth blueprint. In 2022, it will accelerate mergers and acquisitions of related online industries, and open new spots in population growth areas.

(2) Important uses of major products and production process

1. Important use of main products

The major business operation is now the provision of education services and consulting management services for elementary schools, middle schools, and high schools.

2. Main product production process

The company mainly provides labor services, and there is no manufacturing process, so it is not applicable.

(3) Main material production source

The company mainly provides labor services, and there is no manufacturing process, so it is not applicable.

(4) Customers who have accounted for more than 10% of the total purchases (sales) in any of the last two years

1. Information on major suppliers in the last two years

Unit: in thousands of New Taiwan Dollars

Project	2020				2021			
	Name	Amount	Percentage of net purchases in the whole year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases in the whole year (%)	Relationship with the issuer
1	036	44,633	15.40	None	036	45,020	20.34	None
2	Optical Fiber Related	103,547	35.73	None	Optical Fiber Related	-	-	None
3	Others	141,646	48.87	None	Others	176,289	79.66	None
	Net Purchases	289,826	100.00		Net Purchases	221,309	100.00	

Note: purchases for the educational sector mostly consist of textbook publications and cost of teachers.

Since there is still purchase amount related to optical fiber business in 2020, after deducting this part of the amount, the ratio of the amount of 036 company to the net purchase amount excluding optical fiber business for the whole year is 23.96%, and there is no significant difference in the last two years.

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

The group mainly focuses on education (tutoring business), and its sales are mainly tuition income from physical tutoring classes. Due to the characteristics of the industry, sales customers are more dispersed, and no customers accounted for more than 10% of total sales in the last two years. The combined company's net sales in the of 2020 and 2021 were NT\$776,397,000 and NT\$661,920,000 respectively.

(5) Production value in the last two years

The company mainly provides labor services and is not a manufacturing industry, so there is no production value.

(6) Sales volume value in the last two years

Unit: in thousands of NT\$

Production Value Quantity	Year		2020				2021			
			Domestic sales		Abroad sales		Domestic sales		Abroad sales	
			Qty	Value	Qty	Value	Qty	Value	Qty	Value
Education service and digital information			-	669,149	-	-	-	661,920	-	-
Optical Fiber			-	9,528	-	43,520	-	-	-	-
Cable			-	42,762	-	11,428	-	-	-	-
Others			-	10	-	-	-	-	-	-
Total			-	721,449	-	54,948	-	661,920	-	-

(3) Employees

Year		2020	2021	As of April 11, 2022
Account	Indirect personnel	234	207	214
Employee Number	Production line employees	-	-	-
	Total	234	207	214
Average age		34.83	35.14	34.82
Average years of service		4.85	5.47	5.34
Education distributed ratio	PHD	-	-	-
	Master	4.7%	5.3%	4.7%
	College	86.8%	82.7%	83.2%
	High school	6.8%	10.6%	10.7%
	Below high school	1.7%	1.4%	1.4%

(4) Information on Environmental Protection Expenditure

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

(5) Labor Relations

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

1. Employee welfare measures, further education, training

(1) In order to enable all employees to work together and create a better future, the company allocates shares to employees in accordance with the company law when increasing capital in cash, and if there is a profit in the annual accounts, except when the company has accumulated losses, Reserve the extra amount in advance, and allocate no less than 3% to all employees as employee compensation.



- (2) In addition to purchasing labor insurance, health insurance and provision of labor pension for each employee, the company also purchases group insurance for colleagues and arranges regular health checks.
- (3) Employee shareholding: In order to promote employee centripetal force, exert team spirit and participate in the company's growth together, the company provides employee shareholding opportunities to encourage colleagues.
- (4) The Employee Welfare Committee provides subsidies for marriages, funerals, hospitalization on public injury leave, etc., and provides gifts/gifts for birthdays and three festivals, and organizes employee travel from time to time, so as to adjust employees' physical and mental health, relieve work pressure, and promote the friendship between colleagues and relatives, thereby improving work morale.
- (5) The company has spared no effort in cultivating talents. New employees have complete newcomer education and training. For specific positions and related agents, professional courses are regularly trained, and management talents at all levels are actively cultivated. On-the-job training grants are provided to encourage colleagues to continue. In addition, experts and scholars are invited to give speeches to the company from time to time, so as to strengthen the company's human resources.

## 2. Retirement system

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

## 3. Situation of labor-management agreement

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



#### 4. Employee rights protection measures

The Company adopts a positive attitude towards the employees' rights and interests that they should have in accordance with the law. The company will also fully consider the impact of employees' rights and interests when formulating relevant policies. In order to achieve the maximum balance between the interests of the company and employees, the corporation must pay attention to two-way communication, and strive to provide openness and transparency among supervisors, colleagues and peers at all levels. The objective is to ensure that all colleagues can avoid the fear of discrimination, retaliation, threats or harassment. Under the circumstances, it is possible to communicate with management and share their thoughts on working conditions, management methods and many more.

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

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

### **(6) Information Security Management**

- (1) Datacom safety risk management framework, datacom security policy, specific management plan and resources invested in datacom security management

#### 1. Datacom security risk management framework

The company's information unit is responsible for coordinating and implementing information security policies, publicizing information security information, enhancing employees' information security awareness, and conducting information security inspections from time to time to strengthen information security management; the audit unit arranges information circulation according to the audit plan every year. Relevant audits to evaluate the effectiveness of the internal control of the company's information operations.

## 2. Information Security Policy

- (1) Strengthen colleagues' awareness of information security and avoid human negligence and accidents
- (2) Prevent the leakage of sensitive data and maintain the security of the physical environment
- (3) Implement effective daily maintenance to ensure sustainable operation

## 3. Specific management plan

- (1) Information security and personal data protection education, training and publicity operations are conducted irregularly, and new recruits must sign a confidentiality agreement.
- (2) When hiring/appointing personnel who may be exposed to confidential or sensitive information, appropriate security assessments should be made; when personnel are transferred or resigned, corresponding access rights should be adjusted immediately.
- (3) Before disposing of information equipment, confirm that the confidential, sensitive information and copyright software in the hard disk have been removed or overwritten.
- (4) Anti-virus software is installed on all personal computers, and the virus code is updated regularly, and the use of unauthorized software is prohibited; the user's login account and password should be managed by special personnel, and colleagues are required to regularly change the system password to maintain account security; external the connection should have a security control mechanism such as a firewall.
- (5) Appropriate backup, backup or monitoring mechanisms have been established for important information systems or equipment, and recovery and emergency prevention drills have been carried out on a regular basis.
- (6) Regularly assess and update the information security policy to ensure that it complies with relevant laws and regulations; regularly perform security assessments to ensure that if any information security incident occurs, it can be responded to and handled promptly and appropriately.

## 4. Invest resources in the safety management of Information Security

The company pays attention to the security of information communication, and prepares an appropriate budget every year to strengthen information technology and security protection. The company invested about NT\$300,000 in hardware and software related to information security management in 2021.

- (2) In the most recent year and as of the publication date of the annual report, if the loss, possible impact and countermeasures of a major information security incident cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: there is no such situation.

## (7) Important Contract

As of the date of publication of the annual report, the parties, main contents, restrictions and the date of the contract of the supply and marketing contract, technical cooperation contract, engineering contract, long-term loan contract and other important contracts that affect the shareholders' rights and interests that are still valid and expire in the most recent year: None.

## VI. Financial Information

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

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

Unit: in thousands of NT\$

Account \ Year		Financial information for the last five years (Note 1)				
		2017	2018	2019	2020	2021
Liquidity		367,325	363,261	291,797	231,652	265,968
Property, plant and equipment		271,495	304,248	309,114	294,015	287,490
Right-of-use assets		-	-	222,391	105,685	100,149
Intangible assets		485,983	488,551	497,860	494,788	492,223
Other assets		135,270	157,267	167,341	137,363	68,858
Total assets		1,260,073	1,313,327	1,488,503	1,263,503	1,214,688
Current liabilities	Before allocation	473,107	520,771	513,097	366,691	352,111
	After allocation (Note 2)	581,189	589,813	538,988	451,329	408,878
Non-current liabilities		5,206	5,744	183,860	85,365	72,785
Total liabilities	Before allocation	478,313	526,515	696,957	452,056	424,896
	After allocation (Note 2)	586,395	595,557	722,848	536,694	481,663
Equity attributable to the Owner of the parent Company		781,760	780,324	785,628	807,801	786,467
Share Capital		165,480	174,594	174,594	191,854	191,004
Capital reserve		479,549	367,081	367,081	341,190	309,100
Retained surplus	Before allocation	137,503	262,216	268,509	311,511	301,291
	After allocation (Note 2)	137,503	193,174	251,249	255,086	259,662
Other rights		(772)	(1,611)	(2,600)	(2,392)	(2,522)
Treasury stock		-	(21,956)	(21,956)	(34,362)	(12,406)
Non-controlling interests		-	6,488	5,918	3,646	3,325
Total Equity	Before allocation	781,760	786,812	791,546	811,447	789,792
	After allocation (Note 2)	673,678	717,770	765,655	726,809	733,025

Note 1: The financial information for the year 2017 ~ 2021 has been verified by an accountant.

Note 2: The company's 2021 annual earnings distribution statement has not been approved by the shareholders' meeting, so the figures after distribution are based on the resolution of the board of directors.

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

Unit: in thousands of NT\$

Account \ Year		Financial information for the last five years (Note 1)				
		2017	2018	2019	2020	2021
Liquidity		167,245	245,473	162,052	79,928	52,772
Property, plant and equipment		3,546	6,051	4,639	-	-
Right-of-use assets		-	-	84,596	-	-
Intangible assets		30	694	500	119	44
Other assets		743,299	746,440	789,267	776,623	767,054
Total assets		914,120	998,658	1,041,054	856,670	819,870
Current liabilities	Before allocation	131,086	216,322	156,933	29,084	33,058
	After allocation (Note 2)	239,168	285,364	182,824	113,722	89,825
Non-current liabilities		1,274	2,012	98,493	19,785	345
Total liabilities	Before allocation	132,360	218,334	255,426	48,869	33,403
	After allocation (Note 2)	240,442	287,376	281,317	133,507	90,170
Equity attributable to the Owner of the parent Company		781,760	780,324	785,628	807,801	786,467
Share Capital		165,480	174,594	174,594	191,854	191,004
Capital reserve		479,549	367,081	367,081	341,190	309,100
Retained surplus	Before allocation	137,503	262,216	268,509	311,511	301,291
	After allocation (Note 2)	137,503	193,174	251,249	255,086	259,662
Other rights		(772)	(1,611)	(2,600)	(2,392)	(2,522)
Treasury stock		-	(21,956)	(21,956)	(34,362)	(12,406)
Non-controlling interests		-	-	-	-	-
Total Equity	Before allocation	781,760	780,324	785,628	807,801	786,467
	After allocation (Note 2)	673,678	711,282	759,737	723,163	729,700

Note 1: The financial information for the year 2017 ~ 2021 has been verified by an accountant.

Note 2: The company's 2021 annual earnings distribution statement has not been approved by the resolution of the shareholders' meeting, so the figures after distribution are based on the resolution of the board of directors.

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

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

Account	Year	Financial information for the last five years (Note 1)				
		2017	2018	2019	2020	2021
Operating income		822,409	917,579	881,610	776,397	661,920
Operating margin		406,489	430,575	394,972	371,972	320,521
Operating profit and loss		148,698	111,810	85,548	71,543	77,212
Out-of-business income and expenditure		7,690	9,269	1,438	12,261	(2,956)
Net profit before tax (loss)		156,388	121,079	86,986	83,804	74,256
Continued business unit net profit for the current period (loss)		158,757	126,454	76,977	62,913	56,623
Loss of closed units		-	-	-	-	-
Net profit for the current period (loss)		158,757	126,454	76,977	62,913	56,623
Other consolidated gains and losses for the current period (NET after-tax amount)		(1,391)	(992)	(1,772)	858	(130)
Total consolidated gains and losses for the current period		157,366	125,462	75,205	63,771	56,493
Net profit belongs to parent Company owner		154,981	124,866	76,118	62,234	56,900
Net profit attributable to non-controlling interests		3,776	1,588	859	679	(277)
Total combined profit and loss attributable to parent Company owners		153,741	123,874	74,346	63,092	56,770
Total combined profit and loss attributable to non-controlling interests		3,625	1,588	859	679	(277)
Earnings per share (Loss) (NT\$)		8.92	7.18	4.01	3.30	3.02

Note 1: The financial information for the year 2017 ~ 2021 has been verified and verified by an accountant.

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

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

Account \ Year	Financial information for the last five years (Note 1)				
	2017	2018	2019	2020	2021
Operating income	285,701	464,440	454,271	323,451	218,012
Operating margin	142,428	182,354	127,068	67,934	51,167
Operating profit and loss	69,836	114,781	48,042	26,789	33,098
Out-of-business income and expenditure	69,599	3,343	30,517	47,291	31,219
Net profit before tax (loss)	139,435	118,124	78,559	74,080	64,317
Continued business unit net profit for the current period (loss)	154,981	124,866	76,118	62,234	56,900
Loss of closed units	-	-	-	-	-
Net profit for the current period (loss)	154,981	124,866	76,118	62,234	56,900
Other consolidated gains and losses for the current period (NET after-tax amount)	(468)	(992)	(1,772)	858	(130)
Total consolidated gains and losses for the current period	153,741	123,874	74,346	63,092	56,770
Net profit belongs to parent Company owner	154,981	124,866	76,118	62,234	56,900
Net profit attributable to non-controlling interests	-	-	-	-	-
Total combined profit and loss attributable to parent Company owners	153,741	123,874	74,346	63,092	56,770
Total combined profit and loss attributable to non-controlling interests	-	-	-	-	-
Earnings per share (Loss) (NT\$)	8.92	7.18	4.01	3.30	3.02

Note 1: The financial information for the year 2017 ~ 2021 has been verified and verified by an accountant.

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

Visa Year	Accounting firm	Name of CPA	Audit opinions
2017	Deloitte & Touche	Jian Liang Liu Sheng Xiong Yao	An Unmodified Opinion
2018	Deloitte & Touche	Jin Chuan Shi Shu Lin Liu	An Unmodified Opinion
2019	Deloitte & Touche	Jin Chuan Shi Shu Lin Liu	An Unmodified Opinion
2020	Deloitte & Touche	Jin Chuan Shi Shu Lin Liu	An Unmodified Opinion
2021	Deloitte & Touche	Jin Chuan Shi Yung-Ming Chiu	An Unmodified Opinion



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

### (1) Consolidated Financial Analysis

Items analyzed (Note 4)		Financial analysis for the last Five fiscal years (Note 2)				
		2017	2018	2019	2020	2021
Financial Structure Analysis (%)	Debt ratio	37.96	40.09	46.82	35.77	34.97
	Long-term capital to property, plant and equipment ratio	289.86	260.50	315.54	305.02	300.03
Liquidity Analysis (%)	Current ratio	77.64	69.75	56.86	63.17	75.53
	Quick ratio	64.83	57.28	51.47	60.81	72.99
	Interest coverage multiples	157.54	79.12	14.51	23.97	36.04
Operating performance Analysis	Accounts receivable turnover (times)	25.57	17.72	13.41	21.76	73.14
	Days Sales Outstanding	14.27	20.59	27.21	16.77	4.99
	Inventory turnover (times)	7.85	7.16	6.54	12.06	117.48
	Average payable turnover (times)	26.72	19.61	17.83	17.90	16.03
	Average Inventory turnover days	46.50	50.97	55.81	30.26	3.10
	Property, plant and equipment turnover (times)	5.95	3.19	2.87	2.57	2.27
	Total assets turnover (times)	0.79	0.71	0.62	0.56	0.53
Profitability Analysis	Return on total assets (%)	15.30	9.92	5.86	4.78	4.71
	Return on equity (%)	21.65	16.12	9.75	7.84	7.07
	Pre-tax income to paid-in Capital ratio (%)	94.51	69.35	49.82	43.68	38.87
	Net income ratio (%)	19.30	13.78	8.73	8.10	8.55
	Basic Earnings per share (NT\$)	8.92	7.18	4.01	3.30	3.02
Cash flow	Cash flow ratio (%)	56.50	8.90	38.63	37.62	44.84
	Cash flow adequacy ratio (%)	2.93	1.31	1.49	1.65	1.64
	Cash reinvestment ratio (%)	63.92	(註 1)	40.18	32.98	23.91
Leverage	Operating leverage	1.12	1.17	2.07	2.20	2.00
	Financial leverage	1.01	1.01	1.08	1.05	1.02

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

1. Quick ratio: An increase in current assets leads to an increase in the quick ratio.
2. Interest coverage ratio: due to repayment of bank loans and the reduction of related financial costs.
3. Receivables turnover ratio: In 2020, the Company sold its optical fiber subsidiary, and the average receivables decreased, resulting in an increase in the receivables turnover.
4. Average collection days: As explained in the previous item, the turnover rate of receivables increases, and the average collection days decreases accordingly.
5. Inventory turnover ratio: In 2020, the optical fiber subsidiary was sold, and the average inventory amount decreased, resulting in an increase in the inventory turnover ratio.
6. Average sales days: As explained in the previous item, the inventory turnover rate increases, and the average sales days decrease accordingly.
7. Cash reinvestment ratio: Since no cash dividends were issued in 2016, but cash dividends were issued in 2021, the total dividends in the last five years increased, and the cash reinvestment ratio decreased accordingly.

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

Note 2: The financial information for the year 2017 ~ 2021 has been verified by the accountant.

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

#### 1. Financial structure

- (1) Debt-asset Ratio = Total Liabilities / Total Assets.
- (2) Long-term Capital to Property, Plant, and Equipment ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant, and Equipment.

## 2. Solvency

- (1) Current Ratio = Current Assets / Current Liabilities.
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
- (3) Interest coverage multiples = Net income before Tax and Interest / Interest Expenses.

## 3. Operating Performance

- (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
- (2) Days Sales Outstanding = 365 / Receivables Turnover Rate.
- (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
- (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
- (5) Average Inventory Turnover Days = 365 / Inventory Turnover Rate.
- (6) Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
- (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.

## 4. Profitability

- (1) Return on assets (ROA) = [Net income + Interest expenses x (1 - interest rates)] / Average total asset.
- (2) Return on Equity = Net Income / Average Total Equity.
- (3) Net Income ratio = Net Income / Net Sales.
- (4) Basic Earnings per Share = (Income Attributable to Owners of Parent Company - Dividends on Preferred Stock) / Weighted Average Number of Shares Issued. (Note 2)

## 5. Cash flow

- (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
- (2) Cash Flow Adequacy Ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
- (3) Cash Reinvestment Ratio = (Net cash flow from operating activities cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capital). (Note 3)

## 6. Leverage

- (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 4).
- (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

(2) Parent Company Only Statements of Financial Analysis

Items analyzed (Note 3)		Financial analysis for the last Five fiscal years (Note 2)				
		2017	2018	2019	2020	2021
Financial Structure Analysis (%)	Debt ratio	14.48	21.86	24.53	5.70	4.07
	Long-term capital to property, plant and equipment ratio	22,082.18	12,929.04	19,058.43	-	-
Liquidity Analysis (%)	Current ratio	127.58	113.48	103.26	274.81	159.63
	Quick ratio	84.94	85.52	89.14	274.61	159.47
	Interest coverage multiples	199.91	74.37	23.61	54.72	248.37
Operating performance Analysis	Accounts receivable turnover (times)	9.03	6.08	4.89	7.64	9.83
	Days Sales Outstanding	40.42	60.03	74.64	47.77	37.13
	Inventory turnover (times)	2.70	4.15	4.41	7.97	-
	Average payable turnover (times)	11.15	13.95	14.13	14.06	10.02
	Average Inventory turnover days	135.19	87.95	82.76	45.79	-
	Property, plant and equipment turnover (times)	67.00	96.79	84.99	139.44	-
	Total assets turnover (times)	0.33	0.49	0.44	0.34	0.26
Profitability Analysis	Return on total assets (%)	17.88	13.19	7.73	6.67	6.81
	Return on equity (%)	21.14	15.99	9.72	7.81	7.14
	Pre-tax income to paid-in Capital ratio (%)	84.26	67.66	44.99	38.61	33.67
	Net income ratio (%)	54.25	26.89	16.75	19.24	26.09
	Basic Earnings per share (NT\$)	8.92	7.18	4.01	3.30	3.02
Cash flow	Cash flow ratio (%)	68.66	13.75	92.77	221.63	102.18
	Cash flow adequacy ratio (%)	1.49	0.74	1.08	1.20	0.96
	Cash reinvestment ratio (%)	6.24	-	-	-	-
Leverage	Operating leverage	1.03	1.02	1.30	1.21	1.00
	Financial leverage	1.01	1.01	1.07	1.05	1.00

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

1. Debt-to-asset ratio and interest coverage ratio: Due to the repayment of long-term bank loans in 2021, the total liabilities decreased, and the debt-to-assets ratio decreased accordingly; and the related financial costs were reduced due to the repayment of the loan, and the interest coverage ratio increased accordingly.
2. Current ratio and quick ratio: Due to the repayment of long-term bank loans in 2021, the current assets decreased, and both the current ratio and the quick ratio decreased accordingly.
3. Receivables turnover ratio and average number of days of cash collection: Due to the decrease in accounts receivable due to the transfer of the optical fiber business to the optical fiber subsidiary in 2020, the average accounts receivable decreased accordingly, and the receivables turnover ratio increased with As it rises, the average number of days in receipts decreases.
4. Inventory turnover rate and average sales days: Since there was no inventory after the optical fiber business was transferred to the fiber optic subsidiary in 2020, the average inventory amount decreased, and the inventory turnover rate increased accordingly, and the average sales days increased with the reduction.
5. Accounts payable turnover ratio: The gross profit margin of the optical fiber business is relatively low. Due to the transfer of the optical fiber business operation to the optical fiber subsidiary in 2020, the reduction in operating costs is higher than the reduction in payables, and the payables turnover rate decreases accordingly.
6. Turnover ratio of real estate, plant and equipment, and total asset turnover: Due to the transfer of the optical fiber business to the optical fiber subsidiary in 2020, the average net value of real estate, plant and equipment and total assets decreased accordingly. The turnover ratio and the total asset turnover ratio will decrease accordingly.
7. Net profit ratio: Due to the low gross profit margin of the optical fiber business, there is no optical fiber business revenue and cost in 2021, so the net profit ratio has increased.
8. Cash flow ratio: The reduction of optical fiber business in 2021, reduced the net cash inflow from operating activities, resulting in a decrease in the cash flow ratio.
9. Appropriate ratio of cash flow: Since no cash dividend was issued in 2016, but cash dividend was issued in 2021, the total dividend in the last five years has increased, and the cash reinvestment ratio has decreased accordingly.

Note 1: The financial information for the year 2017 ~ 2021 has been verified by the accountant.

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

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

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

The Board of Directors has prepared the Company's 2021 Business Report, Consolidated and Subsidiary Financial Statements, and distribution of earnings proposal. Accountants Jin-Chuan Shi and Yung-Ming Chiu of CPA firm of Deloitte & Touche was retained to audit SPC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Success Prime Corporation. According to relevant requirements of the Securities and Exchange Act (Article 14-4) and the Corporate Law (Article 219), we hereby submit this report.

To SPC 2022 Shareholders' Meeting

2022 Audit Committee Convener:

March, 9, 2022

- IV. The most recent annual financial report certified by the accountant, includes the auditors' audit report, the two-year consolidated balance sheet, the consolidated income statement, the statement of changes in equity, the cash flow statement and the notes or appendix: Pg. 81 to 159.**
- V. Parent Company Only financial report of the company of the most recent year has been certified by the accountant. But does not contain minor accounting items: Pg. 160 to 222.**
- VI. The Company and its related subsidiaries shall, in event of financial difficulties in most recent year and as of annual report published date, specify financial position of Company's financial position: None.**

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

### 1. Financial situation

Unit: in thousands of NT\$

Items \ Year	2020	2021	Difference	
			Increase and decrease amount	% Change
Current assets	231,652	265,968	34,316	14.81%
Property, plant and equipment	294,015	287,490	(6,525)	(2.22%)
Right-of-use assets	105,685	100,149	(5,536)	(5.24%)
Other assets	632,151	561,081	(71,070)	(11.24%)
Total assets	1,263,503	1,214,688	(48,815)	(3.86%)
Current liabilities	366,691	352,111	(14,580)	(3.98%)
Other liabilities	85,365	72,785	(12,580)	(14.74%)
Total liabilities	452,056	424,896	(27,160)	(6.01%)
Share capital	191,854	191,004	(850)	(0.44%)
Capital reserve	341,190	309,100	(32,090)	(9.41%)
Statutory surplus reserve	33,966	39,992	6,026	17.74%
Special surplus reserve	2,600	2,392	(208)	(8.00%)
Retained surplus	274,945	258,907	(16,038)	(5.83%)
Other rights	(2,392)	(2,522)	(130)	5.43%
Treasury stocks	(34,362)	(12,406)	21,956	(63.90%)
Belong to Parent company owner's rights	807,801	786,467	(21,334)	(2.64%)
Total shareholders' equity	811,447	789,792	(21,655)	(2.67%)

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

1. Decrease of treasury shares: mainly due to the transfer of 199,000 treasury shares to employees in 2021.

## 2. Financial performance

Unit: in thousands of NT\$

Year Items	2020	2021	Difference	
			Increase and decrease amount	% Change
Net operating income	776,397	661,920	(114,477)	(14.74%)
Operating costs	404,425	341,399	(63,026)	(15.58%)
Operating margin	371,972	320,521	(51,451)	(13.83%)
Operating expenses	300,429	243,309	(57,120)	(19.01%)
Operating Net profit	71,543	77,212	5,669	7.92%
Out-of-business income and expenditure	12,261	(2,956)	(15,217)	(124.11%)
Net profit before tax	83,804	74,256	(9,548)	(11.39%)
Income Tax Benefits	(20,891)	(17,633)	3,258	(15.60%)
Net profit (loss) for the year	62,913	56,623	(6,290)	(10.00%)
Other consolidated gains and losses	858	(130)	(988)	(115.15%)
Total consolidated gains and losses for the year	63,771	56,493	(7,278)	(11.41%)
Analysis of changes in the increase and decrease ratio exceeding 20%:				
1. Decrease in non-operating income and expenses: mainly due to the provision for impairment losses in 2021.				
2. Decrease in other comprehensive gains and losses: mainly due to the recognition of the exchange differences in the financial reports of foreign operating agencies.				

## 3. Cash flow

(1) Liquidity analysis for the last two years  
thousands

Unit: NT\$

Year Items	2020	2021	Increase % (decrease)
Operating cash outflow	137,968	157,272	19,304
Investing cash inflow	48,812	36,097	(12,715)
Financing cash outflow	(188,666)	(148,100)	40,566
Analysis of changes in cash flow:			
1. Investing cash inflow: Due to the disposal of the optical fiber subsidiary in 2020.			
2. Financing cash outflow: Mainly due to the repayment of short-term loans in 2020.			

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

Unit: In thousands of NT\$

Cash Balance beginning period (1)	Estimated net cash flow from operating activities throughout the year (2)	Estimated annual cash outflow (3)	Estimated amount of cash surplus (insufficient) (1) + (2) - (3)	Remedy for Liquidity shortfall	
				Investment Plan	Financial Planning
227,721	150,000	131,359	246,362	-	-
Remedial measures and liquidity analysis of expected cash shortfall: None					



#### 4. Recent Years Major Capital Expenditures and Impact on Financial and Business:

None.

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

Date: December 31, 2021

Item \ Explanation	Investment amount (in thousands of NT\$)	Policies	The main reason for profit or loss	Improvement Plan	Other future investment plan
Accuagile Co., Ltd.	4,500	Looking for educational digital training system providers of strategic alliances to establish long-term cooperative relations.	The company's operation is still in a rudimentary stage.	Not suitable	None
Xueli Technology Co., Ltd.	400	Looking for educational digital training system providers of strategic alliances to establish long-term cooperative relations.	The company's operation is still in a rudimentary stage.	Not suitable	None

#### 6. Risk Management

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

###### 1. Interest rate fluctuations

The Company's interest expenses (loan interest from bank) in 2020, and 2021 were NT\$965,000 and NT\$262,000, respectively, accounting for 0.12% and 0.04% of net operating income, respectively, and accounting for net profit before tax 1.15% and 0.35% respectively, so the impact of changes in interest rates on the company's operating income and net profit before taxation is still limited.

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

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

The company's exchange (loss) profit in 2020 was mainly due to the sales of optical fiber business, which were mainly denominated in New Taiwan dollars but partly in foreign currencies when receiving payments. In 2021, it was mainly due to exchange rate changes in holding foreign currency fixed deposits. As a result, the exchange (loss) of the company in 2020 and 2021 was (NT\$662) thousands and (NT\$292) thousands respectively, accounting for (0.09%) and (0.04%) of the net operating income respectively, accounting for the pre-tax The net profit was (0.79%) and (0.39%) respectively, and the exchange rate change would not have a significant impact on the Company's profit or loss.

###### 3. Inflation

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

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

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

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

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

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

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

In addition to the jurisdiction of the Ministry of Education of the central government, the education department of each county and city government also stipulates its individual laws and regulations. Therefore, the establishment and management of tutorial classes will vary in different counties and cities. Cheng also has differences in different counties and cities, so the company regularly inquires about the latest changes in laws and regulations of each county and city government to reduce the significant impact on the company's financial business.

(5) Impact of Changes in Technology and Industry to the Company's Finance and Business and the Countermeasures:

In response to the outbreak of the pandemic, the education business, which is mainly based on physical courses, has rapidly developed an online section. In addition to online tutoring and online puzzle-solving services, it also cooperates with the 2019 national syllabus to develop multiple courses such as second-level interviews, study history, and independent learning. Establish a three-teacher system of online teachers, offline teachers, and strict management, to solve the limitation of the number of students in each branch, and to develop a new cooperation model.

In the most recent year and up to the date of publication of the annual report, the company has not had any material impact on the company's financial business due to technological changes (including information security risks) and industrial changes.

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

(7) Expected Benefits and Potential Risks of Merger and Acquisition: None.

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

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

Since the core of the Corporation is mainly education, its purchase are mainly teaching fees and printing costs. The Corporation generally maintain good long-term liaison with existing suppliers; many projects have more than two suppliers to avoid the risk of supply shortages.

Because it is mainly education (tutoring business), its sales are mainly tuition income from physical tutoring classes. Due to industrial characteristics, sales customers are more scattered. There have been no customers who accounted for more than 10% of net sales in the last two years Therefore, there should be no risk of concentration of sales.

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

In the most recent year and as of the date of publication of the annual report, the company 's directors or large shareholders holding more than 10% of the shares, maintained a generally stable shareholding ratio. Do not cause significant adverse effects.

- (11) The Impact of Change of Operating Rights on the Company, Associated Risk and Response Measures: None.

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

- (13) Other Important Risks and Countermeasures: None.

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

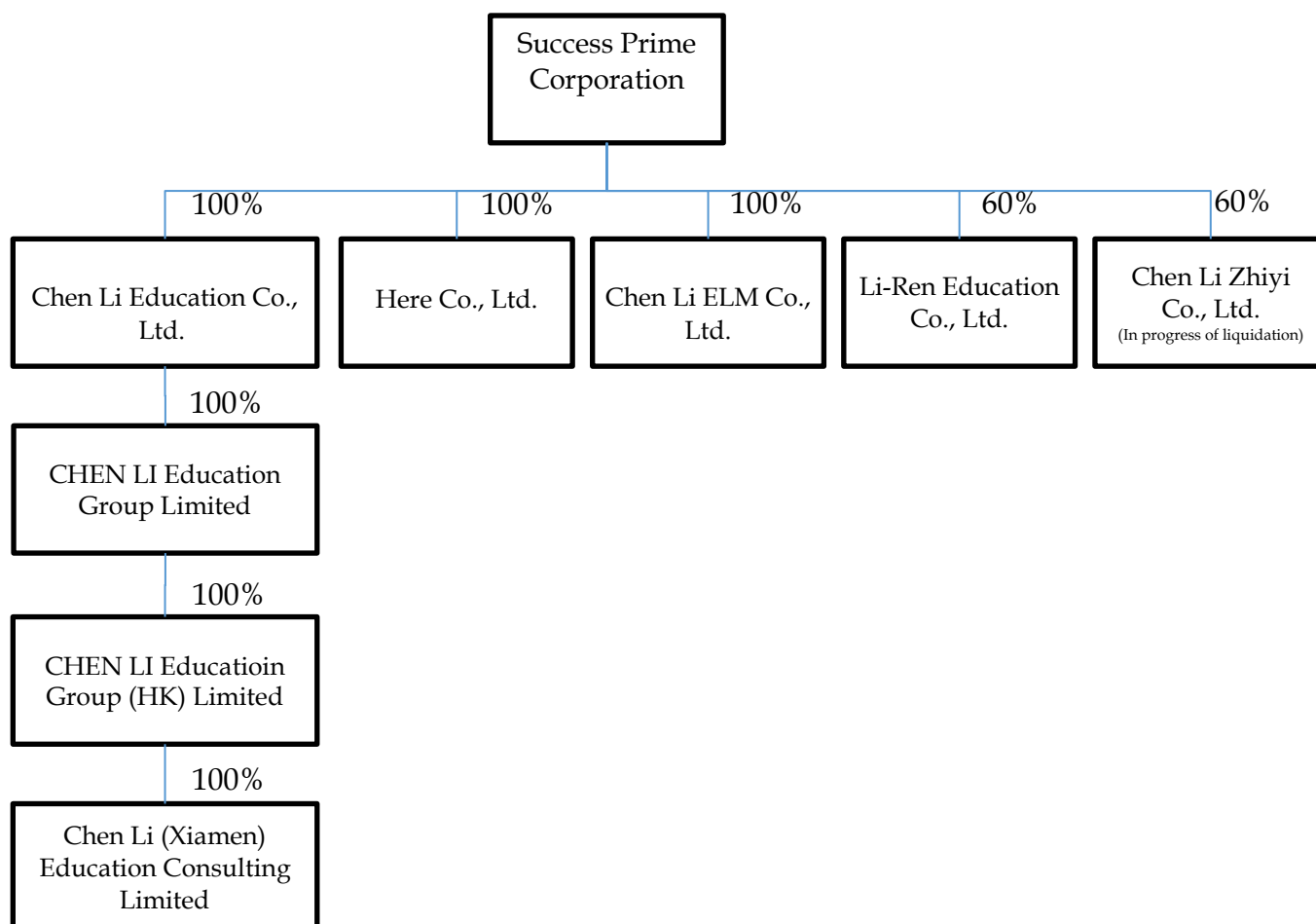
## VIII. Special Disclosure

### I. Summary of Affiliated Companies

#### (1) Overview of related companies

##### 1. Corporate Affiliation Chart

December 31, 2021



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

December 31, 2021 ; Units : in thousands of NT\$

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

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

4. Overall Business Scope of Affiliated Companies

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

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

December 31, 2021 ; Units : in thousands of NT\$

Company Name	Title	Name or Representative	Shares Held	
			Number of Shares	%
Success Prime Corporation	Chairman	Min-Chun Chen	236,000	1.24%
	Director	Shu-Ling Tseng	968,728	5.07%
	Corporate Director	Endow Capital Management Inc.	1,890,039	9.90%
		Representative: Xiang-Qi Fang	-	-
		Representative: Jing-Ru Cheng	140,933	0.74%
	Corporate Director	Bash Consultant Incorporated	1,890,039	9.90%
		Representative : Yen-Shuen Chen	44,000	0.23%
		Representative : Yun Chen	58,000	0.30%
	Independent Director	Bing-Quan Shi	-	-
	Independent Director	Pei-Jun Hong	-	-
	Independent Director	Ying-De Wu	-	-
Chen Li Education Co., Ltd.	Corporate Director	Success Prime Corporation	11,200,000	100.00%
		Representative : Shu-Ling Tseng	-	-
CHEN LI Education Group Limited	Corporate Director	Chen Li Education Company	(Contribution) 40,543	100.00%
		Representative : Shu-Ling Tseng	-	-
CHEN LI Education Group (HK) Limited	Corporate Director	CHEN LI Education Group Limited	(Contribution) 30,059	100.00%
		Representative : Shu-Ling Tseng	-	-
Chen-Li (Xiamen) Education Consulting Ltd	Corporate Director	CHEN LI Education Group (HK) Limited	(Contribution) 28,516	100.00%
		Representative : Shu-Ling Tseng	-	-
Here Co., Ltd.	Corporate Director	Success Prime Corporation	1,000,000	100.00%
		Representative : Shu-Ling Tseng	-	-
Chen Li ELM Co., Ltd.	Corporate Director	Success Prime Corporation	1,500,000	100.00%
		Representative : Shu-Ling Tseng	-	-
Li-Ren Education Co., Ltd.	Chairman	Li-Ren Yin	200,000	40.00%
	Corporate Director	Success Prime Corporation	300,000	60.00%
		Representative: Shu-Ling Tseng	-	-
		Representative: Min-Chun Chen	-	-
	Supervisor	Wei Chen	-	-
Chen Li Zhiyi Co., Ltd.	Corporate Director	Success Prime Corporation	300,000	60.00%
		Representative: Shu-Ling Tseng	-	-
	Supervisor	Ya-Feng Zheng	-	-

## 6. Operational Highlights of Affiliated Companies

December 31, 2021; Units : in thousands of NT\$

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	Net Profit (Loss) (after tax)
Success Prime Corporation	191,854	819,870	33,403	786,467	218,012	33,098	56,900
Chen Li Education	112,000	592,714	389,509	203,205	572,920	49,218	28,143
CHEN LI Education Group Limited	40,543	2,019	-	2,019	-	(52)	(15,637)
CHEN LI Education Group (HK) Limited	30,059	1,347	-	1,347	-	(69)	(15,566)
Chen-Li (Xiamen) Education Consulting	28,516	256	-	256	328	(4,339)	(15,465)
Here Co., Ltd.	10,000	27,480	21,328	6,152	50,734	(6,099)	(5,000)
Chen Li ELM Co., Ltd	15,000	18,325	4,514	13,811	24,819	5,413	5,432
Li-Ren Education Co., Ltd	5,000	7,353	1,341	6,012	11,060	1,224	1,000
Chen Li Zhiyi Education Co., Ltd	5,000	2,443	142	2,301	2,638	(1,124)	(1,693)

### (2) Consolidated financial statements of Affiliates

#### DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Success Prime Corporation as of and for the year ended December 31, 2021 under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10 "Consolidated Financial Statements". In addition, all the relevant information required to be disclosed in the consolidated financial statements have been disclosed. Hence, we do not prepare a separate set of consolidated financial statements.

Very truly yours,

Company Name: Success Prime Corporation

Chairman: Min-Chun Chen

March 09, 2022

### (3) Affiliation Report : None.

- II. Private Placement Securities of the Most Recent Year and Up to the Printing Date of this Annual Report:** None.
- III. Subsidiaries' Holding or Disposing the Company's Shares in the Most Recent Fiscal Year and Up to the Printing Date of this Annual Report:** Not applicable.
- IV. Other Necessary Supplement:** None.
- V. The Events Resulting in Significant Impact to Shareholders' Equity or Stock Prices Under Article 36(3) (ii) of Securities and Exchange Act in the Most Recent Fiscal Year and Up to the Printing Date of this Annual Report.:** None.



## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Success Prime Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Success Prime Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key audit matters of 2021 Success Prime Corporation consolidated financial statements are described as follow:

### Revenue Recognition of Education Services

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

The audit procedure by the Auditors is as follows:

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

### Assessment of Goodwill and Trademark Impairment

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

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

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

### **Other Matters**

Success Prime Corporation has prepared 2021 and 2020 parent company only financial statements and an Audit Report has been issued by the Auditors, for reference.

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

The responsibility of the Management is to formulate the Consolidated Financial Statements in accordance to the financial reports preparation guidelines by securities issuer and be approved by the Financial Supervisory Commission; to release Consolidated Financial Statements that is prepared through effective international Financial Reporting Standards, International accounting standards, and permissible interpretation notices; to maintain the necessary internal controls relating to the preparation of Consolidated Financial Statements, ensuring that the Consolidated Financial Statements do not contain significant false representations of fraud or error.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jin-Chuan Shi and Yung-Ming Chiu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 9, 2022

#### Notice to Readers

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

**SUCCESS PRIME CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (note 4 and 6)	\$ 227,721	19	\$ 182,752	14
Financial assets measured at amortized cost (note 4 and 8)	16,331	1	17,265	1
Notes receivables (note 4 and 9)	91	-	325	-
Accounts receivables (note 4 and 9)	3,728	-	6,938	1
Accounts receivables- related parties (note 4 and note 33)	1,313	-	5,704	-
Other receivables (note 4)	630	-	2,902	-
Current income tax assets	6,947	1	6,652	1
Inventories (note 4 and 10)	3,296	-	2,516	-
Other current assets (note 17)	5,911	1	6,598	1
Total current assets	265,968	22	231,652	18
Non-current assets				
Financial assets measured at fair value through other comprehensive income (note 4 and 7)	4,900	-	4,500	-
Financial assets measured at amortized cost (note 4, 8 and 34)	4,920	-	4,860	-
Property, plant and equipment (note 4, 12, 24, 33 and 34)	287,490	24	294,015	23
Right-of-use assets (note 4, 13 and 33)	100,149	8	105,685	8
Trademarks (note 4 and 14)	404,144	33	404,144	32
Goodwill (note 4 and 14)	81,419	7	81,419	7
Computer software (note 4 and 15)	6,660	1	9,225	1
Deferred income tax assets (note 4 and 25)	22,517	2	30,723	3
Cash surrender value of term life insurance (note 4 and 16)	23,063	2	83,197	7
Other non-current assets (note 4, 17 and 33)	13,458	1	14,083	1
Total non-current assets	948,720	78	1,031,851	82
Total assets	\$ 1,214,688	100	\$ 1,263,503	100
<b>LIABILITIES AND EQUITY</b>				
Current liabilities				
Short-term borrowings (note 4, 18 and 34)	\$ 10,000	1	\$ -	-
Contract liabilities- current (note 23)	238,719	19	239,978	19
Notes payables	340	-	29	-
Accounts payables (note 19)	21,264	2	20,946	2
Other payables (note 20)	35,149	3	43,119	3
Current income tax liabilities	11,253	1	12,806	1
Lease liabilities-current (note 4, 13 and 33)	32,637	3	45,184	4
Current portion of long-term borrowings (note 4, 18 and 34)	-	-	2,430	-
Other current liabilities	2,749	-	2,199	-
Total current liabilities	352,111	29	366,691	29
Non-current liabilities				
Long-term borrowings (note 4, 18 and 34)	-	-	19,440	2
Provisions (note 4)	1,540	-	1,620	-
Deferred income tax liabilities (note 4 and 25)	2,377	-	2,397	-
Lease liabilities- non-current (note 4, 13 and 33)	68,868	6	61,908	5
Total non-current liabilities	72,785	6	85,365	7
Total liabilities	424,896	35	452,056	36
Equity attributable to shareholders of the Company (note 22, 27 and 29)				
Ordinary shares	191,004	16	191,854	15
Capital surplus	309,100	25	341,190	27
Retained earnings				
Legal reserve	39,992	3	33,966	3
Special reserve	2,392	-	2,600	-
Unappropriated retained earnings	258,907	22	274,945	22
Total retained earnings	301,291	25	311,511	25
Other equity (note 4)	( 2,522 )	-	( 2,392 )	-
Treasury shares	( 12,406 )	( 1 )	( 34,362 )	( 3 )
Total equity attributable to owners of the Company	786,467	65	807,801	64
Non-controlling interests (note 22)	3,325	-	3,646	-
Total equity	789,792	65	811,447	64
Total liabilities and equity	\$ 1,214,688	100	\$ 1,263,503	100

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



# SUCCESS PRIME CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Operating revenue (note 4, 23 and 33)				
Sales revenue	\$ 2,107	-	\$ 109,759	14
Service revenue	<u>659,813</u>	<u>100</u>	<u>666,638</u>	<u>86</u>
Total operating revenue	<u>661,920</u>	<u>100</u>	<u>776,397</u>	<u>100</u>
Operating costs (note 10, 24 and 33)				
Cost of sales	1,285	-	74,499	10
Cost of services	<u>340,114</u>	<u>51</u>	<u>329,926</u>	<u>42</u>
Total operating costs	<u>341,399</u>	<u>51</u>	<u>404,425</u>	<u>52</u>
Gross profit	<u>320,521</u>	<u>49</u>	<u>371,972</u>	<u>48</u>
Operating expenses (note 24)				
Marketing expenses	50,864	8	73,440	10
General and administrative expenses	192,445	29	212,885	27
Research and development expenses	<u>-</u>	<u>-</u>	<u>14,104</u>	<u>2</u>
Total operating expenses	<u>243,309</u>	<u>37</u>	<u>300,429</u>	<u>39</u>
Net Income from operations	<u>77,212</u>	<u>12</u>	<u>71,543</u>	<u>9</u>
Non-operating income and expenses (note 4, 12, 13, 24, 30, 33 and 35)				
Other income	10,061	1	6,564	1
Other gains and losses	( 11,291 )	( 2 )	8,774	1
Finance costs	( 2,119 )	-	( 3,647 )	-
Interest revenue	<u>393</u>	<u>-</u>	<u>570</u>	<u>-</u>
Total non-operating income and expenses	( <u>2,956</u> )	( <u>1</u> )	<u>12,261</u>	<u>2</u>

( Continued )

( Continued )

	2021		2020	
	Amount	%	Amount	%
Income before income tax	\$ 74,256	11	\$ 83,804	11
Income tax expense (note 4 and 25)	( 17,633 )	( 2 )	( 20,891 )	( 3 )
Net income for the year	<u>56,623</u>	<u>9</u>	<u>62,913</u>	<u>8</u>
Other comprehensive income (loss) (note 4 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>650</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>650</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( 130 )	-	<u>208</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	( 130 )	-	<u>858</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 56,493</u>	<u>9</u>	<u>\$ 63,771</u>	<u>8</u>
Net income (loss) attributable to:				
Shareholders of the parent	\$ 56,900	9	\$ 62,234	8
Non-controlling interests	( 277 )	-	<u>679</u>	<u>-</u>
	<u>\$ 56,623</u>	<u>9</u>	<u>\$ 62,913</u>	<u>8</u>
Total comprehensive income (loss) attributable to:				
Shareholders of the parent	\$ 56,770	9	\$ 63,092	8
Non-controlling interests	( 277 )	-	<u>679</u>	<u>-</u>
	<u>\$ 56,493</u>	<u>9</u>	<u>\$ 63,771</u>	<u>8</u>
Earnings per share (note 26)				
Basic	<u>\$ 3.02</u>		<u>\$ 3.30</u>	
Diluted	<u>\$ 3.02</u>		<u>\$ 3.29</u>	

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

**SUCCESS PRIME CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Stockholders of the Parent									
	Share Capital		Retained Earnings				Other Equity		Treasury Shares	Non-controlling Interests
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriate d Earnings	Total	Exchange differences on translating foreign operations		
Balance at January 1, 2020	17,459	\$ 174,594	\$ 367,081	\$ 26,354	\$ 1,611	\$ 240,544	\$ 268,509	( \$ 2,600 )	( \$ 21,956 )	\$ 5,918
Appropriation of 2019 earnings	-	-	-	7,612	-	( 7,612 )	-	-	-	-
Legal reserve	-	-	-	-	989	( 989 )	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 17,260 )	( 17,260 )	-	-	-
- NT\$1 per share	-	-	-	-	-	-	-	-	-	( 17,260 )
Stock dividends distributed from capital surplus	1,726	17,260	( 17,260 )	-	-	-	-	-	-	-
Cash dividends distributed from capital surplus- NT\$ 0.5 per share	-	-	( 8,631 )	-	-	-	-	-	-	( 8,631 )
Changes in ownership interests in subsidiaries (note 29)	-	-	-	-	-	( 2,622 )	( 2,622 )	-	-	( 6,178 )
Changes in non-controlling interests (note 22)	-	-	-	-	-	-	-	-	-	3,227
Net income (loss) for the year ended December 31, 2020	-	-	-	-	-	62,234	62,234	-	-	679
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	650	650	208	-	-
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	62,884	62,884	208	-	679
Buy-back of treasury shares	-	-	-	-	-	-	-	-	( 12,406 )	-
Balance at December 31, 2020	19,185	191,854	341,190	33,966	2,600	274,945	311,511	( 2,392 )	( 34,362 )	3,646
Appropriation of 2020 earnings	-	-	-	6,026	-	( 6,026 )	-	-	-	-
Legal reserve	-	-	-	-	208	( 208 )	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 56,425 )	( 56,425 )	-	-	-
- NT\$3 per share	-	-	-	-	-	-	-	-	-	( 56,425 )
Cash dividends distributed from capital surplus- NT\$ 1.5 per share	-	-	( 28,213 )	-	-	-	-	-	-	( 28,213 )
Changes in non-controlling interests (note 22)	-	-	-	-	-	-	-	-	-	( 44 )
Net income (loss) for the year ended December 31, 2021	-	-	-	-	-	56,900	56,900	-	-	277
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	( 130 )	-	-
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	56,900	56,900	( 130 )	-	277
Share-based payment transaction – Buy-back of treasury shares	-	-	-	-	-	-	-	-	( 4,727 )	-
Cancellation of treasury shares	( 85 )	( 850 )	( 3,877 )	-	-	-	-	-	4,727	-
Share-based payment transaction – Transfer of treasury shares to employees	-	-	-	-	-	( 10,695 )	( 10,695 )	-	21,956	-
Balance at December 31, 2021	19,100	\$ 191,004	\$ 309,100	\$ 39,992	\$ 2,392	\$ 258,907	\$ 301,291	( \$ 2,522 )	( \$ 12,406 )	\$ 3,325

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

**SUCCESS PRIME CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

	2021	2020
Cash flows from operating activities		
Income before income tax	\$ 74,256	\$ 83,804
Adjustments to reconcile profit (loss)		
Depreciation expense	74,392	82,680
Amortization expense	3,365	3,730
Finance costs	2,119	3,647
Decrease in cash surrender value of term life insurance	280	466
Interest income	( 393)	( 570)
Share-based compensation cost	3,325	-
Impairment loss	11,739	-
Net loss on inventory valuation	-	536
Net loss on foreign exchange	305	842
Gain on disposal of subsidiary	-	( 9,035)
Gain on lease modification	( 1,393)	( 588)
Loss on the settlement of Labor Retirement Reserve Fund (The Old Fund)	-	2,611
Changes in operating assets and liabilities:		
Notes receivables	234	221
Accounts receivables	3,210	5,635
Accounts receivables- related parties	4,391	( 5,704)
Other receivables	2,787	( 1,665)
Inventories	( 780)	( 13,812)
Other current assets	687	( 3,598)
Net defined benefit assets	-	4,051
Notes payable	311	29
Accounts payable	318	3,415
Other payables	( 7,556)	8,178
Provisions	( 80)	( 80)
Contract liabilities	( 1,259)	( 12,024)
Other current liabilities	550	( 615)
Cash generated from operations	170,808	152,154
Interest received	508	545
Interest paid	( 2,119)	( 3,647)
Income taxes paid	( 11,295)	( 11,084)
Net cash generated from operating activities	157,902	137,968

( Continued )

( Continued )

	2021	2020
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(\$ 400)	\$ -
Acquisition of financial assets at amortized cost	( 14,860)	( 12,800)
Disposal of financial assets at amortized cost	15,700	-
Net cash inflow from disposal of subsidiary (note 30)	-	70,618
Acquisition of property, plant and equipment	( 23,497)	( 8,699)
Increase in refundable deposits	( 757)	( 5,998)
Decrease in refundable deposits	857	6,349
Increase in other receivables	( 850)	-
Decrease in other receivables	220	-
Purchases of intangible assets	( 800)	( 658)
Disposal of termination payments of life insurance	<u>59,854</u>	<u>-</u>
Net cash inflow generated from investing activities	<u>35,467</u>	<u>48,812</u>
Cash flows from financing activities		
Increase in short-term loans	45,000	146,000
Decrease in short-term loans	( 35,000)	( 226,000)
Payments of long-term debt	( 21,870)	( 2,430)
Payments of lease liabilities	( 54,757)	( 62,366)
Issuance of cash dividends	( 84,638)	( 25,891)
Payments of treasury shares buy-back	( 4,727)	( 12,406)
Treasury shares buy-back by employees	7,936	-
Acquisition of ownership interests in subsidiaries (note 29)	-	( 8,800)
Changes in non-controlling interests	( <u>44</u> )	<u>3,227</u>
Net cash used in financing activities	( <u>148,100</u> )	( <u>188,666</u> )
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	( <u>300</u> )	( <u>895</u> )
Net increase (decrease) in cash and cash equivalents	44,969	( 2,781)
Cash and cash equivalents at beginning of the year	<u>182,752</u>	<u>185,533</u>
Cash and cash equivalents at end of the year	<u>\$ 227,721</u>	<u>\$ 182,752</u>

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

# SUCCESS PRIME CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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#### 1. GENERAL

Success Prime Corporation (hereinafter referred to as the Group) was established in June 15, 1991. After the disposal of optical fiber entity in 2020, the core business of the Group is providing tutorial services and academic curriculum content design for K-12 education in Taiwan. On March 2002, the Group's shares were listed on the Taiwan Stock Exchange (TWSE).

The Group passed the disposal of the optical fiber subsidiary resolution at a Board of Directors meeting on July 3, 2020, for the purpose of continuing to focus on the future operations and development of the education businesses, thereby increase the competitiveness and market share of its core businesses.

The Group's important subsidiary Chen Li Education Co., Ltd. (hereinafter referred to as Chen Li Education) is mainly engaged in the education service industry targeting primary, middle and high-school curriculums tutorial courses.

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

#### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 9, 2022.

#### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Success Prime Corporation and its subsidiaries (collectively, the "Group"), except for the following explanations:

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

The Group elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to Note 4 for the relevant accounting policies of the practical expedient.

The Group applies the amendment from January 1, 2021.

- (1) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date of approval of this consolidated financial report, the Group continues to assess the impact of amendments to other standards and interpretations on its financial position and financial performance, and the relevant impact will be disclosed when the assessment is completed.



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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

i. Amendments to IAS 1 "Disclosure of Accounting Policies"

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

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

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

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

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

- iii. Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

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

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

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(4) Basis of consolidation

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

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

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

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

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

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

(5) Merger of Enterprises

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

Goodwill is measured by the fair value of the transfer price, the amount of the fair value of the acquirer's non-controlling interest and previously held interest is measured by the net value of the identifiable assets and liabilities after the acquisition date. A merger that is achieved in stages is measured at the fair value of the acquisition date and is re-measured by the Group's previously held interest from the acquiree, if any profits or losses are incurred shall be recognized.

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

(6) Foreign currencies

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

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

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

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

(7) Life Insurance termination cash value

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

(8) Inventories

Inventory is measured by the cost and the value of net realization, comparing costs with net realizable value is based on individual items except for those in same inventory category. Net realizable value means under normal circumstances the balance after the estimated cost required to complete the investment and sale is deducted. The weighted average method is adopted to calculate inventory cost.

(9) Property, plant and equipment

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

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

(10) Goodwill

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

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

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

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

(11) Intangible assets

i. Acquired separately

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

ii. Derecognition

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

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

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

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

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

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

(13) Financial instruments

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

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

i. Financial Assets

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



(i) Measurement Category

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

A. Investments in equity instruments at FVTOCI

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

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

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

B. Financial assets measured at amortized cost

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

- a. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- A. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

- B. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

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

(ii) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on such a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(iii) Derecognition of financial assets

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

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

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

ii. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

iii. Financial liabilities

(i) Subsequent measurement

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

(ii) Derecognition of financial liabilities

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

(14) Provision

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

Decommissioning cost

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

(15) Revenue recognition

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

i. Revenue from the sale of goods

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

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

ii. Revenue from the rendering of services

Revenue from the rendering of services comes from the education tutorial services consisting primary, middle and high school curriculum courses.

The Group provides educational services for K-12 academic courses in various subject disciplines, and the Group recognizes revenue based on the proportion of teaching services performed (based on the teaching progress).

(16) Leases

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

i. The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

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

ii. The Group as lessee

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

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

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease, and there is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions for applicable lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as (other operating income and expenses), in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

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

(17) Borrowing Costs

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

(18) Government Grants

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

(19) Employee Benefits

i. Short term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

ii. Retirement benefits

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

(20) Taxation

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

i. Current tax

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

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

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

ii. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

iii. Current and deferred taxes

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

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

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



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

#### Key Sources of Estimation Uncertainty

##### Impairment of goodwill

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

## **6. CASH AND CASH EQUIVALENTS**

	December 31, 2021	December 31, 2020
Cash on hand	\$ 1,602	\$ 948
Checking accounts and demand deposits	224,119	176,904
Cash Equivalents		
Time deposits within 3 months expiration date	2,000	4,900
	<u>\$227,721</u>	<u>\$182,752</u>

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

	December 31, 2021	December 31, 2020
Term Deposits	0.41%	1.45%

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT**

	December 31, 2021	December 31, 2020
<u>Investments in equity instruments</u>		
Domestic investments		
Unlisted shares		
Accuagile Co., Ltd.		
Ordinary shares	\$ 4,500	\$ 4,500
Xueli Technology Co., Ltd. Ordinary shares	400	-
	<u>\$ 4,900</u>	<u>\$ 4,500</u>

In order to enhance its competitive advantage, the Group seeks a strategic alliance of educational digital training system providers and establishes a long-term cooperative relationship. On October 4, 2021, the Group passed the resolution of the Board of Directors to establish a joint venture Xueli Technology Co., Ltd. The Group invested NT\$400,000 and acquired 20% of its equity.

**8. FINANCIAL ASSETS AT AMORTIZED COST**

	December 31, 2021	December 31, 2020
<u>Current</u>		
Time deposits with original maturities exceeding 3 months	<u>\$ 16,331</u>	<u>\$ 17,265</u>
Interest rate range	0.56%~1.40%	0.56%~1.40%
<u>Non-current</u>		
Time deposits	<u>\$ 4,920</u>	<u>\$ 4,860</u>
Interest rate range	0.82%~0.87%	0.82%~0.87%

- (1) The non-current time deposits are made by the subsidiary Chen Li Education in accordance with the regulations of the education bureau where each branch is located. After the cram school has been approved and filed for establishment on record, it will take the time deposit in the name of the cram school as a fund for setting up the academy, without governmental approval, should not be put to use.
- (2) The Group assesses that the expected credit risk of the financial assets measured by amortization cost is not high, and its credit risk has not increased after the original recognition.

- (3) For information on the pledge of financial assets measured at amortization costs, please refer to Note 34.

## 9. NOTES RECEIVABLES AND ACCOUNTS RECEIVABLES

	December 31, 2021	December 31, 2020
<u>Notes receivables</u>		
Measured at amortized costs		
Gross carrying amount	\$ 91	\$ 325
Less: Allowance for impairment loss	<u>-</u> <u>\$ 91</u>	<u>-</u> <u>\$ 325</u>
Notes receivables - operating	<u>\$ 91</u>	<u>\$ 325</u>
<u>Accounts receivables</u>		
Measured at amortized costs		
Gross carrying amount	\$ 3,728	\$ 6,938
Less: Allowance for impairment loss	<u>-</u> <u>\$ 3,728</u>	<u>-</u> <u>\$ 6,938</u>

The average credit period for sales of goods was 30~60 days. To mitigate credit risk, the Group's management assigns a dedicated team responsible for the decision of the credit line, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has taken appropriate action. In addition, the Group reviews the recoverable amounts of receivables on the reporting date to ensure that receivables that cannot be recovered include appropriate impairment losses. As result, the Group's management believes that the credit risk has been significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs (excluding special individual payments that listed are as 100% loss). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to different segments of the Group's customer base.

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

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

December 31, 2021

	Not Overdue	Overdue Within 90 Days	Overdue 91-180 Days	Overdue 181-365 Days	Total
Gross carrying amount	\$ 3,664	\$ 64	\$ -	\$ -	\$ 3,728
Loss allowance (lifetime ECL)	-	-	-	-	-
Amortized cost	<u>\$ 3,664</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,728</u>

December 31, 2020

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

The Group assessed the accounts receivable as of December 31, 2021 and 2020 that no provision for impairment losses was required.

As of December 31 2021 and 2020, the Group's period of notes receivable is not overdue.

## 10. INVENTORIES

	December 31, 2021	December 31, 2020
Products	<u>\$ 3,296</u>	<u>\$ 2,516</u>

The cost of inventories sold in 2021 and 2020 were NT\$ 1,285,000 and NT\$74,499,000 respectively. The cost of goods sold in 2021 and 2020 respectively included a net loss of value of inventory of NT\$0 and NT\$536,000.

## 11. SUBSIDIARIES

Listed in Consolidated Financial Statement of Subsidiaries:

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

Name of Investment Group	Name of Subsidiary	Nature of Business	% of Ownership		Note
			December 31, 2021	December 31, 2020	
Success Prime Corp.	Chen Li Education Co., Ltd. (Chen Li Education)	Education services	100%	100%	-
	Prime Optical Fiber Co., Ltd. (Prime Optical Fiber)	Optical fiber Production	-	-	Note 1
	Here Enterprise Co., Ltd ( Here Enterprise ) ( Original Prime Education Consulting Services Co., Ltd (Prime Education)	Education and Advisory services	100%	100%	Note 2
	Chen Li ELM Co., Ltd. (Chen Li ELM)	Education services	100%	100%	-
	Li-Ren Education Co., Ltd. (Li-Ren Education)	Education services	60%	60%	-
	Chen Li Zhiyi Education Co., Ltd. (Chen Li Zhiyi Education)	Education services	60%	60%	Note 3
Chen Li Education Co., Ltd.	CHEN LI Education Group Limited	Holding Group	100%	100%	-
CHEN LI Education Group Limited	CHEN LI Education Group (HK) Limited	Holding Group	100%	100%	-
CHEN LI Education Group (HK) Limited	Chen Li (Xiamen) Education Consulting Co., Ltd. (Chen Li (Xiamen))	Educational Advisory services	100%	100%	-

Note 1: In order to achieve specialization of labor and corporate reorganization to improve competitive and operating performances, the board passed a resolution on March 24, 2020 to transfer the optical fiber business (including operations and property) to Prime Optical Fiber Co., Ltd, which is 100% owned by the company. The corporation has obtained the approval letter No. 1090005233 from the Taiwan Stock Exchange. Let its operating value be NT\$86,000 thousands and Prime Optical Fiber will issue 5,000 thousand new shares at a premium of NT\$17.2 per share, each with a par value of NT\$10, as the consideration.

In order to continue to focus on core competences and future operational development of the education businesses, and to grow the market competitiveness and market share of the education industry, hence leveraging existing resources more effectively to bring steady revenue and profit, the Group passed the resolution of disposal of 100% optical fiber subsidiary's equity on July 3, 2020 board meeting, from this date on, Prime Optical Fiber is no longer a subsidiary of the Group.

Note 2: The Group passed a resolution to acquire 49% equity of Success Prime Education from its related parties on August 12, 2020, making Success Prime Education a 100% owned subsidiary by the Group. Success Prime Education was renamed to Here Enterprise Co., Ltd. Through a passed resolution at the board meeting on October 30, 2020.

Note 3: In order to expand the cram school operation business to the Hsinchu area, the Group passed the resolution of the Board of Directors on March 24, 2020 to establish Chen Li Zhiyi Education Co., Ltd. as a joint venture. The Group invested NT\$3,000,000 and acquired 60% of its equity. However, due to the operating loss caused by Chen Li Zhiyi Education, it was dissolved and liquidated by a resolution passed during the extraordinary shareholders meeting on December 27, 2021. As of the balance sheet date, the liquidation process has not been completed.

## 12. PROPERTY, PLANT, EQUIPMENT

	Own Land	Buildings	Machiner y Equipme nt	Leasing of modified items	Office Equipme nt	Other Equipme nt	Total
<u>Cost</u>							
January 1, 2020 Balance	\$224,490	\$35,075	\$ 7,157	\$79,590	\$27,789	\$ 1,406	\$375,507
Addition	-	-	8,671	2,752	2,428	894	14,745
Disposition	-	-	( 15,736)	( 30,122)	( 6,236)	( 1,088)	( 53,182)
Reclassification	-	-	( 92)	-	92	-	-
Net Exchange Difference	-	-	-	329	39	-	368
December 31, 2020 Balance	<u>\$224,490</u>	<u>\$35,075</u>	<u>\$ -</u>	<u>\$52,549</u>	<u>\$24,112</u>	<u>\$ 1,212</u>	<u>\$337,438</u>
<u>Accumulated depreciation</u>							
January 1, 2020 Balance	\$ -	\$ 3,875	\$ 2,755	\$42,902	\$15,824	\$ 1,037	\$66,393
Depreciation Fee	-	891	2,322	8,923	6,636	401	19,173
Disposition	-	-	( 5,044)	( 30,102)	( 6,236)	( 942)	( 42,324)
Reclassification	-	-	( 33)	765	( 732)	-	-
Net Exchange Difference	-	-	-	161	20	-	181
December 31, 2020 Balance	<u>\$ -</u>	<u>\$ 4,766</u>	<u>\$ -</u>	<u>\$22,649</u>	<u>\$15,512</u>	<u>\$ 496</u>	<u>\$43,423</u>
December 31, 2020 Net amount	<u>\$224,490</u>	<u>\$30,309</u>	<u>\$ -</u>	<u>\$29,900</u>	<u>\$ 8,600</u>	<u>\$ 716</u>	<u>\$294,015</u>
<u>Cost</u>							
January 1, 2021 Balance	\$224,490	\$35,075	\$ -	\$52,549	\$24,112	\$ 1,212	\$337,438
Addition	-	-	-	19,118	1,016	1,825	21,959
Disposition	-	-	-	( 23,954)	( 10,932)	( 699)	( 35,585)
Net Exchange Difference	-	-	-	( 165)	( 20)	-	( 185)
December 31, 2021 Balance	<u>\$224,490</u>	<u>\$35,075</u>	<u>\$ -</u>	<u>\$47,548</u>	<u>\$14,176</u>	<u>\$ 2,338</u>	<u>\$323,627</u>
<u>Accumulated depreciation</u>							
January 1, 2021 Balance	\$ -	\$ 4,766	\$ -	\$22,649	\$15,512	\$ 496	\$43,423
Depreciation Fee	-	890	-	11,435	5,270	698	18,293
Impairment Loss	-	-	-	9,118	758	214	10,090
Disposition	-	-	-	( 23,954)	( 10,932)	( 699)	( 35,585)
Net Exchange Difference	-	-	-	( 72)	( 12)	-	( 84)
December 31, 2021 Balance	<u>\$ -</u>	<u>\$ 5,656</u>	<u>\$ -</u>	<u>\$19,176</u>	<u>\$10,596</u>	<u>\$ 709</u>	<u>\$36,137</u>
December 31, 2021 Net amount	<u>\$224,490</u>	<u>\$29,419</u>	<u>\$ -</u>	<u>\$28,372</u>	<u>\$ 3,580</u>	<u>\$ 1,629</u>	<u>\$287,490</u>

Due to the operating losses of the subsidiaries of the Group, the Group expects that the future cash inflows of its related property, plant and equipment will decrease, which the recoverable amount is less than the book amount, hence the impairment losses on property, plant, equipment and prepaid equipment are recognized in 2021 of NT\$10,090,000 and NT\$1,649,000 respectively. This impairment loss is recognized in the other profits and losses of the consolidated statement of comprehensive income.



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

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

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

### **13. LEASE ARRANGEMENTS**

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

	December 31, 2021	December 31, 2020
Carrying amounts		
Buildings	<u>\$100,149</u>	<u>\$105,685</u>
	For the Years Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 56,316</u>	<u>\$ 28,879</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 56,099</u>	<u>\$ 63,507</u>

Except for the additions and depreciation fee accounted above, the Group's evaluation did not find any sign of transfer or impairment on 2021 and 2020 right-of-use assets.

#### **(2) Lease liabilities**

	December 31, 2021	December 31, 2020
Carrying amounts		
Current	\$ 32,637	\$ 45,184
Non-current	<u>68,868</u>	<u>61,908</u>
	<u>\$101,505</u>	<u>\$107,092</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2021	December 31, 2020
Buildings	1.30%~1.74%	1.30%~1.74%

(3) Material lease-in activities and terms

As the market conditions severely affected by COVID-19 in 2021 and 2020, the Group negotiated with the lessor for rent concessions for land lease, the negotiated conditions are as follow:

- i. The Group and Neihu Construction Enterprise Co., Ltd. negotiated the lease agreement for Chen Li Education Neihu Branch, and Neihu Construction Enterprise Co., Ltd. agreed to unconditionally reduce the rent from July 1, 2020 to June 30, 2021 by 4% .
- ii. The Group and Cathay Life Insurance Co., Ltd. negotiated the lease of the new Xindian branch of Chen Li Education. Cathay Life Insurance Co., Ltd. agreed to unconditionally reduce the rent amount from May 15 to July 31, 2021 by 50%.
- iii. The Group and the New Taipei City Banqiao District Farmers' Association negotiated the lease of Chen Li Education Banqiao Branch. The New Taipei City Banqiao District Farmers' Association agreed to unconditionally reduce the rent from August 1 to October 31, 2021 and from June 1 to August 31, 2020 by 5%.
- iv. The Group and the Taipei City Shilin District Farmers' Association negotiated the lease of Chen Li Education Shilin Branch. The Taipei City Shilin District Farmers' Association agreed to unconditionally reduce the rent amount from August 1 to November 30, 2021 by 15% and the rent amount from June 1 to September 30, 2020 by 10%.
- v. The Group and the lessor negotiated the lease for Chenli Education Xinzhuang Branch, and the lessor agreed to unconditionally reduce the rent from August 1, 2021 to January 31, 2022 and June 1 to November 30, 2020 by 5%.
- vi. The Group and the lessor negotiated the lease for Chenli Education Main Branch, and the lessor agreed to unconditionally reduce the rent since August 1, 2021 by 5.5% every month.
- vii. The Group and Jing Yuan Construction Co., Ltd. negotiated the lease of Chen Li Education Hsinchu Branch, and Jing Yuan Construction Co., Ltd. agreed to unconditionally reduce the monthly rent from July 1 to 31, 2020.
- viii. The Group and the ROC Buddhist Compassion Relief Tzu Chi Foundation negotiated the lease of Chen Li Education Chiayi Branch. The Tzu Chi Foundation agreed to unconditionally reduce the rent from June 1 to August 31, 2020 by 30%.

ix. The Group and First Commercial Bank negotiated the lease of Chen Li Education Tainan Branch. The First Commercial Bank agreed to unconditionally reduce the rent from March 1 to May 31, 2020 by 10%.

The Group recognized the impact of the aforementioned rent reduction of NT\$1,281,000 and NT\$575,000 in 2021 and 2020 respectively (accounted in other gains and losses).

(4) Other lease information

	For the Years Ended December 31	
	2021	2020
Total cash outflow for leases	<u>\$ 56,614</u>	<u>\$ 65,048</u>

#### 14. GOODWILL AND TRADEMARKS

	For the Years Ended December 31	
	2021	2020
Goodwill	<u>\$ 81,419</u>	<u>\$ 81,419</u>
Trademarks	<u>\$404,144</u>	<u>\$404,144</u>

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

The intangible asset, trademark, has a legal life of 10 years but is renewable every 10 years at minimal cost. Management believes the Group will renew the trademark continuously and has the ability to do so. Various studies on areas including product life cycles, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supported its opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The Group conducted an impairment test on goodwill and trademark rights on December 31, 2021. After the assessment, the recoverable amount of the cash-generating unit was greater than its carrying amount, so no impairment loss was recognized.

The recoverable amount of the cash-generating unit is determined on the basis of the value-in-use, and the cash flow estimate of the financial management budget approved by the Group for the next five years is calculated, and the annual discount rates of 13.44% and 14.09% are calculated in 2021 and 2020 respectively. The cash flow estimate for the financial budget is based on historical data and estimates of future industry changes. The management believes that any reasonably possible change in the key assumptions underlying the recoverable amount will not result in the total carrying amount of the cash-generating unit to exceed the total recoverable amount.

## 15. COMPUTER SOFTWARE

	December 31, 2021	December 31, 2020
Computer software	<u>\$ 6,660</u>	<u>\$ 9,225</u>

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

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

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

	For the Years Ended December 31	
	2021	2020
Year-Start Balance	\$ 83,197	\$ 83,663
Decrease due to the cash value of life insurance termination	( 59,854)	-
Decrease in the cash value of life insurance termination this year	( <u>280</u> )	( <u>466</u> )
Year-End Balance	<u>\$ 23,063</u>	<u>\$ 83,197</u>

## 17. OTHER ASSETS

	December 31, 2021	December 31, 2020
<u>Current</u>		
Prepayments and prepaid fees	\$ 5,647	\$ 6,122
Other	<u>264</u>	<u>476</u>
	<u>\$ 5,911</u>	<u>\$ 6,598</u>
<u>Non-current</u>		
Refundable Deposit	\$ 13,458	\$ 13,558
Prepaid Equipment Payment	<u>-</u>	<u>525</u>
	<u>\$ 13,458</u>	<u>\$ 14,083</u>

## 18. BORROWINGS

### (1) Short-term borrowings

	December 31, 2021	December 31, 2020
<u>Secured borrowings</u>		
Bank borrowings	<u>\$ 10,000</u>	<u>\$ -</u>

The interest rates of bank revolving borrowings were 1.10% at December 31, 2021.

### (2) Long-term borrowings

	December 31, 2021	December 31, 2020
<u>Secured borrowings</u>		
Bank borrowings- Shanghai Commercial and Savings Bank	\$ -	\$ 21,870
Less: Current portion	<u>-</u>	<u>( 2,430)</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 19,440</u>

The aforementioned long-term and short-term bank borrowings are secured by the Group's freehold land and buildings (see Note 34), in which the long-term bank borrowings maturity date is December 24, 2029. As of December 31, 2020, the effective annual interest rate is 1.34%. The Group repaid the loan in advance on October 29, 2021.

## 19. ACCOUNTS PAYABLE

	December 31, 2021	December 31, 2020
Hourly fee payables to Teachers	\$ 19,727	\$ 19,381
Others	<u>1,537</u>	<u>1,565</u>
	<u>\$ 21,264</u>	<u>\$ 20,946</u>

## 20. OTHER PAYABLES

	December 31, 2021	December 31, 2020
Salary and bonus payable	\$ 19,580	\$ 23,113
Insurance payable	2,591	2,446
Compensation payable to Employees	2,431	2,785
Compensation payable to Directors	1,010	1,164
Other	<u>9,537</u>	<u>13,611</u>
	<u>\$ 35,149</u>	<u>\$ 43,119</u>

## 21. RETIREMENT BENEFIT PLANS

### (1) Defined contribution plans

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

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

### (2) Defined benefit plans

The defined benefit plans adopted by only partial employees of the Group in accordance with the Labor Standards Act is operated by the ROC government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy. The Group has settled the above-mentioned retirement benefit plans in March 2020, retrieved NT\$4,051,000 and recognized settled losses of NT\$2,611,000.

## 22. EQUITY

### (1) Capital in Ordinary shares

	December 31, 2021	December 31, 2020
Authorized shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Issued and paid shares (in thousands)	<u>19,100</u>	<u>19,185</u>
Issued capital	<u>\$ 191,004</u>	<u>\$ 191,854</u>

### (2) Capital surplus

	December 31, 2021	December 31, 2020
Stock Issue Premium	\$302,217	\$334,307
<u>Only to make up for losses</u>		
Employees stock options exercised	2,591	2,591
Employees stock options expired	<u>4,292</u>	<u>4,292</u>
	<u>\$309,100</u>	<u>\$341,190</u>

The changes in the balance of various capital reserves of the Group in 2021 and 2020 is as follows:

	Stock issuance premium	Employees stock options exercised	Employees stock options expired	Total
January 1, 2021 Balance	\$ 334,307	\$ 2,591	\$ 4,292	\$ 341,190
Cash distribution	( 28,213 )	-	-	( 28,213 )
Cancellation of treasury shares	( 3,877 )	-	-	( 3,877 )
December 31, 2021 Balance	<u>\$ 302,217</u>	<u>\$ 2,591</u>	<u>\$ 4,292</u>	<u>\$ 309,100</u>
January 1, 2020 Balance	\$ 360,198	\$ 2,591	\$ 4,292	\$ 367,081
Cash distribution	( 8,631 )	-	-	( 8,631 )
Stock distribution	( 17,260 )	-	-	( 17,260 )
December 31, 2020 Balance	<u>\$ 334,307</u>	<u>\$ 2,591</u>	<u>\$ 4,292</u>	<u>\$ 341,190</u>

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

### (3) Retained Earnings and Dividend Policy

The Group's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Group shall first offset its losses in previous years and then set aside the following items accordingly: Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals Group's paid-in capital; special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Group's Articles of Incorporation provide the policy about the profit-sharing bonus to employees, please refer to Note 24 (6).

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

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

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

The appropriation of earnings for 2020 and 2019, which had been proposed by the Group's general shareholders meeting on July 1, 2021 and June 18, 2020, respectively. The appropriation and dividends per share were as follows:

	For the Years Ended December 31	
	2020	2019
Legal reserve	<u>\$ 6,026</u>	<u>\$ 7,612</u>
Special reserve	<u>(\$ 208)</u>	<u>\$ 989</u>
Cash dividends	<u>\$ 56,425</u>	<u>\$ 17,260</u>
Cash dividends per share (NT\$)	\$ 3.00	\$ 1.00



On July 1, 2021, the company passed the resolution at the AGM to distribute cash with a capital reserve of NT\$28,213,000, NT\$1.50 per share. According to the resolution of the shareholders' meeting on June 18, 2020, the Group decided to finance capital using its capital reserve of NT\$17,260,000. It is divided into 1,726,000 shares, each with a par value of NT\$10, all of which are ordinary shares, and a capital reserve of NT\$8,631,000 is distributed in cash, NT\$0.50 per share.

The proposed appropriation of earnings for 2021 decided by the board meeting on March 9, 2022 is as follows:

	For the Years Ended December 31, 2021
Legal reserve	<u>\$ 4,621</u>
Special reserve	<u>\$ 130</u>
Cash dividends	<u>\$ 41,629</u>
Cash dividends per share (NT\$)	\$ 2.20

According to the resolution of the BOD meeting on March 9, 2022, the Group decided to use capital reserve of NT\$15,138,000 to distribute cash, NT\$0.8 per share.

The appropriation of earnings for 2021 is to be discussed at the shareholders' meeting scheduled on June 9, 2022.

#### (4) Non-controlling interests

	For the Years Ended December 31	
	2021	2020
Balance at January 1	\$ 3,646	\$ 5,918
Net profit for the year	( 277 )	679
Subsidiaries issue cash dividends to non-controlling equity shareholders	( 44 )	( 773 )
Increased non-controlling interest in the establishment of subsidiaries	-	4,000
Acquisition of non-controlling interests in subsidiaries	-	( 6,178 )
Balance at December 31	<u>\$ 3,325</u>	<u>\$ 3,646</u>

(5) Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Cancelled (In Thousands of Shares)</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2021	-	377	377
Increase during the year	85	-	85
Decrease during the year	( 85 )	( 199 )	( 284 )
Number of shares at December 31, 2021	<u>-</u>	<u>178</u>	<u>178</u>
Number of shares at January 1, 2020	-	199	199
Increase during the year	<u>-</u>	<u>178</u>	<u>178</u>
Number of shares at December 31, 2020	<u>-</u>	<u>377</u>	<u>377</u>

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

On July 1, 2021, the company passed the resolution of the Board of Directors to cancel the registration of the repurchased 85,000 treasury shares, and took July 1, 2021 as the cancellation base date. Share capital and capital reserve - share issue premiums amounted to NT\$850,000 and NT\$3,877,000.

In July 2021, the company transferred 199,000 treasury shares at NT\$40 per share to employees of the company and its subsidiaries who met certain conditions for subscription. The total transfer price was NT\$7,936,000, accounting for 1.037% of the company's issued shares. The cost of shares is NT\$21,956,000. According to the regulations, the Group estimated it according to the option model on the grant date, and recognized the cost of remuneration (salary expenses on the account) of NT\$3,325,000, and recognized the deduction of undistributed earnings of NT\$10,695,000 at the time of transfer.

## 23. REVENUE

	For the Years Ended December 31	
	2021	2020
Client contracts revenue		
Educational service and consultancy	\$659,031	\$666,545
Optical fiber and cable products	-	107,248
Others	<u>2,889</u>	<u>2,604</u>
	<u>\$661,920</u>	<u>\$776,397</u>

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

(2) Remaining contracts balance

i. Notes receivable and accounts receivable balance, please refer to Note 9.

ii. Contract liabilities – current

	December 31, 2021	December 31, 2020
Contract liabilities – current	<u>\$238,719</u>	<u>\$239,978</u>

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

## 24. NET PROFIT OF THE YEAR

(1) Other Revenue

	For the Years Ended December 31	
	2021	2020
Subsidy revenue	\$ 8,558	\$ 4,584
Other	<u>1,503</u>	<u>1,980</u>
	<u>\$ 10,061</u>	<u>\$ 6,564</u>

The subsidy income is mainly the funds subsidized by the Group to implement the A + enterprise innovation research and development plan of the R.O.C Ministry of Economic Affairs, and the relief subsidy income applied for in accordance with the "Ministry of Education's Relief and Revitalization Measures for Industries and Businesses Affected by the COVID-19 Pandemic".

(2) Other Profit and Loss

	For the Years Ended December 31	
	2021	2020
Impairment loss (Note 12)	(\$ 11,739)	\$ -
Gains on lease modification	1,393	588
Losses on net foreign currency exchange (note)	( 292)	( 662)
Disposal of investment interests (Note 30)	-	9,035
Other	( 653)	( 187)
	<u>(\$ 11,291)</u>	<u>\$ 8,774</u>

Note: The Group's 2021 and 2020 foreign exchange profits and losses are as follows:

	For the Years Ended December 31	
	2021	2020
Total foreign currency exchange profits	\$ 4	\$ 1,110
Total foreign currency exchange losses	( 296)	( 1,772)
Net loss	<u>(\$ 292)</u>	<u>(\$ 662)</u>

(3) Financial Costs

	For the Years Ended December 31	
	2021	2020
Interest on bank loans	\$ 262	\$ 965
Interest on rental liabilities	<u>1,857</u>	<u>2,682</u>
	<u>\$ 2,119</u>	<u>\$ 3,647</u>

(4) Depreciation and Amortization

	For the Years Ended December 31	
	2021	2020
Depreciation- property, plant and equipment	\$ 18,293	\$ 19,173
Depreciation- Right-of-use assets	56,099	63,507
Amortization- computer software	<u>3,365</u>	<u>3,730</u>
Total	<u>\$ 77,757</u>	<u>\$ 86,410</u>
An analysis of depreciation by function		
Operating costs	\$ 68,161	\$ 73,433
Operating expenses	<u>6,231</u>	<u>9,247</u>
	<u>\$ 74,392</u>	<u>\$ 82,680</u>
An analysis of amortization by function		
Operating costs	\$ 2,578	\$ 2,648
Operating expenses	<u>787</u>	<u>1,082</u>
	<u>\$ 3,365</u>	<u>\$ 3,730</u>

(5) Employee Benefit Expenses

	For the Years Ended December 31	
	2021	2020
Short term Employee Benefits	\$178,588	\$216,901
Post-employment benefits		
Defined contribution plans	7,931	11,197
Share-based payment		
Equity settled transaction	3,325	-
Resignation benefits	-	34
Other employee benefits	<u>7,410</u>	<u>8,439</u>
Total employee benefits expense	<u>\$197,254</u>	<u>\$236,571</u>
An analysis of employee benefits expense by function		
Operating costs	\$ -	\$ 7,372
Operating expenses	<u>197,254</u>	<u>229,199</u>
	<u>\$197,254</u>	<u>\$236,571</u>

(6) Employees' compensation and remuneration of directors

In accordance with the provisions of the Articles of Incorporation, the employees' compensations are provided at not less than 3% and remuneration of directors are not more than 5% before deducting the pre-tax benefits of the employees and directors. The estimated 2021 and 2020 employees' compensation and remuneration of directors were decided by the Board on March 9, 2022 and March 9, 2021 respectively as follows:

	For the Years Ended December 31	
	2021	2020
Employees' compensation		
-Estimated ratio	3%	3%
-Amount	<u>\$ 2,020</u>	<u>\$ 2,327</u>
Remuneration of directors		
-Estimated ratio	1.5%	1.5%
-Amount	<u>\$ 1,010</u>	<u>\$ 1,164</u>

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

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Group's Board of Directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAXES

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

	For the Years Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 11,104	\$ 11,438
Income tax on unappropriated earnings	-	2,474
Adjustments for prior year	( <u>1,657</u> )	<u>-</u>
	<u>9,447</u>	<u>13,912</u>
Deferred tax		
In respect of the current year	5,726	7,074
Adjustments in respect to past year	<u>2,460</u>	( <u>95</u> )
	<u>8,186</u>	<u>6,979</u>
Income tax expense recognized in profit or loss	<u>\$ 17,633</u>	<u>\$ 20,891</u>

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

	For the Years Ended December 31	
	2021	2020
Income before tax	<u>\$ 74,256</u>	<u>\$ 83,804</u>
Income tax expense calculated at the statutory rate	\$ 16,617	\$ 21,457
Surtax on Undistributed Retained Earnings	-	2,474
Non-deductible expenses on tax	651	-
Tax-exempt income	( 1,056 )	( 1,407 )
Deferred tax effect of earnings of subsidiaries	( 5,626 )	( 6,580 )
Impact of unrecognized deferred income tax assets	6,244	5,042
Adjustments for prior years' tax	<u>803</u>	( <u>95</u> )
Income tax expense recognized in profit or loss	<u>\$ 17,633</u>	<u>\$ 20,891</u>

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

	For the Years Ended December 31	
	2021	2020
<u>Deferred income tax</u>		
In respect of the current year		
-Remeasured number of defined benefit plan	\$ -	\$ 650

(3) Deferred tax assets and liabilities

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

For the Years Ended December 31, 2021

	Opening Balance	Recogniz ed in Profit or Loss	Recogniz ed in other comprehensive income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Use equity law to identify foreign investment losses	\$ 4,043	(\$ 2,400)	\$ -	\$ 1,643
Other	852	344	-	1,196
	4,895	( 2,056)	-	2,839
Loss carryforwards	25,828	( 6,150)	-	19,678
	<u>\$30,723</u>	<u>(\$ 8,206)</u>	<u>\$ -</u>	<u>\$22,517</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Land revaluation	\$ 2,232	\$ -	\$ -	\$ 2,232
Bargain purchase gains	145	-	-	145
Gains and loss from life insurance evaluation	20	( 20)	-	-
	<u>\$ 2,397</u>	<u>(\$ 20)</u>	<u>\$ -</u>	<u>\$ 2,377</u>



For the Years Ended December 31, 2020

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

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

	December 31, 2021	December 31, 2020
Expire in 2021	\$ -	\$ 25,622
Expire in 2022	4,743	4,779
Expire in 2024	2,360	2,378
Expire in 2025	3,027	-
Expire in 2028	-	3,258
Expire in 2029	-	908
Expire in 2030	2,156	3,459
Expire in 2031	<u>1,692</u>	<u>-</u>
	<u>\$ 13,978</u>	<u>\$ 40,404</u>

(5) Related information of unused loss carry-forwards

	December 31, 2021	December 31, 2020
Expire in 2021	\$ -	\$ 62,622
Expire in 2022	4,743	4,779
Expire in 2023	13,679	13,679
Expire in 2024	56,038	56,056
Expire in 2025	27,810	24,784
Expire in 2028	-	3,258
Expire in 2029	-	908
Expire in 2030	2,156	3,459
Expire in 2031	<u>7,944</u>	<u>-</u>
	<u>\$112,370</u>	<u>\$169,545</u>

(6) Income Tax Assessments

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

Group Name	Approved Year
Success Prime Corporation	2019
Chen Li Education	2019
Here Enterprise	2019
Chen Li ELM	2020
Chen Li Zhiyi Education	Not yet verified
Li-Ren Education	Not yet verified

The authorities of the Republic of China will not proactively issue approval notices to enterprises. Only in the event of a tax dispute, the payment notice of the year will be issued to each Group and the right to impose additional taxation will be retained.

## 26. EARNINGS PER SHARE

	Unit: NT\$ per share	
	For the Years Ended December 31	
	2021	2020
Basic earnings per share	<u>\$ 3.02</u>	<u>\$ 3.30</u>
Diluted earnings per share	<u>\$ 3.02</u>	<u>\$ 3.29</u>

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

### Net Profit for the Year

	For the Years Ended December 31	
	2021	2020
Profit used in the computation of basic earnings per share for the year attributable to owners of the Group	<u>\$ 56,900</u>	<u>\$ 62,234</u>

### Shares

	Unit: in thousands of shares	
	For the Years Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	18,819	18,883
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>50</u>	<u>54</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>18,869</u>	<u>18,937</u>

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

## **27. SHARE-BASED PAYMENT AGREEMENT**

### **Transfer of Treasury Shares to Employees**

In July 2021, the company transferred 199,000 treasury shares to employees, and the recipients included employees of the company and its subsidiaries who met certain conditions. The fair value of each treasury stock option granted to them in the current period was NT\$16.71. For details, please refer to Note 22 (6) Treasury Shares.

## **28. CASH FLOW INFORMATION**

	For the Years Ended December 31	
	2021	2020
Purchase property, plant and equipment		
Increase in property, plant and equipment	\$ 21,959	\$ 14,745
Increase (decrease) prepaid equipment payments	1,124	( 7,899)
Decrease equipment payables	<u>414</u>	<u>1,853</u>
Net cash paid	<u>\$ 23,497</u>	<u>\$ 8,699</u>

## **29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS**

On August 12, 2020, the Group acquired 49% of shares from Success Prime Education subsidiary from its related parties, making Success Prime Education a 100% owned subsidiary by the Group.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Success Prime Education
Consideration paid	(\$ 8,800)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>6,178</u>
Differences in equity transactions	(\$ <u>2,622</u> )
	Success Prime Education
<u>Line items adjusted for equity transactions</u>	
Undistributed retained earnings	(\$ <u>2,622</u> )

### 30. DISPOSAL OF SUBSIDIARIES

The Group passed the sale agreement resolution in the board meeting to dispose of Success Prime Optical Fiber Limited Subsidiary Prime Optical Fiber to a non-related party Gold Sun Technology Co., Ltd. The disposal was completed on July 3, 2020, from this date on, the Group has no control over Success Prime Optical Fiber Co., Ltd.

(1) Consideration received from disposals

	Prime Optical F i b e r
Consideration received in cash and cash equivalents	<u>\$ 98,000</u>

(2) Analysis of assets and liabilities on the date control was lost

	Prime Optical Fiber
Current assets	
Cash and cash equivalents	\$ 27,382
Financial assets measured at amortized cost	5,655
Accounts receivables	45,267
Other receivables	175
Inventories	32,076
Other current assets	5,397
Non-current assets	
Property, plant and equipment	10,858
Right-to-use assets	80,753
Other non-current assets	7,258
Current liabilities	
Accounts payables	( 6,680)
Other payables	( 36,050)
Lease liabilities	( 10,677)
Other current liabilities	( 1,336)
Non-current liabilities	
Lease liabilities	( <u>71,113</u> )
Net assets disposed of	<u>\$ 88,965</u>

(3) Gain on disposal of subsidiaries

	Prime Optical F i b e r
Consideration received	\$ 98,000
Net assets disposed of	( <u>88,965</u> )
Gain on disposals	<u>\$ 9,035</u>

Net benefits disposed should be listed in other gains and losses.

(4) Net cash inflow on disposals of subsidiaries

	<u>Prime Optical Fiber</u>
Consideration received in cash and cash equivalents	\$ 98,000
Less: Cash and cash equivalent balances disposed of	( <u>27,382</u> )
	<u>\$ 70,618</u>

### 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group is composed of the Group's net debt (such as borrowings less cash) and equity (such as share capital, capital reserve and retained earnings).

The Group does not need to comply with other external capital requirements.

### 32. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

i. Fair value hierarchy

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u>				
<u>FVTOCI</u>				
Investments in equity				
instruments				
-Unlisted shares in ROC	\$ -	\$ -	\$ 4,900	\$ 4,900

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-Unlisted shares in ROC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>

ii. Valuation technic and input value used in Level 3 fair value measurement

<u>Category of financial instruments</u>	<u>Evaluation of technology and input values</u>
Unlisted equity investments	Market Method: Assess the fair value of the investment by reference to the recent operating activity of the subject or the market transaction price and market conditions of the investment subject or other similar subjects.

iii. Fair value assessment for Level 3 can reasonably replace assumptions of sensitivity analysis

The Group's fair value measurement of financial instruments is reasonable, and no self-built evaluation model is used for level 3 fair value measurement, so there is no need to perform a sensitivity analysis that may replace hypotheses.

(3) Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Measured at amortized costs (Note 1)	\$ 268,192	\$ 234,304
Measured at FVTOCI- equity investment instrument	4,900	4,500
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	66,753	85,964

Note 1: The balance consists of cash and cash equivalents, notes and accounts receivables, other receivables and refundable deposits (other current and non-current assets), which are measured at amortized cost.



Note 2: The balance includes short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings (including long-term borrowings due within one year) and other financial liabilities measured at amortized cost.

#### (4) Financial risk management objectives and policies

The main financial instruments of the Group include cash and cash equivalents, financial assets measured at amortized cost, bills receivable, accounts receivable, equity investment instruments, bills payable, accounts payable, borrowings and lease liabilities. The financial management department of the Group provides services for each business unit, coordinates the operation of entering the domestic and international financial markets, and monitors and manages the financial risks related to the operation of the Group by analyzing the risk internal risk report according to the degree of risk and breadth. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

##### i. Market Risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below), and in interest rates (see (2) below).

##### (i) Foreign currency risk

For the carrying amount of monetary assets and liabilities denominated in the non-functional currency at the balance sheet date, refer to Note 36.

##### Sensitivity analysis

The Group is mainly affected by fluctuations in the US dollar (USD) and Chinese Yuan (CNY) exchange rates.

The sensitivity analysis only includes foreign currency monetary items that are in circulation and the conversion at the end of the period is adjusted by 1% of the exchange rate change. When the New Taiwan dollar appreciates by 1% against each relevant currency, it increased the net profit before tax of the Group in 2021 and 2020 by NT\$177,000 and NT\$131,000 respectively. When the New Taiwan dollar depreciates by 1% against each foreign currency, its impact on net profit before tax will be a positive amount of the same amount.

##### (ii) Interest Rate Risk

The Group is exposed to fluctuating interest rate risk from outstanding bank loans. Changes in interest rates would affect the future cash flows but not the fair value.

The financial assets and liabilities balance for which the Group is subject to interest rate risk on the balance sheet date is as follows:

	December 31, 2021	December 31, 2020
Cash flow interest rate risk		
-Financial assets	\$247,370	\$203,916
-Financial liabilities	10,000	21,870

Assume that the floating borrowing rate at the end of the reporting period is held during the entire reporting period. When the interest rate increases/decreases by 0.1%, the net profit before tax for the Group's 2021 and 2020 will increase by NT\$237,000 and NT\$182,000 respectively, while all other variables remain fixed.

## ii. Credit Risk

Credit risk refers to the risk that the counterparty defaults on the contractual obligations resulting in financial losses to the Group. As the major trading counterparty are all creditworthy financial institutions and corporate organizations, no significant credit risk is expected.

## iii. Liquidity Risk

The Group reduces the impact of cash flow fluctuations by managing and maintaining sufficient cash. The Management supervises the available quotas of bank financing and ensures compliance with the terms of the loan contract. The consolidated liabilities were higher than the current assets on December 31, 2021. However, the current liabilities mainly consisted of advance receipt of tuition fees (accounted as contract liabilities). Non-financial liabilities did not result in the outflow of future cash from the Group. Therefore, the Group evaluates little liquidity risk.

Bank borrowing is an important source of liquidity for the Group. As of December 31, of 2021 and 2020, the unused financing capital was NT\$290,000,000 and NT\$300,000,000 respectively.

### Liquidity and interest rate risk statement for non-derivative financial liabilities

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the undiscounted cash flows of financial liabilities (including principal and estimated interest) based on the date which the Group is required to repay. Therefore, regardless whether the bank immediately executes its rights, the Group may be required to immediately repay the bank loan by the earliest period in the following table; other non-derivative financial liability maturity analysis is prepared according to the agreed repayment date.

Interest cash flow paid at floating interest rate, its outstanding interest amount is derived from the balance sheet daily interest rate curve.

December 31, 2021

	<u>1~6 Months</u>	<u>6 months ~ 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 53,624	\$ 3,129	\$ -
Fluctuating interest rates instruments	<u>10,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 63,624</u>	<u>\$ 3,129</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>Total</u>
Lease liabilities	<u>\$ 33,842</u>	<u>\$ 70,367</u>	<u>\$ -</u>	<u>\$ 104,209</u>

December 31, 2020

	<u>1~6 Months</u>	<u>6 months ~ 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 42,658	\$ 21,436	\$ -
Fluctuating interest rates instruments	<u>1,215</u>	<u>1,215</u>	<u>19,440</u>
	<u>\$ 43,873</u>	<u>\$ 22,651</u>	<u>\$ 19,440</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>Total</u>
Lease liabilities	<u>\$ 47,560</u>	<u>\$ 59,411</u>	<u>\$ 4,440</u>	<u>\$ 111,411</u>

### 33. TRANSACTION WITH RELATED PARTIES

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

(1) Related parties and their relationships associated with the Group:

<u>Related parties</u>	<u>Relationship with the Group</u>
Min-Chun Chen	Chairman of the Group
Shu-Ling Tseng	CEO of the Group
Kaohsiung City Private Jianjia Art and Science Short-term Tuition Class (Jianjia)	Related party
Kaohsiung City Private Yihe Arts and Science Short-term Tutoring Class (Here Enterprise)	Related party
Kaohsiung City Private Yihe Arts and Science Short-term Tuition Class Zhongzheng Division (Here Enterprise Zhongzheng)	Related party
Yu-Ren Senior High School Taitung K12 Future School (Taitung Yu-Ren School)	The Chairman of School and Group is the same person
Wei-Ru Chen	Related party
Prime Optical Fiber Co., Ltd.	The Chairman of the board is a director of the Group (the chairman of the board was dismissed as a director of the Group on September 30, 2020, thus he is not a related party of the Group from this date on)

(2) Service revenue

<u>Related party Category / Name</u>	<u>For the Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Related parties		
Jianjia	\$ 11,525	\$ 16,762
Here Enterprise	3,139	10,903
Here Enterprise Zhongzheng	1,457	307
Taitung Yu-Ren School	408	-
	<u>\$ 16,529</u>	<u>\$ 27,972</u>

The Group provides services income from related parties, and its transaction prices and payment conditions are not significantly different from those of non-related parties.

(3) Purchases of goods

Related party Category / Name	For the Years Ended December 31	
	2021	2020
Related party		
Prime Optical Fiber	\$ <u>-</u>	\$ <u>7,991</u>

Compared with other manufacturers, there is no significant difference between the Group's trading conditions for the purchase of related parties.

(4) Refundable Deposit (other non-current assets included in the account)

Related party Category / Name	December 31, 2021	December 31, 2020
Main Management		
Shu-Ling Tseng	\$ 1,960	\$ 1,960
Min-Chun Chen	<u>880</u>	<u>880</u>
	\$ <u>2,840</u>	\$ <u>2,840</u>

As mentioned in (7) below, the Group pays the refundable deposit of the lease to the related party according to the market conditions.

(5) Receivables from related parties

Line Item	Related party Category / Name	December 31, 2021	December 31, 2020
Accounts receivables	Related party		
	Jianjia	\$ 1,313	\$ 3,314
	Here Enterprise	-	2,067
	Here Enterprise	<u>-</u>	<u>323</u>
	Zhongzheng		
		\$ <u>1,313</u>	\$ <u>5,704</u>

There is no guarantee for receipt of receivables from related parties in circulation. Amounts due from related parties as of December 31, 2021 and 2020 are not listed as allowance for losses.

(6) Acquisition of Property, Plant and Equipment

Related party Category / Name	Acquired Price	
	December 31, 2021	December 31, 2020
Related party Wei-Ru Chen	\$ <u>850</u>	\$ <u>-</u>

(7) Leasing Agreement

Related party Category / Name	December 31, 2021	December 31, 2020
<u>Acquired right-of-use assets</u>		
Key Management Levels		
Shu-Ling Tseng	\$ <u>5,812</u>	\$ <u>-</u>

Line Item	Related party Category / Name	December 31, 2021	December 31, 2020
Lease liabilities	Key Management Levels		
	Shu-Ling Tseng	\$ 4,680	\$ 7,143
	Min-Chun Chen	<u>-</u>	<u>7,143</u>
		\$ <u>4,680</u>	\$ <u>14,286</u>

For the Years Ended December 31			
Related party Category / Name		2021	2020
<u>Interest fees</u>			
Key Management Levels			
Shu-Ling Tseng		\$ 125	\$ 191
Min-Chun Chen		<u>57</u>	<u>181</u>
		\$ <u>182</u>	\$ <u>372</u>

The Group leases offices and teaching venues from related parties, and the lease conditions are equivalent to those of general non-related parties.

(8) Acquisition of financial assets

For the Years Ended December 31, 2020

<u>Related party Category / Name</u>	<u>Line Item</u>	<u>Number of shares transaction</u>	<u>Transaction subject</u>	<u>Price obtained</u>
Related party				
Wei-Ru Chen	Investment using equity method (Note)	490,000 shares	Success Prime Education	<u>\$ 8,800</u>

Note: The number of related subjects in this transaction has been written off when preparing the consolidated financial statements. The Group passed the resolution in the board meeting to purchase 49% of the equity of Success Prime Education from the related party Wei-Ru Chen in August 2020.

(9) Remuneration of Key Management Levels

	<u>For the Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short term Employee Benefits	\$ 5,751	\$ 13,985
Post-employment benefits	288	260
Share-based payment	<u>635</u>	<u>-</u>
	<u>\$ 6,674</u>	<u>\$ 14,245</u>

The remuneration of directors and other key management levels are determined by the Compensation Committee based on individual performance and market trends.

### 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets have been provided as collateral for short-term, long-term bank borrowings and installation funds for cram school:

	December 31, 2021	December 31, 2020
Pledged certificates of deposits (classified as financial assets at amortized cost- non- current)	\$ 4,920	\$ 4,860
Freehold land and buildings	<u>221,298</u>	<u>254,315</u>
	<u>\$226,218</u>	<u>\$259,175</u>

### 35. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, Since May 18, 2021, in cooperation with the government's Central Epidemic Command Center, which has been raised to level 3 alert in response to the rise of the pandemic, all physical on-site teaching have been suspended. Despite the situation slightly impacting the 2021 revenue, the Group has rolled out a comprehensive digital learning service and platform. As of December 31, 2021, the Group has assessed the recent impact of pandemic in Taiwan has not yet posed a significant impact on the operations, assets, and profitability of the Group.

In response to the impact of the COVID-19 pandemic, the Group takes the following actions:

(1) Adjust operating strategies

Provide students in cram schools with live stream courses, cloud-based supplementary courses, online tests and other services to continue to provide educational services.

(2) Government relief measures

The Group applied for subsidies in early June 2021 in accordance with the "Ministry of Education's Measures for the Relief and Revitalization of Industries and Businesses Affected by COVID-19 Pandemic", and approved by the Ministry of Education for a subsidy of NT\$5,280,000 from July to September 2021, listed under non-operating income and expenses of other income.

The Group has incorporated the economic impact of the pandemic into significant accounting estimates based on the information available on the balance sheet date, please refer to the explanation in Note 5.



### 36. INFORMATION ON FOREIGN CURRENCY ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

The following information is aggregated in foreign currencies other than the functional currency of the Group. The exchange rate disclosed is the exchange rate of the foreign currency into the functional currency. The foreign currency assets and liabilities that have significant impact are as follows:

December 31, 2021

	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>Balance</u>
<u>Foreign currency assets</u>			
<u>Monetary accounts</u>			
US Dollars	\$ 290	27.680	\$ 8,027
RMB	2,216	4.344	9,626

December 31, 2020

	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>Balance</u>
<u>Foreign currency assets</u>			
<u>Monetary accounts</u>			
US Dollars	\$ 277	28.480	\$ 7,889
RMB	1,188	4.377	5,200

The Group has realized and unrealized the foreign currency exchange gains and losses in the 2021 and 2020. Please combine the consolidated income statement. Due to the large number of foreign currency transactions, it is impossible to disclose the exchange gains and losses according to each significant foreign currency.

### **37. NOTES DISCLOSURE ITEMS**

(1) Main transaction items and

(2) Information related to the transfer of investment business:

- i. Loans to others: Table 1.
- ii. Endorsement for others: Table 2.
- iii. Holding securities at the end of the period (excluding investment in subsidiaries): Table 3.
- iv. Accumulatively buy or sell the same marketable securities amounting to NT\$300 million or paid-up capital of more than 20%: None.
- v. The amount of property acquired is NT\$300 million or over 20% of paid-up capital: none.
- vi. The disposition of property amounts to NT\$300 million or over 20% of paid-up capital: none.
- vii. The amount of import and sales with related parties amounts to NT\$100 million or over 20% of paid-up capital: Table 4.
- viii. The receivables from the related party amounted to NT\$100 million or more than 20% of the paid-up capital: none.
- ix. Engage in derivatives transactions: None.
- x. Others: Business relationship, significant transactions and amounts between parent  
and subsidiaries and between the subsidiary companies themselves: Table 5.
- xi. Information on the investee Group: Table 6.

(3) China Investment Information:

- i. The name of the China's Group as investee, the main business operation, the amount of capital received, the mode of investment, the export of funds, the proportion of shareholding, the profit and loss of investment, the carrying amount of the final investment, the profit and loss of the remitted investment and the investment limit to the mainland region: Table 7.
- ii. Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
  - (i) The amount and percentage of the purchase and the closing balance and percentage of the relevant payables.
  - (ii) The amount and percentage of goods sold and the closing balance and percentage of related receivables.
  - (iii) The amount of the property transaction and the amount of profit and loss it generates.
  - (iv) The closing balance of the bill endorsement or the provision of the collateral and its purpose.

- (v) The maximum balance, closing balance, interest rate range and total interest in the current period of the facility.
  - (vi) Other transactions that have a significant impact on the profits and losses or financial position of the current period, such as the provision or receipt of services.
- (4) Key shareholders information: The shareholder name, shareholding amount and proportion of shareholders with a shareholding ratio of 5% or more. (Table 8)

### 38. DEPARTMENTAL INFORMATION

Information provided to key operational decision makers to allocate resources and assess departmental performance, focusing on the types of products or services that are delivered or provided. The Group should report the 2021 and 2020 departments as below:

**Education Enterprise Division-** engaged in primary, middle, high school curriculum tutorial services, and provide customized digital information and consulting business.

**Optical Fiber Enterprise Division-** main fiber manufacturing and sales business.

(1) Departmental revenue and operating results

Revenue and operating results of the Group based on the reporting department analyses as follows:

For the Years Ended December 31, 2021

	Education Enterprise Division	Optical Fiber Enterprise Division	Total
Revenue from external customers	\$ 661,920	\$ -	\$ 661,920
Consolidated revenue	\$ 661,920	\$ -	\$ 661,920
Departmental gains and losses	\$ 77,212	\$ -	\$ 77,212
Interest revenue			393
Gain on lease modification			1,393
Impairment loss			( 11,739 )
Net foreign currency exchange losses			( 292 )
Financial cost			( 2,119 )
Other revenue			10,061
Other losses			( 653 )
Net profit before tax			\$ 74,256

For the Years Ended December 31, 2020

	Education Enterprise Division	Optical Fiber Enterprise Division	Total
Revenue from external customers	<u>\$ 669,149</u>	<u>\$ 107,248</u>	<u>\$ 776,397</u>
Consolidated revenue	<u>\$ 669,149</u>	<u>\$ 107,248</u>	<u>\$ 776,397</u>
Departmental gains and losses	<u>\$ 73,527</u>	<u>( \$ 1,984 )</u>	<u>\$ 71,543</u>
Interest revenue			570
Gain on lease modification			588
Gains on investment disposal			9,035
Net foreign currency exchange losses			( 662 )
Financial cost			( 3,647 )
Other revenue			6,564
Other losses			( 187 )
Net profit before tax			<u>\$ 83,804</u>

Departmental interests refer to profits earned by various departments and do not include interest revenue, remeasures of original holdings of acquired equity, net foreign currency exchange losses, gains on lease modification, gains on disposal of investment, financial costs, other revenue, other profit and losses, and income tax expenses. This measure is provided to key operational decision makers to allocate resources to departments and evaluate their performance.

(2) Revenue from major products and services

The revenue analysis of the Group's main products and services is as follows:

	<u>For the Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Education services and information	\$661,920	\$669,149
Optical Fiber	-	53,048
Cable	-	54,461
Other	<u>-</u>	<u>10</u>
	661,920	776,668
Less: Return and discount of sales	<u>-</u>	<u>( 271 )</u>
Total	<u>\$661,920</u>	<u>\$776,397</u>

(3) Regional Information

The Group's continuing business revenue from external customers is divided according to the operation location and non-current assets information of by asset location is as follows:

	Revenue from external customers		Non-current assets	
	2021	2020	December 31, 2021	December 31, 2020
Taiwan	\$ 661,920	\$ 721,448	\$ 893,320	\$ 895,734
China	-	5,092	-	12,837
United States	-	31,818	-	-
Other	-	18,039	-	-
	<u>\$ 661,920</u>	<u>\$ 776,397</u>	<u>\$ 893,320</u>	<u>\$ 908,571</u>

Non-current assets do not include financial assets classified as financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost, life insurance termination cash value and deferred income tax assets.

(4) Main Customer Information

The main customer group of the Group is general public student groups. Therefore, there is not one single customer who accounts for more than 10% of the operating income on the income statement in 2021 and 2020.

TABLE 1

SUCCESS PRIME CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Group	Chen Li Education	Other receivables – related party	Yes	\$ 50,000	\$ -	\$ -	1.3%	(2)	\$ -	Business turnover	\$ -	—	\$ -	\$ 78,646 (Note 3)	\$ 314,587 (Note 3)	—
1	Chen Li Education	Chen Li (Xiamen) Education Consulting Co., Ltd.	Other receivables – related party	Yes	8,690	-	-	1.4%	(2)	-	Business turnover	-	—	-	20,320 (Note 4)	81,282 (Note 4)	—

Note 1 : The numbering column is described as follows :

- (1) Issuer fill in 0 °
- (2) Companies as investee are numbered sequentially starting from 1.

Note 2 : The subject receiving the loans, shall be limited to the following circumstances:

- (1) Subject companies with business relations with the SPC.
- (2) Necessary party with short-term financing capital.

Note 3 : The total amount of capital loans of the company and the limits of individual objects are as follows:

- (1) The total amount of funds loaned by the company to others shall not exceed 40% of the net value of the company's most recent financial statements.
- (2) The total limit of the company's short-term financial loans and others shall not exceed 30% of the company's most recent net value of financial statements.
- (3) The loan amount of individual target funds shall not exceed 10% of the net value of the company's most recent financial statements.

Note 4 : The total amount of Chen Li Education's fund loan and the limits of individual objects are as follows:

- (1) The total amount of Chen Li Education’s funds loaned to others shall not exceed 40% of the net value of Chen Li Education’s latest financial statements.
- (2) The loan amount of individual target funds shall not exceed 10% of the net value of Chen Li Education's latest financial statements.

SUCCESS PRIME CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement ent/ Guarantee Given by Parent on Behalf of Subsidiari es	Endorsement/ Guarantee Given by Subsidiari es on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Chen Li Education	The Group	(3)	\$ 304,808	\$ 300,000	\$ 300,000	\$ 10,000	\$ -	147.63%	\$ 304,808	N	Y	N	—

Note 1 : The numbering column is described as follows:

- (1) Issuer fill in 0.
- (2) Companies as investee are numbered sequentially starting from 1.

Note 2 : The relationship between the endorser amd guarantor has the following 7 types, just indicate the type:

- (1) A company with business dealings.
- (2) A company that directly and indirectly holds more than 50% of the voting shares.
- (3) Companies that directly and indirectly hold more than 50% of the voting shares of the company.
- (4) Inter-company companies where the company directly and indirectly holds more than 90% of the voting shares.
- (5) A company that is mutually insured according to the contract between inter-industry or co-founders based on the needs of the contracted project.
- (6) A company whose endorsement is guaranteed by all capital shareholders according to their shareholding ratio due to a joint investment relationship.
- (7) The inter-industry is engaged in the performance guarantee and joint guarantee of the pre-sale house sales contract regulated by the Consumer Protection Law.

Note 3 : The limit amount of the foreign endorsement guarantees of Chen Li Education Co., Ltd. are as follows:

- (1) For companies that directly and indirectly hold more than 50% of the voting rights of Chen Li Education, the total amount of endorsement guarantees and endorsement guarantees of Chen Li Education for a single object is based on Chen Li Education ’s most recent audit or review by an accountant. The net value of the financial statements is 150%.
- (2) The net value is based on the most recent financial statements (2021) reviewed by Chen Li Education by accountants.

TABLE 3

SUCCESS PRIME CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
The Group	Taiwan unlisted shares Accuagile Co., Ltd	None	Financial FVTOCI assets at	1,500,000	\$ 4,500	15%	Note
	Xueli Technology Co., Ltd.	None	Financial FVTOCI assets at	40,000	\$ 400	20%	Note

Note : Fair value is based on the most recent evaluation results.



TABLE 4

SUCCESS PRIME CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Group	Chen Li Education	Subsidiary	Service revenue	(\$ 213,895)	( 98% )	Month end 30 days	Note 1	-	\$ 21,891	100%	Note 2
Chen Li Education	The Group	Parent Company	Service costs	213,895	62%	Month end 30 days	Note 1	-	( 21,891 )	( 93% )	Note 2

Note 1 : There are no other transactions of the same type available for comparison, and the terms of collection are agreed by both parties.

Note 2 : It was written off when preparing the consolidated financial report.

TABLE 5

SUCCESS PRIME CORPORATION AND SUBSIDIARIES  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	The Group	Chen Li Education	1	Service revenue and costs	\$ 213,895	There are no other transactions of the same type available for comparison, and the terms of payment are agreed by both parties.	32.3%
"	"	"	1	Accounts receivables and payables	21,891	There are no other transactions of the same type available for comparison, and the terms of payment are agreed by both parties	1.8%

Note 1 : The business transactions between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the numbers is as follows:

(1) The parent company fills in 0.

(2) Subsidiaries are numbered sequentially by the Arabic number 1 according to the company.

Note 2 : There are three types of relationship with the trader. The type of mark can be used. (If it is the same transaction between the parent company or each subsidiary, there is no need to repeat the disclosure. For example, the parent company's transaction to the subsidiary, if the parent company It has been revealed that there is no need to repeat the disclosure of the subsidiary part; if the subsidiary's transaction to the subsidiary is disclosed, if another subsidiary has been disclosed, the other subsidiary does not need to disclose it repeatedly):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiaries to subsidiaries.

Note 3 : The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item, the accumulated amount in the period accounts for the combined total. The method of receipt is calculated.

Note 4 : The relevant account amount of the above transaction has been written off when preparing the consolidated financial statements.

SUCCESS PRIME CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (in thousands)	Carrying Amount			
The Group	Chen Li Education	Taiwan	Education services	\$ 711,369	\$ 711,369	11,200	\$ 687,003	\$ 28,143	\$ 28,116	Note 2
	Here Enterprise	Taiwan	Education and Consulting Services	13,900	13,900	1,000	6,151	( 5,000 )	( 5,000 )	Note 2
	Chen Li ELM	Taiwan	Education services	9,900	9,900	1,500	13,811	5,432	5,432	Note 2
	Li-Ren Education	Taiwan	Education services	3,000	3,000	300	3,608	1,000	600	Note 2
	Chen Li Zhiyi	Taiwan	Education services	3,000	3,000	300	1,380	( 1,693 )	( 1,016 )	Note 2
Chen Li Education	CHEN LI Education Group Limited	British Virgin Islands	Holding Company	40,543 ( USD 1,292,000 )	40,543 ( USD 1,292,000 )	-	2,019	( 15,637 )	Note 1	Note 2
CHEN LI Education Group Limited	CHEN LI Education Group (HK) Limited	Hong Kong	Holding Company	30,059 ( USD 952,000 )	30,059 ( USD 952,000 )	-	1,347	( 15,566 )	Note 1	Note 2

Note 1 : The profit and loss of the invested company is included in its investment company. To avoid confusion, it will not be expressed here.

Note 2 : In the preparation of the consolidated financial statements, it has been fully written off.

TABLE 7

SUCCESS PRIME CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment by the Group	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Chen Li (Xiamen) Education Consulting Co., Ltd.	Engaged in educational consulting services and other business	RMB 6,000,000	Through the third regional company CHEN LI Education Group (HK) Limited investment	\$ 28,516	\$ -	\$ -	\$ 28,516	( \$ 15,465 )	100%	( \$ 15,465 )	\$ 256	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$28,516 ( RMB 6,000,000 )	\$28,516 ( RMB 6,000,000 )	\$121,923 ( Note 2 )

Note 1 : Investment gains and losses are recognized based on the financial statements verified by the parent company certified accountant in Taiwan.

Note 2 : It is calculated based on 60% of the net value of Chen Li Education's most recent financial statements.

**TABLE 8****SUCCESS PRIME CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.89%
Far East International Commercial Bank entrusted custody of Endow Capital Management Co., Ltd. Investment Special Account	1,890,039	9.89%
Witty Sino Holdings Co., Ltd.	1,737,020	9.09%
Taipei Fubon Commercial Bank entrusted with the custody of Optimistic Forward Investment Account	1,609,177	8.42%
Shu-Ling Tseng	965,728	5.05%

Note 1 : The main shareholder information in this table is based on the last business day of the quarter at the end of the quarter, and the shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to different or different calculation bases.

Note 2 : In the case of the above information, if a shareholder delivers shares to the trust, it is disclosed in individual accounts by the trustor who opened the trust account by the trustee. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their holdings include their own shareholding plus the shares delivered to the trust and have the right to use the trust property. For information on insider's equity declarations, please refer to the Market Observation Post System.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Success Prime Corporation

### Opinion

We have audited the accompanying financial statements of Success Prime Corporation (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2021 are stated as follows:

Investments impairment assessment using the equity method

On each balance sheet date, the management should assess whether there are any signs of impairment of the investments using the equity method. The assessment of whether the book amount has been reduced involves subjective judgments and discounts made by the management of SPC on its future cash flow forecasts. The current rate and other assumptions are estimated, so the auditors list it as a key audit matter. For the disclosure of relevant accounting policies and relevant information, please refer to Notes 4, 5 and 11 of the Parent Company Only Financial Statements.

Our key audit procedures performed by the Auditors are as follows:

1. We obtained the asset impairment self-evaluation reports by management.
2. We evaluated the reasonableness of the identification of the assets which were considered impaired and the assumptions and sensitivity analysis used in the asset impairment assessments of SPC.

**Responsibility of Management and Those Charged with Governance for the Financial Statements**

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jin-Chuan Shi and Yung-Ming Chiu.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 9, 2022

Notice to Readers

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

# SUCCESS PRIME CORPORATION

## PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
ASSETS	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (note 4 and 6)	\$ 25,861	3	\$ 47,698	5
Financial assets measured at amortized cost (note 4 and 8)	4,900	-	9,800	1
Accounts receivables (note 4 and 9)	66	-	-	-
Accounts receivables- related parties (note 4 and note 31)	21,891	3	22,361	3
Current income tax assets	-	-	10	-
Other current assets	54	-	59	-
Total current assets	52,772	6	79,928	9
Non-current assets				
Financial assets measured at fair value through other comprehensive income (note 4 and 7)	4,500	1	4,500	1
Investments accounted for using equity method (note 4, 5, 11 and 31)	711,953	87	713,958	83
Net investment property (note 4, 14 and 32)	32,160	4	32,317	4
Computer software (note 4)	44	-	119	-
Deferred income tax assets (note 4 and 22)	18,441	2	25,848	3
Total non-current assets	767,098	94	776,742	91
Total assets	\$ 819,870	100	\$ 856,670	100
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings (note 4 and 15)	\$ 10,000	1	\$ -	-
Accounts payables (note 16)	16,575	2	16,551	2
Accounts payables - related parties (note 31)	124	-	44	-
Other payables (note 17)	6,078	1	7,246	1
Current income tax liabilities	-	-	2,469	1
Current portion of long-term borrowings (note 4, 15 and 32)	-	-	2,430	-
Other current liabilities	281	-	344	-
Total current liabilities	33,058	4	29,084	4
Non-current liabilities				
Long-term borrowings (note 4, 15 and 32)	-	-	19,440	2
Deferred income tax liabilities (note 4 and 22)	145	-	145	-
Guarantee deposits received (note 31)	200	-	200	-
Total non-current liabilities	345	-	19,785	2
Total liabilities	33,403	4	48,869	6
Equity (note 19)				
Ordinary shares	191,004	23	191,854	22
Capital surplus	309,100	38	341,190	40
Retained earnings				
Legal reserve	39,992	5	33,966	4
Special reserve	2,392	-	2,600	-
Unappropriated retained earnings	258,907	32	274,945	32
Total retained earnings	301,291	37	311,511	36
Other equity (note 4)	( 2,522)	-	( 2,392)	-
Treasury shares	( 12,406)	( 2)	( 34,362)	( 4)
Total equity	786,467	96	807,801	94
Total liabilities and equity	\$ 819,870	100	\$ 856,670	100

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

# SUCCESS PRIME CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Operating revenue (note 4, 20 and 31)				
Sales revenue	\$ -	-	\$ 104,057	32
Service revenue	<u>218,012</u>	<u>100</u>	<u>219,394</u>	<u>68</u>
Total operating revenue	<u>218,012</u>	<u>100</u>	<u>323,451</u>	<u>100</u>
Operating costs (note 10, 21 and 31)				
Cost of sales	-	-	86,152	27
Cost of services	<u>166,845</u>	<u>77</u>	<u>169,365</u>	<u>52</u>
Total operating costs	<u>166,845</u>	<u>77</u>	<u>255,517</u>	<u>79</u>
Gross profit	<u>51,167</u>	<u>23</u>	<u>67,934</u>	<u>21</u>
Operating expenses (note 18 and 21)				
Marketing expenses	-	-	4,657	2
General and administrative expenses	18,069	8	26,483	8
Research and development expenses	<u>-</u>	<u>-</u>	<u>10,005</u>	<u>3</u>
Total operating expenses	<u>18,069</u>	<u>8</u>	<u>41,145</u>	<u>13</u>
Net Income from operations	<u>33,098</u>	<u>15</u>	<u>26,789</u>	<u>8</u>
Non-operating income and expenses (note 4, 21 and 31)				
Other income	3,295	1	5,855	2
Other gains and losses	-	-	9,643	3
Finance costs	( 260)	-	( 1,379)	-
Share of profit or loss of subsidiaries	28,132	13	33,109	10
Interest revenue	<u>52</u>	<u>-</u>	<u>63</u>	<u>-</u>
Total non-operating income and expenses	<u>31,219</u>	<u>14</u>	<u>47,291</u>	<u>15</u>

( Continued )

( Continued )

	2021		2020	
	Amount	%	Amount	%
Income before income tax	\$ 64,317	29	\$ 74,080	23
Income tax expense (note 4 and 22)	( 7,417 )	( 3 )	( 11,846 )	( 4 )
Net income for the year	<u>56,900</u>	<u>26</u>	<u>62,234</u>	<u>19</u>
Other comprehensive income (loss) (note 4 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	650	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( 130 )	-	208	-
Other comprehensive income (loss) for the year, net of income tax	( 130 )	-	858	1
Total comprehensive income for the year	<u>\$ 56,770</u>	<u>26</u>	<u>\$ 63,092</u>	<u>20</u>
Earnings per share (note 23)				
Basic	<u>\$ 3.02</u>		<u>\$ 3.30</u>	
Diluted	<u>\$ 3.02</u>		<u>\$ 3.29</u>	

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

**SUCCESS PRIME CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

	Share Capital		Retained Earnings				Other Equity		
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translating foreign operations	Treasury Shares	Total Equity
Balance at January 1, 2020	17,459	\$ 174,594	\$ 367,081	\$ 26,354	\$ 1,611	\$ 240,544	\$ 268,509	( \$ 2,600 )	\$ 785,628
Appropriation of 2019 earnings									
Legal reserve	-	-	-	7,612	-	( 7,612 )	-	-	-
Special reserve	-	-	-	-	989	( 989 )	-	-	-
Cash dividends distributed by the Company - NT\$1 per share	-	-	-	-	-	( 17,260 )	( 17,260 )	-	( 17,260 )
Stock dividends distributed from capital surplus	1,726	17,260	( 17,260 )	-	-	-	-	-	-
Cash dividends distributed from capital surplus- NT\$ 0.5 per share	-	-	( 8,631 )	-	-	-	-	-	( 8,631 )
Changes in ownership interests in subsidiaries (note 27)	-	-	-	-	-	( 2,622 )	( 2,622 )	-	( 2,622 )
Net income (loss) for the year ended December 31, 2020	-	-	-	-	-	62,234	62,234	-	62,234
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	650	650	208	858
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	62,884	62,884	208	63,092
Buy-back of treasury shares	-	-	-	-	-	-	-	-	( 12,406 )
Balance at December 31, 2020	19,185	191,854	341,190	33,966	2,600	274,945	311,511	( 2,392 )	( 34,362 )
Appropriation of 2020 earnings									
Legal reserve	-	-	-	6,026	-	( 6,026 )	-	-	-
Special reserve	-	-	-	-	( 208 )	208	-	-	-
Cash dividends distributed by the Company - NT\$3 per share	-	-	-	-	-	( 56,425 )	( 56,425 )	-	( 56,425 )
Cash dividends distributed from capital surplus- NT\$ 1.5 per share	-	-	( 28,213 )	-	-	-	-	-	( 28,213 )
Net income (loss) for the year ended December 31, 2021	-	-	-	-	-	56,900	56,900	-	56,900
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	( 130 )	( 130 )
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	56,900	56,900	( 130 )	56,770
Share-based payment transaction – Buy-back of treasury shares	-	-	-	-	-	-	-	-	( 4,727 )
Cancellation of treasury shares	( 85 )	( 850 )	( 3,877 )	-	-	-	-	-	4,727
Share-based payment transaction – Transfer of treasury shares to employees	-	-	-	-	-	( 10,695 )	( 10,695 )	-	21,956
Balance at December 31, 2021	19,100	\$ 191,004	\$ 309,100	\$ 39,992	\$ 2,392	\$ 258,907	\$ 301,291	( \$ 2,522 )	( \$ 12,406 )
									\$ 786,467

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

# SUCCESS PRIME CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities		
Income before income tax	\$ 64,317	\$ 74,080
Adjustments to reconcile profit (loss)		
Depreciation expense	157	5,346
Amortization expense	75	381
Finance costs	260	1,379
Interest income	( 52)	( 63)
Share-based compensation cost	551	-
Share of (profit) loss of subsidiaries accounted for using equity method	( 28,132)	( 33,109)
Net loss on inventory valuation	-	536
Net loss on foreign exchange	-	634
Disposal of subsidiary investments gains accounted for using the equity method	-	( 9,035)
Loss on the settlement of Labor Retirement Reserve Fund (The Old Fund)	-	2,611
Changes in operating assets and liabilities:		
Accounts receivables	( 66)	4,240
Accounts receivables- related parties	470	( 2,614)
Inventories	-	20,335
Other current assets	5	1,135
Net defined benefit assets	-	4,051
Accounts payable	24	24,531
Accounts payable- related parties	80	( 363)
Other payables	( 1,168)	( 25,514)
Other payables- related parties	-	( 56)
Other current liabilities	( 63)	( 619)
Cash generated from operations	36,458	67,886
Interest received	52	63
Interest paid	( 260)	( 1,379)
Income taxes paid	( 2,469)	( 2,109)
Net cash generated from operating activities	<u>33,781</u>	<u>64,461</u>

( Continued )

( Continued )

	2021	2020
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	(\$ 4,900)	(\$ 9,800)
Disposal of financial assets at amortized cost	9,800	-
Acquisition of net cash outflow from subsidiary	-	( 14,800)
Net cash inflow from disposal of subsidiary	-	98,000
Acquisition of property, plant and equipment	-	( 2,171)
Increase in refundable deposits	-	( 979)
Dividends received from subsidiaries	32,781	23,938
Net cash outflow from sale of subsidiary	<u>-</u>	<u>( 56,251)</u>
Net cash inflow generated from investing activities	<u>37,681</u>	<u>37,937</u>
Cash flows from financing activities		
Increase in short-term loans	15,000	60,000
Decrease in short-term loans	( 5,000)	( 140,000)
Payments of long-term debt	( 21,870)	( 2,430)
Payments of lease liabilities	-	( 3,437)
Issuance of cash dividends	( 84,638)	( 25,891)
Payments of treasury shares buy-back	( 4,727)	( 12,406)
Treasury shares buy-back by employees	<u>7,936</u>	<u>-</u>
Net cash used in financing activities	<u>( 93,299)</u>	<u>( 124,164)</u>
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	<u>-</u>	<u>( 634)</u>
Net decrease in cash and cash equivalents	( 21,837)	( 22,400)
Cash and cash equivalents at beginning of the year	<u>47,698</u>	<u>70,098</u>
Cash and cash equivalents at end of the year	<u>\$ 25,861</u>	<u>\$ 47,698</u>

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

# SUCCESS PRIME CORPORATION

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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#### 1. GENERAL

Success Prime Corporation (hereinafter referred to as the Company) was established in June 15, 1991. After the disposal of optical fiber entity in 2020, the core business of the Company is providing tutorial services and academic curriculum content design for K-12 education in Taiwan. On March 2002, the Company's shares were listed on the Taiwan Stock Exchange (TWSE).

The Company passed the disposal of the optical fiber subsidiary resolution at a board of directors meeting on July 3, 2020, for the purpose of continuing to focus on the future operations and development of the education businesses, thereby increase the competitiveness and market share of its core businesses.

The Company's important subsidiary Chen Li Education Co., Ltd. (hereinafter referred to as Chen Li Education) is mainly engaged in the education service industry targeting primary, middle and high-school curriculums tutorial courses.

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

#### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The Parent Company Only Financial Statements were approved and authorized for issue by the Board of Directors on March 9, 2022.

#### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies, except for the following explanations:

Amendment to IFRS 16 "Covid-19 - Related Rent Concessions beyond 30 June 2021"

The Company elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to Note 4 for the relevant accounting policies of the practical expedient.

The Company applies the amendment from January 1, 2021.



- (2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date of approval of this consolidated financial report, the Company continues to assess the impact of amendments to other standards and interpretations on its financial position and financial performance, and the relevant impact will be disclosed when the assessment is completed.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

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

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

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

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

The amendments define that accounting estimates are monetary amounts in

financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

- iii. Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Company will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

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

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

- (1) Statement of compliance

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

- (2) Basis of preparation

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

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

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

iii. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries the share of other comprehensive income of subsidiaries, and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

(4) Merger of enterprises

The merger of enterprises adopts the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

(5) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency items are converted at the closing exchange rate on each balance sheet date. The exchange difference arising from the delivery of

monetary items or the conversion of monetary items is recognized as a profit or loss in the current period of occurrence.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which profit and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value, and comparing costs with net realizable value is based on individual items except for those in same inventory category. Net realizable value means under normal circumstances the balance after the estimated cost required to complete the investment and sale is deducted. The weighted average method is adopted to calculate inventory cost.

(7) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss. When acquiring a subsidiary that does not execute business operations, the acquisition cost is appropriately allocated to the acquired identifiable assets (including intangible assets) and the assumed share of liabilities, without generating goodwill or current benefits.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent's company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent's company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(8) Property, plant and equipment

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

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

(9) Investment property

Investment Property is properties held for the purpose of earning rent or capital appreciation or both. Investment property also includes land that has not yet been determined for future use. Investment property is initially measured at cost (including transaction costs) and subsequently measured at cost minus accumulated depreciation and accumulated impairment losses. Investment property is depreciated on a straight-line basis.

When derecognition of investment property, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(10) Intangible assets

i. Acquired separately

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

ii. Derecognition

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

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

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

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

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

(12) Financial instruments

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

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

i. Financial Assets

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

(i) Measurement Category

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

A. Investments in equity instruments at FVTOCI

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

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

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

B. Financial assets measured at amortized cost

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

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



- b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- A. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and
- B. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

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

(ii) Impairment of financial assets

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

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on such a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(iii) Derecognition of financial assets

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

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

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

ii. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

iii. Financial liabilities

(i) Subsequent measurement

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

(ii) Derecognition of financial liabilities

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

(13) Revenue recognition

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

i. Revenue from the sale of goods

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

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

ii. Revenue from the rendering of services

Service revenue comes from management of teacher and academic curriculum education services.

The service income is recognized as income in proportion to the performance of service.

(14) Leases

When the contract is established, the Company assesses whether the contract is, or contains, a lease.

i. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

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

ii. The Company as lessee

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

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

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

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

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

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease, and there is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions for applicable lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as (other operating income and expenses), in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability. In 2021, the Company did not have the aforementioned related rent negotiation.

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

(15) Borrowing Costs

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

(16) Government Grants

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

(17) Employee Benefits

i. Short term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

ii. Retirement benefits

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

(18) Taxation

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

i. Current tax

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

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

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

ii. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

iii. Current and deferred taxes

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

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

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

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

### **Key Sources of Estimation Uncertainty**

#### **Impairment of Investment Subsidiary**

When there are signs of impairment indicating that the investment in the subsidiary may have been impaired and the carrying amount may not be recovered, the Company immediately evaluated the asset impairment associated with the subsidiary from the perspective of the financial statements as a whole. The Company's management is based on the future cash flow projections of the cash-generating units of the relevant assets, including assumptions such as the estimated sales growth rate and profit margin of the management, and determines the appropriate discount rate used to calculate the present value to assess the impairment.

## 6. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Checking demand deposits	\$ 25,861	\$ 42,798
Cash equivalents		
Time deposits within 3 months expiration date	-	4,900
	<u>\$ 25,861</u>	<u>\$ 47,698</u>

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

	December 31, 2021	December 31, 2020
Term Deposits	-	0.41%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME- NON-CURRENT

	December 31, 2021	December 31, 2020
<u>Investments in equity instruments</u>		
Domestic investments		
Unlisted shares		
Accuagile Co., Ltd ordinary shares	\$ 4,500	\$ 4,500

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2021	December 31, 2020
<u>Current</u>		
Time deposits with original maturities exceeding 3 months	\$ 4,900	\$ 9,800
Interest rate range	0.56%	0.56% ~ 0.58%

The Company assesses that the expected credit risk of the financial assets measured by amortization cost is not high, and its credit risk has not increased after the original recognition.

## 9. ACCOUNTS RECEIVABLES

	December 31, 2021	December 31, 2020
Measured at amortized costs		
Total carrying amount	\$ 66	\$ -
Less: Allowance for loss	<u>-</u>	<u>-</u>
	<u>\$ 66</u>	<u>\$ -</u>

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

The Company measures the loss allowance for account receivables at an amount equal to lifetime ECLs (excluding special individual payments that listed are as 100% loss). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Company estimates expected credit losses based on the number of days for which receivables are past due. As the Company's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to different segments of the Company's customer base.

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

The Company measures the allowance loss of account receivables in accordance with the preparation matrix as follows:

### December 31, 2021

	Not Overdue	Overdue Within 90 Days	Overdue 91-180 Days	Overdue 181-365 Days	Total
Gross carrying amount	\$ 66	\$ -	\$ -	\$ -	\$ 66
Loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 66</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66</u>



The Company assessed that there was no need to recognize impairment losses for accounts receivable for the year ended December 31, 2021.

# 10. INVENTORIES

	December 31, 2021	December 31, 2020
Products	\$ <u>-</u>	\$ <u>-</u>

The cost of inventories sold in 2020 were NT\$86,152,000. The cost of goods sold in 2020 included a net loss of value of inventory of NT\$536,000.

# 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

## Investment in subsidiaries

	December 31, 2021	December 31, 2020
Unlisted Company		
Chen Li Education Company Co., Ltd. (Chen Li Education)	\$ 687,003	\$ 685,497
Chen Li ELM Co., Ltd. (Chen Li ELM)	13,811	8,295
Here Co., Ltd. (Here Enterprise) (Note)	6,151	14,696
Li-Ren Education Co., Ltd. (Li-Ren Education)	3,608	3,074
Chen Li Zhiyi Education Co., Ltd. (Chen Li Zhiyi Education)	<u>1,380</u>	<u>2,396</u>
	<u>\$ 711,953</u>	<u>\$ 713,958</u>

	Percentage of equity rights and voting rights	
Name of Subsidiary	December 31, 2021	December 31, 2020
Chen Li Education	100%	100%
Chen Li ELM	100%	100%
Here Enterprise	100%	100%
Li-Ren Education	60%	60%
Chen Li Zhiyi Education	60%	60%

Note: Original Prime Education Consulting Co., Ltd. (Prime Education).

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

In order to continue to focus on core competences and future operational development of the education businesses, and to grow the market competitiveness and market share of the education industry, hence leveraging existing resources more effectively to bring steady revenue and profit. The Company passed the resolution of disposal of 100% optical fiber subsidiary's equity for NT\$98,000 on July 3, 2020 board meeting, from this date on, Prime Optical Fiber Co., Ltd. is no longer a subsidiary of the Company.

The Company passed a resolution to acquire 49% equity of Success Prime Education for NT\$8,800,000 from its related parties on August 12, 2020, making Success Prime Education a 100% owned subsidiary by the Company. Success Prime Education was renamed to Here Enterprise Co., Ltd. through a passed resolution at the board meeting on October 30, 2020.

In order to expand the cram school operation business to the Hsinchu area, the Company passed the resolution of the board of directors on March 24, 2020 to establish Chen Li Zhiyi Education Co., Ltd. as a joint venture. The Company invested NT\$3,000,000 and acquired 60% of its equity. However, due to the operating loss caused by Chen Li Zhiyi Education, it was dissolved and liquidated by a resolution passed during the extraordinary shareholders meeting on December 27, 2021. As of the balance sheet date, the liquidation process has not been completed.

The company's profit and loss and other comprehensive profit and loss shares of the subsidiary using the equity method in 2021 and 2020, except that Chen Li Education is recognized according to the financial report verified by the accountant, the rest have not been verified by the accountant, but the management of the company believes that the above If the financial report of the verified subsidiary is verified by accountant, no major adjustments will be made.

For details of the investment subsidiaries held by the Company, please refer to Table 5.

## 12. PROPERTY, PLANT, EQUIPMENT

	Leasing of modified items	Office Equipment	Other Equipment	Total
<u>Cost</u>				
January 1, 2020 Balance	\$ 29,223	\$ 7,066	\$ 867	\$ 37,156
Addition	-	8,672	-	8,672
Disposition	( 29,223)	( 15,738)	( 867)	( 45,828)
December 31, 2020 Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Accumulated depreciation</u>				
January 1, 2020 Balance	\$ 29,180	\$ 2,752	\$ 585	\$ 32,517
Depreciation Fee	16	1,495	39	1,550
Disposition	( 29,196)	( 4,247)	( 624)	( 34,067)
December 31, 2020 Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2020 Net amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Leasing of Modified Items	3-8years
Office Equipment	3-5years
Other Equipment	3years

## 13. LEASE ARRANGEMENTS

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

Carrying amounts	December 31, 2020
Buildings	<u>\$ -</u>
Depreciation charge for right-of-use assets	For the Years Ended December 31, 2020
Buildings	<u>\$ 3,639</u>

Except for the above-recognized depreciation expenses, the Company's right-of-use assets did not experience any significant sublease or impairment in 2020.

(2) Lease liabilities

	December 31, 2020
Carrying amounts	
Current	\$ -
Non-current	-
	<u>\$ -</u>

(3) Other lease information

	For the Years Ended December 31, 2020
Total cash outflow for leases	<u>\$ 3,920</u>

**14. INVESTMENT PROPERTY**

	Land	Buildings	Total
<u>Cost</u>			
January 1 and December 31, 2021 Balance	<u>\$ 27,394</u>	<u>\$ 5,316</u>	<u>\$ 32,710</u>
<u>Accumulated depreciation</u>			
January 1, 2021 Balance	\$ -	\$ 393	\$ 393
Depreciation Fee	-	157	157
December 31, 2021 Balance	<u>\$ -</u>	<u>\$ 550</u>	<u>\$ 550</u>
December 31, 2021 Net amount	<u>\$ 27,394</u>	<u>\$ 4,766</u>	<u>\$ 32,160</u>
<u>Cost</u>			
January 1 and December 31, 2020 Balance	<u>\$ 27,394</u>	<u>\$ 5,316</u>	<u>\$ 32,710</u>
<u>Accumulated depreciation</u>			
January 1, 2020 Balance	\$ -	\$ 236	\$ 236
Depreciation Fee	-	157	157
December 31, 2020 Balance	<u>\$ -</u>	<u>\$ 393</u>	<u>\$ 393</u>
December 31, 2020 Net amount	<u>\$ 27,394</u>	<u>\$ 4,923</u>	<u>\$ 32,317</u>

Investment property is the properties held by the Company to earn rental income. It is leased to the subsidiary Chen Li Education as a tutorial school.

The depreciation fee is based on the straight-line basis for the following number of years of durability:

Buildings	32years
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The fair value of investment property has not been evaluated by independent evaluators and is only measured by the Company's management level using the evaluation model commonly used by market participants in the third level input value. The evaluation is based on market evidence similar to the transaction price of the property, and the fair value obtained is evaluated.

	December 31, 2021	December 31, 2020
Fair Value	<u>\$ 36,190</u>	<u>\$ 35,540</u>

The lease period of investment real estate is 5years, which is a fixed lease payment.

In 2021 and 2020, leased investment real estate under operating leases will receive the total lease payments in the future as follows:

	December 31, 2021	December 31, 2020
Year 1	\$ 1,143	\$ 1,143
Year 2	1,143	1,143
Year 3	1,143	1,143
Year 4	1,143	1,143
Year 5	571	1,143
Year 6	<u>-</u>	<u>571</u>
	<u>\$ 5,143</u>	<u>\$ 6,286</u>

For the amount of investment real estate set as loan guarantee, please refer to Note 32.

## 15. BORROWINGS

### (1) Short-term borrowings

	December 31, 2021	December 31, 2020
<u>Secured borrowings</u>		
Bank borrowings	<u>\$ 10,000</u>	<u>\$ -</u>

The interest rates of bank borrowings were 1.10% at December 31, 2021.

The short-term guaranteed bank loan is secured by the land and buildings of Chen Li Education, a subsidiary of the Company.

(2) Long-term borrowings

	December 31, 2021	December 31, 2020
<u>Secured borrowings</u>		
Bank borrowings- Shanghai Commercial and Savings Bank	\$ -	\$ 21,870
Less: Current portion	<u>-</u>	( <u>2,430</u> )
Long-term borrowings	<u>\$ -</u>	<u>\$ 19,440</u>

The aforementioned long-term bank borrowings are secured by the Company's investment properties as collateral (see Note 32), in which the long-term bank borrowings maturity date is December 24, 2029. As of December 31, 2020, the effective annual interest rate is 1.34%. The Company repaid the loan in advance on October 29, 2021.

**16. ACCOUNTS PAYABLES**

	December 31, 2021	December 31, 2020
Hourly fee payable to Teachers	\$ 16,549	\$ 16,551
Other	<u>26</u>	<u>-</u>
	<u>\$ 16,575</u>	<u>\$ 16,551</u>

**17. OTHER PAYABLES**

	December 31, 2021	December 31, 2020
Salary and bonus payable	\$ 1,174	\$ 1,180
Compensation payable to Employees	2,020	2,327
Compensation payable to Directors	1,010	1,164
Operational tax payable	975	1,030
Service payable	320	1,018
Other	<u>579</u>	<u>527</u>
	<u>\$ 6,078</u>	<u>\$ 7,246</u>

**18. RETIREMENT BENEFIT PLANS**

(1) Defined contribution plans

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

(2) Defined benefit plans

The defined benefit plans adopted by only partial employees of the Company in accordance with the Labor Standards Act is operated by the ROC government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy. The Company has settled the above-mentioned retirement benefit plans in March 2020, retrieved NT\$4,051,000 and recognized settled losses of NT\$2,611,000.

**19. EQUITY**

(1) Ordinary shares

	December 31, 2021	December 31, 2020
Authorized shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Issued and paid shares (in thousands)	<u>19,100</u>	<u>19,185</u>
Issued capital	<u>\$ 191,004</u>	<u>\$ 191,854</u>

(2) Capital surplus

	December 31, 2021	December 31, 2020
<u>To make up for losses, issue cash, or stock dividends</u>		
Stock Issue Premium	\$302,217	\$334,307
<u>Only to make up for losses</u>		
Employees stock options exercised	2,591	2,591
Employees stock options expired	<u>4,292</u>	<u>4,292</u>
	<u>\$309,100</u>	<u>\$341,190</u>

The changes in the balance of various capital reserves of the Company in 2021 and 2020 is as follows:

	Stock issuance premium	Employees stock options exercised	Employees stock options expired	Total
January 1, 2021 Balance	\$ 334,307	\$ 2,591	\$ 4,292	\$ 341,190
Cash distribution	( 28,213 )	-	-	( 28,213 )
Cancellation of treasury shares	( 3,877 )	-	-	( 3,877 )
December 31, 2021 Balance	<u>\$ 302,217</u>	<u>\$ 2,591</u>	<u>\$ 4,292</u>	<u>\$ 309,100</u>
January 1, 2020 Balance	\$ 360,198	\$ 2,591	\$ 4,292	\$ 367,081
Cash distribution	( 8,631 )	-	-	( 8,631 )
Stock distribution	( 17,260 )	-	-	( 17,260 )
December 31, 2020 Balance	<u>\$ 334,307</u>	<u>\$ 2,591</u>	<u>\$ 4,292</u>	<u>\$ 341,190</u>

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

### (3) Retained Earnings and Dividend Policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly: Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals Company's paid-in capital; special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Company's Articles of Incorporation provide the policy about the profit-sharing bonus to employees, please refer to Note 21 (6).

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

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

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



The appropriation of earnings for 2020 and 2019, which had been proposed by the Company's general shareholders meeting on July 1, 2021 and June 18, 2020 respectively. The appropriation and dividends per share were as follows:

	For the Years Ended December 31	
	2020	2019
Legal reserve	<u>\$ 6,026</u>	<u>\$ 7,612</u>
Special reserve	<u>(\$ 208)</u>	<u>\$ 989</u>
Cash dividends	<u>\$ 56,425</u>	<u>\$ 17,260</u>
Cash dividends per share (NT\$)	\$ 3.00	\$ 1.00

On July 1, 2021, the company passed the resolution at the AGM to distribute cash with a capital reserve of NT\$28,213,000, NT\$1.50 per share. According to the resolution of the shareholders' meeting on June 18, 2020, the Company decided to finance capital using its capital reserve of NT\$17,260,000. It is divided into 1,726,000 shares, each with a par value of NT\$10, all of which are ordinary shares, and a capital reserve of NT\$8,631,000 is distributed in cash, NT\$0.50 per share.

The proposed appropriation of earnings for 2021 decided by the board meeting on March 9, 2022 is as follows:

	For the Years Ended December 31, 2021
Legal reserve	<u>\$ 4,621</u>
Special reserve	<u>\$ 130</u>
Cash dividends	<u>\$ 41,629</u>
Cash dividends per share (NT\$)	\$ 2.20

According to the resolution of the shareholders' meeting on March 9, 2022, the Company decided to use capital reserve of NT\$15,138,000 to distribute cash, NT\$0.8 per share.

The appropriation of earnings for 2021 is to be discussed at the shareholders' meeting scheduled on June 9, 2022.

(4) Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Cancelled (In Thousands of Shares)</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2021	-	377	377
Increase during the year	85	-	85
Decrease during the year	( 85 )	( 199 )	( 284 )
Number of shares at December 31, 2021	<u>-</u>	<u>178</u>	<u>178</u>
Number of shares at January 1, 2020	-	199	199
Increase during the year	<u>-</u>	<u>178</u>	<u>178</u>
Number of shares at December 31, 2020	<u>-</u>	<u>377</u>	<u>377</u>

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

On July 1, 2021, the company passed the resolution of the board of directors to cancel the registration of the repurchased 85,000 treasury shares, and took July 1, 2021 as the cancellation base date. Share capital and capital reserve - share issue premiums amounted to NT\$850,000 and NT\$3,877,000.

In July 2021, the company transferred 199,000 treasury shares at NT\$40 per share to employees of the company and its subsidiaries who met certain conditions for subscription. The total transfer price was NT\$7,936,000, accounting for 1.037% of the company's issued shares. The cost of treasury shares is NT\$21,956,000. According to the regulations, the Company estimated it according to the option model on the grant date, and recognized the cost of remuneration (salary expenses on the account) of NT\$551,000 and investments using the equity method NT\$2,774,000, and recognized the deduction of undistributed earnings of NT\$10,695,000 at the time of transfer.

## 20. REVENUE

	For the Years Ended December 31	
	2021	2020
Client contracts revenue		
Educational service and consultancy	\$216,841	\$219,394
Optical fiber and cable products	-	104,057
Others	<u>1,171</u>	<u>-</u>
	<u>\$218,012</u>	<u>\$323,451</u>

(1) Explanation on client contracts revenue, please refer to Note 4 (13).

(2) Remaining contracts balance

Accounts receivable balance, please refer to Note 9.

## 21. NET PROFIT OF THE YEAR

(1) Other Revenue

	For the Years Ended December 31	
	2021	2020
Government Subsidy revenue	\$ 3,278	\$ 4,584
Other	<u>17</u>	<u>1,271</u>
	<u>\$ 3,295</u>	<u>\$ 5,855</u>

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

(2) Other Profit and Loss

	For the Years Ended December 31	
	2021	2020
Gains on investment disposal	\$ -	\$ 9,035
Gains (losses) on net foreign currency exchange (Note)	<u>-</u>	<u>608</u>
	<u>\$ -</u>	<u>\$ 9,643</u>

Note: The Company's 2021 and 2020 foreign exchange profits and losses are as follows:

	For the Years Ended December 31	
	2021	2020
Total foreign currency exchange profits	\$ -	\$ 674
Total foreign currency exchange losses	-	( 66)
Net profits	<u>\$ -</u>	<u>\$ 608</u>

(3) Financial Costs

	For the Years Ended December 31	
	2021	2020
Interest on bank loans	\$ 260	\$ 896
Interest on rental liabilities	-	483
Total	<u>\$ 260</u>	<u>\$ 1,379</u>

(4) Depreciation and Amortization

	For the Years Ended December 31	
	2021	2020
Depreciation- property, plant and equipment	\$ -	\$ 1,550
Depreciation- right-of-use assets	-	3,639
Depreciation- investment property	157	157
Amortization- computer software	<u>75</u>	<u>381</u>
Total	<u>\$ 232</u>	<u>\$ 5,727</u>

An analysis of depreciation by function

Operating costs	\$ 157	\$ 3,786
Operating expenses	-	1,560
	<u>\$ 157</u>	<u>\$ 5,346</u>

An analysis of amortization by function

Operating expenses	<u>\$ 75</u>	<u>\$ 381</u>
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(5) Employee Benefit Expenses

	For the Years Ended December 31	
	2021	2020
Short term Employee Benefits	\$ 14,023	\$ 25,611
Post-employment benefits		
Defined contribution plans	435	3,443
Share-based payment	551	-
Resignation benefits	-	34
Other employee benefits	<u>507</u>	<u>1,060</u>
Total employee benefits expense	<u>\$ 15,516</u>	<u>\$ 30,148</u>
Operating costs	\$ -	\$ 4,930
Operating expenses	<u>15,516</u>	<u>25,218</u>
	<u>\$ 15,516</u>	<u>\$ 30,148</u>

(6) Employees' compensation and remuneration of directors

In accordance with the provisions of the Articles of Incorporation, the employees' compensations are provided at not less than 3% and remuneration of directors are not more than 5% before deducting the pre-tax benefits of the employees and directors. The estimated 2021 and 2020 employees' compensation and remuneration of directors were decided by the Board on March 9, 2022 and 2021 respectively as follows:

	For the Years Ended December 31	
	2021	2020
Employees' compensation		
-Estimated ratio	3%	3%
-Amount	<u>\$ 2,020</u>	<u>\$ 2,327</u>
Remuneration of directors		
-Estimated ratio	1.5%	1.5%
-Amount	<u>\$ 1,010</u>	<u>\$ 1,164</u>

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

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES

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

	For the Years Ended December 31	
	2021	2020
Current tax		
Income tax on unappropriated earnings	\$ -	\$ 2,474
Adjustments for prior year	<u>10</u>	<u>-</u>
	<u>10</u>	<u>2,474</u>
Deferred tax		
In respect of the current year	7,347	9,367
Adjustments for prior year	<u>60</u>	<u>5</u>
	<u>7,407</u>	<u>9,372</u>
Income tax expense recognized in profit or loss	<u>\$ 7,417</u>	<u>\$ 11,846</u>

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

	For the Years Ended December 31	
	2021	2020
Income before tax	<u>\$ 64,317</u>	<u>\$ 74,080</u>
Income tax expense calculated at the statutory rate	\$ 12,863	\$ 14,816
Surtax on Undistributed Retained Earnings	-	2,474
Non-deductible expenses	110	-
Tax-exempt income	-	( 1,407)
Deferred tax effect of earnings of subsidiaries	( 5,626)	( 6,622)
Impact of unrecognized deferred income tax assets	-	2,580
Adjustments for prior years' tax	<u>70</u>	<u>5</u>
Income tax expense recognized in	<u>\$ 7,417</u>	<u>\$ 11,846</u>

profit or loss

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

	For the Years Ended December 31	
	2021	2020
<u>Deferred income tax</u>		
In respect of the current year		
- Remeasured number of defined benefit plan	\$ <u>-</u>	\$ <u>650</u>

(3) Deferred tax assets and liabilities

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

For the Years Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in other comprehensive income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
No leave Bonus	\$ 20	(\$ 7)	\$ -	\$ 13
Loss carryforwards	<u>25,828</u>	<u>( 7,400)</u>	<u>-</u>	<u>18,428</u>
	<u>\$ 25,848</u>	<u>(\$ 7,407)</u>	<u>\$ -</u>	<u>\$ 18,441</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Bargain purchase gains	<u>\$ 145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145</u>

For the Years Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in other comprehen sive income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory loss	\$ 8,644	(\$ 8,644)	\$ -	\$ -
Other	<u>644</u>	<u>( 624)</u>	<u>-</u>	<u>20</u>
	<u>9,288</u>	<u>( 9,268)</u>	<u>-</u>	<u>20</u>
Loss carryforwards	<u>26,615</u>	<u>( 787)</u>	<u>-</u>	<u>25,828</u>
	<u>\$ 35,903</u>	<u>(\$ 10,055)</u>	<u>\$ -</u>	<u>\$ 25,848</u>

Deferred income tax  
liabilities

Temporary differences				
Defined benefit plans	\$ 1,333	(\$ 683)	(\$ 650)	\$ -
Bargain purchase gains	<u>145</u>	<u>-</u>	<u>-</u>	<u>145</u>
	<u>\$ 1,478</u>	<u>(\$ 683)</u>	<u>(\$ 650)</u>	<u>\$ 145</u>

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

	December 31, 2021	December 31, 2020
Expire in 2021	<u>\$ -</u>	<u>\$ 25,622</u>

(5) Related information of unused loss carry-forwards

	December 31, 2021	December 31, 2020
Expire in 2021	\$ -	\$ 62,622
Expire in 2023	13,679	13,679
Expire in 2024	53,678	53,678
Expire in 2025	<u>24,783</u>	<u>24,784</u>
	<u>\$ 92,140</u>	<u>\$ 154,763</u>



(6) Income Tax Assessments

The Company's tax returns through 2019 have been assessed by the tax authorities.

**23. EARNINGS PER SHARE**

	Unit: NT\$ per share	
	For the Years Ended December 31	
	2021	2020
Basic earnings per share	<u>\$ 3.02</u>	<u>\$ 3.30</u>
Diluted earnings per share	<u>\$ 3.02</u>	<u>\$ 3.29</u>

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

Net Profit for the Year

	For the Years Ended December 31	
	2021	2020
Income for the year attributable to owners of the Company	<u>\$ 56,900</u>	<u>\$ 62,234</u>

Shares

	Unit: in thousands of shares	
	For the Years Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	18,819	18,883
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>50</u>	<u>54</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>18,869</u>	<u>18,937</u>

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

## **24. SHARE-BASED PAYMENT AGREEMENT**

### **Transfer of Treasury Shares to Employees**

In July 2021, the company transferred 199,000 treasury shares to employees, and the recipients included employees of the company and its subsidiaries who met certain conditions. The fair value of each treasury stock option granted to them in the current period was NT\$16.71. For details, please refer to Note 19 (5) Treasury Shares.

## **25. CASH FLOW INFORMATION**

Simultaneously affect the investment and financing activities of cash and non-cash items:

	For the Years Ended December 31	
	2021	2020
Purchase property, plant and equipment		
Increase in property, plant and equipment	\$ -	\$ 8,672
Decrease in prepaid equipment payments	-	( 8,214)
Decrease in equipment payables	-	1,713
Net cash paid	<u>\$ -</u>	<u>\$ 2,171</u>

## **26. DISPOSAL OF SUBSIDIARIES - LOSS OF CONTROL**

The Company passed the sale agreement resolution in the board meeting to dispose of Success Prime Optical Fiber Limited Subsidiary Prime Optical Fiber Co., Ltd. to a non-related party Gold Sun Technology Co., Ltd. The disposal was completed on July 3, 2020, from this date on, the Company has no control over Success Prime Optical Fiber Co., Ltd. For details on the disposal of Prime Optical Fiber, please refer Note 30 of the 2021 Company's consolidated financial statements.

## **27. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL**

On August 12, 2020, the Company's board of directors decided to acquire 49% equity of the Company's subsidiary, Prime Education (renamed as Here Enterprise Co., Ltd.), and make it a 100% owned subsidiary by the Company.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the partial disposal of Prime Education Limited, please refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2021.

## **28. TRANSFER OF BUSINESS**

The company's board of directors passed a resolution on March 24, 2020 to transfer the Company's optical fiber business (including business and property) to Prime Optical Fiber Co., Ltd.

(1) Consideration received

	Consideration received
Prime Optical Fiber ordinary shares	<u>\$ 86,000</u>

(2) Analysis of assets and liabilities of the business transfer

	Optical Fiber Division
Current assets	
Cash and cash equivalents	\$ 56,251
Financial assets measured at amortized cost	5,655
Accounts receivables	38,252
Other receivables	41
Refundable deposits	3,490
Other current assets	1,204
Non-current assets	
Property, plant and equipment	11,761
Right-to-use assets	80,957
Refundable deposits	2,216
Equipment prepayments	2,160
Current liabilities	
Accounts payables	\$ 27,500
Other payables	5,874
Other current liabilities	733
Non-current liabilities	
Lease liabilities	<u>81,880</u>
Net assets disposed of	<u>\$ 86,000</u>

(3) Gain on transfer of business

	Optical Fiber Division
Consideration received	\$ 86,000
Net assets disposed of	( 86,000)
Gain on disposals	\$ -

(4) Net cash inflow on transfer of business

	Optical Fiber Division
Total net cash outflow	(\$ 56,251)

## 29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company is composed of the Company's net debt (such as borrowings less cash) and equity (such as share capital, capital reserve and retained earnings).

The Company does not need to comply with other external capital requirements.

## 30. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

i. Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-Unlisted shares in ROC	\$ -	\$ -	\$ 4,500	\$ 4,500

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-Unlisted shares in ROC	\$ -	\$ -	\$ 4,500	\$ 4,500

ii. Valuation technic and input value used in Level 3 fair value measurement

<u>Category of financial instruments</u>	<u>Evaluation of technology and input values</u>
Unlisted equity investments	Market Method: Assess the fair value of the investment by reference to the recent operating activity of the subject or the market transaction price and market conditions of the investment subject or other similar subjects.

iii. Fair value assessment for Level 3 can reasonably replace assumptions of sensitivity analysis

The Company's fair value measurement of financial instruments is reasonable, and no self-built evaluation model is used for level 3 fair value measurement, so there is no need to perform a sensitivity analysis that may replace hypotheses.

(3) Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Measured at amortized costs (Note 1)	\$ 52,718	\$ 79,859
Measured at FVTOCI		
- equity investment instrument	4,500	4,500
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	32,977	45,911

Note 1: The balance consists of cash and accounts receivables (including related parties), which are measured at amortized cost.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise, short-term borrowings, trade payables, other payables (including payables to related parties), long-term loans (including current portion), and refundable deposits.

(4) Financial risk management objectives and policies

The main financial instruments of the Company include cash, financial assets measured at amortized cost, accounts receivable, equity investment instruments, bills payable, accounts payable, borrowings and lease liabilities. The financial management department of the Company provides services for each business unit, coordinates the operation of entering the domestic and international financial markets, and monitors and manages the financial risks related to the operation of the Company by analyzing the risk internal risk report according to the degree of risk and breadth. These risks include market risk (including interest rate risk), credit risk and liquidity risk.

i. Market Risk

The Company's activities exposed it primarily to the financial risks of changes in interest rates (see (i) below).

(i) Interest Rate Risk

The Company is exposed to fluctuating interest rate risk from outstanding bank loans. Changes in interest rates would affect the future cash flows but not the fair value.

The financial assets and liabilities balance for which the Company is subject to interest rate risk on the balance sheet date is as follows:

	December 31, 2021	December 31, 2020
Cash flow interest rate risk		
-Financial assets	\$ 30,761	\$ 57,498
-Financial liabilities	10,000	21,870

Assume that the floating borrowing rate at the end of the reporting period is held during the entire reporting period. When the interest rate increases/decreases by 0.1%, the net profit before tax for the Company's 2021 and 2020 will increase/decrease by NT\$21,000 and NT\$36,000 respectively, while all other variables remain fixed.

ii. Credit Risk

Credit risk refers to the risk that the counterparty defaults on the contractual obligations resulting in financial losses to the Company. As the major trading counterparty are all creditworthy financial institutions and corporate organizations, no significant credit risk is expected.

### iii. Liquidity Risk

The Company reduces the impact of cash flow fluctuations by managing and maintaining sufficient cash. The Management supervises the available quotas of bank financing and ensures compliance with the terms of the loan contract.

Bank borrowing is an important source of liquidity for the Company. As of December 31, of 2021 and 2020, the unused financing capital (note) was NT\$290,000,000 and NT\$288,000,000 respectively.

Note: As of December 31, 2021, and 2020, the amount used jointly by the Company and its subsidiary Chen Li Education was NT\$300,000,000 and NT\$288,000,000 respectively.

#### Liquidity and interest rate risk statement for non-derivative financial liabilities

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the undiscounted cash flows of financial liabilities (including principal and estimated interest) based on the date which the Company is required to repay. Therefore, regardless whether the bank immediately executes its rights, the Company may be required to immediately repay the bank loan by the earliest period in the following table; other non-derivative financial liability maturity analysis is prepared according to the agreed repayment date.

Interest cash flow paid at floating interest rate, its outstanding interest amount is derived from the balance sheet daily interest rate curve.

#### December 31, 2021

	<u>1~6 Months</u>	<u>6 months ~ 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 22,600	\$ 177	\$ 200
Fluctuating interest rates instruments	<u>10,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,600</u>	<u>\$ 177</u>	<u>\$ 200</u>

#### December 31, 2020

	<u>1~6 Months</u>	<u>6 months ~ 1 year</u>	<u>1 year above</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 19,457	\$ 4,384	\$ 200
Fluctuating interest rates instruments	<u>1,215</u>	<u>1,215</u>	<u>19,440</u>
	<u>\$ 20,672</u>	<u>\$ 5,599</u>	<u>\$ 19,640</u>

### 31. TRANSACTION WITH RELATED PARTIES

In addition to those disclosed in other notes, detail of transactions between the Company and related parties are disclosed below.

(1) Related parties and their relationships associated with the Company:

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Wei-Ru Chen	Related party
Prime Optical Fiber	Its chairman is a director of the Company (the chairman was dismissed as a director of the company on September 30, 2020, hence no longer a related party of the company since that date)
Chen Li Education	Subsidiary of the Company
Li-Ren Education	Subsidiary of the Company
Chen Li ELM	Subsidiary of the Company

(2) Service revenue

<u>Line Items</u>	<u>Related party category / name</u>	<u>For the Years Ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Sales revenue	Subsidiary		
	Prime Optical Fiber	<u>\$ -</u>	<u>\$ 31,581</u>
Service revenue	Subsidiary		
	Chen Li Education	<u>\$ 213,895</u>	<u>\$ 218,877</u>

The Company sells goods to related parties and provides related parties' labor services, and there is no significant difference between the transaction prices and payment conditions of the company and non-related parties.



(3) Service cost

Related party category / name	For the Years Ended December 31	
	2021	2020
Subsidiary		
Li-Ren Education	\$ 696	\$ 443
Chen Li ELM	-	245
Chen Li Education	-	5
	<u>\$ 696</u>	<u>\$ 693</u>

The Company provides services cost from related parties, and its transaction prices and payment conditions are not significantly different from those of non-related parties.

(4) Purchases of goods

Related party category / name	For the Years Ended December 31	
	2021	2020
Related party		
Prime Optical Fiber	<u>\$ -</u>	<u>\$ 7,991</u>

Compared with other manufacturers, there is no significant difference between the Company's trading conditions for the purchase of related parties.

(5) Accounts receivables

Related party category / name	December 31, 2021	December 31, 2020
Subsidiary		
Chen Li Education	<u>\$ 21,891</u>	<u>\$ 22,361</u>

There is no guarantee for receipt of receivables from related parties in circulation. Amounts due from related parties as of December 31, 2021 and 2020 are not listed as allowance for losses.

(6) Accounts Payable to related parties

Line Item	Related party category / name	For the Years Ended December 31	
		2021	2020
Account payables	Subsidiary		
	Li-Ren Education	<u>\$ 124</u>	<u>\$ 44</u>

The balance of payments due to related parties outstanding is not guaranteed.

(7) Acquisition of financial assets

For the Years Ended December 31, 2020

Related party category / name	Line Item	Number of shares transaction	Transaction subject	Price obtained
Related party				
Wei-Ru Chen	Investment using equity method	490,000 shares	Success Prime Education shares	<u>\$ 8,800</u>

The company passed the resolution in the board meeting to purchase 49% of the equity of Success Prime Education from the related party Wei-Ru Chen in August 2020, please refer to Note 29 of the Company's consolidated financial statements notes for year ended December 31, 2021.

(8) Obtain Endorsement Guarantee

Related party category / name	December 31, 2021	December 31, 2020
Subsidiary		
Chen Li Education		
Guaranteed		
Amount	<u>\$ 300,000</u>	<u>\$ 288,000</u>

(9) Rental Revenue

Related party category / name	For the Years Ended December 31	
	2021	2020
Subsidiary		
Chen Li Education	\$ <u>1,144</u>	\$ <u>1,145</u>

As stated in Note 14, the investment property of the Company is leased to the subsidiary Chen Li Education, whose rent is based on the market rent and receives a deposit of NT\$200,000.

(10) Loans to related parties

Interest Revenue

<u>Related party category / name</u>	For the Years Ended December 31	
	2021	2020
Subsidiary		
Chen Li Education	\$ <u>-</u>	\$ <u>14</u>

Please refer to Attached Table 1 for the Company's capital loans to related parties.

(11) Remuneration of Key Management Levels

	For the Years Ended December 31	
	2021	2020
Short term Employee		
Benefits	\$ 4,025	\$ 6,518
Post-employment benefits	87	141
Share-based payment	<u>351</u>	<u>-</u>
	\$ <u>4,463</u>	\$ <u>6,659</u>

The remuneration of directors and other key management levels are determined by the Compensation Committee based on individual performance and market trends.

### **32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets have been provided as collateral for long-term bank borrowings:

	December 31, 2021	December 31, 2020
Investment property- land	\$ -	\$ 27,394
Investment property- buildings	-	4,923
	<u>\$ -</u>	<u>\$ 32,317</u>

### **33. OTHER ITEMS**

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, Since May 18, 2021, in cooperation with the government's Central Epidemic Command Center, which has been raised to level 3 alert in response to the rise of the pandemic, all physical on-site teaching have been suspended. Despite the situation slightly impacting the 2021 revenue, the Company has rolled out a comprehensive digital learning service and platform. As of December 31, 2021, the Company has assessed the recent impact of pandemic in Taiwan has not yet posed a significant impact on the operations, assets, and profitability of the Company.

### **34. NOTES DISCLOSURE ITEMS**

- (1) Main transaction items and
- (2) Information related to the transfer of investment business:
  - i. Loans to others: Table 1.
  - ii. Endorsement for others: Table 2.
  - iii. Holding securities at the end of the period (excluding investment in subsidiaries): Table 3.
  - iv. Accumulatively buy or sell the same marketable securities amounting to NT\$300 million or paid-up capital of more than 20%: None.
  - v. The amount of property acquired is NT\$300 million or over 20% of paid-up capital: none.
  - vi. The disposition of property amounts to NT\$300 million or over 20% of paid-up capital: none.
  - vii. The amount of import and sales with related parties amounts to NT\$100 million or over 20% of paid-up capital: Table 4.
  - viii. The receivables from the related party amounted to NT\$100 million or more than 20% of the paid-up capital: none.
  - ix. Engage in derivatives transactions: None.
  - x. Information on the investee Company: Table 5.

(3) China Investment Information:

- i. The name of the China's Company as investee, the main business operation, the amount of capital received, the mode of investment, the export of funds, the proportion of shareholding, the profit and loss of current portion investment, the carrying amount of the final investment, the profit and loss of the remitted investment and the investment limit to the mainland region: Table 6.
- ii. Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
  - (i) The amount and percentage of the purchase and the closing balance and percentage of the relevant payables.
  - (ii) The amount and percentage of goods sold and the closing balance and percentage of related receivables.
  - (iii) The amount of the property transaction and the amount of profit and loss it generates.
  - (iv) The closing balance of the bill endorsement or the provision of the collateral and its purpose.
  - (v) The maximum balance, closing balance, interest rate range and total interest in the current period of the facility.
  - (vi) Other transactions that have a significant impact on the profits and losses or financial position of the current period, such as the provision or receipt of services.
- (4) Key shareholders information: The shareholder name, shareholding amount and proportion of shareholders with a shareholding ratio of 5% or more. (Table 7)

**35. DEPARTMENTAL INFORMATION**

The company has disclosed relevant operating department information in the consolidated financial statements in accordance with regulations.

TABLE 1

SUCCESS PRIME CORPORATION

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	Chen Li Education	Other receivables – related party	Yes	\$ 50,000	\$ -	\$ -	1.30%	(2)	\$ -	Business turnover	\$ -	-	\$ -	\$ 78,646 (Note 3)	\$ 314,587 (Note 3)	-
1	Chen Li Education	Chen Li (Xiamen) Education Consulting Co., Ltd.	Other receivables – related party	Yes	8,690	-	-	1.40%	(2)	-	Business turnover	-	-	-	20,320 (Note 4)	81,282 (Note 4)	-

Note 1 : The numbering column is described as follows :

- (1) Issuer fill in 0 °
- (2) Companies as investee are numbered sequentially starting from 1.

Note 2 : The subject receiving the loans, shall be limited to the following circumstances:

- (1) Subject companies with business relations with the SPC.
- (2) Necessary party with short-term financing capital.

Note 3 : The total amount of capital loans of the company and the limits of individual objects are as follows:

- (1) The total amount of funds loaned by the company to others shall not exceed 40% of the net value of the company's most recent financial statements.
- (2) The total limit of the company's short-term financial loans and others shall not exceed 30% of the company's most recent net value of financial statements.
- (3) The loan amount of individual target funds shall not exceed 10% of the net value of the company's most recent financial statements.

Note 4 : The total amount of Chen Li Education's fund loan and the limits of individual objects are as follows:

- (1) The total amount of Chen Li Education’s funds loaned to others shall not exceed 40% of the net value of Chen Li Education’s latest financial statements.
- (2) The loan amount of individual target funds shall not exceed 10% of the net value of Chen Li Education's latest financial statements.

SUCCESS PRIME CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement ent/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement ent/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement ent/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Chen Li Education	The Company	(3)	\$ 304,808	\$ 300,000	\$ 300,000	\$ 10,000	\$ -	147.63%	\$ 304,808	N	Y	N	—

Note 1 : The numbering column is described as follows:

- (1) Issuer fill in 0.
- (2) Companies as investee are numbered sequentially starting from 1.

Note 2 : The relationship between the endorser and guarantor has the following 7 types, just indicate the type:

- (1) A company with business dealings.
- (2) A company that directly and indirectly holds more than 50% of the voting shares.
- (3) Companies that directly and indirectly hold more than 50% of the voting shares of the company.
- (4) Inter-company companies where the company directly and indirectly holds more than 90% of the voting shares.
- (5) A company that is mutually insured according to the contract between inter-industry or co-founders based on the needs of the contracted project.
- (6) A company whose endorsement is guaranteed by all capital shareholders according to their shareholding ratio due to a joint investment relationship.
- (7) The inter-industry is engaged in the performance guarantee and joint guarantee of the pre-sale house sales contract regulated by the Consumer Protection Law.

Note 3 : The limit amount of the foreign endorsement guarantees of Chen Li Education Co., Ltd. are as follows:

- (1) For companies that directly and indirectly hold more than 50% of the voting rights of Chen Li Education, the total amount of endorsement guarantees and endorsement guarantees of Chen Li Education for a single object is based on Chen Li Education’s most recent audit or review by an accountant. The net value of the financial statements is 150%.
- (2) The net value is based on the most recent financial statements (2021) reviewed by Chen Li Education by accountants.

TABLE 3

SUCCESS PRIME CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
The Company	Taiwan unlisted shares Accuagile Co., Ltd	None	Financial FVTOCI assets at	1,500,000	\$ 4,500	15	Note
					\$ 4,500		

Note : Fair value is based on the most recent evaluation results.



TABLE 4

SUCCESS PRIME CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)			Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company Chen Li Education	Chen Li Education The Company	Subsidiary Parent Company	Service revenue	(\$ 213,895)	( 98% )	Month end 30 days	Note	-	\$ 21,891	100%	-
			Service costs	213,895	62%	Month end 30 days	Note	-	( 21,891 )	( 93% )	-

Note : There are no other transactions of the same type available for comparison, and the terms of collection are agreed by both parties.

TABLE 5

## SUCCESS PRIME CORPORATION

### INFORMATION ON INVESTEEES FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (in thousands)	%			
The Company	Chen Li Education	Taiwan	Education services	\$ 711,369	\$ 711,369	11,200	100%	\$ 28,143	\$ 28,116	Subsidiary
The Company	Here Enterprise	Taiwan	Education and Consulting Services	13,900	13,900	1,000	100%	( 5,000 )	( 5,000 )	Subsidiary
The Company	Chen Li ELM	Taiwan	Education services	9,900	9,900	1,500	100%	5,432	5,432	Subsidiary
The Company	Li-Ren Education	Taiwan	Education services	3,000	3,000	300	60%	1,000	600	Subsidiary
The Company	Chen Li Zhiyi	Taiwan	Education services	3,000	3,000	300	60%	( 1,693 )	( 1,016 )	Subsidiary
Chen Li Education	CHEN LI Education Group Limited	British Virgin Islands	Holding Company	40,543 ( USD 1,292,000 )	40,543 ( USD 1,292,000 )	-	100%	( 15,637 )	Note 1	Sub-subsubsidiary
CHEN LI Education Group Limited	CHEN LI Education Group (HK) Limited	Hong Kong	Holding Company	30,059 ( USD 952,000 )	30,059 ( USD 952,000 )	-	100%	( 15,566 )	Note 1	Sub-subsubsidiary

Note 1 : The profit and loss of the invested company is included in its investment company. To avoid confusion, it will not be expressed here.

TABLE 6

SUCCESS PRIME CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment by the Group	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Chen Li (Xiamen) Education Consulting Co., Ltd.	Engaged in educational consulting services and other business	RMB 6,000,000	Through the third regional company CHEN LI Education Group (HK) Limited investment	\$ 28,516	\$ -	\$ -	\$ 28,516	(\$ 15,465)	100%	(\$ 15,465)	\$ 256	\$ -	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$28,516 ( RMB 60,000,000 )	\$28,516 ( RMB 60,000,000 )	\$ 121,923 ( Note 2 )

Note 1 : Investment gains and losses are recognized based on the financial statements verified by the parent company certified accountant in Taiwan.

Note 2: Calculated based on 60% of the net worth of Chen Li Education Co., Ltd. in the latest financial statement.

**TABLE 7****SUCCESS PRIME CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Far East International Commercial Bank entrusted custody of Bash Consulting Co., Ltd. Investment Special Account	1,890,039	9.89%
Far East International Commercial Bank entrusted custody of Endow Capital Management Co., Ltd. Investment Special Account	1,890,039	9.89%
Witty Sino Holdings Co., Ltd.	1,737,020	9.09%
Taipei Fubon Commercial Bank entrusted with the custody of Optimistic Forward Investment Account	1,609,177	8.42%
Shu-Ling Tseng	965,728	5.05%

Note 1 : The main shareholder information in this table is based on the last business day of the quarter at the end of the quarter, and the shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the Company's parent company only financial report and the actual number of shares delivered without physical registration may be different due to different or different calculation bases.

Note 2 : In the case of the above information, if a shareholder delivers shares to the trust, it is disclosed in individual accounts by the trustor who opened the trust account by the trustee. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their holdings include their own shareholding plus the shares delivered to the trust and have the right to use the trust property. For information on insider's equity declarations, please refer to the Market Observation Post System.

**Success Prime Corporation**

**Chairman Min-Chun Chen**