Stock code: 8077

洛碁實業股份有限公司
GREEN WORLD HOTELS CO., LTD.

# 2020

# Annual Report

Date of publication: May 28, 2021
The annual report of the current year can be seen at
http://mops.twse.com.tw
Corporate website: http://www.greenworldhotels.com

I. Spokesperson: Li Yueh-Mei Position: Corporate Governance Manager

Tel: (02) 2562-0018

Email: yamaylee@gwh.global

Acting spokesperson: Peng, Fei-Hsiu Position: Accounting Manager

Tel: (02) 2562-0018

Email: vicikipeng@gwh.global

II. Head Office: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)

Tel: (02) 2563-3200

| Branch Office | Address | Telephone |
|---|---|---|
| Green World Jianpei Branch Office | No.140, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25095151 |
| New World Hotel Branch Office | 9F., No.141, Kunming St., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.) | 02-23118863 |
| Green World Station Branch Office | 1F., No.21, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) | 02-23819199 |
| Green-World-Qingtian Branch Office | 7-9F.,No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25971281 |
| Green-World-Xiemei Branch Office | 10-12F., No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25971281 |
| Green-World-Sansui Branch Office | 1-5F., No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25971281 |
| Green World Grand Nanjing Branch Office | 12F, No.8, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25098882 |
| Green World Mai – Nanjing Branch Office | No.163, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25035511 |
| Green-World-Linsen Branch Office | No.617, Linsen N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25955225 |
| Green World Songshan Branch Office | 1F., No.149, Yucheng St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.) | 02-27837088 |
| Green World Zhongxiao Branch Office | 1F., No.180, Sec. 4, Zhongxiao E. Rd., Daan Dist., Taipei City 106, Taiwan (R.O.C.) | 02-27116869 |

| | | |
|---|---|---|
| Green World NanGang Branch Office | 8F., No.528, Sec. 7, Zhongxiao E. Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.) | 02-27893009 |
| Green World Flora Main Branch Office | No.30 and 32, Huaining St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) | 02-23123801 |
| Green World Mai – ZhongShan Branch Office | No.15, Ln. 105, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | 02-25429511 |
| Green World Triplebeds Branch Office | No.16, Sec. 4, Bade Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.) | 02-27630555 |
| Zhonghua Branch Office | 2F., No. 41, Section 1, Zhonghua Road, Zhongzheng District, Taipei City | 02-23705158 |

Factory: None.

Entrusted stock affairs and transfer service institution:

Name: Stock affairs service department of Mega Securities Co., Ltd.

Address: 1F., No. 95, Section 2, Zhongxiao East Rd., Zhongzheng District, Taipei City

Website: http://www.emega.com.tw

Tel: (02) 3393-0898

III.The certified public accountant for the most recent annual financial report:

Certified public accountant: Accountants CHANG,SHU-YING and CHIH,SHIH-CHIN

Accounting firm: KPMG Taiwan

Address: 68F., No. 7, Section 5, Xinyi Rd., Taipei City

Website: www.kpmg.com.tw

Tel: (02) 8101-6666

IV.The name of the overseas trading venue for the listed marketable securities and the information inquiry

for overseas securities: None.

Corporate website: http://www.greenworldhotels.com

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Appendix:

# One. Letter to Shareholders

Since the outbreak of Coronavirus (COVID-19) in January 2020, the pandemic has spread from Asia to Europe, Americas, New Zealand, Australia, and Africa in just 2 months. The pandemic is all over the world. Many countries have announced related restrictions such as the closure of borders, control of border entry/exit, and suspension of non-necessary visas to stop or delay the epidemic from spreading. In view of the rapid increase in infected cases around the world in late March, the Central Epidemic Command Center announced the restriction on entry of non-authorized foreigners starting on March 19, and all border entry passengers must undergo home isolation or quarantine for 14 days, regardless of their nationalities. It seems that the prosperity of Taiwan's tourism industry in 2019 will not be seen again in the short term.

All of our Company’s hotels are located in Taipei City, which is considered to be a seriously affected area with the pandemic. The Company shut down three hotels, including Green World Songjiang, Green World Flora Main, and Flora Hotel Main Station. We owned 16 hotels (including Sky 8 and Shye Mei) at the end of 2020 and the total revenue in 2020 was 441,242 thousand NTD, and the net deficit after tax was (857,827) thousand NTD, with a decrease of 64% and 1,530% compared to 2019, respectively.

The 2020 annual business report of the Company is as follows:

I. The 2020 annual consolidated financial report: (in thousand NTD)

(I) The 2020 business implementation results

| Items / Year | 2019 | 2020 |
|---|---|---|
| Operating revenue | 1,218,871 | 441,242 |
| Operating costs | 890,473 | 676,657 |
| Operating gross profit (loss) | 328,398 | (235,415) |
| Operating gain or loss | 135,258 | (320,477) |
| Non-operating gain or loss | (76,332) | (481,940) |
| Net profit (loss) before tax | 58,926 | (802,417) |
| Net profit (loss) of the current period | 59,983 | (857,827) |

(II) The status of budget execution in 2020: the Company did not make any financial forecasts and thus, this does not apply to the Company.

(III) The 2020 financial analysis

| Items / Year | | 2019 | 2020 |
|---|---|---|---|
| Financial structure | Ratio of debts to assets | 70.65% | 80.32% |
| | Percentage of long-term funds to real property, plant and equipment | 419.33% | 374.14% |
| Solvency | Current ratio | 78.79% | 45.06% |
| | Quick ratio | 76.73% | 43.11% |
| Management capacity | Receivables turnover (number of times) | 14.34 | 8.47 |
| | Average number of cash received days | 25.45 | 43.09 |
| Profitability | Return on assets | 2.19% | (15.62%) |
| | Return on equity | 3.57% | (66.92%) |
| | Ratio of net profit before tax to paid-up capital | 5.37% | (73.13%) |
| | Profit margin | 4.92% | (194.41%) |
| | Earnings per share (dollars) | 0.55 | (7.82) |

(IV) Status of research and development

The Company's main business operations are tourism hotels and related businesses, so it is not applicable.

**II. It is affected by the external competitive environment, regulatory environment and the overall environment of business operations:**

With the impact of the COVID-19 pandemic in 2020, Taiwan began to strengthen control of border entry/exit in late March 2020. Foreign businessmen and tourists have been banned from traveling to the nation as Taiwan closed its borders. The absence of foreign tourists is devastatingly harmful to Taiwan's tourism industry.

The number of tourists traveling to Taiwan in 2020 was 1,377,861, which decreased 88.39% compared to 2019. The detailed data of tourists traveling to Taiwan in 2020 are as follows.

| Region | Number of tourists visiting Taiwan in 2019 | Number of tourists visiting Taiwan in 2020 | Increase or decrease % | Increase or decrease number |
|---|---|---|---|---|
| Southeast Asia | 2,593,392 | 435,383 | (83.21%) | (2,158,009) |
| South Korea | 1,242,598 | 178,911 | (85.60%) | (1,063,687) |
| Hong Kong and Macau | 1,758,006 | 177,654 | (89.89%) | (1,580,352) |
| Japan | 2,167,952 | 269,659 | (87.56%) | (1,898,293) |
| Mainland China | 2,714,065 | 111,050 | (95.91%) | (2,603,015) |

In terms of hotel supply, the total number of legal hotels in Taipei City and New Taipei City

had increased by six in 2020
and the number of rooms had increased by 988; the number of tourist hotels has decreased by two and the number of rooms has decreased by 152; the total number of rooms has increased by 836. The number of tourists dropped tremendously due to the impact of the COVID-19 pandemic and the competition from illegal accommodation providers, which were huge challenges that hotel business operations had to face due to the COVID-19 pandemic in 2020.

**III. Summary of the 2021 business plan and future development strategy of the Company:**

【Foreword】

The outbreak of COVID-19 pandemic worldwide since the beginning of 2020 has caused a devastating impact on the global tourism industry. As of now, the COVID-19 pandemic shows no signs of slowing down and transnational tourism will not be any time soon. It is very difficult to plan a strategy for current business operations.

The following will be carried out in order regarding the business operations after the year 2021.

① During the pandemic period of COVID-19, we have put much effort into preventing cash loss to maintain a robust financial condition.

② After the COVID-19 pandemic is suppressed, we will reform the organization and systems in order to increase the profits to even higher than the time before the pandemic.

[Countermeasures during the COVID-19 pandemic]

The business operations are tremendously difficult before the country’s lockdown is lifted. Non-emergency investments will be suspended in order to minimize cash expenditures. Our business operations will be conducted mainly on the three strategies: "sales strategy," "cost reduction strategy," and "fund management strategy."

① Sales strategy

(1) Gain more domestic accommodation demands

The domestic accommodation demands for Taiwanese travelers in Taipei mainly include two types: tourism and business trips.

As business travelers stay over in hotels more often, we will focus on enhancing the loyalty of our previous hotel guests. Particular actions such as "sending messages via LINE@", "promoting the plan for business travelers on official website" and so on.

In addition to the high percentage of online reservations, the percentage of our guests making reservations through our official website is also very high. By implementing the database and points system for members, the reservation rate via the official website can be enhanced.

Comparing August 2020 with August 2019, the revenue of Taiwanese guests increased by 239%. Our goal is to enhance the domestic demands for Taiwanese travelers.

(2) Gain more temporary rest demands

For sales of temporary rest, we will enhance the cooperation with various online booking platforms led by funnow.

At the same time, we will strengthen the vacancy adjustments in order to increase the number of walk-in customers (especially the particularly low vacancy on Friday and Saturday nights). By establishing a late-night housekeeping mechanism for all hotels on Friday and Saturday nights, to enhance the bed turnover rates of temporary rest on Friday and Saturday.

The revenue of temporary rest in August 2020 was more than 7.5 times than in January (before the COVID-19 pandemic), and we will continue to increase the business revenue.

(3) Operation of quarantine hotel

Although the COVID-19 pandemic is gradually slowing down and transnational traveling will be reinitiated, the current 14 days of quarantine for border entry is still required.

With the increasing demand for quarantine hotels, our Company has already converted Green World Station and Green World Linsen into quarantine hotels.

We will cautiously observe the variation in the number of quarantine requirements in the future. If the demand for quarantine increases, we will evaluate adding more quarantine hotels.

On the other hand, we are also prepared for the future lifting of the country's lockdown and the reducing number of people in quarantine. We will then assess canceling the registration to be a quarantine hotel as soon as possible so that Green World Station and Green World Linsen will return to regular business operations.

We will always be aware of the needs of a quarantine hotel and make flexible measures to maximize the profits as a quarantine hotel.

(4) Maximization of other incomes

On the basis of food service business and space rental business, our goal is to maximize profits.

For the food service business, we are currently developing our own bento brand that was created in July 2020. The revenue has gone up successfully, and our subsequent goal is to maximize the business revenue.

For the space rental business, we currently make flexible use of the existing facilities for providing conference rooms, restaurant rentals, and rentals of advertising wall. The revenue has gone up successfully and we may expand the scale for rental in the future, as we are committed to maximizing the profits.

② Cost reduction strategy

(1) Cutting personnel cost

After the outbreak of the COVID-19 pandemic, our staff was cut, which was about 40% less compared to the manpower before the outbreak.

Since the number of staff has been reduced, the group's business is maintained with a minimum number of staff. It is difficult to implement more staff cuts in the future.

However, if the epidemic significantly worsens in the future, further staff cuts may be necessary and implemented for the next phase.

If the situation is stable and more manpower is needed in the future, the plan for an increase of manpower will be implemented while controlling the expenditures.

(2) Cutting rental costs

After the outbreak of the COVID-19 pandemic, in addition to the contract cancellation of the stores in deficit (Green World Songjiang, Green World Flora Main, and Flora Hotel Main Station), and we also negotiated with the landlord about rent reduction for the Zhong branch contract.

In the future, we will continue to negotiate with the landlord for rent reductions.

(3) Cutting variable expense

Since the outbreak of the COVID-19 pandemic, we have continuously put effort into reducing all variable expenses.

In order to reduce variable expenses, the completed tasks such as improvement in the work process, and reduction in the contractual amount of using water, electricity and propane gas. In the future, we will continue to analyze variable expenses to ensure that they are not too high.

③ Fund management strategy

Negotiating the financing quotas with various financial institutions

In view of a possible long-time worsened situation, we are preparing sufficient financing quotas to prevent the risk of bankruptcy.

[Reform after the COVID-19 pandemic is suppressed]

Once the COVID-19 pandemic is suppressed, the country's lockdown will be gradually lifted. Then the following reforms will be implemented in order to reach higher profits than the time before the outbreak of COVID-19.

① Organizational reform

(1) Establish a hotel on-site management system

We currently have 16 hotels in business operations, with a total of six vice presidents who are in charge of hotel operations.

The number of vice presidents who are in charge of hotel operations will be reduced, as the operations can be conducted with fewer vice presidents. The pace of business growth is expected to increase with the dedication of vice presidents to their new missions.

(2) Effective communication between the headquarters and on-site hotels

At present, there are many ineffective communications between the headquarters and on-site hotels. With a clear definition of business scopes for the headquarters and on-site hotels, conduct staff cut according to the needs, reform the organization to enhance efficiency.

② Effectiveness and systematization of the work process

At present, most of the hotels' on-site counters and the accounting department of the headquarters are labor intensive, which requires a large number of staff.

The work process should be reviewed and standards for new work process should be stipulated. At the same time, the introduction of an automated system based on RPA is able to integrate the system, and it is expected to continue business operation with a system without requiring more manpower after the COVID-19 pandemic.

The abovementioned will be achieved and implemented based on projects of the Group.

③ Implementation of the membership system.

**Chairman: HSIEH,HSIEN-CHIH**

**General Manager: YOHEI FUKAI**

# Two. Brief Introduction of the Company

I. Date of establishment: July 22, 1994

II. History of the Company

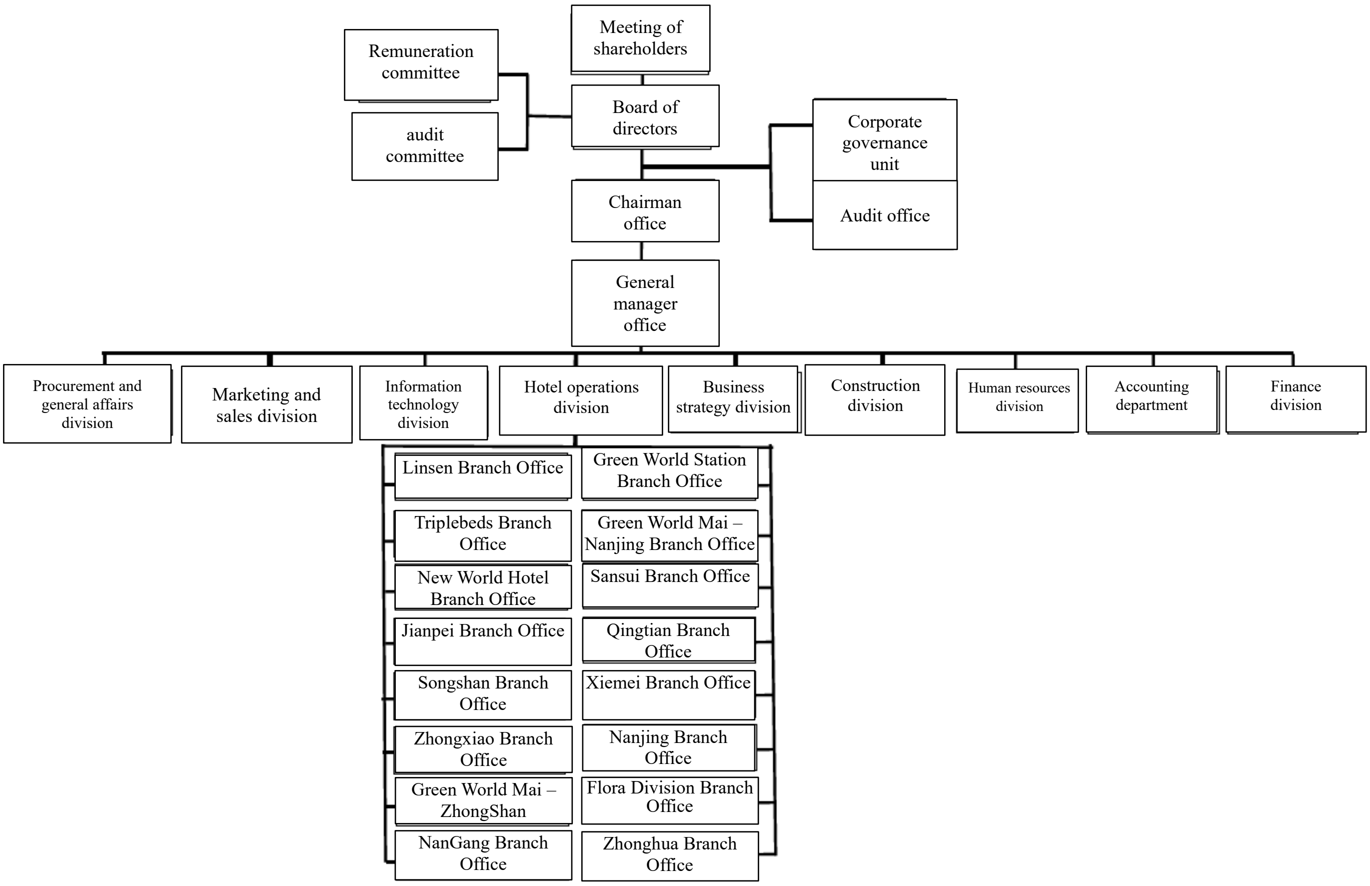
| | |
|---|---|
| July 1994 | "宇晨科技有限公司" was officially founded with a registered capital of NT$ 5,000,000 and paid-up capital of NT$ 5,000,000. It was dedicated to the design and development of continuous vacuum sputtering coating equipment. |
| May 1997 | The company officially changed its name to "冠華科技股份有限公司." |
| February 2003 | The stock was officially listed on the emerging stock market. |
| December 2004 | With the approval of the Securities and Futures Bureau, the company was officially listed on the OTC market and increased its paid-in capital to 1,332,500,000 NTD. |
| June 2013 | In accordance with the resolution of the board of directors, the company requested reorganization with Taoyuan District Court of Taiwan and then declared an emergency disposition to Taoyuan District Court of Taiwan. The company's stock stopped trading on the OTC market. |
| November 2013 | In accordance with the resolution of the board of directors, the company requested to withdraw from reorganization and emergency disposition with Taoyuan District Court of Taiwan, and the company's stock continued trading on the OTC market. |
| December 2013 | The provisional meeting of shareholders had re-elected seven directors, which had changed more than one-third of the directors. |
| December 2013 | The provisional meeting of shareholders had resolved to dispose most of the real property, factories, and equipment in order to reduce the manufacturing business department and improve the financial structure of the company. |
| April 2014 | Mr. HSIEH,HSIEN-CHIH served as the chairman and general manager of the company. |
| June 2014 | Signed a management consultancy contract with Green World Hotels Co., Ltd., and the company was transformed from the technology industry to the hotel industry. |
| August 2014 | Signed a business consulting contract with Green World Hotels Co., Ltd. |
| August 2014 | To improve the financial structure, the company reduced 74.5% of the capital to make up for the accumulated losses. The paid-in capital was 302,948,880 dollars after the capital reduction. |
| September 2014 | The first private fundraising was conducted in 2014. The paid-up capital was 402,948,880 dollars after the capital increase. |
| October 2014 | The stock resumed trading on the OTC market.<br>The second private fundraising was conducted in 2014. The paid-up capital was 502,948,880 dollars after the capital increase. |
| December 2014 | The private preferred shares were fully converted into private common shares. |
| May 2015 | Ms. HSIEH,HSIU-MEI served as the general manager of the company. |
| June 2015 | The meeting of shareholders resolved the purchase case of the "Lochi Hotel". |
| July 2015 | The stock resumed trading as ordinary settlement.<br>The company changed its name to "Green World Hotels Co., Ltd." |
| August 2015 | Purchased 100% equity of "Green World Hotels Co., Ltd." and transformed to the hotel industry. |
| September 2015 | Starting 2015/09/21, the name of the trading stock was changed to "Green World" and its stock code is 8077. |
| October 2015 | The merged subsidiary: Green World Hotels Co., Ltd. |

| | |
|---|---|
| | The company after acquisition: Green World Hotels Co., Ltd. It has 13 branches and 1 subsidiary: Green World Hotel ZhongHua Co., Ltd. |
| January 2016 | Green World Grand Nanjing is officially in business. |
| June 2016 | The 11th term of directors and supervisors were fully re-elected, and the board of directors elected and appointed Ms. Chiang Mei-Ling to be the chairman. |
| July 2016 | The category of the company in the OTC market was changed from the "photovoltaic industry" to the "tourism business". |
| July 2016 | Green World Songshan is officially in business. |
| August 2016 | Green World Zhongxiao is officially in business. |
| September 2016 | The first private fundraising was conducted In 2016, and its paid-in capital was 537,668,880 dollars after the capital increase. |
| October 2016 | Green World Flora Division is officially in business. |
| December 2016 | The provisional shareholders meeting resolved the case of second private common stock in 2016. |
| January 2017 | Green World Flora Main and Green World Mai – ZhongShan are officially in business. |
| January 2017 | The private fundraising in January 2017. H.I.S. Hotel Holdings Co., Ltd., participated in private fundraising and acquired 33.32% of the shares. The paid-in capital was increased to 806,338,880 dollars after the capital increase. |
| May 2017 | Green World NanGang is officially in business. |
| June 2017 | The private fundraising in May 2017. H.I.S. Hotel Holdings Co., Ltd., participated in private fundraising and acquired 51% of the shares. The paid-in capital was increased to 1,097,283,430 dollars after the capital increase. |
| April 2018 | The first smart hotel - Green World Triplebeds - is officially in business. |
| November 2018 | The privately offered common stock in 2012 and the 20,000,000 shares of privately offered common stock in 2014 were available for trading on the OTC market on November 19, 2018, with total shares of 25,026,754. |
| January 2019 | The privately offered common stock in 2012, the private preferred stock in 2006 and 2007, and the private common stock in 2010, with a total of 25,268,134 shares, were available for trading on the OTC market on January 29, 2019, and the total of the company's shares was 50,294,999. |
| June 2019 | Establishment of Green World Solutions CO., LTD |
| October 2019 | Short-form merger of the subsidiary Green World Hotel ZhongHua Co., Ltd. and establishment of the ZhongHua Branch Office. |
| December 2019 | Establishment of Flora Hotel Main Station Branch Office |
| March 2020 | Fukai Yohei served as the General Manager of the company. |
| May 2020 | Green World Solution Co., Ltd., a subsidiary of the company was dissolved. |
| May 2020 | Under the impact of the Covid-19 pandemic, Green World SongJiang closed starting from May 31, 2020. |
| June 2020 | Re-elected the 13th Board of Directors, established the Audit Committee. |
| June 2020 | Mr. Hsieh Hsien-Chih, continues to serve as the Chairman of the company. |
| July 2020 | Under the impact of the Covid-19 pandemic, the Green Word Flora Main closed starting from July 12, 2020. |
| September 2020 | As the lease expired, Flora Hotel Main Station closed starting from September 1, 2020. |
| March 2021 | General Manager Fukai Yohei was dismissed, and the Board of Directors selected Chairman Hsieh Hsien-Chih, to concurrently serve as the General Manager. |

# Three. Report on Corporate Governance

I. The organization system

(I) Organization chart



(II) Business scope of main departments

| Department | Duties and responsibilities |
|---|---|
| The CEO and general manager 's Office | 1. Business Planning and Management .<br>2. The med-term and long-term management policy and strategic planning .<br>3. Promotion and management of annual policy and goals.<br>4. Management of daily operating performance .<br>5. Creation and implementation of the company's corporate image.<br>6. Organization and planning of internal and external company documents, and control of the documents. |
| Hotel operations division | 1. Management of hotel affairs.<br>2. Business expansion, enhance room price, and occupancy rate.<br>3. Provide accommodation-related services for customers. |
| Finance division | Responsible for fund adjustment, cashier operations |
| Accounting Department | Various accounting, tax processing, preparation and analysis of financial statements, implementation of budget preparation, analysis of differences. |
| Information technology division | Network system management and maintenance, maintenance and management of the information system, and software and hardware equipment, design, modification and testing of software, and data management and security maintenance of computers. |
| Human resources division | Planning and implementation of human resources and educational training. |
| Procurement and general affairs division | Various procurement, general affairs, project price negotiation, contracting and implementation |
| Construction division | Construction project implementation and regular maintenance of all branches |
| Marketing and sales division | 1. Maintain good relationships with customers to increase business orders.<br>2. Collect market information for business reference.<br>3. Manage the information of accounts receivable and control the customer's credit limit.<br>4. Development of new markets and new customers. |
| Business strategy division | Responsible for analyzing the company's internal data and the dynamics of the domestic and overseas hotel industry and tourism market. Provide consolidated reports and improvement proposals. |

| Department | Duties and responsibilities |
|---|---|
| Audit office | 1. Create and manage the internal audit system of the company.<br>2. Correction of internal control shortcomings and abnormal conditions.<br>3. Ensure the effective implementation of the company's internal control system and management provisions. |
| corporate Governance | 1. Handling matters relating to board meetings and shareholders meetings according to laws.<br>2. Producing minutes of board meetings and shareholders meetings.<br>3. Assisting in onboarding and continuous development of directors.<br>4. Furnishing information required for business execution by directors.<br>5. Assisting directors with legal compliance.<br>6. Other matters set out in the articles or corporation or contracts and stock affairs. |

## II. Information on the directors, supervisors, general manager, deputy general managers, associate managers, and supervisors of all departments and branch offices

### (I) Information of directors and supervisors

April 30, 2021

| Position title (Note 1) | Nationality or registration place | Name | Gender | Election (appointment) Date | Term of office | Initial election date (Note 2) | Holding shares at the time of election | | Current number of shareholding | | Spouse, underage children Holding shares as of now | | Under the name of others Holding shares | | Main experience (education) background | Current positions served in the company and other companies | Other mangers, directors, or supervisors who are a spouse or have a familial relationship within the second degree of kinship. | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | | | Position title | Name | Relation ship | |
| Chairman | Republic of China | Shenyan Investment Co., Ltd. Legal | - | 2020.6.15 | 3 | 2016.06.13 | 7,930,502 | 9.84% | 7,930,502 | 7.23% | None | None | None | None | N/A | N/A | None | None | None | None |
| | Republic of China | Shenyan Investment Co., Ltd. Legal representative: HSIEH,HSIEN-CHIH | Male | 2020.6.15 | 3 | 2016.06.13 | 5,183,852 | 4.72% | 5,183,852 | 4.72% | None | None | 5,497,138 | 5% | Master's, Graduate Institute of China Studies, Tamkang University<br>Bachelor's of Political Science, National Chengchi University<br>Chairman of Green World Hotels Co., Ltd.<br>Chairman of Sanpu Travel Group<br>Chairman of Green World Hotel ZhongHua Co., Ltd.<br>Chairman of Green World Co., Ltd. | Chairman of Green World Co., Ltd.<br>Chairman of Sanpu Travel Group<br>Chairman of H.I.S. Taiwan Co., Ltd.<br>Chairman of Sinri Travel Co., Ltd.<br>Chairman of Sindong Travel Co., Ltd.<br>Chairman of Singuang Travel Co., Ltd.<br>Chairman of Sakura Travel Co., Ltd.<br>Chairman of Mingyang Frozen Food Co., Ltd.<br>Director of Honyi Transportation Co., Ltd.<br>Director of CIRCLE ISLAND TOURS CO., LTD.<br>Mai Yi Shinjuku Co., Ltd. | None | None | None | None |
| Director | Republic of China | Shenyan Investment Co., Ltd. Legal | - | 2020.6.15 | 3 | 2019.7.22 | 7,930,502 | 9.84% | 7,930,502 | 7.23% | None | None | None | None | N/A | N/A | None | None | None | None |

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Republic of China | Shenyan Investment Co., Ltd.<br>Legal representative: CHANG, SHIH-FENG | Male | 2020.6.15 | 3 | 2019.7.22 | 555,000 | 0.51% | 555,000 | 0.51% | None | None | None | None | Department of Foreign Languages and Literature, National Sun Yat-Sen University<br>Director, Green World Hotels Co., Ltd.<br>Chairman of Guojing Frozen Food Co., Ltd.<br>Chairman of Xiufeng Industry Co., Ltd.<br>Chairman of Xinyao Media Co., Ltd. | Director of Green World Co., Ltd.<br>Director, Green World Hotels Co., Ltd.<br>Chairman of Guojing Frozen Food Co., Ltd.<br>Chairman of Xiufeng Industry Co., Ltd.<br>Chairman of Xinyao Media Co., Ltd. | None | None | None | None |
| Director | Japan | H.I.S. Hotel Holdings Co., Ltd.<br>Legal | - | 2020.6.15 | 3 | 2017.06.22 | 26,867,000 | 33.32% | 55,961,455 | 51% | None | None | None | None | N/A | N/A | None | None | None | None |
| | Japan | H.I.S. Hotel Holdings Co., Ltd.<br>Legal representative: Kodaka Kouji | Male | 2020.6.15 | 3 | 2017.06.22 | 26,867,000 | 33.32% | 55,961,455 | 51% | None | None | None | None | Graduated from the Travel Professional School<br>Director, Green World Hotels Co., Ltd.<br>Director of H.I.S. Web Business Group<br>Head of Central Business Group, H.I.S.<br>H.I.S. Managing Director, Hotel Development Department, Hotel Holdings<br>H.I.S. Director, Overseas Business Department, Hotel Holdings | Director, Green World Hotels Co., Ltd.<br>Director of H.I.S. Web Business Group<br>Head of Central Business Group, H.I.S.<br>H.I.S. Managing Director, Hotel Development Department, Hotel Holdings<br>H.I.S. Director, Overseas Business Department, Hotel Holdings | None | None | None | None |
| Director | Japan | Yiyaun Investment Co., Ltd.<br>Legal | - | 2020.6.15 | 3 | 2013.12.30 | 1,811,798 | 2.25% | 1,811,798 | 1.65% | None | None | None | None | N/A | N/A | None | None | None | None |
| | Japan | Yiyaun Investment Co., Ltd.<br>Legal representative: LIU,TANG-KUN | Male | 2020.6.15 | 3 | 2020.6.15 | None | None | None | None | None | None | None | None | Graduated from the Department of Political Science, Chinese Culture University<br>Supervisor of Green World Hotels Co., Ltd.<br>Supervisor of She Kai Precision Co., Ltd.<br>Responsible Person of Xinge Biotechnology Co., Ltd.<br>Municipal Advisor of Taichung City Government (2020) | Supervisor of Green World Hotels Co., Ltd.<br>Supervisor of She Kai Precision Co., Ltd.<br>Responsible Person of Xinge Biotechnology Co., Ltd.<br>Municipal Advisor of Taichung City Government (2020) | None | None | None | None |
| Independent director | Republic of China | LIU,SHUI-SHENG | Male | 2020.6.15 | 3 | 2017.06.22 | None | None | None | None | 150,000 | 0.14% | None | None | PhD in Economics, the International University of Kagoshima, Japan<br>Independent Director of Green World Hotels Co., Ltd. | Independent Director of Green World Hotels Co., Ltd.<br>Chairperson of GIWADO Enterprise Co., Ltd.<br>Member of the Zhongshan District | None | None | None | None |

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | Chairperson of GIWADO Enterprise Co., Ltd.<br>Member of the Zhongshan District Mediation Committee, Taipei City<br>Municipal Advisor of Taipei City Government<br>Lecturer, faculty of economics, Kagoshima Kokusai University, Japan | Mediation Committee, Taipei City | | | | |
| Independe nt director | Republic of China | WU,YI-TSAI | Male | 2020.6.15 | 3 | 2017.06.22 | None | None | None | None | None | None | None | None | Graduated from the Department of Law, National Taiwan University<br>Independent Director of Green World Hotels Co., Ltd.<br>Director and legal executive Lawyer of YUN DAH International Law Office<br>Attorney-in-Charge, Chu-Ting-Bo-Da Law Firm<br>Attorney-at-Law, Chen Shih Yung Law Firm<br>Attorney-at-Law, Tung-Li Attorneys-at-Law<br>Attorney-at-Law, Wen-Wen Law Firm | Independent Director of Green World Hotels Co., Ltd.<br>Director and legal executive Lawyer of YUN DAH International Law Office | None | None | None | None |
| Independe nt director | Republic of China | Huang,Chen-Chen | Female | 2020.6.15 | 3 | 2020.6.15 | None | None | None | None | None | None | None | None | Graduated from the Department of Japanses, Tamkang University | Independent Director of Green World Hotels Co., Ltd.<br>Senior Manager, Inbound Business Group, Sanpu Travel Group | None | None | None | None |

Note 1: The term of representative Akira Hirabayashi of Director Yi-Yaun Investment Co., Ltd., expired and he was dismissed on June 15, 2020. The director assigned the original Supervisor Liu, Tang-Kun to be elected as the Director.

Note 2: Independent director Huang Chen-Chen took office on June 15, 2020.

Table 1: Major shareholders of corporate shareholders

March 30, 2021

| Name of corporate shareholders | Major shareholders of corporate shareholders |
|---|---|
| H.I.S. Hotel Holdings Co., Ltd. | H.I.S. Co., Ltd. |
| Yiyaun Investment Co., Ltd. | LI,CHIH-CHUNG |
| Shenyan Investment Co., Ltd. | HSIEH, CHANG-CHENG |

Table 2: Major shareholders of corporate shareholders in Table 1

March 30, 2021

| Name of legal person | Major shareholder of legal persons | Shareholding ratio |
|---|---|---|
| H.I.S. Co., Ltd. | 澤田　秀雄 | 28.56% |
| | 株式会社日本カストディ銀行 | 8.83% |
| | 有限会社秀インター | 5.5% |
| | 日本トラスティ・サービス信託銀行株式会社 | 3.84% |
| | 行方　一正 | 1.59% |
| | 澤田　まゆみ | 1.43% |
| | エイチ　アイ　エス従業員持株会 | 1.42% |
| | STATE STREET BANK AND TRUST COMPANY | 1.41% |
| | JPMBL RE NOMURA INTERNATIONAL PLC1 COLL EQUITY | 1.40% |
| | 澤田　秀太 | 1.04% |

(II) Information of directors and supervisors

April 30, 2021

| Criteria / Name | Have more than five years of work experience and the following professional qualifications | | | | | Independence condition (Note 2) | | | | | | | | | | Concurrently serving as an independent director of other public listed companies |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A professor or higher position, of the relevant departments in the public or private colleges or universities, required for the field of business, legal, finance, accounting or sales department of the company | Judge, prosecutor, lawyer, accountant or other specialist required by the company, who passes the national examinations and acquires certificates. | Work experience required in the field of business, legal, finance, accounting or sales of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| HSIEH,HSIEN-CHIH | | | ✓ | | | | | ✓ | | ✓ | | ✓ | ✓ | ✓ | | 0 |
| Kodaka Kouji | | | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| CHANG, SHIH-FENG | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| LIU,TANG-KUN | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| LIU,SHUI-SHENG | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| WU,YI-TSAI | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Huang,Chen-Chen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |

## (III) Information on the general manager, deputy general manager, associate manager, and supervisors from all departments and branches

April 30, 2021

| Position | Nationality | Name | Gender | Election (appointment) Date | Holding shares | | Spouse and minor children's holding shares | | Shares held under the name of others | | Main experience (education) background | Positions concurrently served at other companies | Have a manager who is a spouse or has a familial relationship within the second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | | | Position | Name | Relationship | |
| Chief Executive Officer and General Manager | Republic of China | HSIEH,HSIEN-CHIH (Note 1) | Male | 2020.02.24 | 5,183,852 | 4.72% | None | None | 5,497,138 | 5% | Master's, Graduate Institute of China Studies, Tamkang University<br>Bachelor's of Political Science, National Chengchi University<br>Chairman of Green World Hotels Co., Ltd.<br>Chairman of Sanpu Travel Group<br>Chairman of Green World Hotel ZhongHua Co., Ltd.<br>Chairman of Green World Co., Ltd. | Chairman of Green World Co., Ltd.<br>Chairman of Sanpu Travel Group<br>Chairman of H.I.S. Taiwan Co., Ltd.<br>Chairman of Sinri Travel Co., Ltd.<br>Chairman of Sindong Travel Co., Ltd.<br>Chairman of Singuang Travel Co., Ltd.<br>Chairman of Sakura Travel Co., Ltd.<br>Chairman of Mingyang Frozen Food Co., Ltd.<br>Director of Honyi Transportation Co., Ltd.<br>Director of CIRCLE ISLAND TOURS CO., LTD.<br>Mai Yi Shinjuku Co., Ltd. | None | None | None | 無 |
| Manager | Republic of China | WU,PANG-MING | Male | 2015.03.17 | None | None | None | None | None | None | Master's of Management Accounting, University of San Diego, California, USA<br>Finance Manager at ProMOS Technologies Co., Ltd.<br>CFO at ITEQ CORPORATION<br>CFO at Mobile Action Technology Inc. | None | None | None | None | 無 |
| Manager | Republic of China | WU,YU-CHI | Male | 2015.08.12 | None | None | None | None | None | None | Law Department, Fu Jen Catholic University<br>Songjiang Trademark and Patent Law Office<br>Legal and special assistant of the director Beautiful Hotel<br>Hotel manager at Green World Mai | None | None | None | None | 無 |
| Manager | Republic of China | CHIEN,SHUN-KUEI | Male | 2015.08.12 | None | None | None | None | None | None | Tamsui high school<br>Shunyi Enterprise Group<br>Haopong Travel Agency<br>Yamaha Motor Taiwan Co., Ltd.<br>Mai Co., Ltd. | None | None | None | None | 無 |
| Manager | Republic of China | LIN,HSIU-JUNG | Female | 2015.08.12 | None | None | None | None | None | None | Shih Chien University<br>Hotel Fortuna<br>Hotel Lai Lai<br>Howard Hotel | None | None | None | None | 無 |
| Manager | Republic of China | TSUI,CHIEH-MIN | Male | 2015.08.12 | None | None | None | None | None | None | Long Island University, USA<br>Sports Association, ROC<br>Hoxin Recreation Co., Ltd.<br>Jin Byili Biotechnology<br>Yi Shuo Digital Co., Ltd. | None | None | None | None | 無 |
| Manager | Republic of China | YANG,KUN-HUI | Female | 2015.08.12 | None | None | None | None | None | None | Songshan High School of Commerce<br>Chinchen chain restaurant<br>ONETEL<br>S-aura Hotel | None | None | None | None | 無 |

| Position | Nationality | Name | Gender | Election (appointment) Date | Holding shares | | Spouse and minor children's holding shares | | Shares held under the name of others | | Main experience (education) background | Positions concurrently served at other companies | Have a manager who is a spouse or has a familial relationship within the second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | | | Position | Name | Relationship | |
| Manager | Republic of China | CHEN,HUI-CHING | Female | 2015.08.12 | None | None | None | None | None | None | Tourism Department, Taipei University of Marine Technology<br>Shilin district court<br>High court<br>Secretary of the Board of Directors of Taipei University of Marine Technology | None | None | None | None | None |
| Assistant manager | ROC | Hsu Shuo-Heng | Male | 2018.11.14 | None | None | None | None | None | None | EMBA at the National Taiwan University<br>Manager of the Gloria Maris FullWealth Seafood Restaurant in Philippines<br>Chairman's secretary at Artes Myer Imported Bathroom Facility Company in Philippines<br>Deputy director of operating management at the Tango Hotels Group | None | None | None | None | None |
| Financial supervisor | R.O.C. | Lin Meng-Yue | Female | 2020.3.2 | None | None | None | None | None | None | Graduated from the Accounting Department, National Open University<br>Financial manager, Wenhuayuan postnatal care services<br>Special assistant of general manager, industry management, human resource of Hanyu Jaymon Co., Ltd.<br>Deputy General Manager of Financial Management Department, Jaymon International Co., Ltd. | None | None | None | None | None |
| Accounting supervisor | R.O.C. | Peng Fei-Hsiu | Female | 2020.3.2 | None | None | None | None | None | None | Graduated from the Finance Department, Shih Chien University<br>Head of Finance Division, Huako Caiyi Co., Ltd. | None | None | None | None | None |
| Head of corporate governance | R.O.C. | Li Yueh-Mei | Female | 2019.8.8 | None | None | None | None | None | None | Graduated from the Department of Finance, Ming Chuan University<br>IT staff, Securities and Futures Bureau, Financial Supervisory Commission<br>Deputy manager, Stock Agency Department, Jinghua Securities Co., Ltd.<br>Stock affairs manager and special assistant of chairman of HUGA OPTOTECH Inc.<br>Head of Management Department, Zhenfa Co., Ltd.<br>Manager of the Stock Affairs Department, CrownBio Co., Ltd. | None | None | None | None | None |

Note 1: On February 24, 2021, Fukai Yohei, CEO and general manager of the company, was transferred to another important position in a subsidiary in Japan under H.I.S. Group, so he was dismissed as CEO and general manager starting from February 28, 2021. Chairman Hsieh Hsien-Chih, concurrently serves as the General Manager of the company starting from March 1, 2021.

Note 2: The reason that the Chairman and General Manager are the same person is that Chairman Hsieh Hsien-Chih, has excellent professional experience and understands the operation of the company very well, which allows the operation and development of the company to be more effective. For the development of the company and the greatest interests of the shareholders, it is reasonable that the Chairman concurrently serves as the General Manager. In addition, the company is planning to increase one more independent director in the next term of the Board of Directors in 2023.

## III. Remuneration for directors, supervisors, general manager, and deputy general managers in the most recent year

### (I) Remuneration of (including independent directors) General directors (disclosure of individual names and remuneration)

Unit: NT$1,000, shares

| Position | Name | Director's remuneration | | | | | | | | The ratio of the sum of A, B, C and D to the net profit after tax | | Related remuneration paid to the part-time employees | | | | | | | | The ratio of the sum of A, B, C, D, E, F and G to the net profit after tax | | Receive remuneration from a reinvested business other than the subsidiaries or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Retirement pension (B) | | Director's remuneration (C) | | Business implementation cost (D) | | | | Salary, bonuses, and special expenses (E) | | Retirement pension (F) | | Employees' compensation (G) | | | | | | |
| | | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | | All companies in the financial report | | The Company | All companies in the financial report | |
| | | | | | | | | | | | | | | | | Cash amount | Stock | Cash amount | Stock | | | |
| Chairman | Shenyan Investment Co., Ltd. Representative: HSIEH,HSIEN-CHIH | 無 | 無 | 無 | 無 | 無 | 無 | 70 | 70 | (0.008%) | (0.008%) | 1,600 | 1,600 | 無 | 無 | 無 | 無 | 無 | 無 | (0.195%) | (0.195%) | 無 |
| Director | Shenyan Investment Co., Ltd. Representative: Chang Shih-Feng | 無 | 無 | 無 | 無 | 無 | 無 | 70 | 70 | (0.008%) | (0.008%) | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | (0.008%) | (0.008%) | 無 |
| Director | Yiyaun Investment Co., Ltd. Representative: Hirabayashi Akira (Note 1) | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 |
| Director | Yiyaun Investment Co., Ltd. Representative: LIU,TANG-KUN (Note 1) | 無 | 無 | 無 | 無 | 無 | 無 | 20 | 20 | (0.002%) | (0.002%) | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | (0.002%) | (0.002%) | 無 |
| Director | H.I.S. Hotel Holdings Co., Ltd. Representative : Kodaka Kouji | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 |
| Independent Director | WU,YI-TSAI | 無 | 無 | 無 | 無 | 無 | 無 | 240 | 240 | (0.028%) | (0.028%) | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | (0.028%) | (0.028%) | 無 |
| Independent Director | LIU,SHUI-SHENG | 無 | 無 | 無 | 無 | 無 | 無 | 240 | 240 | (0.028%) | (0.028%) | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | (0.028%) | (0.028%) | 無 |
| Independent Director | HUANG,CHEN-CHEN | 無 | 無 | 無 | 無 | 無 | 無 | 130 | 130 | (0.015%) | (0.015%) | 無 | 無 | 無 | 無 | 無 | 無 | 無 | 無 | (0.015%) | (0.015%) | 無 |

1. Please state the payment policy, system, standards and structure for the remuneration of independent directors and the relevance between the paid amount of remuneration and their responsibilities, risks, dedicated time, etc.

The Company considers that the recommendation of monthly remuneration payment, through the Remuneration Committee by independent directors for resolution of the Board of Directors; and it will be submitted to the Remuneration Committee for assessment and recommendation from time to time.

2. In addition to the above disclosure, the remuneration paid to the directors of the company for providing services (such as a consultant for non-employees) to any of the company in the financial report in the most recent year:

| The range of remuneration paid to the directors of the company | Total remuneration of first four items (A+B+C+D) | | Total remuneration of first seven items (A+B+C+D+E+F+G) | |
|---|---|---|---|---|
| | The Company | All companies in the financial report | The Company | All companies in the financial report |
| Less than 1,000,000 dollars | HSIEH,HSIEN-CHIH, CHANG, SHIH-FENG, Kodaka Kouji, WU,YI-TSAI , LIU,SHUI-SHENG, LIU,TANG-KUN and HUANG,CHEN-CHEN | | HSIEH,HSIEN-CHIH, CHANG, SHIH-FENG, Kodaka Kouji, WU,YI-TSAI , LIU,SHUI-SHENG, LIU,TANG-KUN and HUANG,CHEN-CHEN | |
| 1,000,000 dollars (included) ~ 2,000,000 dollars (excluded) | None | None | None | None |
| 2,000,000 dollars (included) ~ 3,500,000 dollars (excluded) | None | None | None | None |
| 3,500,000 dollars (included) ~ 5,000,000 dollars (excluded) | None | None | None | None |
| 5,000,000 dollars (included) ~ 10,000,000 dollars (excluded) | None | None | None | None |
| 10,000,000 dollars (included) ~ 15,000,000 dollars (excluded) | None | None | None | None |
| 15,000,000 dollars (included) ~ 30,000,000 dollars (excluded) | None | None | None | None |
| 30,000,000 dollars (included) ~ 50,000,000 dollars (excluded) | None | None | None | None |
| 50,000,000 dollars (included) ~ 100,000,000 dollars (excluded) | None | None | None | None |
| More than 100,000,000 dollars | None | None | None | None |
| Total | A total of 8 people | | A total of 8 people | |

(II) The remuneration of the supervisors (disclosure of individual names and remuneration)

Unit: NT$1,000

| Position | Name | Supervisor's remuneration | | | | | | The ratio of sum of A, B, and C to the net profit after tax | | Receive remuneration from a reinvested business other than the subsidiaries or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Remuneration (B) | | Business implementation cost (C) | | | | |
| | | 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 | |
| Supervisor | LIU,TANG-KUN | None | None | None | None | 50 | 50 | (0.0058%) | (0.0058%) | None |
| Supervisor | KAO,YI-HSING | None | None | None | None | None | None | None | None | None |

Supervisor's remuneration range

| The range of remuneration paid to the supervisors of the company | Name of supervisor | |
|---|---|---|
| | Total remuneration of first three items (A+B+C) | |
| | The Company | All companies in the financial report |
| Less than 1,000,000 dollars | LIU,TANG-KUN and KAO,YI-HSING | LIU,TANG-KUN and KAO,YI-HSING |
| 1,000,000 dollars (included) ~ 2,000,000 dollars (excluded) | None | None |
| 2,000,000 dollars (included) ~ 3,500,000 dollars (excluded) | None | None |
| 3,500,000 dollars (included) ~ 5,000,000 dollars (excluded) | None | None |
| 5,000,000 dollars (included) ~ 10,000,000 dollars (excluded) | None | None |
| 10,000,000 dollars (included) ~ 15,000,000 dollars (excluded) | None | None |
| 15,000,000 dollars (included) ~ 30,000,000 dollars (excluded) | None | None |
| 30,000,000 dollars (included) ~ 50,000,000 dollars (excluded) | None | None |
| 50,000,000 dollars (included) ~ 100,000,000 dollars (excluded) | None | None |
| More than 100,000,000 dollars | None | None |
| Total | A total of 2 people | A total of 2 people |

## (III) Remuneration of the general manager and deputy general manager (summary of range disclosure with names)

Unit: NT$1,000

| Position | Name | Salary (A) | | Retirement pension (B) | | Bonus and special expense, etc. (C) | | Employee's compensation (D) | | | | The ratio of the sum of A, B, C, and D to the net profit after tax (%) | | Receive remuneration from a reinvested business other than the subsidiaries or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | | All companies included in the finance report | | The Company | All companies in the financial report | |
| | | | | | | | | Cash amount | Stock Amount | Cash Amount | Stock Amount | | | |
| General manager | HSIEH,HSIEN-CHIH (Note) | 2,600 | 2,600 | None | None | 1,916 | 1,916 | None | None | None | None | (0.5264%) | (0.5264%) | None |
| CEO and general manager | FUKAI YOHEI (Note 1) | | | | | | | | | | | | | |

Note: CEO and general manager of the company Fukai Yohei took office on March 24, 2020 and was dismissed on February 28, 2021; Chairman Hsieh Hsien-Chih, concurrently serves as the CEO and general manager starting from March 1, 2021.

| Pay for the general manager and deputy general manager of the company | Name of the general manager and deputy general manager | |
|---|---|---|
| | The Company | All companies included in the financial report E |
| Less than 1,000,000 dollars | None | None |
| 1,000,000 dollars (included) ~ 2,000,000 dollars (excluded) | None | None |
| 2,000,000 dollars (included) ~ 3,500,000 dollars (excluded) | HSIEH,HSIEN-CHIH | HSIEH,HSIEN-CHIH |
| 3,500,000 dollars (included) ~ 5,000,000 dollars (excluded) | FUKAI YOHEI | FUKAI YOHEI |
| 5,000,000 dollars (included) ~ 10,000,000 dollars (excluded) | None | None |
| 10,000,000 dollars (included) ~ 15,000,000 dollars (excluded) | None | None |
| 15,000,000 dollars (included) ~ 30,000,000 dollars (excluded) | None | None |
| 30,000,000 dollars (included) ~ 50,000,000 dollars (excluded) | None | None |
| 50,000,000 dollars (included) ~ 100,000,000 dollars (excluded) | None | None |
| More than 100,000,000 dollars | None | None |
| Total | A total of 2 people | A total of 2 people |

## The remuneration amount for the top 5 remuneration receiving Managers

Unit: NT$1,000

| Position | Name | Salary (A) | | Retirement pension (B) | | Bonus and special expense, etc. (C) | | Employee's compensation (D) | | | | The ratio of the sum of A, B, C, and D to the net profit after tax (%) | | Receive remuneration from a reinvested business other than the subsidiaries or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | All companies in the financial report | The Company | | All companies included in the finance report | | The Company | All companies included in the finance report | |
| | | | | | | | | Cash amount | Stock | Cash amount | Stock | | | |
| General managerger | HSIEH,HSIEN-CHIH | 1,300 | 1,300 | 無 | 無 | 1,556 | 1,556 | 無 | 無 | 無 | 無 | (0.3329%) | (0.3329%) | 無 |
| Accounting supervisor | Peng Fei-Hsiu | 1,200 | 1,200 | 無 | 無 | 240 | 240 | 無 | 無 | 無 | 無 | (0.1679%) | (0.1679%) | 無 |
| Manager | LIN,HSIU- | 1,028 | 1,028 | 無 | 無 | 31 | 31 | 無 | 無 | 無 | 無 | (0.1235%) | (0.1235%) | 無 |
| Manager | YANG,KUN- | 961 | 961 | 無 | 無 | 30 | 30 | 無 | 無 | 無 | 無 | (0.1155%) | (0.1155%) | 無 |
| Financial supervisor | Lin Meng-Yue | 780 | 780 | 無 | 無 | 156 | 156 | 無 | 無 | 無 | 無 | (0.1091%) | (0.1091%) | 無 |

(IV) Names of the managers who distribute employee compensation and the distribution status: None.

(V) The analysis of the ratio of the total remuneration amount paid to all of the directors, supervisors, general managers, and deputy general managers of the Company and all companies in the consolidated statement in the most recent two years, to the net profit after tax of the consolidated or individual financial reports.

| Item / Position title | Ratio of total remuneration amount to the net profit after tax | | | |
|---|---|---|---|---|
| | Year 2019 | | Year 2020 | |
| | The Company | The Company | The Company | Financial report All companies |
| Director | 0.97% | 0.97% | (0.0898%) | (0.0898%) |
| Supervisor | 0.08% | 0.08% | (0.0058%) | (0.0058%) |
| General manager and deputy general manager | 11.72% | 11.72% | (0.5264%) | (0.5264%) |

(VI) The correlation between the remuneration policy, standard and combination, procedures for stipulating the remuneration, and the business operation performance and future risks.

1. Directors and supervisors

On the basis of the regulations of the company, the transportation allowances and remuneration paid to the directors and supervisors shall be resolved according to the index of risk and responsibility and decided by the Remuneration Committee and submitted to the board of directors for discussion and approval.

2. General Manager and Deputy General Manager

The remuneration of the general manager and the deputy general manager includes salary, bonuses, and employee bonuses shall be based on the position, responsibility, and contribution to the company, and it shall also refer to the peer companies in the industry. It shall be assessed by the Remuneration Committee and reported to the board of directors for discussion and approval.

3. The reward for business operation performance shall be conducted in accordance with the surplus distribution regulations of the Articles of Incorporation of the Company. The Board of Directors had resolved that there will be no distribution to the directors and supervisors in 2019.

IV.The operational status of corporate governance

(I) The operation of the Board of Directors:

The board of directors had 7 meetings (A) in the most recent year, and the attendance records for the supervisors of the board of directors are listed as follows:

| Position title | Name | Number of attendance in person | Number of entrusted attendance | Percentage of attendance in person | Remarks |
|---|---|---|---|---|---|
| Chairman | Shenyan Investment Co., Ltd. Representative: HSIEH,HSIEN-CHIH | 7 | 0 | 100% | |
| Director | Yiyaun Investment Co., Ltd. Representative: Hirabayashi Akira | 0 | 4 | 0% | Dismissed on June 15, 2020 |
| Director | Representative of H.I.S Hotel Holdings Co., Ltd: Kodaka Kouji | 7 | 0 | 100% | |
| Director | Shenyan Investment Co., Ltd. Representative: CHANG, SHIH-FENG | 7 | 0 | 100% | |
| Director | Yiyaun Investment Co., Ltd. Representative: LIU,TANG-KUN | 3 | 0 | 100% | Took office on June 15, 2020 |
| Independent director | LIU,SHUI-SHENG | 7 | 0 | 100% | |
| Independent director | WU,YI-TSAI | 7 | 0 | 100% | |
| Independent director | HUANG, CHEN-CHEN | 3 | 0 | 100% | |

Other items that shall be recorded:

I. For any of the following circumstances, the board of directors meeting's date, period, content of the proposal, the comments of all independent directors and the company's approaches on the comments of independent directors shall be shall be described:

(I) The matters listed in Article 14-3 of the Securities and Exchange Act: This condition does not apply.

(II) Except for the preceding matters, the other resolutions by the directors that have been opposed or remarked with comments by independent directors that retained a record or had a written statement: not available.

II. The directors shall avoid the process of resolution that involves related interested parties, and the name of the directors, the content of the resolution, the reasons for the avoidance of conflict of interests and the participation status in the voting process shall be stated: not available.

<table>
<tr><th>Board of Directors</th><th>Content of proposal</th><th>Director's name and reasons for the avoidance of conflict of interest</th><th>The status of voting</th></tr>
<tr><td>2020.1.13</td><td>Regarding the rent adjustment of three branch office: Nanjing, Linsen and New World Hotel Branch Office</td><td rowspan="5">As it involved the personal interests of Chairman Hsieh Hsien-Chih, so he was not involved and did not participate in the discussion and voting</td><td rowspan="2">The Chairman and his proxy did not participate in the discussion and voting in accordance with the laws and regulations; the case was passed without any objections after the chairperson consulted the four directors present.</td></tr>
<tr><td>2020.3.24</td><td>1. Proposal of the change of lease contract of Flora Hotel Main Station without rent adjustment<br>2. Proposal of reducing the rent of related parties during the coronavirus epidemic period in response to the impact of the coronavirus pandemic</td></tr>
<tr><td>2020.6.15</td><td>Proposal on the closure of Green World Flora Main Branch Office</td><td rowspan="3">The Chairman did not participate in the discussion and voting in accordance with the laws and regulations; the case was passed without any objections after the chairperson consulted the six directors present.</td></tr>
<tr><td>2020.8.7</td><td>1. Flora Hotel Main Station closed due to lease expiration and the closure of Green World Flora Main Branch Office.<br>2. Proposal of reducing the rent of related parties during the coronavirus epidemic period in response to the impact of the coronavirus pandemic.</td></tr>
<tr><td>2020.11.10</td><td>Proposal of the early termination of the lease contract of the company’s office on the 8th floor.</td></tr>
</table>

III. The listed and OTC companies should reveal information such as the assessment period and duration, scope of assessment, assessment methods and assessment contents of the board of directors’ self (or peer) assessment.

The implementation status for the assessment of board of directors:

| Assessment period | Assessment duration | Assessment scope | Assessment methods | Assessment contents |
|---|---|---|---|---|
| From January 1, 2020 to December 31, 2020. | At the end of each year. | 1. The entire board of directors.<br>2. Individual directors.<br>3. Enhancing the Functions of the Board of Directors | Within the board of directors Self-assessment, director Self-assessment. | 1. Items of assessment for the Board of Directors: Participation level to the company's operation, the decision-making quality of the Board of Directors, the composition and the structure of the Board of Directors, election and continuous educational training of directors, and internal control.<br>2. Items of assessment for the members of Board of Directors: control on the company goals and tasks, acknowledgment of the duties of directors, participation level on the operation of the company, internal relationship maintenance and communication, director profession and continuous educational training, and internal control.<br>3. Items of assessment for the functional committees: Participation level to the company's operation, acknowledgment of the duties of the functional committees, the decision-making quality of the functional committees, the composition and selection of the members of the functional committee, and internal control. |

IV. The objectives of enhancing the functionalities of the Board of Directors for the current period and the most recent year (such as founding an Audit Committee and improving information transparency, etc.) and the assessment of implementation.

1. The Company has purchased liability insurance for all directors and declared in accordance with regulations.
2. Deliver relevant information regarding refresher courses to the board members and assist in the arrangement of refresher courses to enhance their knowledge as well as maintain professionalism.
3. The company to establish an audit committee in lieu of a supervisor on June 15, 2020

(II) The operation status of audit committee or the participation status of supervisors in the operations of the board of directors:

The status of the audit committee participation in the operation of the board of directors:

The audit committee had 2 meetings (A) in the most recent year, and the attendance records are listed as follows:

| Position | Name | Number of attendance (B) | Percentage of attendance (%)(B/A) | Remarks |
|---|---|---|---|---|
| Independent director | LIU,SHUI-SHENG | 2 | 100 | |
| Independent director | WU,YI-TSAI | 2 | 100 | |
| Independent director | HUANG, CHEN-CHEN | 2 | 100 | |

Other items that shall be recorded:

I. For any of the following circumstances, the Audit Committee meeting's date, period, content of the proposal, the resolution of the Audit Committee and the company's approaches on the resolutions of committee shall be shall be described:

(I) The matters listed in Article 14-3 of the Securities and Exchange Act: This condition does not apply.

(II) Apart from the aforementioned matters, any matter that has not been passed by the audit committee but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee: This condition does not apply.

II. The Independent directors shall avoid the process of resolution that involves related interested parties, and the name of the Independent directors, the content of the resolution, the reasons for the avoidance of conflict of interests and the participation status in the voting process shall be stated: not available.

III. Communication among independent directors, head of internal audit, and CPAs (should include the communicated material matters, approaches and result on company's financial and business conditions)

1. In addition to submit the monthly audit report and tracking report for improvement to the independent directors and supervisors, the internal audit supervisor of the Company shall report the audit operations, results and tracking status to the independent directors and supervisors during the board of directors meeting conducted on a quarterly basis.
2. The certified accountants of the Company communicate with the corporate governance unit at the end of the year. The attendees include all the directors (including independent directors), supervisors, accountants and audit supervisors.
3. The communication between the audit supervisors and accountants as well as the independent directors and supervisors are directly conducted with each other depending on the needs without any interference.

II. Supervisor attending a meeting of the board of directors to state opinion: None.

(I) The governance circumstances for TWSE/TPEx listed companies, and the differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons or causes

| Evaluation items | Implementation status (Note) | | | Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| I. Does the company stipulates and release its Corporate Governance Best-Practice Principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"? | ✓ | | The Company has stipulated the "Corporate Governance Best-Practice Principles" on 2019.11.7 . | No difference |
| II. The company's equity structure and shareholders' rights and interests | | | | |
| (I) Does the company stipulate internal operating procedures to conduct matters in regard to the shareholders' recommendations, doubts, disputes and litigation, and implement it based on these procedures? | ✓ | | The "stock affairs operating procedures" has been stipulated for regular and non- regular operations, and an investor relationship contact is available for answering shareholders' questions in a timely manner according to the content of the procedures and the laws and regulations. | No difference |
| (II) Has the company a list of major shareholders who actually control the company and a list of shareholders who control these major shareholders? | ✓ | | The registration list of shareholders has the information of the actual shareholders and it can be used to communicate with the major shareholders in a timely manner. | No difference |
| (III) Does the company create, implement, and manage the risk and its firewall mechanism between the related companies? | ✓ | | The company has established the "Regulations on Business and Financial Transactions with Subsidiaries of Certain Company Groups", "Management Measures for Subsidiaries" and related matters between related companies. | The company currently has only one subsidiary, but there is no related company.<br>No difference. |

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| (IV) Has company stipulated internal regulations that prohibit insiders from buying and selling securities with the unpublished information in the market? | ✓ | | The Company has established "Management Procedures for the Prevention of Insider Trading" and "Procedures for Processing Important Internal Information". | No difference |
| III. Founding and duties of the board of directors | | | | |
| (I) Does the board of directors stipulate and implement a diverse policy regarding the founding of the board members? | ✓ | | The founding of the board members of the company takes consideration of their diverse background, professional competence and experience, as well as their individual ethics and leadership: Hsieh Hsien-Chih, Chang Shih-Feng, Kodaka Kouji, Liu Shui-Sheng, Huang Chen-Chen. Directors who have legal expertise: independent director WU,YI-TSAI. Directors who have accounting and financial analysis capability: Kodaka Kouji, independent director LIU,SHUI-SHENG | No difference |
| (II) In addition to founding the Remuneration Committee and Audit Committee according to the laws and regulations, does the company voluntarily create other committees with similar functions? | ✓ | | The Company establish an audit committee on June 15, 2020 regular shareholders meeting. | No difference |
| (III) Does the Company stipulate performance assessment regulations and assessment methods for the board of directors and conduct the performance assessment on a yearly basis , and does the results of performance assessment report to the board of directors for the reference of individual directors' salary and nomination of reappointment? | ✓ | | The company has stipulated the “Performance Evaluation Methods for Directors and Managers” and conducts the performance evaluation according to the two major perspectives: financial and non-financial indicators.<br>The financial indicator includes: revenue, net profit after tax, and shareholder’s return on equity.<br>The non-financial indicator includes: director’s independent status, professionalism in various fields, meeting participation, participation in educational training and participation in the internal control of the company.<br>The recent evaluation was completed on 2021 and the | No difference |

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| | | | results were as follows:<br>1. Other than the attendance at the shareholders' meeting can be improved, the performance evaluation result of the board of directors is good after the comprehensive evaluation.<br>2. The evaluations on the Directors are excellent. It is suggested that CPAs should be attending and reporting in the quarterly Board of Directors meetings starting from 2021.<br>The Company has reported the results of 2020 performance assessment for the board of directors on February 24, 2021, and it will be used as a reference for the director nomination of reappointment in 2020. | |
| (IV) Does the company regularly assess the independent status of the certified public accountant? | ✓ | | The assessment of the independent status and competency for the certified public accountant will be conducted annually. The board of directors recently assessed the competency, independent status and the entrusted remuneration for accountant CHANG,SHU-YING and CHIH,SHIH-CHIN on 2020/11/10.<br>The assessment content is evaluated based on the account's independent status, ethics, and auditing professionalism.<br>In addition, the evaluation on the matter that the CPAs have been unchanged for 7 straight years was reported to the Board of Directors for discussion on February 24, 2021. | No difference |
| IV. Do the TWSE/TPEx listed companies have a corporate governance unit (or part-time) or personnel responsible for the matters in regard to the corporate governance (including but not limited to providing the required information to the directors and supervisors for | ✓ | | The Company has created a role of director for corporate governance on August 8, 2019 in order to reinforce the corporate governance and improve the performance of the board of directors, and a qualified corporate governance personnel has been assigned. The main jobs of the role include coordinating relevant departments to provide information to the directors for business implementation in a timely manner, assisting directors to be in compliance with laws and regulations, conducting matters related to | No difference |

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| business usage, the matters related to conduct the meetings of the board of directors and shareholders meeting according to the laws, conducting the registration and change of registration for the company, and making meeting minutes for the meeting of the board of directors and shareholders meeting, etc.) | | | board of directors meeting and shareholders meetings and implementing the corporate governance affairs, such as stipulation of promotion objectives relating corporate governance and regular tracking, arrangement of related corporate governance training courses for directors and senior executives. The business implementation status of the governance unit is also disclosed on the Company's website.<br>The implementation status regarding corporate governance in 2020 is as follows:<br>1. Assisting independent and general directors to carry out their duties, providing the required information, and arranging training and courses for directors:<br>(1) Regularly inform the board members of the company on the amendment of the latest laws and regulations regarding the company's business operations and corporate governance.<br>(2) Inspect the confidentiality level of the relevant information and provide directors with the required company information, to maintain good communication between the directors and supervisors of all business units.<br>(3) According to the Corporate Governance Best-Practice Principles, it is necessary to assist the independent directors to arrange relevant meetings to meet with the internal audit supervisor or the certified public accountant to understand the needs of the company's financial condition.<br>(4) Assisting independent and general directors to make the plans for annual refresher courses and arranging courses based on the industrial characteristics of the company and the director's academic background and experience. | |

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| | | | 2. Assist the procedures for the meeting of the board of directors and shareholders, and the resolutions to be followed:<br>(1) Report the corporate governance and operations of the company to the board of directors and independent directors and confirm whether the shareholders meeting and meeting of the board of directors of the company comply with the relevant laws and corporate governance regulations.<br>(2) Assist and remind the directors of the regulations that need to be followed during the business implementation process or make a regulation reference for the resolution of the board of directors, as well as provide suggestions if the board of directors may be involved with an illegal resolution.<br>(3) Responsible for announcing important information of resolutions after the meeting of the board of directors and ensuring the legality and correctness of the content of the important announcements, so as to protect the investor's rights of information equivalence.<br>3. Maintain good investor relations: Arrange meetings for the directors to communicate with major shareholders, corporate investors, or general shareholders depending on the needs, so that investors can obtain sufficient information for the evaluation of capital market value for the company and to protect the shareholders' rights and interests.<br>4. The scheduled meeting agenda of the board of directors shall be notified to the directors 7 days in advance, and a meeting shall be convened to provide the meeting materials. If the issues for resolution need to be avoided by a director, a notice shall be given in advance, and the meeting minutes of the board of directors shall be completed within 20 days after the meeting. | |

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| | | | 5. Conduct the registration of the date prior to the shareholders meeting according to the regulations, make a meeting notice, meeting handbook, and meeting records within the statutory time, and apply for change of registration for the re-election of directors. | |
| V. Does the company have a communication channel with interested parties (including but not limited to shareholders, employees, customers, and supply vendors) and create a stakeholder area on the company's website, and appropriately react and respond to important corporate social responsibility issues to stakeholders? | ✓ | | The company has a dedicated Email for correspondence with interested parties, and the contact information can be found on the stakeholder area on the website of the Market Observation Post System and the company's website, so that interested parties can contact the company if needed and the company can properly respond to the stakeholders' issues. | No difference |
| VI. Does the company entrust a professional stock agency to conduct the affairs in regard to the shareholders meeting? | ✓ | | The Company has entrusted the Mega Securities Co., Ltd., as the agent to assist the Company in conducting the stock affairs. | No difference |
| VII. Information disclosure | | | | |
| (I) Has the company created a website to disclose the information of financial business and corporate governance? | ✓ | | The company has created a website (the company's website address is http://www.greenworldhotels.com/), and investors can also find the company's financial, business, and corporate governance information on the website of the Market Observation Post System. | No difference |
| (II) Does the company use other approaches for information disclosure (such as creating an English website, designating a person to be responsible for collecting and disclosing the company's information, | ✓ | | The company has a spokesperson and acting spokesperson, and also has an investor relation contact window for investors. | The English webpages of the investor area have not been created. |

| | | | | |
|---|---|---|---|---|
| implementing the spokesperson system, and uploading videos of the investor conferences on the company's website)? | | | | |
| (III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce in advance and declare the first, second and third quarter financial reports as well as the monthly operating report before the deadline? | ✓ | | The announcement and declaration of annual business report have been reported to the competent authority in accordance with Article 36 of the Securities Exchange Act as follows:<br>1. Announce and declare the annual financial report that has been approved and audited by the accountant, approved by the board of directors and approved ratified by supervisors within three months after the end of each fiscal year.<br>2. Announce and declare the financial report that has been reviewed and audited by the accountant and submitted to the board of directors within 45 days after the end of the first quarter, second quarter, and third quarter of each fiscal year.<br>3. Announce and declare the operation status of the previous month before the tenth of each month. | |
| VIII. Does the company have other important information that can help investors to understand the operation of corporate governance (including but not limited to employees rights, employees care, investor relations, relationships with suppliers, stakeholders rights, training for directors and supervisors, the implementation status of risk management policy and risk measurement standard, the implementation of customer policy, the liability insurance purchased by | ✓ | | 1. Employees' rights and interests: All are conducted according to the relevant regulations of the Labor Standards Act, and an employee complaint channel is available for protecting the legitimate rights and interests of the employees.<br>2. Employees care: An employee welfare committee is created and various welfare measures are stipulated.<br>3. Investor relations: The Company regularly releases its financial reports and important business announcements on the website of the Market Observation Post System and on the company's official websites according to the regulations, so that investors are fully informed about the company's business development and current status, in order to maximize the interests of shareholders.<br>4. Relationship with the suppliers: The company conducts | No difference |

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| the company for the directors and supervisors, etc.) | | | the relevant supplier management according to the stipulated internal control operating system for procurement and payment, and meets the related rights and obligations based on the contract or purchase order.<br>5. Stakeholders rights: The Company conducts transaction or communication with relevant stakeholders based on the various internal control operating measures, and founded a responsible unit to properly handle the opinions of all related parties to fulfill the corporate social responsibility.<br>6. The Company has arranged refresher courses for directors in 2020. The relevant training status of directors is as follows.<br>7. The implementation status of risk management policies and risk measurement standards: the Company's major operation policies, investment proposals, endorsement guarantees, fund loans and bank financing have been evaluated and analyzed by suitable authorities and implemented in accordance with the resolutions by the board of directors. The audit office also stipulates and implements its annual audit plan based on the results of risk assessment, to practically implement the supervision mechanism and control of various risk management.<br>8. The Company purchases liability insurance for directors and managerial officers of the Company every year and the important content such as insured amount, scope of the insurance, and insurance premium rate of their liability insurance will be reported to the board of directors meeting. | |
| IX. Please state the improvement of the company's corporate governance and propose the priority matters and measures for reinforcement from among those which have not been improved, according to the evaluation results of the current year issued by the Corporate Governance Center of the Taiwan Stock Exchange Corporation:<br>The English version of the website is in the process of planning. | | | | |

Note: Regardless of checking "Yes" or "No" on the check box, it is required to state a description in the summary field.

Attachment: The training courses for the directors and independent directors of the Company in 2020 are as follows:

| Position | Name | On board date | Date of the first appointment | Date of training Start | Date of training End | Organizer | Course name | Hours of training | Total hours of training in the year |
|---|---|---|---|---|---|---|---|---|---|
| Independent director | HUANG CHEN-CHEN | 2020/06/15 | 2020/06/15 | 2020/09/24 | 2020/09/24 | TWSE & TPEx | TPEx listed “Corporate Governance 3.0 -Sustainable Development Roadmap” Summit Forum | 3.0 | 12.0 |
| | | | | 2020/10/20 | 2020/10/20 | TWSE & TPEx | 2020 Corporate Governance and Anti-corruption Seminar | 3.0 | |
| | | | | 2020/11/26 | 2020/11/26 | Independent Director Association Taiwan | Practice and case study for the Audit Committee and other functional committees | 3.0 | |
| | | | | 2020/12/18 | 2020/12/18 | Securities and Futures Institute | Enterprise financial crisis early warning and type analysis | 3.0 | |

(IV) The founding, duties, and operations of the Remuneration Committee:

1. The Company conducted the full re-election of directors and supervisors in the regular shareholders meeting on 2020/06/15. The board of directors appointed members of the fsixth Remuneration Committee of the Company on 2017/08/10, including the three independent directors (Liu Shui-Sheng ,Wu Yi-Cai and Huang Chen-Chen) for the term of 2020/06/15 ~ 2023/06/14.

The responsibilities of the Remuneration Committee include stipulating and regularly reviewing the policies, systems, standards and structure of performance assessment and remuneration for directors and managerial officers, as well as regularly evaluate and determine the remuneration for directors and managerial officers. The Company has convened two Remuneration Committee meetings in 2020 and the relevant resolutions have been reported to the board of directors.

2. The members of the Remuneration Committee are listed as follows:

| Identity (Note 1) | Criteria / Name | Have more than five years of work experience and the following professional qualifications | | | The independent status | | | | | | | | | | Also serving on the Remuneration Committee of other public offering companies | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A professor or higher position, of the relevant departments in the public or private colleges or universities, required for the field of business, legal, finance, accounting or sales department of the company | Judge, prosecutor, lawyer, accountant or other specialist required by the company, who passes the national examinations and acquires certificates. | Work experience required in the field of business, legal, finance, accounting or sales of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent director | WU,YI-TSAI | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent director | LIU,SHUI-SHENG | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent director | HUANF, CHEN-CHEN | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |

3. The operation status of the Remuneration Committee is as follows:

(1) The company's Remuneration Committee has three members.

(2) The current term of office: From June 15, 2020 to June 14, 2023, the Remuneration Committee has two meeting during the recent year (A). The qualification and attendance of the members are as follows:

| Position | Name | Actual number of attendance (B) | Number of entrusted attendance | Attendance rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Independent director (convener) | LIU,SHUI-SHENG | 2 | 0 | 100 | |
| Independent director | WU,YI-TSAI | 2 | 0 | 100 | |
| Member | CHANG,SHIH-FENG | 1 | 0 | 100 | Dismissed on June 15, 2020 |
| Independent director | HUANG,CHEN-CHEN | 1 | 0 | 100 | Took office on June 15, 2020 |

Other items that shall be recorded:

I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date and time of the board of directors, the content of the proposal, the results of the resolutions of the board of directors, and the company's handling of the opinions of the Remuneration Committee (e.g., the compensation received by the board of directors is superior to the recommendations of the Remuneration Committee and explain the difference and its causes): No such situation.

II. If members have objections or reserved opinions and have retained a record or written statement for the Remuneration Committee's resolutions, the meeting date of Remuneration Committee, term of office, content of the proposal, the opinions of all members and the handling of the members' opinions: not available.

(V) Implementation status of social responsibility and Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| Does the Company, based on the materiality principle, assess the risk of the environmental, social, and governance issues relating to business operations and establish relevant risk management policies or strategies? | ✓ | | The Company has stipulated the "Corporate Social Responsibility Best Practice Principles" to practically implement the corporate governance, facilitate the development of sustainable environment, and maintain the social welfare.<br>The "Management Procedures for the Prevention of Insider Trading," "Guidelines for integrity management operation procedures and behaviors," and "Self-assessment procedures for internal control systems" of the Company are stipulated for the implementation of risk management policies and the contents are based on relevant laws and regulations of the government. | No difference |
| II. Does the Company have a special unit (or part-time) for promoting the corporate social responsibility, which is authorized by the board of directors to the high management and the | | ✓ | It is not established. A dedicated (concurrently serving) unit that promotes corporate social responsibilities will be established when necessary. | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| implementation status is reported to the board of directors? | | | | |
| Environmental issues<br>Does the Company create a suitable environmental management system according to its characteristics in the industry? | ✓ | | The waste recycling, treatment or usage of the Company is conducted in accordance with the environmental management system and environmental protection laws and regulations, and the implementation effectiveness will be reviewed from time to time for continuous improvement. | No difference |
| Is the Company committed to enhancing the efficiency of using various resources and using recyclable materials that have a low impact on the environment? | ✓ | | The Company is continuously dedicated to improving the efficiency usage of various resources: such as employees are encouraged to bring their own cups, lunch boxes and environmentally friendly chopsticks to reduce the use of paper lunch boxes; envelopes and kraft paper bags are reused and they are used as delivery bags for internal documents. To avoid environmental pollution and waste of resources caused by discarding ink | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| | | | cartridges, the used ink cartridges of photocopiers or printers will be returned to the original manufacturers for disposal and treatment; the environmentally friendly ink cartridges are used. | |
| Does the Company assess the potential risks and opportunities at present and in the future of climate change and take climate-related countermeasures? | ✓ | | The objective of the establishment of the Company is to facilitate the development of the circular economy and hence we pay attention to issues related to climate change. The Company encourages reuse of resources in the office environment: such as the use of electronic invoices and the introduction of exchange mechanism for governmental electronic documents, so to make the receiving and submitting documents more convenient and save the time for official document delivery, paperwork and save the postage costs. We try to use both sides of the papers as much as possible and place a resource recycling rack next to the photocopier for paper recycling and reuse, to greatly reduce the | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| Does the Company measure the amount of greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and stipulate policies for energy conservation and carbon reduction, greenhouse gas reduction, reduction of water consumption, or waste treatment? | ✓ | | paper consumption. In addition, the office promotes to set the air-conditioning temperature to 26 degrees in the summer, use the energy-saving LED T5 lamps, and lights off during lunch break and after work hours, to reduce power consumption and slow down the effect of global warming.<br>The Company has saving measures for the resource usage of water and electricity in response to climate change, and the Company regularly evaluates its implementation status to reduce the impact on the environment. | No difference |
| 4. Social issues<br>(I) Does the Company stipulate relevant management policies and procedures according to the relevant regulations and conventions of international human rights? | ✓ | | (1) On the basis of the Labor Standards Act and other relevant labor laws and regulations, the Company has stipulated the human resource management rules and employees' work rules. The employees' labor insurance, national health insurance and retirement pension are conducted in | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| | | | accordance with relevant laws and regulations. In addition, on the basis of the “Sexual Harassment Prevention Act” and the “Act of Gender Equality in Employment,” the Company has stipulated the "Sexual Harassment Prevention Measures and Regulations for Complaint and Punishment" to provide employees with a work and service environment that is free of sexual harassment. | |
| (2)Does the Company stipulate and implement reasonable welfare regulations for employees (including remuneration, holidays and other benefits), and appropriately distribute the revenue of operating performance or results to employees’ remuneration? | ✓ | | (2) The employees’ salary and compensation policy are determined according to individual's ability, contribution to the Company, performance, competitiveness, and operational risks of the Company in the future. With respect to Article 22 of the Articles of Incorporation, if the Company has profit in the current year, it shall reserve 0.7% to 10% for the employee's remuneration and the directors and | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| | | | supervisors' remuneration shall not be more than 1%. However, if the Company still has accumulated losses, the amount shall be reserved in advance.<br>The Company has stipulated the "Employees' Work Rules," "Regulations for Employees' Assessment Management," and "Regulations for Labor-Management Meeting and Organization." In addition to promoting relevant corporate ethics, employees' performance and rewards, and disciplinary system, the Company also includes talents and systems, and prospective arrangement as the assessment indicator, as well as emphasizes the importance of corporate social responsibilities and human-oriented sustainable corporate development, to enhance the international competitiveness of the Company in the future. | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| (3)Does the Company provide a safe and healthy working environment for employees and regularly conduct safety and health educational training for employees? | ✓ | | (3) With respect to relevant occupational safety and health laws and regulations, the Company conducts safety and health education, training of disaster prevention and health management measures that are necessary for the operations of employees. Emergency escape routes and exits are available in the workplace and maintenance of elevator equipment is conducted on a regular basis. The fire-fighting facilities are available, and the fire drills are conducted on a regular basis; the work environment is disinfected and cleaned, and the water quality is tested on a regular basis; the access control is also implemented.<br>Other protective measures regarding personal safety of employees shall be conducted in accordance with relevant labor regulations and the Company's internal welfare measures.<br>The Company regularly offers health | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| | | | examination and cares to employees to practically take care of the employees' health issues. | |
| (4)Does the Company propose an effective career development training plan for employees? | ✓ | | (4) All departments of the Company have participated in external training based on their work content, to enhance their professionalism. We also provide comprehensive and diverse resources to help our employees to continuously improve their knowledge. The Company is continuously dedicated to constructing a comprehensive and diverse career development path. | No difference |
| (5)Does the Company follow relevant laws, regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, as well as stipulate relevant policies for the protection of consumer's rights and appeal procedures? | ✓ | | (5) The Company follows the regulations of the "Auditing and Certification Manual for Recycling, Disposal and Treatment of Recyclable Waste" announced by the Environmental Protection Administration of the Executive Yuan.<br>The "integrity management operation procedures and operational guidelines" of the Company clearly stipulated that the | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| | | | Company and its directors, supervisors, managers, employees, appointers and substantial controllers should follow the relevant laws and regulations on intellectual property to ensure information transparency and safety of products and services. The Company has stipulated and disclosed its protection polices for consumers' and other stakeholders' rights, and they are implemented in operating activities to prevent the products or services from directly or indirectly violating the rights, health and safety of consumers or other stakeholders. | |
| (6) Does the Company stipulate supplier management policies that request suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor rights, and what is the implementation status? | | | (6) The Company is in the hotel industry and its hotel waste is entrusted to waste disposal business vendors.<br>At present, the Company has implemented the concepts and management indicators of sustainable development management, social responsibilities, environmental responsibilities and occupational health | No difference |

| Assessment items | Operational status | | | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| | | | and safety requirements into the cooperative model with the Company's suppliers, to establish a high-quality management system of supply chain. | |
| 5. Does the Company refer to the international report to prepare standards or guidelines such as corporate social responsibility reports that disclose the non-financial related information of the Company? Does the preceding report obtain assurance or opinion from a third-party authentication unit? | | ✓ | The Company has not prepared standards or guidelines. It will consider the international trends<br>and market variation to prepare standards or guidelines in the future. | No difference |
| VI. Other important information that can help others to understand the operations of the corporate social responsibility: Please refer to the company’s official website. | | | | |
| VII. Please describe if the corporate social responsibility report of the company has passed the verification of a relevant verification agency: None. | | | | |

(VI) Implementation of ethical corporate management and differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes

1. The Company has requested that all directors, supervisors, managers or employees of the Company shall not directly or indirectly accept any inappropriate benefit or make improper promises during the business process. Furthermore, the promotion of the importance of ethical corporate management is thoroughly carried out during the training of new employees.
2. The company has created an effective accounting system and internal control system during the stage of designing the company's system, in order to prevent any possible corruptive practice during business activities.
3. As for avoidance of conflict of interest, the director, supervisor, or manager shall not participate in the decision-making or voting if the person is related to any conflict of interest during the decision-making or trading process.
4. The company has implemented the ethical corporate management as follows:

| Evaluation items | Operational status (Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| I. Stipulate the ethical corporate management policy and plan | | | | |
| (I) Does the Company stipulate the integrity management policy approved by the board of directors and clearly express its commitment to the ethical corporate management policy and practices in its regulations and external documents, and reinforce the commitment to the board of directors and high management for the implementation of the business policies? | ✓ | | The Company has stipulated and implemented the "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct" and "Codes of Ethical Conduct for Employees". | No difference |
| (2) Does the Company establish an assessment mechanism for the risk of dishonest behaviors to regularly analyze and assess the business activities with high risks of dishonest behaviors defined in the business scope and stipulate a program to prevent dishonest behaviors, including each of the preventive measures in the second paragraph of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM | ✓ | | The company has stipulated and implemented the "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct" and "Codes of Ethical Conduct for Employees" and "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct". | No difference |

| Evaluation items | Operational status (Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| Listed Companies"? | | | | |
| (III) Has the company adopted preventive measures for business activities with a higher risk of unethical conduct according to Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? | ✓ | | The company has an internal control system and an audit department for the prevention of unethical conduct, and it also has a dedicated Email for reporting illegal and immoral or unethical conduct. | No difference |
| II. The implementation of ethical corporate management | | | | |
| (I) Has the company evaluated the ethical record of the transaction counterpart and clearly specified the terms of ethical conduct in the contract with the transaction counterpart? | | ✓ | The company has a credit check mechanism, but does not specify the terms of ethical conduct in the contract. | In the evaluation process |
| (II) Does the Company create a dedicated unit under the board of directors to promote the corporate integrity management and regularly (at least once a year) report the integrity management policies and plans, prevention program of dishonest behaviors and the implementation and supervision status to the board of directors? | | ✓ | The company does not have a special unit (or part-time unit) under the board of directors for the promotion of ethical corporate management. | In the evaluation process |
| (III) Does the company stipulate a policy to prevent conflicts of interest, provide a proper channel for communication, and practically implement the policy? | ✓ | | In the case of conflict of interest, the company will request all of the relevant personnel to properly state the situation and have them avoid the resolution process. | No difference |

| Evaluation items | Operational status (Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| (4) Does the Company establish an effective accounting system and internal control system to implement the integrity management and stipulate relevant auditing plan based on the assessment results of risk for dishonest behaviors conducted by the internal audit unit for verifying the compliance status of prevention for dishonest behaviors, or entrust an accountant to conduct auditing? | ✓ | | The company has stipulated and practically implemented the "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct", "Codes of Ethical Conduct for Employees", and "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct". The internal audit unit will carry out the audit and the accountant will audit the accounting system. | No difference |
| (V) Does the company regularly conduct internal and external educational training regarding ethical corporate management? | ✓ | | The company promotes ethical corporate management during the internal convocation. | No difference |
| III. The implementation of the company's whistleblowing system | | | | |
| (I) Does the company have a specific whistleblowing and reward system, a convenient whistleblowing channel, and appropriate and dedicated personnel to deal with the respondent? | ✓ | | The company has stipulated the "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct", and it also has a dedicated Email for reporting illegal and immoral or unethical conduct. | No difference |
| (II) Does the company stipulate the standard operating procedures of investigation and relevant confidentiality mechanism for conducting the reported matters? | ✓ | | The company has stipulated the "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct", and it also has a dedicated Email for reporting illegal and immoral or unethical conduct. | No difference |
| (III) Does the company take preventive measures to protect the whistleblower from improper treatment due to the report? | ✓ | | The company has stipulated the "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct", and it also has a dedicated Email for reporting illegal and immoral or unethical conduct. | No difference |

| Evaluation items | Operational status (Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes |
|---|---|---|---|---|
| | Yes | No | Summary of the description | |
| IV. Reinforcement of information disclosure | | | | |
| (I) Does the company reveal the content of Ethical Corporate Management Best Practice Principles and the effectiveness of implementation on its website and on the website of the Market Observation Post System? | V✓ | | The company has revealed the relevant Ethical Corporate Management Best Practice Principles information in the annual report of the company and also posted it on the company's website and on the website of the Market Observation Post System for the reference of the relevant personnel. | No difference |
| V. If the company has stipulated its Ethical Corporate Management Best Practice Principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between the principles and implementation operations: The company has stipulated the "Ethical Corporate Management Best Practice Principles", and no significant abnormality has occurred as of now. | | | | |
| VI. Other important information that can help others to understand the company's operations of ethical corporate management: None. | | | | |

(VII) Search for the corporate governance regulations and other relevant regulations: Annual report, the website of the Market Observation Post System and the company's website.

(VIII) Other important information that can help others to understand the operations of corporate governance of the company:

1. Codes of Ethical Conduct

**Green World Hotels Co., Ltd.**
**Codes of Ethical Conduct**

Passed by the board of directors on March 25, 2015

**I. Purpose and foundation**

In recognition of the necessity to assist the company in the establishment of codes of ethical conduct, these Codes are adopted for the purpose of guiding the directors, supervisors, and managerial officers of the company (including general managers or their equivalents, assistant general managers or their equivalents, deputy assistant general managers or their equivalents, chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the company) to act in line with the ethical standards, and to help interested parties better understand the ethical standards of the company.

**II. Content of the code**

The company shall adopt a code of ethical conduct that addresses at least the following eight matters:

(I) Prevention of conflicts of interest:

The conflicts of interest may occur when personal interest intervenes or is likely to intervene in the overall interest of the company, such as when a director, supervisor, or managerial officer of the company is unable to perform their duties in an objective and efficient manner, or when a person takes advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. The company shall pay extra attention to the loans of funds, guarantees, and major asset transactions or the purchase (or sale) of products involving the preceding personnel of the affiliated enterprise. The company shall stipulate a policy for preventing conflicts of interest, and shall offer an appropriate channel for directors, supervisors, and managerial officers to proactively explain whether there is any potential conflict between them and the company.

(II) Prevention of incentives to pursue personal interest:

The company shall prevent the directors, supervisors, or managerial officers from engaging in any of the following: (1) Seeking an opportunity to pursue personal interest by using company property or information or taking advantage of their positions. (2) Obtaining personal interest by using company property or information or taking advantage of their positions. (3) Competing with the company. When the company has an opportunity for profit, it is the responsibility of the directors, supervisors, and managerial officers to acquire the reasonable and proper benefits that can be obtained by the company.

(III) Confidentiality:

The directors, supervisors, and managerial officers of the company shall be obligated to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, other than when authorized or required to disclose such information by laws and regulations. The confidential information includes any undisclosed information that could result in damage to the company or customers, if it is exploited by a competitor or disclosed to a competitor.

(IV) Fair trading:

Directors, supervisors, and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and they may not obtain improper interests through manipulation, nondisclosure, or misuse of the information through their positions, misrepresentation of important matters, or other unfair trading practices.

(V) Protect and properly use the company’s assets:

All directors, supervisors, and managerial officers have the responsibility to protect the company’s assets and to ensure that they can be effectively and legally used for official business purposes. Any theft, negligence, or waste of the assets will directly impact the company’s profitability.

(VI) Compliance of laws and regulations:

The company shall reinforce its compliance with the Securities and Exchange Act and other applicable laws and regulations.

(VII) Encouraging reporting on illegal actions or violations to the Codes of Ethical Conduct:

The company shall reinforce the awareness of ethics internally and encourage employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate personnel upon suspicion or discovery of any activity in violation of the laws or regulations or the Codes of Ethical Conduct. To encourage employees to report illegal matters, the company shall create a specific whistleblowing system and make employees aware that the company will use its best efforts to ensure the safety of informants and protect them from reprisals.

(VIII) Punishment measures:

When a director, supervisor, or managerial officer violates the Codes of Ethical Conduct, the company shall conduct the matter according to the punishment measures stipulated in the Codes of Ethical Conduct, and shall reveal it on the website of the Market Observation Post System without delay, including the date of the violation by the violator, reasons for the violation, the violated provisions of the Codes of Ethical Conduct, and the actions taken. The company shall create a relevant complaint system to provide the person who violates the Codes of Ethical Conduct with remedies.

**III. Procedures for exemption**

The Codes of Ethical Conduct stipulated by the company must request that any exemption for directors, supervisors, or managerial officers from compliance with the Codes of Ethical Conduct be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, objections or reserved comments of independent directors, and the period of exemption, reasons for exemption, and principles behind the application of the exemption be disclosed without delay on the website of the Market Observation Post System, so that the shareholders can evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to protect the interests of the company by ensuring appropriate mechanisms for controlling any circumstance during the occurrence of an exemption.

**IV. Method of disclosure**

The company shall disclose its Codes of Ethical Conduct, and any amendments to it, on its company website, in its annual reports and prospectuses and on the website of the Market Observation Post System.

**V. Enforcement**

The company's Codes of Ethical Conduct, and any amendments to it, shall be implemented after it has been adopted by the board of directors, and submitted to supervisors and a shareholders meeting.

2. Codes of Ethical Conduct for Employees

**Green World Hotels Co., Ltd.**
**Codes of Ethical Conduct for Employees**

Passed by the board of directors on March 25, 2015

**Article 1. Purpose**

The Codes of Ethical Conduct for Employees are stipulated for the employees of the company to follow, and allow the stakeholders of the company to understand the ethical standards and codes of conduct that should be followed by the employees during the process of business operations.

**Article 2. Application scope**

The Codes of Ethical Conduct for Employees are applicable to all employees of the company. It is the responsibility of all employees of the company to read, understand and comply with the Codes of Ethical Conduct for Employees.

**Article 3. Principle of integrity**

When performing their duties, the employees of the company should focus on a teamwork spirit and abandon self-centered principles, and should follow the principle of integrity with a proactive and responsible attitude.

**Article 4. The principle of fairness**

Employees of the company are prohibited to discriminate against each other in any form based on factors such as gender, race, religion, political party, sexual orientation, job position, nationality and age.

**Article 5. Working environment**

It is the responsibility of all employees of the company to maintain a healthy and safe working environment, and matters in regard to sexual harassment, violence, threats or intimidation are prohibited.

**Article 6. Prevention of conflicts of interest, and incentives to pursue personal gain:**

The employees of the company are responsible for maintaining and enhancing the appropriate and legitimate benefits of the company and should avoid the following:

1. Seeking an opportunity to pursue personal interest by using company property or information or taking advantage of their positions.
2. Competing with the company.

**Article 7. Confidentiality**

The employees of the Company shall carefully manage matters or confidential information regarding their job duties. They shall not disclose the information to others or use it for matters not related to work, including the information of the company's personnel and customers, inventions, etc., business confidentiality, technical information, unless they are disclosed by the Company or necessary for the implementation of their job duties. The same is true after they leave their job position. The abovementioned 2 confidential information, including the product design, professional manufacturing knowledge, financial and accounting information and intellectual property rights, and any undisclosed information that could result in damage to the company or customers, if it is exploited by a competitor or disclosed to a competitor.

**Article 8. Fair trading**

1. The employees of the company shall treat the business counterparts fairly. When dealing with related

parties, there shall be no special favorable treatment or matters.
2. When conducting job duties, the employees of the Company shall not request, contract, deliver, or accept any form of gift, special treatment, commission, bribery or any other matters involving improper interests. However, this is not applicable to gifts or special treatment that is acceptable by social custom or the company regulations.

**Article 9. Protection and proper use of company assets**

1. The usage of the company name is limited to only the business operation of the company;
2. When conducting job duties, the employees of the company should avoid the data, information system and network equipment being involved to matters in regard to theft, interference, destruction or intrusion, to protect the confidentiality, integrity and availability of the company's various assets;

**Article 10. Compliance of laws and regulations**

1. The employees of the company shall follow the relevant laws, rules, and orders that are applicable to the company, including the laws regarding insider trading and the protection of intellectual property;
2. The employees of the company shall follow the rules and regulations stipulated by the company, and pay attention to the various announcements on the company's internal website and bulletin board;

**Article 11. Proper documentation and reporting**

The employees of the company shall ensure the documents handled in various forms are correct and complete, and the documents shall be properly retained.

**Article 12. Encourage the reporting of any illegal matters or violations of these Codes**

When employees of the company discover any violations of laws, regulations, or the Codes of Ethical Conduct for Employees, they can report to the supervisor with their names. The company will do its utmost to keep confidential and protect the identity of the presenter from threats. The company will use its best efforts to ensure the safety of informers and protect them from reprisals.

**Article 13. Punishment measures**

If the employees of the company violate the Codes of Ethical Conduct for Employees and the instance is verified by the company, a warning letter will be issued, or depending on the circumstances of the case, the following punishment may be applied.
1. Withholding the performance bonus and year-end bonus;
2. Position demotion and job demotion;
3. Dismissal;
4. Take legal action.

**Article 14. Procedures for exemption**

The Procedures for exemption are not applicable to the employees of the Company for the provisions of these codes.

**Article 15. Implementation and disclosure methods**

1. The company's Codes of Ethical Conduct for Employees, and any amendments to it, shall be implemented after it has been adopted by the board of directors, and submitted to the shareholders meeting.

2. The company shall disclose the Codes of Ethical Conduct for Employees, and any amendments to it, in its annual reports and prospectuses and on the website of the Market Observation Post System.

(IX) Implementation status of internal control system:

1. Internal control declaration

**Green World Hotels Co., Ltd.**
**Internal control system declaration**

Date: February 24, 2021

On the basis of the results of self-assessment, the declaration of the company's internal control system in 2020 is as follows:

I. The Company understands that the creation, implementation, and maintenance of the internal control system is the responsibility of the board of directors and managerial officers of the Company. The Company has already created the system. The purpose is to provide reasonable assurance for achieving the operational effectiveness and efficiency (including profitability, business performance and protection of assets, etc.), reliability of financial reports, and compliance with the relevant laws and regulations.

II. The internal control system has its limitations, regardless of how the structure is designed, an effective internal control system can only provide reasonable assurance for achieving the abovementioned three objectives, and the effectiveness of the internal control system may also vary due to changes in the environment and circumstances. However, the company's internal control system has a self-monitoring mechanism. Once the shortcoming is identified, the company will take corrective measures right away.

III. The Company determines the items for the effectiveness of the internal control system according to the "Regulations for the Establishment of Internal Control Systems for Listed Companies" (hereinafter referred to as the "Regulations"), to determine whether the design and implementation of the internal control system is effective. The judgment items of the internal control system used in the "Regulations" are based on the five components of the internal control system in the process of management control: 1. Control environment 2. Risk assessment 3. Control operations 4. Information and communication 5. Supervision. Each component includes several sub-items. Please refer to the "Regulations" for the preceding item.

IV. The Company has already adopted the abovementioned judgment items of the internal control system to determine and evaluate the effectiveness of the design and implementation of the internal control system.

V. On the basis of the results of the abovementioned assessment, it believes that the internal control system of the Company on December 31, 2020 (including the supervision and management of subsidiaries), including the level of achieving the operational effectiveness and objective of efficiency, the reliability of financial reports, and the design and implementation of the relevant internal control system regarding relevant compliance with the laws and regulations which are valid and can be reasonably ensured the achievement of the abovementioned objectives.

VI. This declaration will be included in the main content of the company’s annual report and will be announced to the public. If the abovementioned content is false or not disclosed, it will be involved with legal liabilities such as Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This declaration was approved by the board of directors of the company on February 24, 2021. Among the 7 attending directors, there were 0 objections, and the rest of the attending directors agreed to the content of this declaration.

Green World Hotels Co., Ltd.

Chairman: HSIEH,HSIEN-CHIH Signature

General Manager: FUKAI YOHEI Signature

3. It is requested to entrust a certified public accountant to review the internal control system by the Securities and Futures Institute, and the accountant's review report should be disclosed: None

(X) In the most recent year and as of the published date of the annual report, the company and its internal personnel were punished according to law, and the company's penalties for violation of the internal control system by its internal personnel were mainly missing and improved: none.

(XI) Important resolutions of the meeting of shareholders and the board of directors in the most recent year and as of the published date of the annual report:

1.Important resolutions of the board of directors

| Meeting date | Meeting type | Content of meeting |
|---|---|---|
| 2020.3.24 | Board of Directors | Approved the appointment of CEO and general manager of the Company<br>Approved the ratification case of new financial director, accounting director and spokesperson<br>Approved the case of Company's organization adjustment<br>Passed the case of the 2019 annual accounts<br>Passed the distribution of the 2019 annual earnings<br>Passed the case of 2019 compensation for employees, supervisors and directors<br>Passed the case of 2019 Internal control system declaration<br>Approved the case of "Organizational Rules of Audit Committee" of the Company<br>Approved the amendments to the Company's “Rules of Procedure for Meeting of Shareholders”<br>Approved the amendment to the "Corporate Social Responsibility Best Practice Principles" and “Corporate Governance Best-Practice Principles” of the Company<br>Approved the 13th director re-election and nomination of candidates of the Company<br>Approved the case of waiving the prohibition on new directors' non-competition restriction of the Company by submitting to the shareholders' general meeting.<br>Approved the related affairs regarding regular shareholders meeting in 2020<br>Approved to conduct the emergency financing loan in tourism industry<br>Approved the change of lease contract of Flora Hotel Main Station without rent adjustment<br>Approved to reduce the rent of related parties during the coronavirus epidemic period in response to the impact of the coronavirus pandemic |
| 2020.4.28 | Board of Directors | Approved the candidate nomination of directors for board of directors (including independent directors)<br>Approved to apply to the bank for an emergency coronavirus financing loan within NT$ 200 million<br>Approved to apply to the Sumitomo Mitsui Banking Corporation for credit financing of NT$ 150 million |
| 2020.5.13 | Board of Directors | Approved the impairment of assets of Q1 of 2020 recognized pursuant to International Accounting Standards (IAS) 36<br>Approved the financial statements of Q1 of 2020 |

| Meeting date | Meeting type | Content of meeting |
|---|---|---|
| | | Approved the 100% dissolution of Green World Solution Co., Ltd., a subsidiary of the company<br>Approved to apply to the bank for an emergency coronavirus financing loan within NT$ 500 million in accordance with the Covid-19 relief financing projects stipulated by the ministries under the Executive Yuan.<br>Approved the closure of Green World Songjiang Branch Office |
| 2020.6.15 | Temporary board of directors | Proposal on the election on the 13th Chairman of the Company<br>Approved the establishment of the Audit Committee of the 1st term<br>Approved the appointment of the members of the Remuneration Committee of the 6th term<br>Approved the resignation of the audit supervisor of the Company<br>Approved the closure of Green World Flora Main Branch Office |
| 2020.8.7 | Board of Directors | Approved the financial statements of Q2 of 2020<br>Approved the deferred tax asset in the financial reports of Q2 of 2020<br>Approved the appointment of the audit supervisor of the Company<br>Approved the closure of Flora Hotel Main Station due to lease expiration and the closure of Green World Flora Main Branch Office<br>Approved the proposal of reducing the rent of related parties during the coronavirus epidemic period in response to the impact of the coronavirus pandemic |
| 2020.11.10 | Board of Directors | Passed the case of the Company's 2021 budget and operating plan<br>Passed the case of the Company's 2021 annual audit plan<br>Passed the case of the internal audit system and amendment to the internal control system of the company<br>Passed the "Regulations Governing the Procedure and Management of Financial Reports Preparation"<br>Passed the case of assessment of competency and independent status for the certified public accountants, and the remuneration for entrustment of 2020.<br>Passed the early termination of the lease contract of the company's office on the 8th floor. |
| 2021.2.24 | Board of Directors | Passed the case of the 2020 annual accounts<br>Passed the proposal of 2020 accumulated loss reaching 50% of the capital<br>Passed the 2020 appropriation of loss<br>Passed the case of 2020 compensation for employees and directors<br>Passed the evaluation on the matter that the CPAs have been unchanged for 7 straight years<br>Approved the "Regulations Governing Self-evaluation on the Performance of the Board of Directors" and amended "Regulations Governing Procedure for Board of Directors Meetings"<br>Approved the Company's performance evaluation on directors and managers as well as the compensation policies, systems, standards, and structure.<br>Approved the amendments to the Company's "Rules of Procedure for Meeting of Shareholders"<br>Passed the case of 2020 Internal control system declaration<br>Approved the case of Company's organization adjustment<br>Approved the related affairs regarding regular shareholders meeting in 2021 |

| Meeting date | Meeting type | Content of meeting |
|---|---|---|
| | | Approved the resignation and change of the Manager of the Branch Office<br>Approved the change of CEO and general manager of the Company |
| 2021.4.15 | Board of Directors | Passed amendment to the 2020 appropriation of loss<br>Approved the case of Company's organization adjustment |

2. Important resolutions of the shareholders meeting

| Meeting date | Meeting type | Important resolutions | Implementation status |
|---|---|---|---|
| 2020.6.15 | 2020 shareholders meeting | 1. Adoption of the 2019 financial statements.<br>2. Ratification of the 2019 profit distribution<br>3. Amendment to the “Rules of Procedures for Meeting of Shareholders”<br>4. Full re-election of the Company’s directors (including independent directors)<br>5. Proposal to waive directors’ and their representatives’ non-compete restrictions | Implementation finished |

(XII) In the most recent year and as of the published date of the annual report, the directors or supervisors have different opinions on the important resolutions passed by the board of directors and have retained a record or written statement. The main content is: None.

(XIII) Summary of the resignation of the company’s chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor and R&D supervisor In the most recent year and as of the published date of the annual report:

April 30, 2021

| Position | Name | On board date | Date of dismissal | Reason for resignation or dismissal |
|---|---|---|---|---|
| Chief Executive Officer and General Manager | FUKAI YOHEI | 2020.3.24 | 2021.02.28 | Position adjustment of the Group |

V. Information of the certified public accountant’s professional fees

The company’s use of the range of fees to reveal the accountant’s professional fees information:

a.Accountant information

| Name of the accounting firm | Name of the accountant | | Auditing period | Remarks |
|---|---|---|---|---|
| KPMG Taiwan | CHANG,SHU-YING | CHIH,SHIH-CHIN | 2020 | - |

b.Accountant’s professional fees range

| Amount range \ Professional fees item | | Audit professional fees | Non-audit professional fees | Total |
|---|---|---|---|---|
| 1 | Less than 2,000,000 NTD | | ✓ | |
| 2 | 2,000,000 NTD (included) ~ 4,000,000 NTD | ✓ | | ✓ |
| 3 | 4,000,000 NTD (included) ~ 6,000,000 NTD | | | |
| 4 | 6,000,000 NTD (included) ~ 8,000,000 NTD | | | |
| 5 | 8,000,000 NTD (included) ~ 10,000,000 NTD | | | |
| 6 | 10,000,000 NTD or more | | | |

Amount unit: NT$1,000

| Name of accounting firm | Name of accountant | Audit professional fees | Non-audit professional fees | | | | | Accountant Auditing period | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | | | System design | Business registration | Human resources | Others | Subtotal | | |
| KPMG Taiwan | CHANG,SHU-YING | 2,760 | 0 | 0 | 0 | 355 | 355 | Year 2020 | Transfer Pricing report |
| | CHIH,SHIH-CHIN | | | | | | | | |

(I) If the ratio of non-audit professional fees, paid to the certified public accountant and the certified public accountant’s affiliated office, accounts for more than one quarter of the audit professional fees, the non-audit professional fees, the audit professional fees and the content of the non-audit service it shall be disclosed: none.

(II) When changing the accounting firm and the accounting professional fees paid are less than the previous year, the reduced amount of the accounting professional fees, proportion, and reason for reduction shall be disclosed: None.

(III) If the audit professional fees are reduced by 15% or more compared to the previous year, the reduced amount of the accounting professional fees, proportion, and reason for reduction shall be disclosed: None.

VI. Information regarding changing the accountant: None.

VII. Information on the compane’s chairman, general manager and the managerial officer responsible for financial or accounting affairs, who has worked in the office of the certified public accountant or the affiliated enterprise in the most recent year, his or her name, position title and employment period in the office of the certified public accountant or the affiliated enterprise shall be disclosed: None.

VIII. The number of shares on the same reinvested business, held by the company, the company's directors, supervisors, managers and the businesses directly or indirectly controlled by the company, and the comprehensive shareholding ratio:

(I) Changes of shareholding status for the directors, supervisors, managerial officers and major shareholders

Unit: stock share

| Position | Name | Year 2020 | | as of April 30, 2021 | |
|---|---|---|---|---|---|
| | | Number of shareholding Increase (decrease) number | Pledged number of shares Increase (decrease) number | Number of shareholding Increase (decrease) number | Pledged number of shares Increase (decrease) number |
| Chairman | Shenyan Investment Co., Ltd. | 7,930,502<br>0 | 0<br>0 | 7,930,502<br>0 | 0<br>0 |
| | Shenyan Investment Co., Ltd. Representative: HSIEH,HSIEN-CHIH | 5,183,852<br>0 | 0<br>0 | 5,183,852<br>0 | 0<br>0 |
| Director | Shenyan Investment Co., Ltd. Representative: CHANG, SHIH-FENG | 555,000 | 0<br>0 | 555,000<br>0 | 0<br>0 |
| Director | H.I.S Hotel Holdings Co., Ltd. | 55,961,455<br>0 | 0<br>0 | 55,961,455<br>0 | 0<br>0 |
| | H.I.S Hotel Holdings Co., Ltd. Representative: Kodaka Kouji | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Director | Yiyaun Investment Co., Ltd. | 1,811,798<br>0 | 0<br>0 | 1,811,798<br>0 | 0<br>0 |
| | Yiyaun Investment Co., Ltd. Representative: Hirabayashi Akira(Note 1) | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| | Yiyaun Investment Co., Ltd. Representative: LIU,TANG-KUN (Note 2) | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Independent director | LIU,SHUI-SHENG | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Independent director | WU,YI-TSAI | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Independent director | HUANG,CHEN-CHEN | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Supervisor | LIU,TANG-KUN(Note 1) | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Supervisor | KAO,YI-HSING(Note 1) | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| General manager | HSIEH,HSIEN-CHIH (Note 3) | 5,183,852<br>0 | 0<br>0 | 5,183,852<br>0 | 0<br>0 |

| Position | Name | Year 2020 | | as of April 30, 2021 | |
|---|---|---|---|---|---|
| | | Number of shareholding Increase (decrease) number | Pledged number of shares Increase (decrease) number | Number of shareholding Increase (decrease) number | Pledged number of shares Increase (decrease) number |
| Manager | WU,YU-CHI | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Manager | CHIEN,SHUN-KUEI | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Manager | LIN,HSIU-JUNG | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Manager | TSUI,CHIEH-MIN | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Manager | YANG,KUN-HUI | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Manager | CHEN,HUI-CHING | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Manager | CHANG,YU-SHAN (Note 4) | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| General Manager | Fukai Yohei(Note 3) | 27,000<br>12,000 | 0<br>0 | 2,000<br>(37,000) | 0<br>0 |
| Chief financial officer | WU,PANG-MING | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Financial supervisor | Lin Meng-Yue | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Accounting supervisor | Peng Fei-Hsiu | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Head of corporate governance | Li Yue-Mei | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Major shareholder | Shenyan Investment Co., Ltd. | 7,930,502<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Major shareholder | H.I.S. Hotel Holdings Co., Ltd. | 55,961,455<br>0 | 0<br>0 | 55,961,455<br>0 | 0<br>0 |

Note 1: On 2020.06.15 Re-election on the Board of Directors and the dismissal of directors

Note 2: On 2020.06.15 Re-election on the Board of Directors and the inauguration of new directors.

Note 3: On 2021.02.24, the Board of Directors approved the resignation of CEO and general manager Fukai Yohei and appointed Chairman Hsieh, Hsien-Chih to concurrently serve as the CEO and general manager starting from March 1, 2021.

Note 4: 2021.02.24 Dismissal

(II) Information of directors, supervisors, managers and major shareholders' equity transferring to their related parties: None.

(III)Information of directors, supervisors, managers and major shareholders' equity pledge to their related parties: None.

IX. Information on the relationships between the top ten Shareholders of the company.

March 30, 2021

| Name | Personal Holding shares | | Spouse, underage children Holding shares | | Under the name of others Holding shares in total | | The name and relationship of the top ten shareholders who are a spouse or a relative within the second degree of kinship to another top ten shareholder. | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | Number of shares | Holding shares Ratio | Name (or full name) | Relationship | |
| H.I.S. Hotel Holdings Co., Ltd. | 55,961,455 | 51% | 0 | 0% | 0 | 0% | None | None | None |
| Shenyan Investment Co., Ltd. | 7,930,502 | 7.23% | 0 | 0% | 0 | 5% | None | None | None |
| HSIEH,HSIEN-CHIH | 5,183,852 | 4.72% | 0 | 0% | 5,497,138 | 5% | None | None | None |
| Nian Fu Investment Co., Ltd. | 3,976,591 | 3.62% | 0 | 0% | 0 | 0% | None | None | None |
| Yu Shan-Ni | 3,455,667 | 3.15% | 0 | 0% | 0 | 0% | None | None | None |
| CHENG, YA-YING | 2,773,616 | 2.53% | 0 | 0% | 0 | 0% | None | None | None |
| BAO MA ASSET DEVELOPMENT & MANAGEMENT CO., LTD | 2,650,000 | 2.42% | 0 | 0% | 0 | 0% | None | None | None |
| Yiyaun Investment Co., Ltd. | 1,811,798 | 1.65% | 0 | 0% | 0 | 0% | None | None | None |
| LAI,CHING-KUNG | 1,600,000 | 1.46% | 0 | 0% | 0 | 0% | None | None | None |
| AnnJi Pharmaceutical Co., Ltd. | 1,600,000 | 1.46% | 0 | 0% | 0 | 0% | None | None | None |

X. The number of shares on the same reinvested business, held by the company, the company's directors, supervisors, managers and the business directly or indirectly controlled by the company, and the calculation is based on the sum of the comprehensive shareholding ratio: None.

# Four. Fundraising status

I. Capital and stock shares:

(I) Source of stock shares

Unit: NT$1,000, 1,000 shares/as of April 30, 2021

| Year Month | Price of issuance (Dollars) | Authorized capital | | Paid-up capital | | Remark | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of capital stock | Amount of stock shares is pledged by the property other than cash | Others |
| 1998.09 | 15 | 47,000 | 470,000 | 32,000 | 320,000 | Cash increase of 50,000,000 NTD | - | None |
| 1999.05 | 10 | 47,000 | 470,000 | 16,000 | 160,000 | Capital reduction of 160,000,000 NTD (Note 1) | - | None |
| 1999.07 | 10 | 47,000 | 470,000 | 32,000 | 320,000 | Cash increase of 160,000,000 NTD | - | None |
| 2000.09 | 10 | 47,000 | 470,000 | 47,000 | 470,000 | Cash increase of 150,000,000 NTD (Note 2) | - | None |
| 2001.03 | 20 | 99,000 | 990,000 | 60,000 | 600,000 | Cash increase of 130,000,000 NTD (Note 3) | - | None |
| 2002.01 | 12 | 99,000 | 990,000 | 70,000 | 700,000 | Cash increase of 100,000,000 NTD (Note 4) | - | None |
| 2002.07 | 15 | 99,000 | 990,000 | 90,000 | 900,000 | Cash increase of 200,000,000 NTD (Note 5) | - | None |
| 2003.09 | 10 | 99,000 | 990,000 | 99,000 | 990,000 | Cash increase of 90,000,000 NTD (Note 6) | - | None |
| 2004.02 | 12 | 130,000 | 1,300,000 | 119,000 | 1,190,000 | Cash increase of 240,000,000 NTD (Note 7) | - | None |
| 2004.08 | 11 | 150,000 | 1,500,000 | 133,250 | 1,332,500 | Cash increase of 142,500,000 NTD (Note 8) | - | None |
| 2005.12 | 7.83 | 200,000 | 2,000,000 | 134,757 | 1,347,570 | The convertible corporate bonds transferred to common shares (Note 9) | - | None |
| 2006.03 | 6.26 | 200,000 | 2,000,000 | 141,786 | 1,417,860 | The convertible corporate bonds transferred to common shares | - | None |
| 2006.08 | 10 | 200,000 | 2,000,000 | 51,386 | 513,860 | Capital reduction of 904,000,000 NTD (Note 10) | - | None |
| 2006.09 | 3.5 | 200,000 | 2,000,000 | 111,386 | 1,113,860 | Private cash fundraising increase of type A preferred shares of 600,000,000 NTD (Note 11) | - | None |
| 2006.12 | 3.5 | 250,000 | 2,500,000 | 178,758 | 1,787,583 | The first issuance of private cash fundraising increase of type B preferred shares of 673,723,000 NTD (Note 12) | - | None |
| 2007.01 | 3.5 | 250,000 | 2,500,000 | 211,386 | 2,113,860 | The second issuance of private cash fundraising increase of type B preferred shares of 326,277,000 NTD (Note 13) | - | None |
| 2007.10 | 10 | 250,000 | 2,500,000 | 212,101 | 2,121,010 | The convertible corporate bonds transferred to common shares (Note 14) | - | None |
| 2007.12 | 10 | 250,000 | 2,500,000 | 213,284 | 2,132,836 | The convertible corporate bonds transferred to common shares (Note 15) | - | None |
| 2008.01 | 10 | 250,000 | 2,500,000 | 75,711 | 757,108 | Capital reduction of 1,375,728,000 NTD (Note 16) | - | None |
| 2008.01 | 12.14 | 250,000 | 2,500,000 | 89,125 | 891,252 | The first issuance of private cash fundraising increase of type C preferred shares of 134,144,000 NTD (Note 16) | - | None |
| 2008.03 | 10 | 250,000 | 2,500,000 | 89,136 | 891,361 | The convertible corporate bonds transferred to common shares (Note 17) | - | None |
| 2009.10 | 16.4 | 250,000 | 2,500,000 | 89,219 | 892,190 | The first employee stock option subscription conducted in 2006 was 828,000 NTD (Note 18) | - | None |
| 2010.04 | - | 250,000 | 2,500,000 | 89,923 | 899,235 | The first employee stock option subscription conducted in 2006 was 2,196,000 NTD (Note 19)<br>The second employee stock option subscription conducted in 2006 was 654,000 NTD (Note 19)<br>The first employee stock option subscription conducted in 2007 was 4,195,000 NTD (Note 19) | - | None |
| 2010.07 | 7.63 | 250,000 | 2,500,000 | 109,603 | 1,096,035 | Private cash fundraising increase of common stock of 196,800,000 NTD (Note 20) | - | None |
| 2013.03 | 5 | 250,000 | 2,500,000 | 118,803 | 1,188,035 | Private cash fundraising increase of common stock of 46,000,000 NTD (Note 21) | - | None |
| 2014.08 | - | 250,000 | 2,500,000 | 30,295 | 302,949 | Capital reduction for covering the losses of 885,085,940 dollars (Note 22) | - | None |
| 2014.09 | 19.02 | 250,000 | 2,500,000 | 40,295 | 402,949 | Private cash fundraising increase of common stock of 100,000,000 NTD (Note 23) | - | None |
| 2014.11 | 35 | 250,000 | 2,500,000 | 50,295 | 502,949 | Private cash fundraising increase of common stock of 100,000,000 NTD (Note 24) | - | None |
| 2016.08 | 36 | 250,000 | 2,500,000 | 53,767 | 537,669 | Private cash fundraising increase of common stock of 34,720,000 NTD (Note 25) | - | None |
| 2017.02 | 20.06 | 250,000 | 2,500,000 | 80,634 | 806,339 | Private cash fundraising increase of common stock of 268,670,000 NTD (Note 26) | - | None |
| 2017.06 | 20.04 | 250,000 | 2,500,000 | 109,728 | 1,097,283 | Private cash fundraising increase of common stock of 290,944,000 NTD (Note 27) | - | None |

Note 1:Approved by the Science and Industrial Park Administration on June 9, 1999, with No. 12455.
Note 2:Approved by the Securities and Futures Commission of the Ministry of Finance on July 5, 2000, with (89) Tai-Cai-Zheng-(I) No. 57780.
Note 3:Approved by the Securities and Futures Commission of the Ministry of Finance on January 5, 2001, with (90) Tai-Cai-Zheng-(I) No. 104483.
Note 4:Approved by the Securities and Futures Commission of the Ministry of Finance on November 14, 2001, with (90) Tai-Cai-Zheng-(I) No. 169191.
Note 5:Approved by the Securities and Futures Commission of the Ministry of Finance on May 31, 2002, with (91) Tai-Cai-Zheng-(I) No. 129614.
Note 6:Approved by the Securities and Futures Commission of the Ministry of Finance on July 11, 2003, with Tai-Cai-Zheng-(1) No. 0920131173.
Note 7:Approved by the Securities and Futures Commission of the Ministry of Finance on November 18, 2003, with Tai-Cai-Zheng-(1) No. 0920154648.
Note 8:Approved by the Securities and Futures Commission of the Ministry of Finance on August 18, 2004, with Jin-Guan-Zheng-Yi-Zi No. 0930136859, and the amendment was approved by the Securities and Futures Commission of the Ministry of Finance on October 26, 2004, with Jin-Guan-Zheng-Yi-Zi No. 0930147512 .
Note 9:Approved by the Securities and Futures Commission of the Ministry of Finance on July 27, 2005, with Jin-Guan-Zheng-Yi-Zi No. 0940125495.
Note 10:Approved by the Financial Supervisory Commission of the Executive Yuan on August 14, 2006, with Jin-Guan-Zheng-Yi-Zi No. 9550129898.
Note 11:Approved by the Science and Industrial Park Administration on November 1, 2006, with Yuan-Tou-Zi No. 0950029233.
Note 12:Approved by the Science and Industrial Park Administration on February 6, 2007, with Yuan-Tou-Zi No. 0960003829
Note 13:Approved by the Science and Industrial Park Administration on April 9, 2007, with Yuan-Tou-Zi No. 0960008954.
Note 14:Approved by the Science and Industrial Park Administration on October 4, 2007, with Yuan-Tou-Zi No. 0960027010.
Note 15:Approved by the Science and Industrial Park Administration on December 19, 2007, with Yuan-Tou-Zi No. 0960034680.
Note 16:Approved by the Science and Industrial Park Administration on January 29, 2008, with Yuan-Tou-Zi No. 0970002590.
Note 17:Approved by the Science and Industrial Park Administration on April 25, 2008, with Yuan-Tou-Zi No. 9770011434.
Note 18:Approved by the Ministry of Economic Affairs on October 20, 2009, with the letter of Shou-Shang-Zi No. 09801241400.
Note 19:The first employee stock option subscription conducted in 2006 was 2,196,000 NTD. The second employee stock option subscription conducted in 2006 was 654,000 NTD. The first employee stock option subscription conducted in 2007 was 4,195,000 NTD. It was approved by the Ministry of Economic Affairs on May 6, 2010, with the letter of Shou-Shang-Zi No. 09901089310.
Note 20:Approved by the Ministry of Economic Affairs on September 28, 2010, with the letter of Shou-Shang-Zi No. 09901218600.
Note 21:Approved by the Ministry of Economic Affairs on May 7, 2013, with the letter of Shou-Shang-Zi No. 10201083890.
Note 22:It was approved by the Financial Supervisory Commission on August 12, 2014, with Jin-Guan-Zheng-Fa-Zi No. 1030029549.
Note 23:Approved by the Ministry of Economic Affairs on September 23, 2014, with Shou-Zhong-Zi No. 10333705610.
Note 24:Approved by the Ministry of Economic Affairs on November 26, 2014, with Shou-Zhong-Zi No. 10301244780.
Note 25:Approved by the Ministry of Economic Affairs on September 8, 2016, with the letter of Shou-Shang-Zi No. 10501221690.
Note 26:Approved by the Ministry of Economic Affairs on February 14, 2017, with the letter of Shou-Shang-Zi No. 10601015920.
Note 27:Approved by the Ministry of Economic Affairs on June 07, 2017, with the letter of Shou-Shang-Zi No. 10601071030.

| Type of stock shares | Approved stock capital | | | Remarks |
|---|---|---|---|---|
| | Outstanding shares | Unissued shares | Total | |
| Named common shares | 109,728,343 | 140,271,657 | 250,000,000 | 50,294,888 shares of OTC company<br>The private common stock of 104,701,589 shares (including listed private common stock of 45,268,134 shares and unlisted private common stock of 59,433,455 shares) |

Related information on the general declaration system: Not applicable.

(II) Structure of shareholders **(to be updated after the transaction is stopped)**

March 30, 2021；

Unit: stock share

| Structure of shareholders / Amount | Government agency | Financial institution | Other corporate persons | Individual | Foreign institutions and foreigners | Total |
|---|---|---|---|---|---|---|
| Number of people | - | - | 21 | 1,508 | 11 | 1,540 |
| Number of shareholding | - | - | 23,501,253 | 30,119,503 | 56,107,587 | 109,728,343 |
| Shareholding ratio | - | - | 21.42% | 27.45% | 51.13% | 100% |

(III) Dispersion of equity

March 30, 2021

| Range of shareholding | Number of shareholders | Number of shareholding | Shareholding ratio |
|---|---|---|---|
| 1 to 999 | 905 | 203,815 | 0.19% |
| 1,000 - 5,000 | 425 | 900,944 | 0.82% |
| 5,001 - 10,000 | 62 | 489,779 | 0.45% |
| 10,001 - 15,000 | 24 | 303,433 | 0.28% |
| 15,001 - 20,000 | 12 | 217,260 | 0.20% |
| 20,001 - 30,000 | 22 | 541,343 | 0.49% |
| 30,001 - 50,000 | 21 | 894,018 | 0.82% |
| 50,001 - 100,000 | 21 | 1,530,779 | 1.40% |
| 100,001 - 200,000 | 14 | 2,203,813 | 2.01% |
| 200,001 - 400,000 | 8 | 2,404,325 | 2.19% |
| 400,001 - 600,000 | 7 | 3,222,623 | 2.94% |
| 600,001 - 800,000 | 3 | 2,117,361 | 1.93% |
| 800,001 - 1,000,000 | 1 | 1,000,000 | 0.91% |
| 1,000,001 - 9,999,999,999 | 15 | 93,698,850 | 85.37% |
| Total | 1,540 | 109,728,343 | 100% |

(IV) List of major shareholders

March 30, 2021

| Shares / Name of major shareholders | Number of shareholding | Shareholding ratio |
|---|---|---|
| H.I.S. Hotel Holdings Co., Ltd. | 55,961,455 | 51.00% |
| Shenyan Investment Co., Ltd. | 7,930,502 | 7.23% |
| HSIEH,HSIEN-CHIH | 5,183,852 | 4.72% |
| Nian Fu Investment Co., Ltd. | 3,976,591 | 3.62% |
| Yu Shan-Ni | 3,455,667 | 3.15% |
| CHENG,YA-YING | 2,773,616 | 2.53% |
| BAO MA ASSET DEVELOPMENT & MANAGEMENT CO., LTD | 2,650,000 | 2.42% |
| Yiyaun Investment Co., Ltd. | 1,811,798 | 1.65% |
| LAI,CHING-KUNG | 1,600,000 | 1.46% |
| AnnJi Pharmaceutical Co., Ltd. | 1,600,000 | 1.46% |

(V) Information on stock price per share, net value, surplus, and dividends in the most recent two years

Unit: NT$/1000 shares

| Items \ Year | | | 2019 | 2020 | As of March 31, 2021 |
|---|---|---|---|---|---|
| per share market price | Highest | | 20.40 | 14.95 | 15.10 |
| | Lowest | | 13.45 | 7.31 | 8.46 |
| | Average | | 15.87 | 9.94 | 11.75 |
| Net value per share | Before distribution | | 15.59 | 7.77 | 註 2 |
| | After distribution | | 15.59 | 7.77 | 註 2 |
| Earnings per share | Weighted average shares | | 109,728,343 | 109,728,343 | 109,728,343 |
| | Earnings per share | | 0.55 | (7.82) | 註 2 |
| per share Dividends | Cash dividends | | - | Note 1 | Note 2 |
| | Non-compensated distribution | Earnings distribution | - | Note 1 | Note 2 |
| | | Capital surplus distribution | - | Note 1 | Note 2 |
| | Accumulated unpaid dividends | | - | Note 1 | Note 2 |
| Analysis of return on investment | Price-earnings ratio | | 28.85 | (1.27) | Note 2 |
| | Price-dividend ratio | | - | Note 1 | Note 2 |
| | Cash dividend yield | | - | Note 1 | Note 2 |

Note 1: on 2021.02.24, the resolution by the Board of Directors proposed not to distribute cash dividends due to losses.

Note 2: The financial statement of the first quarter of 2021 has not been audited by the account or obtained as of the published date of the annual report.

(VI) The dividend policy and implementation status:

1. The dividend policy stipulated in the Company's articles of incorporation.

If the company's annual final accounts have a surplus, it should first be reserved to pay taxes and cover the losses in the past, and then 10% should be reserved for the statutory surplus reserve. However, it is not limited to the statutory surplus reserve that has reached the company's paid-in capital. Moreover, it depends on the operational needs and statutory requirements whether to reserve or reverse the special surplus reserves. The remaining surplus and the undistributed surplus at the beginning of the period will be distributed upon the resolution of the shareholders meeting proposed by the board of directors.

Article 23 of the Articles of Incorporation of the Company:

When distributing dividends, the cash dividends will be given priority as the Company considers the future operation and the cash flow demands of the company, and the ratio of surplus distribution in cash shall not be less than 20% of the shareholders' dividends in the current year.

2. The distribution of dividends for the current year: The Board of Directors of the Company proposed not distributing the 2020 dividends to shareholders due to losses on February 24, 2021, and it was approved and resolved during the 2021 regular shareholders meeting.

(VII) The impact of the proposed non-compensated shares distribution on the company's business performance, earnings per share and return on shareholders' investment: Not applicable.

(VIII) Remuneration for employees, directors and supervisors :

1. The percentage and scope of remuneration for employees, directors, and supervisors stipulated in the company's articles of incorporation:

Article 22 of the Articles of Incorporation:

If the company has profit in the current year, it shall reserve 0.7% to 10% for the employee's remuneration and the directors and supervisors' remuneration shall not be more than 1%. However, if the company still has accumulated losses, the amount shall be reserved in advance.

The employees compensated with stock or cash in the preceding paragraph, including the employees from the subsidiary companies that meet certain criteria.

Article 22-1 of the Articles of Incorporation:

If the company's annual final accounts have a surplus, it should first be reserved to pay taxes and cover the losses in the past, and then 10% should be reserved for the statutory surplus reserve. However, it is not limited to the statutory surplus reserve that has reached the company's paid-in capital. Moreover, it depends on the operational needs and statutory requirements whether to reserve or reverse the special surplus reserves. The remaining surplus and the undistributed surplus at the beginning of the period will be distributed upon the resolution of the shareholders meeting proposed by the board of directors.

2. In the current period, if there is a difference between the estimated number of shares and the estimated amount of the remuneration for the employees, directors, and supervisors, the calculated cash amount based on the number of shares and the actual distribution amount, the handling of accounting is: Not applicable.

3. The distribution of compensation approved by the board of directors:

(1) Amount of remuneration for employees, directors and supervisors paid in cash or stock option. If there is a difference in the annual estimated amount of recognized expenses, the amount difference, reason and the handling status should be disclosed:

The Board of Directors of the Company approved the 2020 remuneration for employees, directors, and supervisors on February 24, 2021 are as follows:

Unit: NTD

| Items | The board had resolved to distribute | The annual estimated amount of recognized expenses | Amount of difference |
|---|---|---|---|
| Employee remuneration | 0 | 0 | - |
| Remuneration of directors and supervisors | 0 | 0 | - |

4. The actual remuneration distribution status of the employees, directors and supervisors in the previous year (2019) (including the distributed number of shares, amount and share price and stock price). And if there is a difference between the recognized remuneration of employees, directors, and supervisors, the amount of the difference, reason, and handling status shall be

stated:

Unit: NTD

| Items | Recognized expense amount | Actual distributed amount | Amount of difference |
|---|---|---|---|
| Employee remuneration | 415,391 | 415,391 | - |
| Remuneration of directors and supervisors | 0 | 0 | - |

(IX) The company bought back the company's shares: None.

II. The status of corporate bonds: None.

III. The status of preferred shares: None.

IV. The status of overseas depositary receipt: None.

V. The status of employee stock option subscription and restriction on employee’s entitlement to new shares: None.

VI. The status of acquiring or transferring new shares of other company: not available.

VII. The Implementation status of the fund utilization plan: None.

# Five. Overview of Business Operation

I. Business content

(I) Business scope

1. The company’s resisted businesses are as follows:

(1) F401010 International trade industry.
(2) JE01010 Rental industry.
(3) F601010 Intellectual property rights industry.
(4) I199990 Other consultancy services industry.
(5) I301010 IT software services industry.
(6) IZ99990 Other commercial services industry.
(7) J202010 Industrial cultivation industry.
(8) J901020 General hotel industry .
(9) J701020 Amusement park industry .
(10) J701040 Recreational activity industry .
(11) JA03010 Laundry industry .
(12) I103060 Management consultancy industry .
(13) JZ99080 Beauty salon services industry .
(14) F102050 Tea wholesales industry .
(15) F102170 Food and wholesale industry .
(16) F201010 Agricultural product retail industry .
(17) F203010 Food and beverage retail industry .
(18) F206020 Daily commodities retail business industry.
(19) F501030 Beverage shop industry .
(20) F501060 Restaurant industry.
(21) G202010 Parking lot management industry .
(22) H703090 Real estate business .
(23) H703100 Real estate leasing industry .
(24) F203020 Tobacco and liquor retail industry .
(25) F399040 No storefront retail industry.
(26) J901011 Tourism hotel industry
(27) ZZ99999 In addition to the licensed business, it can operate businesses that are not prohibited or restricted by the laws.

2. Operating percentage

Unit: NT$1,000; %

| Items \ Year | Year 2020 | |
|---|---|---|
| | Amount | Percentage of revenue (%) |
| Hotel room revenue | 386,076 | 87.50 |
| Hotel catering services revenue | 42,390 | 9.61 |
| Hotel management consultant revenue | 545 | 0.12 |
| Lease revenue | 12,231 | 2.77 |
| Retail product service | 0 | 0.00 |
| Total | 441,242 | 100.00 |

3. Current products (services)

In 2020, the operating revenue was mainly from the revenue of providing hotel rooms in the hotels. The company currently has the following hotels:

| District in Taipei City | Hotel name | Related information |
|---|---|---|
| Ximending Shopping District Wanhua Shopping District | New World Hotel | Address: No.141, Kunming St., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)<br>Tel: 02-23118863 |
| Ximending Shopping District Taipei Main Station Shopping District | Green World Station | Address: No. 21, Section 1, Chongqing South Road, Zhongzheng District, Taipei City<br>Tel: 02-23819199 |
| Ximending Shopping District Taipei Main Station Shopping District | Green World Hotel ZhongHua | Address: 13F., No. 41, Section 1, Zhonghua Road, Zhongzheng District, Taipei City<br>Tel: 02-23705158 |
| Ximending Shopping District Taipei Main Station Shopping District | Green World Flora Anne | Address: No. 36, Section 1, Hankou Street, Zhongzheng District, Taipei City, Taiwan (R.O.C.)<br>Tel: 02-23123811 |
| Nangang Financial Area Shopping District | Green World Grand Nanjing | Address: No.8, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)<br>Tel: 02-25098882 |
| Nangang Financial Area Shopping District | Green World Jianpei | Address: No.140, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)<br>Tel: 02-25095151 |
| Nangang Financial Area Shopping District | Green World Mai – Nanjing | Address: No. 163, Section 2, Nanjing East Rd., Zhongshan District, Taipei City<br>Tel: 02-25035511 |

| | | |
|---|---|---|
| Linsen North Road Shopping District<br>Xingtian Temple | Green World Songjiang | Address: No.485, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)<br>Tel: 02-25098222 |
| Linsen North Road Shopping District | Green-World-Linsen Branch Office | Address: No.617, Linsen N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)<br>Tel: 02-25955225 |
| Zhongshan N. Rd Shopping District<br>Linsen North Road Shopping District | Green World Sansui<br>Green World Qingtian<br>Green World Xiemei | Address: No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)<br>Tel: 02-25971281 |
| Linsen North Road Shopping District | Green World Hotel<br>Green World Mai – ZhongShan | Address: No.15, Ln. 105, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)<br>Phone: 02-25429511 |
| Eastern District of Taipei | Green World Zhongxiao | Address: 1F., No.180, Sec. 4, Zhongxiao E. Rd., Daan Dist., Taipei City 106, Taiwan (R.O.C.)<br>Tel: 02-27116869 |
| Raohe Street Shopping District | Green World Songshan Branch Office | Address: 1F., No.149, Yucheng St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)<br>Tel: 02-27837088 |
| Nankang Railway Station<br>Nankang Economic and Trade Park | Green World NanGang | Address: 8F., No.528, Sec. 7, Zhongxiao E. Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)<br>Tel: 02-27893009 |
| Taipei Arena<br>Songshan Cultural and Creative Park | Green World Triplebeds Branch Office | Address : No.16, Sec. 4, Bade Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)<br>Tel: 02-27630555 |

4. New products (services) planned to be developed

The Green World Triplebeds of the Company is the first hotel that combines with robots for luggage carrying, instant translating, sensory alarm clocks, automatic payment machine and Taipei VR tourism, and the Company plans to open more intelligent hotels that combine with cutting-edge technologies, depending on the market acceptance in the future.

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(II) Overview of the industry

1. The current situation and development of the industry

Taiwan is a typical island country that is surrounded by the sea and it has great potential for developing tourism industry with its unique tourism resources as well as the warm and friendly people on the island. Development of the tourist industry has been one of the key policies of the government. The World Economic Forum (WEF) postponed the release of this year’s Global Competitiveness Report that has a long history due to the significant impact brought by the Covid-19 pandemic on global economics and society. Instead, the WEF published the "Global Competitiveness Report Special Edition 2020: How Countries are Performing on the Road to Recovery" on December 16, 2020 as the reference of economic recovery and transformation in the post-pandemic era for all countries. WEF suggests that the world should strive to promote economic transformation, enter a new form of market and points out that enhancing 4 aspects of environmental convenience, HR capital, market, and innovative ecosystem will be beneficial for the successful economic transformation.

Despite the fact that many countries suffered great impacts from the Covid-19 pandemic, economies with excellent digitalization capacity, sound social safety network and financial system, great government governance and planning capacity, comprehensive medical system and experience in fighting against the Covid-19 virus show outstanding economic tenacity during the pandemic. WEF especially recognized Taiwan's excellent performance in providing financial aids to enterprises, comprehensive medical system and effort in fighting against the pandemic.

The World Tourism Organization of the United Nations claims that the Covid-19 pandemic started in 2019 has caused global tourism loss of US$1.3 trillion (around NT$37 trillion) in 2020 and calls 2020 the "worst year in the history of tourism." The statement from the World Tourism Organization, headquartered in Madrid, indicates that the loss for the global tourism was over 11 times higher than the "loss record set during the 2009 global economic crisis," and it warns that 100 to 120 million jobs directly related to tourism may be lost.

The statement also points out that the number of international tourists in 2020 reduced by 1 billion or 74%. Asia, in which the pandemic stoke first, had the largest decrease percentage. Tourists heading to the Asia Pacific area dramatically decreased by 84%, followed by 75% for Africa and the Middle East. The tourist numbers in Europe decreased by 70%, while the number decreased by 69% in America.

The World Tourism Organization claims that despite that "tourism will gradually normalize" in 2021 as the vaccines for Covid-19 are introduced, many countries still implement stricter travel ban, such as quarantine, compulsory testing, and complete border shutdown due to the "continuous evolution of the virus."

On top of enhancing epidemic prevention measures, repairing equipment, and providing employees with safe working environments during the pandemic, the company also copes with the government policy to survive in the lowest time of tourism that the world has ever seen.

2. The current growth status of room supply in the metropolitan Taipei City

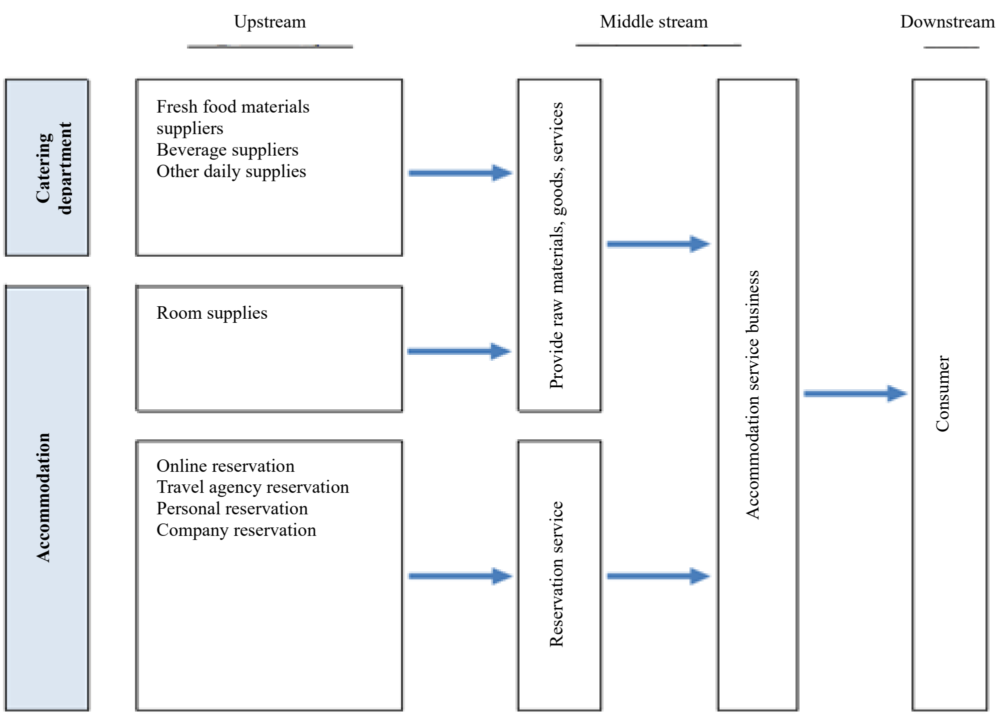
In terms of hotel supply, the total number of legal hotels in Taipei City and New Taipei City had increased by six in 2020 and the number of rooms had increased by 988; the number of tourist hotels has decreased by two and the number of rooms has decreased by 152; the total number of rooms has increased by 836. The number of tourists dropped tremendously due to the impact of the COVID-19 pandemic and the competition from illegal accommodation providers, which were huge challenges that hotel business operations had to face due to the COVID-19 pandemic in 2020.

| Region/ Number Of Hotel Rooms | Tourism hotels of 2020 statistics | | | | | Tourism hotels of 2019statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Numbers | Single | Double | Suits | Subtotal | Numbers | Single | Double | Suits | Subtotal |
| New Taipei City | 7 | 277 | 734 | 70 | 1,081 | 7 | 277 | 734 | 70 | 1,081 |
| Taipei City | 43 | 3,718 | 6,123 | 1,285 | 11,126 | 45 | 3,781 | 6,208 | 1,289 | 11,278 |
| Total | 50 | 3,995 | 6,857 | 1,355 | 12,207 | 52 | 4,058 | 6,942 | 1,359 | 12,359 |

Data source: Tourism Bureau

3. Relevance of industry, middle and lower reaches

The hotel industry aims to provide safe and comfortable accommodations and catering services for travelers, and the following are related to the industry.




4. Different trends of development and the competition situation of the products provided

(1) Room reservation on the internet and intelligent reservation

With the popularity of smart phones nowadays, daily human activities rely on the Internet more and more. With the rapid development of AI, the traditional sales and reservation of hotel rooms has gradually been replaced by the virtual internet. Moreover, customers can easily find hotel accommodation information and compare hotel room prices on the internet, thus the online reservation business operators have already become close partners of the hotels. Therefore, obtaining a good online rating over other competitive companies in the hotel industry has become one of the key factors to succeed in the industry.

(2) Competition in the industry is getting more intense

Since the outbreak of Coronavirus (COVID-19) in January 2020, the pandemic has spread from Asia to Europe, Americas, New Zealand, Australia, and Africa in just 2 months. The pandemic is all over the world. Many countries have announced related restrictions such as the closure of borders, control of border entry/exit, and suspension of non-necessary visas to stop or delay the epidemic from spreading. In view of the rapid increase in infected cases around the world in late March 2020, the Central Epidemic Command Center announced the restriction on entry of non-authorized foreigners starting on March 19, 2020, and all border entry passengers must undergo home isolation or quarantine for 14 days, regardless of their nationalities. It seems that the prosperity of Taiwan's tourism industry in 2019 will not be seen again in the short term. (3) In the face of competitive market conditions, but also full of opportunities, the company will strive to enhance brand awareness, strengthen the Group's marketing capabilities, reduce operating costs and make full use of the Group's resources to create higher returns.

(III) Overview of technology and R&D:

In the most recent year and as of the published date of the annual report, no investment in the research and development, technology and products.

(IV) Long-term and short-term business development plan

1. Short-term business development plan:

The business operations are tremendously difficult before the country’s lockdown is lifted. Non-emergency investments will be suspended in order to minimize cash expenditures. Our business operations will be conducted mainly on the three strategies: "sales strategy," "cost reduction strategy," and "fund management strategy."

①Sales strategy

(1)Gain more domestic accommodation demands

The domestic accommodation demands for Taiwanese travelers in Taipei mainly include two types: tourism and business trips.

As business travelers stay over in hotels more often, we will focus on enhancing the loyalty of our previous hotel guests. Particular actions such as "sending messages via LINE@", "promoting the plan for business travelers on official website" and so on.

In addition to the high percentage of online reservations, the percentage of our guests making reservations through our official website is also very high. By implementing the database and points system for members, the reservation rate via the official website can be enhanced.

Comparing August 2020 with August 2019, the revenue of Taiwanese guests increased by 239%. Our goal is to enhance the domestic demands for Taiwanese travelers.

(2)Gain more temporary rest demands

For sales of temporary rest, we will enhance the cooperation with various online booking platforms led by funnow.

At the same time, we will strengthen the vacancy adjustments in order to increase the number of walk-in customers (especially the particularly low vacancy on Friday and Saturday nights). By establishing a late-night housekeeping mechanism for all hotels on Friday and Saturday nights, to enhance the bed turnover rates of temporary rest on Friday and Saturday.

The revenue of temporary rest in August 2020 was more than 7.5 times than in January (before the COVID-19 pandemic), and we will continue to increase the business revenue.

(3)Operation of quarantine hotel

Although the COVID-19 pandemic is gradually slowing down and transnational traveling will be reinitiated, the current 14 days of quarantine for border entry is still required.

With the increasing demand for quarantine hotels, our Company has already converted Green World Station and Green World Linsen into quarantine hotels.

We will cautiously observe the variation in the number of quarantine requirements in the future. If the demand for quarantine increases, we will evaluate adding more quarantine hotels.

On the other hand, we are also prepared for the future lifting of the country's lockdown and the reducing number of people in quarantine. We will then assess canceling the registration to be a quarantine hotel as soon as possible so that Green World Station and Green World Linsen will return to regular business operations.

We will always be aware of the needs of a quarantine hotel and make flexible measures to maximize the profits as a quarantine hotel.

(4)Maximization of other incomes

On the basis of food service business and space rental business, our goal is to maximize profits.

For the food service business, we are currently developing our own bento brand that was created in July 2020. The revenue has gone up successfully, and our subsequent goal is to maximize the business revenue.

For the space rental business, we currently make flexible use of the existing facilities for providing conference rooms, restaurant rentals, and rentals of advertising wall. The revenue has gone up successfully and we may expand the scale for rental in the future, as we are committed to maximizing the profits.

②Cost reduction strategy

(1)Cutting personnel cost

After the outbreak of the COVID-19 pandemic, our staff was cut, which was about 40% less compared to the manpower before the outbreak.

Since the number of staff has been reduced, the group's business is maintained with a minimum number of staff. It is difficult to implement more staff cuts in the future.

However, if the epidemic significantly worsens in the future, further staff cuts may be necessary and implemented for the next phase.

If the situation is stable and more manpower is needed in the future, the plan for an increase of manpower will be implemented while controlling the expenditures.

(2)Cutting rental costs

After the outbreak of the COVID-19 pandemic, in addition to the contract cancellation of the stores in deficit (Green World Songjiang, Green World Flora Main, and Flora Hotel Main Station), and we also negotiated with the landlord about rent reduction for the Zhong branch contract.

In the future, we will continue to negotiate with the landlord for rent reductions.

(3)Cutting variable expense

Since the outbreak of the COVID-19 pandemic, we have continuously put effort into reducing all variable expenses.

In order to reduce variable expenses, the completed tasks such as improvement in the work process, and reduction in the contractual amount of using water, electricity and propane gas. In the future, we will continue to analyze variable expenses to ensure that they are not too high.

③Fund management strategy

Negotiating the financing quotas with various financial institutions

In view of a possible long-time worsened situation, we are preparing sufficient financing quotas to prevent the risk of bankruptcy.

2. long-term business development plan:

Once the COVID-19 pandemic is suppressed, the country’s lockdown will be gradually lifted. Then the following reforms will be implemented in order to reach higher profits than the time before the outbreak of COVID-19.

①Organizational reform

(1)Establish a hotel on-site management system

We currently have 16 hotels in business operations, with a total of six vice presidents who are in charge of hotel operations.

The number of vice presidents who are in charge of hotel operations will be reduced, as the operations can be conducted with fewer vice presidents. The pace of business growth is expected to increase with the dedication of vice presidents to their new missions.

(2)Effective communication between the headquarters and on-site hotels

At present, there are many ineffective communications between the headquarters and on-site hotels. With a clear definition of business scopes for the headquarters and on-site hotels, conduct staff cut according to the needs, reform the organization to enhance efficiency.

②Effectiveness and systematization of the work process

At present, most of the hotels' on-site counters and the accounting department of the headquarters are labor intensive, which requires a large number of staff.

The work process should be reviewed and standards for new work process should be stipulated. At the same time, the introduction of an automated system based on RPA is able to integrate the system, and it is expected to continue business operation with a system without requiring more manpower after the COVID-19 pandemic.

The abovementioned will be achieved and implemented based on projects of the Group.

③Implementation of the membership system.

II. Market and sales overview

(I) Market analysis

1. Target countries of sales

Unit:%

| Year / Target | Year 2019 | Year 2020 |
|---|---|---|
| Taiwan | 16.60 | 78.32 |
| Japan | 36.81 | 6.97 |
| Hong Kong | 6.22 | 1.56 |
| Korea | 4.33 | 1.26 |
| China | 10.76 | 0.68 |
| Others | 25.28 | 11.21 |
| Total | 100.00 | 100.00 |

The company is in the hotel industry in Taipei City. The company currently does not have any overseas business location, hence the service areas are only limited to the domestic market.

2. Market share:

On the basis of the statistics of the Tourism Bureau, the number of hotel rooms in the Group accounts for 11.59% of the total number of hotel rooms in Taipei. And it accounts for 10.57% if the total number of hotel rooms in New Taipei City is included.

3. The supply and demand condition, and growth of the future market

The current condition of hotels under construction in Taipei City

| Hotel name | Estimated number of rooms | Expected date of completion |
|---|---|---|
| Taipei Chingcheng Howard Hotel | 199 | 2022/12/31 |
| The Grand Hi Lai Hotel | 420 | 2022/12/31 |
| Nangang Tai-Zhuang Hotel | 242 | 2022/12/31 |

The analysis of tourists traveling to Taiwan

| Region | Number of tourists visiting Taiwan in 2019 | Number of tourists visiting Taiwan in 2020 | Increase or decrease % | Increase or decrease number |
|---|---|---|---|---|
| Southeast Asia | 2,593,392 | 435,383 | -83.21 | -2,158,009 |
| Japan | 2,167,952 | 269,659 | -87.56 | -1,898,293 |
| Hong Kong and Macau | 1,758,006 | 177,654 | -89.89 | -1,580,352 |
| Mainland China | 2,714,065 | 111,050 | -95.91 | -2,603,015 |
| Korea | 1,242,598 | 178,911 | -85.6 | -1,063,687 |

From the abovementioned data and market situation, since the outbreak of Coronavirus

(COVID-19) in January 2020, many countries have announced related restrictions such as the closure of borders, control of border entry/exit, and suspension of non-necessary visas. Global tourism has been bogged down.

Market growth in the future

Ever since the breakout of the Covid-19 pandemic and spreading to the world, the global tourist industry has been under significant impact. The pandemic has not been mitigated, and we have also seen variant viruses that are more contagious. World Tourism Organization (UNWTO) claimed on the 28th that the Covid-19 pandemic has caused global tourism loss of US$1.3 trillion (around NT$37 trillion) in 2020 and called 2020 the “worst year in the history of tourism.”

UNWTO, headquartered in Madrid, points out that the number of international tourists in 2020 reduced by 1 billion or 74% compared to 2019. Asia, in which the pandemic stoke first, had the largest decrease percentage. Tourists heading to the Asia Pacific area dramatically decreased by 84%, followed by 75% for Africa and the Middle East. The tourist numbers in Europe decreased by 70%, while the number decreased by 69% in America. The last time the number of international tourists decreased was back in 2009, where the number decreased by 4% due to the global economic crisis.

UNWTO warns that the Covid-19 pandemic has caused global tourism loss of US$1.3 trillion in 2020, which was over 11 times higher than the “loss record set during the 2009 global economic crisis.” 100 to 120 million jobs directly related to tourism may be lost. Despite the “tourism will gradually normalize” in 2021 as the vaccines for Covid-19 are introduced, many countries still implement stricter travel ban, such as quarantine, compulsory testing, and complete border shutdown due to the “continuous evolution of the virus.”

Due to the border restrictions of all countries, the aviation demand decreased dramatically. According to the data released by Southwest Airlines, the company lost US$3.1 billion (around NT$87 billion) in 2020. It was the first time the airline experienced an annual loss since 1972. Under the influence of new Covid-19 cases in the United States, the booking rate for Southwest Airlines in early 2021 is low. It is expected that the revenues in January 2021 will decrease by 65%-70% compared to the same period in the previous year. The load factor in February is also not optimistic. It is expected to decrease by 65%-75%.

4. The advantages, disadvantages, and countermeasures of competitiveness and development prospects

(1) Competitiveness

Since 2017, the Japanese H.I.S. Group had joined the business operations and the operating performance and financial structure have been significantly improved. With the utilization of H.I.S. Group resources and integration of its hotel products, it is expected to have a more competitive edge in the market.

(2) Favorable factors in the development prospect

The company provides quality hotel rooms with affordable prices, increases investment in enhancing the value of existing hotels, adopts good marketing strategies, cultivates outstanding talents, and integrates pricing strategies. In addition, the company’s hotels are located in Taipei City, which is the top location of tourists traveling to Taiwan, hence the impact on the company of the decreasing number in tourists traveling to Taiwan is relatively lower.

(3) Unfavorable factors in the development prospect

The main unfavorable factors are the severe impact of coronavirus in 2020 and uneven supply and demand in the market, as well as the confusion of market price caused by illegal hotels and daily rental suites business operators. In addition, the declining birthrate is also an issue that will affect the supply of talents in the hotel industry in the future.

(4) Countermeasures

As for the sales aspect, in addition to increasing the investment in enhancing the value of the existing hotels, the utilization of H.I.S. Group resources and integration of its hotel products, implementation of the overall marketing strategy, diverse utilization of H.I.S. customers, and continual promotion of exclusive accommodation programs with cooperative business operators, and the implementation of the membership system to carry out the relevant membership operations.

As for the hotel talents, in addition to the continual cooperative training and training channels, the company also uses outsourcing manpower. In addition, after the first smart hotel - Green World Triplebeds - started its business operations, the hotel has effectively reduced the manpower demand of the hotel.

In terms of the cost control, the company utilizes technology to enhance the automation operations, increase efficiency and establish energy-saving hotels, and large quantity procurement is adopted for reducing the overall operational costs.

(II) Important use of main products and the production process

1. Important use of main products

The main products of the company are hotels and hotel services. Please refer to the following for details: The business scope - current products (services).

2. Production process

Provide accommodations and catering services to generate revenue.

(III) The supply status of main supply materials

The company is in the hotel industry, and the main supply materials are hotel room products, fresh food materials, etc., and the company has a good relationship with suppliers, thus supply status is very stable.

(IV) List of the main invoicing customers in the most recent two years

1. The vendor that accounts for more than 10% of the total purchase amount in the most recent two years: None.

2. The customer that accounts for more than 10% of the total sales amount in the most recent two years: None.

Unit: NT$1,000

| Items | Year 2019 | | | | Year 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Name | Amount | Ratio of net annual sales amount [%] | Relationship with the issuer | Name | Amount | Ratio of net annual sales amount [%] | Relationship with the issuer |
| 1 | Traveler B customer | 307,815 | 25.25 | The chairman is the same person | Travelers B customer | 42,604 | 9.66 | The chairman is the same person |
| 2 | Others | 911,056 | 74.75 | | Others | 398,638 | 90.34 | |
| | Net sales amount | 1,218,871 | 100 | | Net sales amount | 441,242 | 100 | |

(V) The production quantity and sales quantity in the previous two years

1. Production quantity in the previous two years:

The Company is engaged in the business of hotel room rental and catering services. As it is not in a general manufacturing industry, thus there is no production and sales quantity.

2. Sales quantity in the previous two years:

Unit: NT$1,000

| Year / Sales quality / Main items (or department) | Year 2019 | | Year 2020 | |
|---|---|---|---|---|
| | Amount | Value | Amount | Value |
| Hotel rooms and catering services | Not applicable | 1,086,646 | Not applicable | 386,076 |
| Hotel catering services | Not applicable | 110,316 | Not applicable | 42,390 |
| Hotel advisory services | Not applicable | 1,800 | Not applicable | 545 |
| Rental services | Not applicable | 20,058 | Not applicable | 12,231 |
| Sales revenue | Not applicable | 51 | Not applicable | 0 |
| Total | Not applicable | 1,218,871 | Not applicable | 441,242 |

III. Information on the employees

| Year | | Year 2019 | Year 2020 | As of March 31, 2021 |
|---|---|---|---|---|
| Number of employees | Direct employees | 451 | 223 | 213 |
| | Indirect employees | 35 | 48 | 47 |
| | Total | 486 | 271 | 260 |
| Average age | | 39 | 41.57 | 41.59 |
| Average Service year | | 3 years | 3.47 years | 3.71 years |
| Distribution ratio of education background | PhD | 0% | 0 | 0% |
| | Master's degree | 1.03% | 2.21% | 2.31% |
| | University and college | 49.18% | 56.09% | 57.69% |
| | Senior high school | 26.95% | 26.94% | 26.92% |
| | Below senior high school | 22.84% | 14.76% | 13.08% |

IV. Information on environmental protection expenditures

(I) Total losses and disposition amount due to environmental pollution in the most recent year: None.

(II) The countermeasures and possible expenses in the future: The sewage produced by the customers of the Company during the accommodation period is handled in accordance with the regulations. Currently, there is no pollution in violation of the regulations, thus major capital expenditures for environmental protection are not required.

V. Labor-management relations

(I) Important labor-management agreement and implementation status

1. Employee welfare

The Company's welfare for employees includes the welfare provided by the company and the welfare provided by the Employee Welfare Committee:

(1) Welfare provided by the company: In addition to the labor insurance and national health insurance for employees according to the laws, the company also provides a year-end bonus, one free accommodation for employees every year and 10 discount employee accommodations, coupon for employee discount accommodation in the hotels of the parent Japanese company, regular health checkups for current employees, and special checkup items for particular employees to their benefits.

(2) Welfare provided by the Employee Welfare Committee: In addition to the basic care for laborers according to the laws, the company has established the Employee Welfare Committee to take care of the employees and provide them with welfare benefits. The committee will coordinate the development of various employee welfare plans and is responsible for the planning and implementation of various employee welfare plans. The welfare offered includes festival and event subsidies, birthday gifts, wedding and funeral subsidies, educational subsidies, maternity subsidies, and hospitalization subsidies.

(3) Conduct annual employee meetings to promote the corporate philosophy, motivate employees, and reward outstanding employees.

(4) Other descriptions: All are conducted in compliance with the relevant provisions of the Labor Standards Act, and the employee complaint channel is created to protect the legitimate rights of the employees. Automated External Defibrillators (AED) are also available and employees are instructed of their usage. The fire-fighting set is available at each hotel and regular drills are conducted to prevent any accident due to incidents.

2. Additional studies, trainings, and the implementation status:

In addition to the required education and training for the job position, the appropriate education, training, technology, and experience for our employees at all levels will be provided to cultivate the company's employees and meet the needs of the company's development, so that the employee development plan will be able to progress with the company's growth. Therefore, it will not only enhance the competitiveness of the company but also motivate the employees' self-development.

3. Retirement system and implementation status:

The company's pension system is conducted according to the Labor Pension Act. Every month, 6% of the employee's salary will be deposited into their personal account at the Labor Insurance Bureau. At present, all employees adopt the new retirement pension system. There was no employee who retired in 2020.

4. The status of the labor-management agreement:

The company adopts an open and two-way communication on policy promotion and employee opinions. Each hotel will conduct a monthly meeting to maintain a good relationship between employers and employees, and a labor-management meeting will be convened every three months for two-way communication.

(II) Losses due to labor disputes in the previous three years, and reveal the estimated amount for now and the future, and the measures in response:

1. The company's labor-management relations are harmonious and there is no loss due to labor disputes. The possibility of losses due to labor disputes in the future is extremely low.
2. Measures in response: Not applicable.

## VI. Important contracts

| Nature of contract | The party | Start date of the contract | Main content | Restriction |
|---|---|---|---|---|
| Lease contract | (Green-World- Sansui)<br>Lee O O et al. | 2020/01/01~~2030/12/31 | Lease for hotel and hotel operations | None |
| Lease termination contract | (Green World Songjiang)<br>Youyu Development Co., Ltd., etc. | Terminated on 2012/06/09 | Lease for hotel and hotel operations | None |
| Lease contract | (Green World Station)<br>Baisi Asset Management Co., Ltd. | 2013/06/15~~2028/06/14 | Lease for hotel and hotel operations | None |
| Lease contract | (Hotel ZhongHua)<br>Wanhua Enterprise Co., Ltd. | 2013/07/20~~2027/07/19 | Lease for hotel and hotel operations | None |
| Lease contract | (Hotel Jianpei)<br>Tokyo Marine Insurance Co., Ltd. | 2013/10/16~~2028/10/15 | Lease for hotel and hotel operations | None |
| Lease contract | (Hotel Linsen)<br>Green World Co., Ltd. | 2014/01/01~~2023/12/31 | Lease for hotel and hotel operations | None |
| Lease contract | (Hotel Nanjing)<br>Taiwan Sugar Association and Green World Co., Ltd. | 2014/03/01~~2034/02/28 | Lease for hotel and hotel operations | None |
| Lease contract | (New World Hotel)<br>Chen O O et al. | 2014/07/01~~2027/12/31 | Lease for hotel and hotel operations | None |
| Lease contract | (Green World Songshan)<br>Fentai Investment Co., Ltd., Liu OO et al | 2014/08/01~~2034/07/31 | Lease for hotel and hotel operations | None |
| Lease contract | (Green World Zhongxiao)<br>Jifu ZhongHua Investment Co., Ltd. | 2014/11/15~~2029/11/14 | Lease for hotel and hotel operations | None |
| Lease contract | (Green World Mai – Nanjing Branch Office)<br>Guangxing Asset Management Co., Ltd. | 2015/01/01~~2023/07/31 | Lease for hotel and hotel operations | None |

<table>
<tr><th>Nature of contract</th><th colspan="2">The party</th><th>Start date of the contract</th><th>Main content</th><th>Restriction</th></tr>
<tr><td>Lease contract</td><td colspan="2">(Green World Flora Division)<br>Green World Co., Ltd.</td><td>2016/10/01~~2026/12/31</td><td>Lease for hotel and hotel operations</td><td>None</td></tr>
<tr><td>Lease contract</td><td colspan="2">(Green World Mai – ZhongShan)<br>Longmei Industrial Co., Ltd.</td><td>2019/09/01~~2021/08/31</td><td>Lease for hotel and hotel operations</td><td>None</td></tr>
<tr><td>Lease termination contract</td><td colspan="2">(Green World Flora Main)<br>Green World Co., Ltd.</td><td>Terminated on 2020/07/15</td><td>Lease for hotel and hotel operations</td><td>None</td></tr>
<tr><td>Lease contract</td><td colspan="2">(Green World NanGang)<br>Minkai Construction Co., Ltd. and Quanguo gas station Co., Ltd.</td><td>2017/03/01~~2031/05/31</td><td>Lease for hotel and hotel operations</td><td>None</td></tr>
<tr><td>Lease contract</td><td colspan="2">(Head Office)<br>Green World Co., Ltd.</td><td>2017/11/01~~2023/12/31</td><td>Lease for hotel and hotel operations</td><td>None</td></tr>
<tr><td>Lease contract</td><td colspan="2">(Green World Triplebeds)<br>Green World Co., Ltd.</td><td>2018/03/01~~2038/12/31</td><td>Lease for hotel and hotel operations</td><td>None</td></tr>
<tr><td rowspan="2">Lease contract</td><td rowspan="2">Green World Mai – ZhongShan</td><td>Longmei Industrial Co., Ltd.</td><td>2019/09/01~~2021/03/31</td><td rowspan="2">Lease for hotel and hotel operations</td><td rowspan="2">None</td></tr>
<tr><td>Fu Rong Construction Co., Ltd.</td><td>2021/04/01~3021/08/31</td></tr>
<tr><td>Loan contract</td><td colspan="2">Sumitomo Mitsui Banking Corporation</td><td>2019/06/01~~2020/05/31</td><td>The short-term loan contract of one year</td><td>None</td></tr>
</table>

Note：

1. The lease of Green Word SongJiang was terminated early on 2020/06/09 due to the Covid-19 pandemic.
2. The lease of Flora Hotel Main Station was terminated early on 2020/07/15 due to the Covid-19 pandemic.

# Six. Overview of Financial Status

I. The condensed balance sheet and comprehensive income statement in the most recent five years

(I) Condensed balance sheet - International Financial Reporting Standards - Consolidated financial statement

Unit: NT$1,000

| Items \ Year | | Financial information in the most recent five years | | | | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Current assets | | 185,841 | 514,486 | 577,900 | 687,785 | 339,224 |
| Real property, factories, and equipment | | 1,124,440 | 1,290,266 | 1,256,031 | 1,181,816 | 957,037 |
| Intangible assets | | 470,266 | 451,671 | 426,903 | 414,287 | 83,286 |
| Other assets | | 205,504 | 213,202 | 3,797,476 | 3,544,826 | 2,954,014 |
| Total assets | | 1,986,051 | 2,469,625 | 6,058,310 | 5,828,714 | 4,333,561 |
| Current liabilities | Before distribution | 915,679 | 584,608 | 906,996 | 872,979 | 752,881 |
| | After distribution | 915,679 | 584,608 | 906,996 | 872,979 | Not yet distribution |
| Non-current liabilities | | 490,701 | 134,900 | 3,500,501 | 3,244,939 | 2,727,711 |
| Total liabilities | Before distribution | 1,406,380 | 719,508 | 4,407,497 | 4,117,918 | 3,480,592 |
| | After distribution | 1,406,380 | 719,508 | 4,407,497 | 4,117,918 | Not yet distribution |
| Rights and interests to the owners of the parent company | | 579,671 | 1,750,117 | 1,650,813 | 1,710,796 | 852,969 |
| Share capital | | 537,669 | 1,097,283 | 1,097,283 | 1,097,283 | 1,097,283 |
| Capital reserves | | 148,508 | 604,393 | 604,393 | 604,393 | 604,393 |
| Retained earnings | Before distribution | (106,506) | 48,441 | (50,863) | 9,120 | (848,707) |
| | After distribution | (106,506) | 48,441 | (50,863) | 9,120 | Not yet distribution |
| Other rights | | - | - | - | - | - |
| Treasury stock | | - | - | - | - | - |
| Non-controlling interest | | - | - | - | - | - |
| Rights and interests Total amount | Before distribution | 579,671 | 1,750,117 | 1,650,813 | 1,710,796 | 852,969 |
| | After distribution | 579,671 | 1,750,117 | 1,650,813 | 1,710,796 | Not yet distribution |

Note 1: As of the published date, the 2020 annual earrings distribution has not been approved by the shareholders meeting.
Note 2: The Company adopted the IFRS16 since 2019 and hence retroactively adjusts the affected subject matter in 2018.

(II) Condensed balance sheet - International Financial Reporting Standards - Individual financial statement

Unit: NT$1,000

| Items \ Year | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| | | Financial information in the most recent five years | | | | |
| Current assets | | 163,352 | 478,443 | 577,900 | 685,956 | 337,500 |
| Real property, factories, and equipment | | 972,754 | 1,147,058 | 1,256,031 | 1,181,816 | 957,037 |
| Intangible assets | | 463,045 | 444,470 | 426,903 | 414,287 | 83,286 |
| Other assets | | 231,128 | 363,411 | 3,797,476 | 3,546,615 | 2,955,738 |
| Total assets | | 1,830,279 | 2,433,382 | 6,058,310 | 5,828,674 | 4,333,561 |
| Current liabilities | Before distribution | 794,036 | 574,394 | 906,996 | 872,939 | 752,881 |
| | After distribution | 794,036 | 574,394 | 906,996 | 872,939 | Not yet distribution |
| Non-current liabilities | | 456,572 | 108,871 | 3,500,501 | 3,244,939 | 2,727,711 |
| Total liabilities | Before distribution | 1,250,608 | 683,265 | 4,407,497 | 4,117,878 | 3,480,592 |
| | After distribution | 1,250,608 | 683,265 | 4,407,497 | 4,117,878 | Not yet distribution |
| Rights and interests to the owners of the parent company | | 579,671 | 1,750,117 | 1,650,813 | 1,710,796 | 852,969 |
| Share capital | | 537,669 | 1,097,283 | 1,097,283 | 1,097,283 | 1,097,283 |
| Capital reserves | | 148,508 | 604,393 | 604,393 | 604,393 | 604,393 |
| Retained earnings | Before distribution | (106,506) | 48,441 | (50,863) | 9,120 | (848,707) |
| | After distribution | (106,506) | 48,441 | (50,863) | 9,120 | Not yet distribution |
| Other rights | | - | - | - | - | - |
| Treasury stock | | - | - | - | - | - |
| Non-controlling interest | | - | - | - | - | - |
| Rights and interests Total amount | Before distribution | 579,671 | 1,750,117 | 1,650,813 | 1,710,796 | 852,969 |
| | After distribution | 579,671 | 1,750,117 | 1,650,813 | 1,710,796 | Not yet distribution |

Note 1: The Company adopted the IFRS16 since 2019 and hence retroactively adjusts the affected subject matter in 2018.

Note 2: On August 8, 2019, the board of directors of the Company approved the short-form merger with the subsidiary Green World Hotel ZhongHua Co., Ltd. and hence the 2018 annual individual financial report was revised.

(III) Condensed comprehensive income statement - International Financial Reporting Standards - Consolidated financial statement

Unit: NT$1,000

| Items \ Year | Financial information in the most recent five years | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating revenue | 763,708 | 1,095,731 | 1,161,786 | 1,218,871 | 441,242 |
| Operating gross profit | 114,841 | 204,959 | 287,853 | 328,398 | (235,415) |
| Operating gain or loss | (22,663) | 61,320 | 108,181 | 135,258 | (320,477) |
| Non-operating gains and expenses | (80,959) | (10,739) | (94,038) | (76,332) | (481,940) |
| Net profit before tax | (103,622) | 50,581 | 14,143 | 58,926 | (802,417) |
| Net profit of the continual business unit in the current period | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Loss of not in-business unit | - | - | - | - | - |
| Net profit (loss) of the current period | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Other comprehensive profit and loss in the period (net value after tax) | - | - | - | - | - |
| Total comprehensive income in the current period | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Net profit belonging to the business owner of the parent company | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Net profit belonging to non-controlling interest | - | - | - | - | - |
| Total comprehensive income belonging to the business owner of the parent company | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Total comprehensive income belonging to the non-controlling interest | - | - | - | - | - |
| Earnings per share | (2.07) | 0.51 | 0.17 | 0.55 | (7.82) |

Note : The Company adopted the IFRS16 since 2019 and hence retroactively adjusts the affected subject matter in 2018.

(IV) Condensed comprehensive income statement - International Financial Reporting Standards - Individual financial statement

Unit: NT$1,000

| Items \ Year | Financial information in the most recent five years | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating revenue | 648,681 | 973,770 | 1,161,786 | 1,218,896 | 441,165 |
| Operating gross profit | 91,439 | 181,840 | 287,853 | 328,423 | (235,492) |
| Operating gain or loss | (41,777) | 48,128 | 108,181 | 135,520 | (320,414) |
| Non-operating gains and expenses | (64,729) | 313 | (94,038) | (76,594) | (482,003) |
| Net profit before tax | (106,506) | 48,441 | 14,143 | 58,926 | (802,417) |
| Net profit of the continual business unit in the current period | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Loss of not in-business unit | - | - | - | - | - |
| Net profit (loss) of the current period | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Other comprehensive profit and loss in the period (net value after tax) | - | - | - | - | - |
| Total comprehensive income in the current period | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Net profit belonging to the business owner of the parent company | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Net profit belonging to non-controlling interest | - | - | - | - | - |
| Total comprehensive income belonging to the business owner of the parent company | (106,506) | 48,441 | 18,778 | 59,983 | (857,827) |
| Total comprehensive income belonging to the non-controlling interest | - | - | - | - | - |
| Earnings per share | (2.07) | 0.51 | 0.17 | 0.55 | (7.82) |

Note 1: The Company adopted the IFRS16 since 2019 and hence retroactively adjusts the affected subject matter in 2018.
Note 2: On August 8, 2019, the board of directors of the Company approved the short-form merger with the subsidiary Green World Hotel ZhongHua Co., Ltd. and hence the 2018 annual individual financial report was revised.

(III) Names and comments of the certified public accountant from the most recent five years

| Year | Name of the accounting firm | Name of certified public accountant | Comment |
| --- | --- | --- | --- |
| Year 2016 | KPMG Taiwan | CHANG,SHU-YING and CHIH,SHIH-CHIN | No reserved comment |
| Year 2017 | KPMG Taiwan | CHANG,SHU-YING and CHIH,SHIH-CHIN | No reserved comment |
| Year 2018 | KPMG Taiwan | CHANG,SHU-YING and CHIH,SHIH-CHIN | No reserved comment |
| Year 2019 | KPMG Taiwan | CHANG, SHU-YING and CHIH, SHIH-CHIN | The audit report with no reserved comment and paragraphs of the emphasized matters |
| Year 2020 | KPMG Taiwan | CHANG, SHU-YING and CHIH, SHIH-CHIN | The audit report issued an unqualified opinion with emphasis of matter paragraph. |

II. Financial analysis of the most recent five years

(I) Financial analysis of the most recent five years - International Financial Reporting Standards - Consolidated financial statement

| Analysis item \ Year | | Financial analysis of the most recent five years | | | | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial structure | Ratio of debts to assets(%) | 70.81 | 29.13 | 72.75 | 70.65 | 80.32 |
| | Percentage of long-term funds to real property, factories and equipment(%) | 95.19 | 146.10 | 410.13 | 419.33 | 374.14 |
| Solvency | Current ratio(Note 1)(%) | 20.30 | 88.01 | 63.72 | 78.79 | 45.06 |
| | Quick ratio(Note 1)(%) | 17.38 | 84.91 | 61.16 | 76.73 | 43.11 |
| | Times interest earned ratio(times)(Note 2) | (273.70) | 543.54 | 115.02 | 167.03 | (897.57) |
| Management capacity | Receivables turnover (times)(Note 3) | 12.61 | 13.82 | 13.35 | 14.34 | 8.47 |
| | Average number of cash received days(Note 3) | 28.94 | 26.41 | 27.34 | 25.45 | 43.09 |
| | Inventory turnover (times) | NA | NA | NA | NA | NA |
| | Payable turnover (times) | 29.59 | 21.34 | 16.54 | 17.42 | 18.44 |
| | Average sales days | NA | NA | NA | NA | NA |
| | Real property, factories, and equipment turnover (times) (Note 4) | 0.70 | 0.90 | 0.91 | 0.99 | 0.41 |
| | Total asset turnover (times) (Note 4) | 0.39 | 0.49 | 0.19 | 0.21 | 0.09 |
| Profitability | Return on assets (%)(Note 5) | (4.30) | 2.60 | 1.51 | 2.19 | (15.62) |
| | Return on equity (%)(Note 5) | (18.67) | 4.16 | 1.14 | 3.57 | (66.92) |
| | Ratio of net profit before tax to the paid-in capital (%) (Note 6) | (19.27) | 4.61 | 1.29 | 5.37 | (73.13) |
| | Net profit rate (%)(Note 5) | (13.95) | 4.42 | 1.62 | 4.92 | (194.41) |
| | Earnings per share (NT$) (Note 5) | (2.07) | 0.51 | 0.17 | 0.55 | (7.82) |
| Cash flow | Ratio of cash flow (%) (Note 7) | 4.41 | 34.90 | 61.61 | 68.14 | 8.25 |
| | Cash Flow Adequacy Ratio (%)(Note 7) | (5.40) | 11.89 | 57.95 | 98.36 | 209.79 |
| | Cash reinvestment ratio (%) | 3.23 | 9.35 | 10.85 | 11.66 | 1.49 |
| Leverage | Operating leverage(%)(Note 8) | (40.66) | 21.94 | 12.68 | 11.04 | (1.89) |
| | Financial leverage(%)(Note 8) | 0.45 | 1.23 | 7.72 | 2.86 | 0.80 |

Please state the reason for the change in the financial percentage in the most recent two years. (If the rate of increased or decreased change is less than 20%, it can be exempted from analysis)

1. Current ratio and quick ratio: It was mainly caused by the decrease in current assets as the revenue decreased due to the Covid-19 pandemic in 2020.
2. Times interest earned ratio: It was mainly caused by the net loss before tax due to the Covid-19 pandemic in 2020.
3. The receivables turnover rate and the Average number of cash received days: It was mainly caused by the decrease in receivables as the revenue decreased due to the Covid-19 pandemic in 2020.
4. Real property, factories, and equipment turnover rate, and total asset turnover rate: It was mainly caused by the decrease in the revenue due to the Covid-19 pandemic in 2020.
5. Asset return rate, return on equity, net profit ratio and earnings per share: It was mainly caused by net profit after tax due to the Covid-19 pandemic in 2020.
6. .Ratio of net profit before tax to paid-up capital: It was mainly caused by the net loss before tax due to the Covid-19 pandemic in 2020.
7. Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: It was mainly caused by the decrease in the cash provided by operating activities due to the Covid-19 pandemic in 2020.
8. Operating leverage and financial leverage: It was mainly caused by the operating loss due to the Covid-19 pandemic in 2020.

## (II) Financial analysis of the most recent five years - International Financial Reporting Standards - Individual financial statement

| Year / Analysis item | | Financial analysis of the most recent five years | | | | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial structure | Ratio of debts to assets(%) | 68.33 | 28.08 | 72.75 | 70.65 | 80.32 |
| | Percentage of long-term funds to real property, factories and equipment(%) | 106.53 | 162.07 | 410.13 | 419.33 | 374.14 |
| Solvency | Current ratio(%)(Note 1) | 20.57 | 83.30 | 63.72 | 78.58 | 44.83 |
| | Quick ratio(%)(Note 1) | 17.44 | 80.40 | 61.16 | 76.53 | 42.88 |
| | Times interest earned ratio(times)(Note 2) | (327.68) | 599.44 | 115.02 | 167.03 | (897.57) |
| Management capacity | Receivables turnover (times)(Note 3) | 11.56 | 13.21 | 13.81 | 14.34 | 8.47 |
| | Average number of cash received days(Note 3) | 31.57 | 27.63 | 26.43 | 25.45 | 43.09 |
| | Inventory turnover (times) | NA | NA | NA | NA | NA |
| | Payable turnover (times) | 30.46 | 21.78 | 17.52 | 17.42 | 18.44 |
| | Average sales days | NA | NA | NA | NA | NA |
| | Real property, factories, and equipment turnover (times)(Note 4) | 0.68 | 0.91 | 0.91 | 0.99 | 0.41 |
| | Total asset turnover (times)(Note 4) | 0.36 | 0.46 | 0.19 | 0.21 | 0.09 |
| Profitability | Return on assets (%)(Note 5) | (4.74) | 2.65 | 1.51 | 2.24 | (15.57) |
| | Return on equity (%)(Note 5) | (18.67) | 4.16 | 1.14 | 3.57 | (66.92) |
| | Ratio of net profit before tax to the paid-in capital (%) (Note 6) | (19.81) | 4.41 | 1.29 | 5.37 | (73.13) |
| | Net profit rate (%)(Note 5) | (16.42) | 4.97 | 1.62 | 4.92 | (194.45) |
| | Earnings per share (NT$) (Note 5) | (2.07) | 0.51 | 0.17 | 0.55 | (7.82) |
| Cash flow | Ratio of cash flow (%)(Note 7) | 3.17 | 32.85 | 61.61 | 68.17 | 8.25 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Cash Flow Adequacy Ratio (%)(Note 7) | (6.56) | 10.51 | 58.58 | 100.59 | 221.18 |
| | Cash reinvestment ratio (%)(Note 7) | 2.12 | 8.94 | 10.85 | 11.67 | 1.49 |
| Leverage | Operating leverage(%)(Note 8) | (18.73) | 24.8 | 12.68 | 11.02 | (1.89) |
| | Financial leverage(%)(Note 8) | 0.63 | 1.25 | 7.72 | 2.85 | 0.80 |

Please state the reason for the change in the financial percentage in the most recent two years. (If the rate of increased or decreased change is less than 20%, it can be exempted from analysis)

1. Current ratio and quick ratio: It was mainly caused by the decrease in current assets as the revenue decreased due to the Covid-19 pandemic in 2020.
2. Times interest earned ratio: It was mainly caused by the net loss before tax due to the Covid-19 pandemic in 2020.
3. The receivables turnover rate and the Average number of cash received days: It was mainly caused by the decrease in receivables as the revenue decreased due to the Covid-19 pandemic in 2020.
4. Real property, factories, and equipment turnover rate, and total asset turnover rate: It was mainly caused by the decrease in the revenue due to the Covid-19 pandemic in 2020.
5. Asset return rate, return on equity, net profit ratio and earnings per share: It was mainly caused by net profit after tax due to the Covid-19 pandemic in 2020.
6. Ratio of net profit before tax to paid-up capital: It was mainly caused by the net loss before tax due to the Covid-19 pandemic in 2020.
7. Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: It was mainly caused by the decrease in the cash provided by operating activities due to the Covid-19 pandemic in 2020.
8. Operating leverage and financial leverage: It was mainly caused by the operating loss due to the Covid-19 pandemic in 2020.

## (III) Financial analysis of the most recent five years - ROC Financial Reporting Standards - Individual financial statement

Unit: NT$1,000

| Analysis item \ Year | | Financial analysis of the most recent five years | | | | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial structure (%) | Ratio of debts to assets | | | | | |
| | Ratio of long-term capital to fixed assets | | | | | |
| Solvency (%) | Current ratio | | | | | |
| | Quick ratio | | | | | |
| | Times interest earned ratio | | | | | |
| Management capacity | Receivable turnover rate (times) | | | | | |
| | Average number of cash received days | | | | | |
| | Inventory turnover rate (times) | | | | | |
| | Payable turnover rate (times) | | | | | |
| | Average sales days | | | | | |
| | Fixed asset turnover rate (times) | | | | | |
| | Total asset turnover rate (times) | | | | | |

| Analysis item \ Year | | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| | | | Financial analysis of the most recent five years | | | | |
| Profitability | Return on assets (%) | | | | | | |
| | Return on shareholders' equity (%) | | | | | | |
| | Ratio of occupied paid-in capital (%) | Operating revenue | | | | | |
| | | Net benefit before tax | | | | | |
| | Net profit rate (%) | | | | | | |
| | Earnings per share (dollars) | | | | | | |
| Cash flow | Cash flow ratio (%) | | | | | | |
| | Cash Flow Adequacy Ratio (%) | | | | | | |
| | Cash reinvestment ratio (%) | | | | | | |
| Leverage | Operating leverage | | | | | | |
| | Financial leverage | | | | | | |

III. The Audit Committee’s Review report of the annual financial report in the most recent year

# Green World Hotels Co., Ltd.

# The Audit Committee’s Review Report

The company’s board of directors has prepared and submitted the 2020 business report, the profit distribution table, and the individual financial statements and consolidated financial statements audited by accountants Chang, Shu-Ying and Chih, Shih-Chin of the KPMG Taiwan. We, as Audit Committee’s of Green World Hotels Co., Ltd., hereby declare that we have reviewed and verified the abovementioned documents and that they are in compliance with the provisions of Article 219 of the Company Act and relevant laws and regulations. For your honor’s verification.

Sincerely yours,

Green World Hotels Co., Ltd.; The 2021 Annual General Meeting of Shareholders

Chairman of Audit Committee: Convener of Audit Committee: Liu, Shui-Sheng

Date: April 15, 2021

IV. The consolidated annual financial report in the most recent year: It includes the auditor's auditing report, comparison balance sheet of two years, comprehensive income statement, statement of changes in equity, statement of cash flows and the notes or annexes: please refer to Appendix 1 for details.

V. The individual financial report in the most recent year that is audited by the accountant: please refer to Appendix 2 for details.

VI. If the company and its affiliated companies have encountered financial turnover difficulty in the most recent year and as of the published date of the annual report, the impact on the financial status of the company should be stated: Not available.

# Seven. Financial status and financial performance

I. Financial status

Unit: NT$1,000

| Year / Item | Year 2019 | Year 2020 | Increase (or decrease) amount | Change ratio |
|---|---|---|---|---|
| Total assets P. | 5,828,714 | 4,333,561 | (1,495,153) | (25.65%) |
| Total liabilities | 4,117,918 | 3,480,592 | (637,326) | (15.48%) |
| Total shareholders' equity | 1,710,796 | 852,969 | (857,827) | (50.14%) |

In the previous and late period, the change was more than 20%, and the change amount was more than 10,000 dollars. The main reason is:

1. Total asset:It was mainly caused by the decrease in assets as the occupancy rate and average room price decreased due to the Covid-19 pandemic in 2020.
2. Total shareholders' equity: It was mainly caused by the material operating loss due to the Covid-19 pandemic in 2020.

II. Financial performance

Unit: NT$1,000

| Year / Item | Year 2019 (Note) | Year 2020 | Increase (or decrease) amount | Change ratio |
|---|---|---|---|---|
| Net operating revenue | 1,218,871 | 441,242 | (777,629) | (63.80%) |
| Operating profit (loss) | 135,258 | (320,477) | (455,735) | (336.94%) |
| Net profit (loss) before tax | 58,926 | (802,417) | (861,343) | (1,461.74%) |

Note : The Company adopted the IFRS16 since 2019 and hence retroactively adjusts the affected subject matter in 2018.

(I)Analysis and description of the rate of increased or decreased change: (the rate of increased or decreased change is 20% or more, or the amount of change reaches 10 million dollars)

1. Net operating revenue: It was mainly caused by the decrease in the occupancy rate and average room price due to the Covid-19 pandemic in 2020.
2. Operating revenue (loss): It was mainly caused by the material operating loss due to the Covid-19 pandemic in 2020.
3. Net profit (loss) before tax: It was mainly caused by the material operating loss due to the Covid-19 pandemic in 2020.

(II)The expected sales quantity and its reference, and the possible impact on the company's future financial operations and its plan in response

The number of hotels owned by the company has reached to a certain scale. Depending on the operational circumstances and the condition of market supply and demand, the company will determine whether to expand to the areas outside of Taipei or Taiwan. The company will continue to enhance the sales and marketing on the official website, increase the added value of the hotels, increase the overall operating revenue.

III. Cash flow

(I) Analysis of change in cash flows in the current year

Unit: NT$1,000

| Cash balance at the initial stage | Net cash flow of business operations throughout the year | Annual total of cash inflow (outflow) | Remaining (insufficient) amount of cash | Remedial measures for insufficient cash |
|---|---|---|---|---|
| 334,636 | 62,112 | (31,524) | 303,112 | 無 |

The net cash inflows of the Company’s business operations in 2020 was 62,112 NTD, which was mainly from Reduce costs and expenses, thus the company does not have a shortage of funding.

(II) Current analysis and improvement plan for insufficient current: The improvement plan for cash shortage is not applicable.

(III) Analysis of cash flow for the coming year

As of the first quarter of 2021, the Company’s cash equivalents were approximately252,346 NTD which is expected to be used for the daily operational costs. There is no major equipment investment or business expansion planned for the coming year. On the basis of current operating conditions, insufficientcash flow is not applicable to the company.

IV. The impact of major capital expenditures on financial operations in the most recent year:

There were no major capital expenditures in the most recent year.

V. The policy for the reinvested business in the most recent year, and the main reason for the profits or losses of the reinvestment, its improvement plan, and the investment plan for the coming year:

The recent annual loss was mainly caused by the Covid-19 pandemic. Non-emergency investments will be suspended in order to minimize cash expenditures. Our business operations will be conducted mainly on the three strategies: "sales strategy," "cost reduction strategy," and "fund management strategy." There will be no reinvestment plan in the next year.

VI. Risk assessment

(I) The impact of interest rate, exchange rate, and inflation on the company’s profit and loss and the adopted response measures in the future

1. The impact of changes in interest rate on the company’s profit and loss and the adopted response measures in the future

(1) The impact of changes in interest rate on the company’s profit and loss

At present, the bank interest rate for loans is low and du to Covid-19. In addition, the debt ratio of the company has decreased from 71% in 2019 to 81% in the current year, thus the interest rate has a relatively low impact on the current profit and loss of the company.

(2) The response measures for changes of interest rate in the future:

Careful assessment of investment strategies and enhancement of operating efficiency to prevent investment with excessive debt and effective reduction of debt.

2. The impact of exchange rate changes on the company’s operations and revenue, and the response measures in the future

(1) The impact of exchange rate changes on the company’s operations and revenue

The company offers foreign currency exchange service to hotel guests according to the exchange rate provided by the Bank of Taiwan. However, the exchange amount is not large, hence it does not have a significant impact on the company’s operations and revenue.

(2) The specific measures adopted by the company to respond to the changes in exchange rate:

The foreign currency purchased by the company will be exchanged to Taiwanese currency in a short period of time. Therefore, the amount of foreign currency remaining on the account is not very high and the changes in exchange rate do not have a significant impact on the company.

3. The impact of inflation on the company's profit and loss and future response measures

The government in Taiwan has a good control over the inflation condition, thus there is no inflation-related issue at present. If inflation occurs, the company will stipulate response measures depending on the circumstances in the future.

(II) The main reasons and future response measures for engaging the high-risk investment, high-leverage investment, loans to others, endorsement guarantees, and trading of derivative commodities.

The Company does not engage in any high-risk investments, high-leverage investments, loans to others, endorsement guarantees, and trading of derivative commodities.

(III) The future R&D plan and the estimated expenditures for R&D

The company is the hotel industry. In addition to investing in intelligent hotels, the company currently does not have any plan for research and development.

(IV) The impact of domestic or international amendment of the important policies and laws, on the company's financial operations and its measures in response

The company always pays close attention to the domestic and international amendment of important policies and laws that may affect the company's operations, and the company will consult relevant legal experts in necessary. As of the published date of the annual report, the changes in the relevant laws and regulations have no significant impact on the Company.

(V) The impact of changes in the technology and industry on the company's financial operations and the measures in response

1. The impact of changes in the technology and industry on the company's financial operations

The cross-strait relations will affect the number of Chinese tourists traveling to Taiwan. Although the company has adopted a diverse business strategy for the sources of hotel guests, the impact is still inevitable.

2. The measures in response to the changes in the technology and industry

In addition to actively developing the Southeast Asia market and the Muslim market to increase revenue for shareholders, we also invest in intelligent hotels to reduce the manpower costs and actively enhance the operational efficiency of the official website.

(VI) The impact of corporate image changes on the corporate crisis management and the measures in response

The corporate image shall be ethical and illegal interests shall be avoided. The culture of the company has always been focusing on this principle. Therefore, the integrity of corporate governance has become the essence of the company.

(VII) The expected benefit and possible risk of mergers or acquisitions, and the measures in response

1. The expected benefits and possible risks of mergers or acquisitions

The company had merged the Green World Flora Main/Division, Green World Mai – ZhongShan, Green World Triplebeds and Zhonghua Bran from 2016 to the first quarter of 2020. On the basis of the result of business operations in 2018 and the first quarter of 2020, it had generated benefits for the company. However, the possible risk is that the business operations of the newly incorporated hotels are not as expected.

2. The expected benefit and possible risk of mergers or acquisitions, and the measures in response

Carry out careful assessment of the target acquisition, determine whether it meets the requirements of the market, and then conduct the investment and acquisition according to the financial/business operations indicators such as the financial structure, operating forecast, and cash flows.

(VIII) The expected benefits and possible risk of the expansion of the factory and the measures in response

The Company currently does not have a plan for factory expansion, thus it is not applicable.

(IX) The risk encountered for the high quantity of incoming or outgoing products, and the measures in response

1. The risk encountered for the high quantity of incoming or outgoing products

The main revenue source of the company is from the sales of hotel rooms. The sales channels include the travel agency, OTA channel, and the official website. However, the only risk of sales is that the majority of the company’s customers come from Japan.

The company’s main purchased products include the hotel room supplies and fresh foods. The supply status is very stable and there are many hotel room supply vendors, thus there is no risk for the purchase of hotel room supplies.

2. The risk encountered for the high quantity of outgoing products and the countermeasures

Develop customer groups other than in the Japanese market and use various sales channels to reduce the risk of customers coming from the same region.

(X) The impact of a large transfer or replaced amount of shares on the company, by the directors, supervisors, or major shareholders holding more than 10% of the total issued shares of the company, and the risk and countermeasures:This condition does not apply.

(XI) The impact of changes in management on the company, and risk and measures in response

This condition does not apply.

(XII) Litigation or non-litigation incident

1. The company’s major litigation, non-litigation, or administrative disputes in the process: None.

2. The major litigation, non-litigation, or administrative disputes with determined judgment for the directors, supervisors, general manager of the Company, or major shareholders holding more than 10% of the total issued shares of the company in the current year: None.

(XIII) Other important risks and countermeasures: None.

VII. Other important matters: None.

# Eight. Special notes or remarks

I. Related information of the affiliated companies:

1. Organization status of the affiliated companies:

(1) Organization chart of the affiliated companies:

**Green World Hotels Co., Ltd.**

**Green World Solutions CO., LTD**

Note: The subsidiary Green World Solution Co., Ltd. was dissolved on May 25, 2020 with the approval of the Board of Directors, and the dissolution base date was June 2, 2020. Since the liquidation process is still undergoing, the company still has control over the subsidiary.

(2) Basic information of all affiliated companies:

Date of the information: April 30, 2019

<table>
<tr><th colspan="2">Company Name</th><th>Date of establishment</th><th>Address</th></tr>
<tr><td colspan="2">Green World Solutions CO., LTD</td><td>2019.6.20</td><td>3F, No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)</td></tr>
<tr><th colspan="3">Paid-up capital</th><th>Main business operations or production items</th></tr>
<tr><td>NTD</td><td colspan="2">5,000,000</td><td>Manpower dispatch and management consultation industry</td></tr>
</table>

(3) The shareholders who are assumed to have the controlling and affiliation relations: not available.

(4) The overall business operated by the affiliated companies: the business operations operated by the company and the company’s affiliated companies include: the hotel industry.

(5) Information of directors, supervisors, and general manager of all affiliated companies:

April 30, 2020 Unit: shares /%

<table>
<tr><th rowspan="2">Company Name</th><th rowspan="2">Position</th><th rowspan="2">Name or representative</th><th colspan="2">Holding shares</th></tr>
<tr><th>Number of shares (Note 1)</th><th>Number of shares (Note 1)</th></tr>
<tr><td>Green World Solutions CO., LTD</td><td>Chairman</td><td>Green World Hotels Co., Ltd.<br>Representative: HSIEH,HSIEN-CHIH</td><td>500,000</td><td>100%</td></tr>
</table>

Note 1: If the invested company is a limited company, the shareholding information refers to the number of shares and the shareholding ratio. For all the others, the information refers to the capital contribution and the capital contribution ratio.

2. Business operations overview of the affiliated companies

(1) The financial status and operating results of all affiliated companies:

December 31, 2019 Unit: NT (dollars)

<table>
<tr><th>Company Name</th><th>Capital amount</th><th>Total assets</th><th>Total liabilities</th><th>Net value</th></tr>
<tr><td>Green World Solutions CO., LTD</td><td>5,000,000</td><td>4,724,033</td><td>0</td><td>4,724,033</td></tr>
<tr><th>Operating revenue</th><th>Operating revenue</th><th colspan="2">After tax in the current period (loss) profit</th><th>per share after tax (loss) profit (dollars)</th></tr>
<tr><td>95,280</td><td>(63,307)</td><td colspan="2">(65,348)</td><td>(0.13)</td></tr>
</table>

(2) The consolidated financial statements, relationship report of the affiliated companies: Please refer to Appendix 1 for details.

II. The status of the privately placed securities in the most recent year and as of the published date of the annual report: None

III. The status of the company holding or disposing of the company's shares in the most recent year and as of the published date of the annual report: None

IV. Other matters and supplementary explanations: None

**Nine.** The occurrence of matters that have a significant impact on shareholders' rights and interests or the price of securities, as stipulated in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act.

# Appendix

The 2020 Consolidated Financial Report

The 2020 Annual Individual Financial Report

Stock Code:8077

# GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

**Consolidated Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended December 31, 2021 and 2020**


Address: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)

Telephone: (02)2562-0018

## Representation Letter

The entities that are required to be included in the combined financial statements of Green World Hotels Co., Ltd. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Green World Hotels Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Green World Hotels Co., Ltd.
Chairman: Hsien-Chih Hsieh
Date: February 24, 2021

# Independent Auditors' Report

To the Board of Directors of Green World Hotels Co., Ltd.:

**Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of right-of-use assets, intangible assets , property, plant and equipment:

   Refer to Notes 4(i) "Leases", 4(h), "Property, plant and equipment", 4(j) "Intangible assets", 6(d) "Right-of-use assets", 6(c) "Property, plant and equipment" and 6(e) "Intangible assets" to the consolidated financial statements for the accounting policy and the details of the information.

Description of key audit matter

As of December 31 2020, the carrying amounts of right-of-use assets, intangible assets, property, plant and equipment, constitute 88% of the total assets of the Group. Since the aforementioned assets are affected by industry competition, government policy, and economic environment, as well as the COVID-19 pandemic in the beginning of 2020, the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimating the carrying amount of right-of-use assets, intangible assets, property, plant and equipment. We pay more attention to the appropriateness of the assumptions, estimates and judgments of the future discounted cash flows during the audit process.

How the matter was addressed in our audit

We cast professional skepticism on management's impairment assessing model. The work includes evaluating whether management has identified all cash-generating units which might have impairments and considering whether all the assets which need to be tested have been included in the impairment assessment.

We also review the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash-based revenue, and cost increase rate). We verify the reasonableness of the assumptions and the accuracy of management's calculation based on available data.

**Emphasis of Matter**

As stated in Note 6(c), (e), and 10 to the consolidated financial statements, the COVID-19 pandemic has led to the decrease of the Group's occupancy rates and average room rates, thereby influencing its operation. Therefore, as of December 31, 2020, the management recognized the impairment losses of property, plant, and equipment, and intangible assets, amounting to $120,730 thousand and $319,823 thousand, respectively. Our opinion is not modified in respect of this matter.

**Other Matter**

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion with emphasis of matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

**Auditor's 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 auditor's 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 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 Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Shu-Ying Chang and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2021

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
## Consolidated Balance Sheets
## December 31, 2020 and 2019
**(expressed in thousands of New Taiwan Dollar)**

| | | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 303,112 | 7 | 334,636 | 6 |
| 1150 | Notes receivable, net (note 6(b), (n) and 7) | 569 | - | 29,277 | 1 |
| 1170 | Accounts receivable, net (note 6(b), (n) and 7) | 19,731 | - | 54,521 | 1 |
| 1220 | Current tax assets | 95 | - | 234 | - |
| 1476 | Other current financial assets (note 6(a) and (f)) | 1,040 | - | 251,191 | 4 |
| 1479 | Other current assets | 14,677 | - | 17,926 | - |
| | | 339,224 | 7 | 687,785 | 12 |
| | **Non-current assets:** | | | | |
| 1600 | Property, plant and equipment (note 6(c)) | 957,037 | 22 | 1,181,816 | 20 |
| 1755 | Right-of-use assets (note 6(d)) | 2,756,253 | 64 | 3,278,251 | 56 |
| 1780 | Intangible assets (note 6(e)) | 83,286 | 2 | 414,287 | 7 |
| 1840 | Deferred tax assets (note 6(k)) | 44,590 | 1 | 100,000 | 2 |
| 1980 | Other non-current financial assets(note 6(f), 7 and 8) | 153,171 | 4 | 166,504 | 3 |
| 1990 | Other non-current assets | - | - | 71 | - |
| | | 3,994,337 | 93 | 5,140,929 | 88 |
| | **Total assets** | **$ 4,333,561** | **100** | **5,828,714** | **100** |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets (CONT'D)

## December 31, 2020 and 2019

**(expressed in thousands of New Taiwan Dollar)**

| | | December 31, 2020 | | | December 31, 2019 | |
|---|---|---|---|---|---|---|
| | **Liabilities and Equity** | | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | | |
| 2100 | Short-term borrowings (note 6(g) and 7) | $ | 350,000 | 8 | 390,000 | 7 |
| 2130 | Current contract liabilities (note 6(n)) | | 13,324 | - | 10,587 | - |
| 2150 | Notes payable | | 480 | - | 1,242 | - |
| 2170 | Accounts payable (note 7) | | 22,445 | 1 | 49,212 | 1 |
| 2200 | Other payable (note 6(c), (o) and 7) | | 25,084 | 1 | 55,473 | 1 |
| 2280 | Current lease liabilities (note 6(h) and 7) | | 340,867 | 8 | 365,054 | 6 |
| 2399 | Other current liabilities | | 681 | - | 1,411 | - |
| | | | 752,881 | 18 | 872,979 | 15 |
| | **Non-Current liabilities:** | | | | | |
| 2580 | Non-current lease liabilities (note 6(h) and 7) | | 2,726,583 | 63 | 3,243,711 | 56 |
| 2645 | Guarantee deposits | | 1,128 | - | 1,228 | - |
| | | | 2,727,711 | 63 | 3,244,939 | 56 |
| | **Total liabilities** | | 3,480,592 | 81 | 4,117,918 | 71 |
| | **Equity attributable to owners of parent (notes 6(l)):** | | | | | |
| 3100 | Capital stock | | 1,097,283 | 25 | 1,097,283 | 19 |
| 3200 | Capital surplus | | 604,393 | 14 | 604,393 | 10 |
| 3310 | Legal reserve | | 8,943 | - | 8,923 | - |
| 3350 | Unappropriated retained earnings (accumulated deficit) | | (857,650) | (20) | 197 | - |
| | **Total equity** | | 852,969 | 19 | 1,710,796 | 29 |
| | **Total liabilities and equity** | $ | 4,333,561 | 100 | 5,828,714 | 100 |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2020 and 2019

## (expressed in thousands of New Taiwan Dollar , except earnings per share)

| | | 2020 | | | 2019 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| 4000 | **Operating revenues (note 6(n) and 7)** | $ | 441,242 | 100 | 1,218,871 | 100 |
| 5000 | **Operating costs (note 6(c), (d), (e), (j) and 7)** | | 676,657 | 153 | 890,473 | 73 |
| | **Gross profit from operations** | | (235,415) | (53) | 328,398 | 27 |
| | **Operating expenses (note 6(c), (d), (e), (h), (j) and 7):** | | | | | |
| 6100 | Selling expenses | | 66,288 | 15 | 122,616 | 10 |
| 6200 | Administrative expenses | | 48,857 | 11 | 70,524 | 6 |
| | **Operating expenses** | | 115,145 | 26 | 193,140 | 16 |
| 6500 | Net other income (expenses)(note 6(p)) | | 30,083 | 7 | - | - |
| | **Operating income(expenses)** | | (320,477) | (72) | 135,258 | 11 |
| | **Non-operating income and expenses (note 6(c), (e), (q) and 7):** | | | | | |
| 7100 | Interest income | | 3,158 | 1 | 3,329 | - |
| 7020 | Other gains and losses, net | | (404,661) | (92) | 8,245 | 1 |
| 7050 | Finance costs | | (80,437) | (18) | (87,906) | (7) |
| | | | (481,940) | (109) | (76,332) | (6) |
| 7900 | **Profit (loss) before income tax** | | (802,417) | (181) | 58,926 | 5 |
| 7950 | Less: Income tax expenses (gains) (note 6(k)) | | 55,410 | 13 | (1,057) | - |
| | **Profit (Loss)** | | (857,827) | (194) | 59,983 | 5 |
| 8300 | **Other comprehensive income, net** | | - | - | - | - |
| 8500 | **Comprehensive income** | **$** | **(857,827)** | **(194)** | **59,983** | **5** |
| | **Profit attributable to:** | | | | | |
| 8610 | Owners of parent | **$** | **(857,827)** | **(194)** | **59,983** | **5** |
| | **Comprehensive income attributable to:** | | | | | |
| 8710 | Owners of parent | **$** | **(857,827)** | **(194)** | **59,983** | **5** |
| | **Basic earnings per share (note 6(m))** | | | | | |
| 9710 | Basic earnings (loss) per share (NT dollars) | **$** | | **(7.82)** | | **0.55** |
| 9810 | Diluted earnings (loss) per share (NT dollars) | **$** | | **(7.82)** | | **0.55** |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2020 and 2019**

**(expressed in thousands of New Taiwan Dollar)**

| | Equity attributable to owners of parent | | | | | |
|---|---|---|---|---|---|---|
| | | | Retained earnings | | | |
| | Capital stock | Capital surplus | Legal reserve | Unappropriated retained earnings | Total equity attributable to owners of parent | Total equity |
| **Balance on January 1, 2019 (restated)** | $ 1,097,283 | 604,393 | 4,844 | (55,707) | 1,650,813 | 1,650,813 |
| Profit for the year ended December 31, 2019 | - | - | - | 59,983 | 59,983 | 59,983 |
| Other comprehensive income for the year ended December 31, 2019 | - | - | - | - | - | - |
| Comprehensive income for the year ended December 31, 2019 | - | - | - | 59,983 | 59,983 | 59,983 |
| Appropriation and distribution of retained earnings: | | | | | | |
| Legal reserve appropriated | - | - | 4,079 | (4,079) | - | - |
| **Balance on December 31, 2019** | 1,097,283 | 604,393 | 8,923 | 197 | 1,710,796 | 1,710,796 |
| (Loss) for the year ended December 31, 2020 | - | - | - | (857,827) | (857,827) | (857,827) |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | - | - |
| Comprehensive income for the year ended December 31, 2020 | - | - | - | (857,827) | (857,827) | (857,827) |
| Appropriation and distribution of retained earnings: | | | | | | |
| Legal reserve appropriated | - | - | 20 | (20) | - | - |
| **Balance on December 31, 2020** | **$ 1,097,283** | **604,393** | **8,943** | **(857,650)** | **852,969** | **852,969** |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the years ended December 31, 2020 and 2019

## (expressed in thousands of New Taiwan Dollar)

| | | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **(Loss) profit before tax** | $ | (802,417) | 58,926 |
| **Adjustments:** | | | |
| **Adjustments to reconcile profit:** | | | |
| Depreciation expense | | 487,027 | 512,439 |
| Amortization expense | | 19,735 | 22,029 |
| Interest expense | | 80,437 | 87,906 |
| Interest income | | (3,158) | (3,329) |
| Impairment loss on non-financial assets | | 440,553 | 150 |
| Loss (gain) on lease termination | | (27,891) | - |
| Loss (gain) from disposal of property, plant and equipment | | (1,862) | - |
| Loss (gain) from disposal of intangible assets | | 129 | - |
| Rent concessions | | (62,211) | - |
| **Total adjustments to reconcile profit** | | 932,759 | 619,195 |
| **Changes in operating assets and liabilities:** | | | |
| Notes receivable | | 28,708 | (1,337) |
| Accounts receivable | | 34,790 | 3,653 |
| Other current assets | | (947) | 5,219 |
| Other financial assets | | 151 | 467 |
| Contract liabilities | | 2,737 | 1,615 |
| Notes payable | | (762) | (2,908) |
| Accounts payable | | (26,767) | 1,615 |
| Other payable | | (28,270) | 633 |
| Other current liabilities | | (730) | (356) |
| **Total changes in operating assets and liabilities** | | 8,910 | 8,601 |
| **Total adjustments** | | 941,669 | 627,796 |
| Cash inflow generated from operations | | 139,252 | 686,722 |
| Interest received | | 3,158 | 3,329 |
| Interest paid | | (80,437) | (88,271) |
| Income taxes paid | | 139 | (6,954) |
| **Net cash flows from operating activities** | | 62,112 | 594,826 |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (CONT'D)

## For the years ended December 31, 2020 and 2019

**(expressed in thousands of New Taiwan Dollar)**

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of property, plant and equipment | (19,370) | (56,307) |
| Proceeds from disposal of property, plant and equipment | 2,857 | - |
| Acquisition of intangible assets | (4,419) | (8,686) |
| Decrease (increase) in other financial assets | 263,333 | (99,741) |
| **Net cash flows from (used) in investing activities** | 242,401 | (164,734) |
| **Cash flows from (used in) financing activities:** | | |
| Decrease in short-term borrowings | (40,000) | (40,000) |
| (Decrease) increase in guarantee deposits received | (100) | 400 |
| Payment of lease liabilities | (295,937) | (362,646) |
| **Net cash flows from (used in) financing activities** | (336,037) | (402,246) |
| **Net (decrease) increase in cash and cash equivalents** | (31,524) | 27,846 |
| **Cash and cash equivalents at beginning of period** | 334,636 | 306,790 |
| **Cash and cash equivalents at end of period** | **$ 303,112** | **334,636** |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(expressed in thousands of New Taiwan Dollar unless otherwise specified)**

**(1) Company history**

GREEN WORLD HOTELS CO., LTD. (the "Company"), which was original named U Chain Technology Co., Ltd. The Company was established in accordance with the Company Act of the Republic of China, and began running business on July 22, 1994. The Company changed its organization type to a company limited by shares in January 1996, and changed its name to "Applied Vacuum Coating Technologies Co., Ltd." in May 1997. The Company's common shares were listed on the Taipei Exchange(TPEx) on December 6, 2004.

A resolution was passed during the general shareholders' meeting held on June 26, 2015, for changing its name to "Green World Hotel Co., Ltd.", and a resolution of short form merger with the subsidiary Green World Hotel Co., Ltd. was passed during the meeting of Board of Directors held on August 11, 2015. The two parties merged in accordance with the Business Mergers and Acquisitions Act, the date of merger was set on October 1, 2015. After the merger, the Company is the survival one, and the subsidiary is eliminated.

The short-form merger was completed and approved in accordance with Ruling No.10401220100 issued by the Ministry of Economy on December 7, 2015.

A resolution of short-form merger with subsidiary, Green World Hotel ZhongHua Co., Ltd., was passed during the meeting of Board of Directors held on August 8, 2019, with the Company being the sole surviving entity. The date of merger was set on October 1, 2019, and the related registration procedure was completed and approved in accordance with Ruling No. 10801146200 issued by the Ministry of Economy on November 18, 2019.

The major business activities of the Group is Hotels and Restaurants Operation.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issuance by the Board of Directors on February 24, 2021.

**(3) New standards, amendments and interpretations adopted:**

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The details of impact on the Group's adoption of the new amendments beginning January 1, 2020 are as follows:

(i) Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(i).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit for the year ended December 31, 2020 was $62,211 thousand.

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group’s consolidated financial statements:

● Amendments to IFRS 3 “Definition of a Business”

● Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”

● Amendments to IAS 1 and IAS 8 “Definition of Material”

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

● Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”

● Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform －Phase 2”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.<br>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated in Note 3, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

## GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group' s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries included in the consolidated financial statement:

| Investor | Subsidiary | Nature of business | Shareholding ratio December 31, 2020 | Shareholding ratio December 31, 2019 | Notes |
|---|---|---|---|---|---|
| The company | Green World Hotel ZhongHua Co., Ltd. | Hotels | - % | - % (Note 1) | The Company holds more than 50% of the investee' s shares. |
| The company | Green World Solutions Co., Ltd. | Human Resources | 100% (Note 2) | 100% | The Company holds more than 50% of the investee' s shares. |

Note 1: A resolution of short-form merger with subsidiary, Green World Hotel ZhongHua Co., Ltd., was passed during the meeting of Board of Directors held on August 8, 2019, with the Company being the sole surviving entity. The date of merger was set on October 1, 2019, and the related registration procedure was completed and approved in accordance with Ruling No. 10401220100 issued by the Ministry of Economy on November 18, 2019.

Note 2: Approved by the board of directors, the subsidiary, Green World Solutions Co., Ltd. was liquidated on May 25, 2020, with the base date set on June 2, 2020. The entity has not lost control over its subsidiary due to the ongoing process of liquidation.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(i) an investment in equity securities designated as at fair value through other comprehensive income;

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

An entity shall classify an assets as current when:

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL.

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due.

The Group considers time deposits to have low credit risk, since the counterparties are financial institutions with good rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization； or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 90 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’ s procedures for recovery of amounts due.

3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings 21 years
- Transportation equipment 8 years
- Leasehold improvements 2~19 years
- Other equipment 3~12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

   - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

   - the relevant decisions about how and for what purpose the asset is used are predetermined and:

     - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

     - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When assessing at inception of a contract or reassessing whether a contract contains a lease, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component, instead.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

1) the rent concessions occurring as a direct con sequence of the COVID-19 pandemic;

2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

3) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

4) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

(j) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- Trademark 10 years
- Customer relationships 10 years
- Computer software 1~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Recognition of revenue

(i) Revenue from contracts with customers

The Group provides catering, room accommodation, leasing and business management services to customers. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a service to a customer. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(m) Government grants and government assistance

The Group recognizes an unconditional government grant related to operation in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities ; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Impairment of right-of-use assets, property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of right-of-use assets, property, plant, and equipment, and intangible assets, the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash based revenue, and cost increase rate) are affected by uncertainties of industry competition, government policy, and economic environment, and the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimating the carrying amount of right-of-use assets, intangible assets, property, plant, and equipment. Please refer to note 6(c), (d), and (e) for further description of recoverable amount and impairment assessment.

## (6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Cash and petty cash | $ | 1,562 | 3,196 |
| Demand deposits | | 301,550 | 330,950 |
| Check deposit | | - | 490 |
| Cash and cash equivalents in the consolidated statement of cash flows | $ | 303,112 | 334,636 |

Please refer to note 6(r) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

As of December 31, 2020 and 2019, the bank time deposits with original maturities of more than three months are $0 thousand and $250,000 thousand, respectively, and presented as other current financial assets.

(b) Notes and trade receivables

| | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Notes receivables (including related party) | $ | 569 | 29,277 |
| Trade receivables (including related party)-measured at amortized cost | | 19,731 | 54,531 |
| Less: Loss allowance | | - | (10) |
| | $ | 20,300 | 83,798 |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

| | | December 31, 2020 | | |
|---|---|---|---|---|
| | | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ | 20,281 | 0% | - |
| 1 to 60 days past due | | 19 | 0% | - |
| | $ | 20,300 | | - |

| | December 31, 2019 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ 83,788 | 0% | - |
| 1 to 60 days past due | 10 | 0% | - |
| More than 181 days past due | 10 | 100% | 10 |
| | $ 83,808 | | 10 |

The movement in the allowance for notes and trade receivables were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Balance at January 1 | $ 10 | 10 |
| Amounts written off | (10) | - |
| Balance at December 31 | $ - | 10 |

As of December 31, 2020 and 2019, the Group didn’t provide any receivables as collateral for its borrowings.

(c) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were as follows:

| | Land | Buildings and construction | Leasehold improvement and other facilities | Construction in progress | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost:** | | | | | |
| Balance on January 1, 2020 | $ 105,621 | 12,223 | 1,575,783 | 47,666 | 1,741,293 |
| Additions | - | - | 3,766 | 13,485 | 17,251 |
| Reclassifications | - | - | 60,620 | (60,620) | - |
| Disposals | - | - | (116,443) | - | (116,443) |
| Balance on December 31, 2020 | $ 105,621 | 12,223 | 1,523,726 | 531 | 1,642,101 |
| Balance on January 1, 2019 | $ 105,621 | 12,223 | 1,565,431 | 342 | 1,683,617 |
| Additions | - | - | 6,576 | 51,100 | 57,676 |
| Reclassifications | - | - | 3,776 | (3,776) | - |
| Balance on December 31, 2019 | $ 105,621 | 12,223 | 1,575,783 | 47,666 | 1,741,293 |
| **Depreciation and impairments loss:** | | | | | |
| Balance on January 1, 2020 | $ - | 2,938 | 556,539 | - | 559,477 |
| Depreciation | - | 558 | 119,747 | - | 120,305 |
| Impairment loss | - | - | 120,730 | - | 120,730 |
| Disposals | - | - | (115,448) | - | (115,448) |
| Balance on December 31, 2020 | $ - | 3,496 | 681,568 | - | 685,064 |

| | Land | Buildings and construction | Leasehold improvement and other facilities | Construction in progress | Total |
|---|---|---|---|---|---|
| Balance on January 1, 2019 | $ - | 2,379 | 425,207 | - | 427,586 |
| Depreciation | - | 559 | 131,182 | - | 131,741 |
| Impairment loss | - | - | 150 | - | 150 |
| Balance on December 31, 2019 | $ - | 2,938 | 556,539 | - | 559,477 |
| **Carrying amounts:** | | | | | |
| Balance on December 31, 2020 | $ 105,621 | 8,727 | 842,158 | 531 | 957,037 |
| Balance on January 1, 2019 | $ 105,621 | 9,844 | 1,140,224 | 342 | 1,256,031 |
| Balance on December 31, 2019 | $ 105,621 | 9,285 | 1,019,244 | 47,666 | 1,181,816 |

(i) As of December 31, 2020 and 2019, due to payments to hotels maintenance of lease buildings, the Group recognized other payables amounting to $2,336 thousand and $4,455 thousand, respectively.

(ii) Impairment loss and subsequent reversal

In 2020, the COVID-19 pandemic outbreak has had significant impacts on tourism industry. Since the carrying amount of certain hotels exceeded its recoverable amount, an impairment loss of leasehold improvement and other facilities of $120,730 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income. In 2019, since the carrying amount of certain hotels exceeded its recoverable amount, an impairment loss of leasehold improvement and other facilities of $150 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income. Please refer to note 6(e) for the key assumptions used in the estimation of value-in-use.

(iii) The board of directors approved a resolution to cease the business operation of the Group’s subsidiary, Sung-Chiang Co. Ltd., as well as disposing of its property, plant, and equipment on May 13, 2020. Please refer to note 6(q) for disposal gains and losses.

The board of directors approved a resolution to cease the business operation of the Group’s subsidiary, Green World Flora Co. Ltd., as well as disposing of its property, plant, and equipment on June 15, 2020. Please refer to note 6(q) for disposal gains and losses.

(iv) As of December 31, 2020 and 2019, the property, plant and equipment of the Group had not been pledged as collateral for borrowings.

(d) Right-of-use assets

The cost and depreciation of the leased buildings were as follows:

| | Buildings |
|---|---|
| **Cost:** | |
| Balance on January 1, 2020 | $ 5,337,864 |
| Additions | 130,262 |
| Disposal/Write-off | (535,606) |
| Balance on December 31, 2020 | $ 4,932,520 |

| | | **Buildings** |
|---|---|---|
| Balance on January 1, 2019 | $ | 5,222,440 |
| Additions | | 115,424 |
| Balance on December 31, 2019 | **$** | **5,337,864** |
| **Accumulated depreciation:** | | |
| Balance on January 1, 2020 | $ | 2,059,613 |
| Depreciation | | 366,722 |
| Disposal/Write-off | | (250,068) |
| Balance on December 31, 2020 | **$** | **2,176,267** |
| Balance on January 1, 2019 | $ | 1,678,915 |
| Depreciation | | 380,698 |
| Balance on December 31, 2019 | **$** | **2,059,613** |
| **Carrying amounts:** | | |
| Balance on December 31, 2020 | **$** | **2,756,253** |
| Balance on January 1, 2019 | **$** | **3,543,525** |
| Balance on December 31, 2019 | **$** | **3,278,251** |

(i) The board of directors approved a resolution to cease the business operation of the Group's subsidiary, Sung-Chiang Co. Ltd., on May 13, 2020, resulting in a decrease in right-of-use assets. Please refer to note 6(q) for termination gains and losses.

(ii) The board of directors approved a resolution to cease the business operation of the Group's subsidiary, Green World Flora Co. Ltd., on June 15, 2020, resulting in a decrease in right-of-use assets. Please refer to note 6(q) for termination gains and losses.

(e) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

| | | **Goodwill** | **Trademark** | **Customer relationships** | **Computer software** | **Total** |
|---|---|---|---|---|---|---|
| **Costs:** | | | | | | |
| Balance on January 1, 2020 | $ | 346,883 | 53,000 | 143,000 | 18,037 | 560,920 |
| Additions | | - | - | - | 4,419 | 4,419 |
| Reclassifications | | - | - | - | 4,196 | 4,196 |
| Disposals | | - | - | - | (148) | (148) |
| Balance on December 31, 2020 | **$** | **346,883** | **53,000** | **143,000** | **26,504** | **569,387** |

| | | Goodwill | Trademark | Customer relationships | Computer software | Total |
|---|---|---|---|---|---|---|
| Balance on January 1, 2019 | $ | 346,883 | 53,000 | 143,000 | 9,351 | 552,234 |
| Additions | | - | - | - | 8,686 | 8,686 |
| Balance on December 31, 2019 | $ | **346,883** | **53,000** | **143,000** | **18,037** | **560,920** |
| **Accumulated amortization and impairment losses** | | | | | | |
| Balance on January 1, 2020 | $ | 48,875 | 24,126 | 65,095 | 8,537 | 146,633 |
| Amortization for the year | | - | 4,342 | 11,715 | 3,607 | 19,664 |
| Disposals | | - | - | - | (19) | (19) |
| Impairment loss | | 298,008 | 5,899 | 15,916 | - | 319,823 |
| Balance on December 31, 2020 | $ | **346,883** | **34,367** | **92,726** | **12,125** | **486,101** |
| Balance on January 1, 2019 | $ | 48,875 | 18,954 | 51,142 | 6,360 | 125,331 |
| Amortization for the year | | - | 5,172 | 13,953 | 2,177 | 21,302 |
| Balance on December 31, 2019 | $ | **48,875** | **24,126** | **65,095** | **8,537** | **146,633** |
| **Carrying value:** | | | | | | |
| Balance on December 31, 2020 | $ | **-** | **18,633** | **50,274** | **14,379** | **83,286** |
| Balance on January 1, 2019 | $ | **298,008** | **34,046** | **91,858** | **2,991** | **426,903** |
| Balance on December 31, 2019 | $ | **298,008** | **28,874** | **77,905** | **9,500** | **414,287** |

(i) The amortization of intangible assets are included in the statement of comprehensive income:

| | | For the years ended December 31 | |
|---|---|---|---|
| | | 2020 | 2019 |
| Cost of sales | $ | 55 | 151 |
| Operating expenses | | 19,609 | 21,151 |
| Total | $ | **19,664** | **21,302** |

(ii) Impairment loss and subsequent reversal

The recoverable amount of the cash generating units (CGUs) of hotel business was based on its value-in-use. The COVID-19 pandemic outbreak has had significant impacts on the tourism industry since the beginning of 2020. Since the carrying amount of certain hotels was determined to be higher than its recoverable amount after the revaluation of respective future cash flows, an impairment loss of intangible assets of $319,823 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income.

(iii) For impairment testing purposes, goodwill had been allocated to individual cash-generating units as follows:

| | | Amount after deducting impairment losses | |
|---|---|---|---|
| **Taipei Area** | **Carrying amount** | **December 31, 2020** | **December 31, 2019** |
| A | $ 52,018 | - | 52,018 |
| B | 24,598 | - | 24,598 |
| C | 63,280 | - | 55,360 |
| D | 28,695 | - | 28,695 |
| E | 56,478 | - | 56,478 |
| F | 8,416 | - | - |
| G | 64,255 | - | 34,883 |
| H | 13,210 | - | 10,043 |
| I | 15,854 | - | 15,854 |
| J | 20,079 | - | 20,079 |
| | $ 346,883 | - | 298,008 |

As of December 31, 2020 and 2019, the recoverable amount of the CGUs were based on its value in use. The carrying amount of the CGUs were determined to be higher than its recoverable amount and an impairment loss of $298,008 thousand in 2020 was recognized. The impairment loss was fully allocated to goodwill and reported in “other gains and losses” in the consolidated statement of comprehensive income.

The key assumptions used in the estimation of value in use were as follows.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | 5.75% | 2.81% |
| Terminal value growth rate | 1%～10% | 1%～10% |

As of December 31, 2020 and 2019, the discount rates were determined based on weighted average cost of capital of industry. The cash flow projections are based on five-year period financial budgets approved by management. A long-term growth rate in perpetuity for cash flows in subsequent periods had been determined as constant.

The value in use of the CGUs had been determined by discounting the future cash flows that are generated from the continuing use of the CGUs. Unless otherwise stated, the value in use of CGUs and key assumptions used had been applied consistently with those described in the financial statements for the year ended December 31, 2019.

1) The estimate of cash flow is based on past experience, actual operating results, and lease expiration date. Due to the long-term operating cycle of hotel business, the management believes that the above forecast period is reasonable.

2) Estimated revenues in financial budgets are based on past experience and development of actual operating results.

3) Estimating operating costs and expenses in financial budgets are based on past experience and various factors of operating costs and expenses.

4) The recoverable amount of the CGU was determined by a pre-tax discount rate.

The value of this key assumptions represents the management's assessment to the trends of hotel business with consideration of both external and internal (historical) information.

(f) Other financial assets

The other financial assets were summarized as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Current** | | |
| Other receivables | $ 1,040 | 1,191 |
| Time deposits | - | 250,000 |
| Subtotal | 1,040 | 251,191 |
| **Non-current** | | |
| Lease deposits | $ 147,873 | 161,074 |
| Other deposits | 5,298 | 5,430 |
| Subtotal | 153,171 | 166,504 |
| | $ 154,211 | 417,695 |

(g) Short-term borrowings

The short-term borrowings were summarized as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Unsecured bank loans | $ 350,000 | 390,000 |
| Range of interest rates | 1% | 1% |

For the guarantee and endorsement from the ultimate parent company, please refer to note 7.

(h) Lease liabilities

The Group's lease liabilities were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | $ 340,867 | 365,054 |
| Non-current | 2,726,583 | 3,243,711 |
| | $ 3,067,450 | 3,608,765 |

For the maturity analysis, please refer to note 6(r).

The amount recognized in profit or loss was as follows:

Interest on lease liabilities, please refer to note 6(q)(iii).

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Income from sub-leasing right-of-use assets | $ 12,231 | 19,848 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | $ 4,329 | 3,398 |
| Covid-19-related rent concessions (recognized as deduction of rent expenses) | $ 62,211 | - |

The amounts recognized in the statement of cash flows for the Group were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Total cash outflow for leases | $ 377,029 | 449,913 |

Real estate leases

The Group leases buildings for its hotel business. The leases typically run for a period of 3 to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases contain extension options exercisable by the Group. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(i) Operating lease

Non-cancellable operating lease rentals payable was as follows:

Leases as lessor

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| Less than one year | $ 4,210 | 15,732 |
| One to two years | 2,352 | 7,639 |
| Two to three years | - | 3,780 |
| Total undiscounted lease payments | $ 6,562 | 27,151 |

(j) Employee benefits

Defined contribution plans

The Company allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $9,019 and $11,619 for the years ended December 31, 2020 and 2019, respectively.

(k) Income Tax

(i) Income tax

The components of income tax in the years 2020 and 2019 were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Current tax expense | | |
| Current period | $ - | 2,552 |
| Adjustment for prior periods | - | 1 |
| | - | 2,553 |
| Deferred tax expense (gains) | | |
| Origination and reversal of temporary differences | 55,410 (Note) | (3,610) |
| Income tax expenses (gains) | **$ 55,410** | **(1,057)** |

Note: The application of tax treatment was mainly due to the interpretation of IFRS 16 “Leases” announced by the Ministry of Finance on May 22, 2020.

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Profit excluding income tax | $ (802,417) | 58,926 |
| Income tax using the Company’s domestic tax rate | (160,483) | 11,785 |
| Non-deductible expenses | 2,151 | 2,771 |
| Impairment losses | 88,111 | 30 |
| Recognition of previously unrecognized tax losses | - | (12,743) |
| Current-year losses for which no deferred tax asset was recognized | 62,473 | 42 |
| Change in unrecognized temporary differences | 66,102 | - |
| Others | (2,944) | (2,942) |
| | **$ 55,410** | **(1,057)** |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| The carry forward of unused tax losses | $ 217,361 | 148,731 |

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets

| | Used tax loss | Rental expenses | Total |
|---|---|---|---|
| **Balance on January 1, 2020** | $ 33,898 | 66,102 | 100,000 |
| Recognized in profit or loss | 10,692 | (66,102) | (55,410) |
| **Balance on December 31, 2020** | **$ 44,590** | **-** | **44,590** |
| **Balance on January 1, 2019** | $ 33,898 | 62,492 | 96,390 |
| Recognized in profit or loss | - | 3,610 | 3,610 |
| **Balance on December 31, 2019** | **$ 33,898** | **66,102** | **100,000** |

3) As of December 31, 2020, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

| Year of loss | Unused tax loss | Expiry date |
|---|---|---|
| 2010 | 218,791 | 2020 |
| 2011 | 170,994 | 2021 |
| 2012 | 174,604 | 2022 |
| 2013 | 69,060 | 2023 |
| 2014 | 19,290 | 2024 |
| 2015 | 14,786 | 2025 |
| 2016 | 52,299 | 2026 |
| 2019 | 224,108 | 2029 |
| 2020 | 365,824 | 2030 |
| | **$ 1,309,756** | |

(iii) Business income tax administrative remedies

The Corporation's income tax return for the year 2018 had been examined by the tax authorities.

(l) Capital and other equity

As of December 31, 2020 and 2019, the total value of authorized ordinary shares were both amounted to $2,500,000 thousand, with par value of $10 per share. As of that date, ordinary shares amounted $1,097,283 thousand (including private placement $594,334 thousand) were issued. All issued shares were paid up upon issuance.

(i) Ordinary and preferred shares

In accordance with the rules of Article 42 of the Securities and Exchange Act and Article 68 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the Company filed to the Financial Supervisory Commission to complete supplemental procedures for public issuance of 20,000 thousand ordinary shares under private placement in 2014, 2,346 thousand ordinary shares under private placement in 2012, and 22,922 thousand preferred shares under private placement in 2006 - 2010 (all preferred shares have been converted to ordinary shares). The relevant statutory registration procedures had been completed on October 31, 2018, December 27, 2018, and January 10, 2019, respectively.

As of December 31, 2020 and 2019, there were both 59,433 thousand ordinary shares under private placement. The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| Share capital | $ 604,393 | 604,393 |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

The meeting of shareholders held on June 15, 2020 and June 28, 2019 passed a resolution that earnings of 2019 and 2018 would not be distributed except for retaining $20 thousand and $4,079 thousand as legal reserve, respectively.

(m) Earnings (Loss) per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019 are as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| **Basic earnings (loss) per share:** | | |
| Profit attributable to ordinary shareholders of the Company | $ (857,827) | 59,983 |
| Weighted average number of ordinary shares on December 31 | 109,728 | 109,728 |
| | $ (7.82) | 0.55 |
| **Diluted earnings (loss) per share:** | | |
| Profit attributable to ordinary shareholders of the Company (diluted) | $ (857,827) | 59,983 |
| Weighted average number of ordinary shares on December 31 | 109,728 | 109,728 |
| Effect of dilutive potential ordinary shares | | |
| Effect of employee share bonus | (Note) | 31 |
| Weighted average number of ordinary shares (diluted) on December 31 | $ 109,728 | 109,759 |
| | $ (7.82) | 0.55 |

Note: Not included for calculating diluted earnings per share due to anti-dilutive effect.

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

| | | For the years ended December 31 | |
|---|---|---|---|
| | | **2020** | **2019** |
| Primary geographical markets: | | | |
| Taiwan | $ | 441,242 | 1,218,871 |
| Major products/ services lines: | | | |
| Hotel room service | $ | 386,076 | 1,086,646 |
| Hotel catering service | | 42,390 | 110,316 |
| Management consultancy services | | 545 | 1,800 |
| Leasing services | | 12,231 | 20,058 |
| Sale of products service | | - | 51 |
| | $ | 441,242 | 1,218,871 |

(ii) Contract balances

| | | **December 31, 2020** | **December 31, 2019** | **January 1, 2019** |
|---|---|---|---|---|
| Notes and accounts receivable (including related parties) | $ | 20,300 | 83,808 | 86,124 |
| Less: allowance for impairment | | - | (10) | (10) |
| Total | $ | 20,300 | 83,798 | 86,114 |
| Contract liabilities-hotel room service/ unearned revenue | $ | 13,324 | 10,587 | 8,972 |

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were $9,501 thousand and $8,867 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There was no other significant changes during 2020 and 2019.

(o) Employee compensation and directors’ and supervisors’ remuneration

In accordance with the Articles of Incorporation, the Group should contribute no less than 0.7% ~10% of the profit as employee compensation and less than 1% as directors’ and supervisors’ remuneration when there is profit for the year. However, if the Group has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Group’s affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to $0 and $415 thousand, and directors' and supervisors' remuneration were both zero. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each peroiod, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Articles of Incorprtation. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Obeservation Post System website. The amounts, as stated in the consolidated entity financial statements, are identical to those of the actual distributions for 2020 and 2019.

(p) Net other income (expenses)

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Government grants | $ 30,083 | - |

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Total Interest income | $ 3,158 | 3,329 |

(ii) Other gains and losses

The details of other gains and losses were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Gains (Losses) on disposals of property, plant and equipment | $ 1,862 | - |
| Gains (Losses) on disposals of intangible assets | (129) | - |
| Gains on lease termination | 27,891 | - |
| Foreign exchange gains | 156 | 1,501 |
| Impairment loss on property, plant, and equipment | (120,730) | (150) |
| Impairment loss on intangible assets | (319,823) | |
| Losses on liquidated damage | (14,760) | - |
| Government tax refund | 18,791 | - |
| Others | 2,081 | 6,894 |
| | $ (404,661) | 8,245 |

(iii) Finance costs

The details of finance costs were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Interest expense of bank loans | $ 3,674 | 4,037 |
| Interest expense of lease liabilities | 76,763 | 83,869 |
| | $ 80,437 | 87,906 |

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The cash and deposits are deposited in different financial institutions. The Group manages the credit risk exposure with each of these financial institutions, and believes that cash and deposits do not have significant credit risk concentration.

The major business activities of the Group are management consultancy services and hotel business services. The major customers of the Group are centralized in the general customers and travel agencies. Since some of travel agencies are related parties, the Group believes that there is credit risk concentration. However, the Group periodically evaluates the possibility of collecting accounts receivable, and it doesn’t expect to have significant loss in the future.

3) Receivables

For credit risk exposure of notes and trade receivables, please refer to note 6(b). Other financial assets at amortized cost include other receivables, time deposits and lease deposits.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

There was no increase in loss allowance provision during 2020 and 2019.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 1 year | 1-5 years | Over 5 years |
|---|---|---|---|---|---|
| **December 31, 2020** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Non-interest-bearing liabilities | $ 48,009 | 48,009 | 48,009 | - | - |
| Lease liabilities | 3,067,450 | 3,423,945 | 406,376 | 1,520,392 | 1,497,177 |
| Fixed rate instruments | 350,000 | 351,511 | 351,511 | - | - |
| | $ 3,465,459 | 3,823,465 | 805,896 | 1,520,392 | 1,497,177 |
| **December 31, 2019** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing liabilities | $ 105,927 | 105,927 | 105,927 | - | - |
| Lease liabilities | 3,608,765 | 4,052,577 | 442,506 | 1,721,965 | 1,888,106 |
| Fixed rate instruments | 390,000 | 391,815 | 391,815 | - | - |
| | $ 4,104,692 | 4,550,319 | 940,248 | 1,721,965 | 1,888,106 |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group’s financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management’s assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% basis points, the Group’s net income would have increased / decreased by $2,412 thousand and $2,648 thousand for the years ended December 31, 2020 and 2019 with all other variable factors remaining constant, respectively. This is mainly due to the changes in the Group’s variable-interest-rate-deposits.

(iv) Fair value of financial instruments

1) Fair value hierarchy

For financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

2) Valuation techniques for financial instruments not measured at fair value

The Group’s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(s) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group’s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The management of the Company reports regularly to the Board of Directors on its activities.

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group’s audit committee oversee how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group’s supervisor are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the the Board of Directors and the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Trade and other receivable

The Group's major business is hotel business service. The major customers are travel agencies. The management periodically evaluates the collections of account receivables from travel agencies, and expects there would be no significant credit risk. The Group does not require any collaterals of account receivables and other receivables.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations, hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2020, no other guarantees were outstanding (2019: none).

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The COVID-19 pandemic in 2020 has affected the Group and its business operation by causing a sharp fall in the housing rate. The Group had negotiated the credit lines with financial institutions through the government's tourism industry recovery and revitalization policy. In addition, the parent company, H.I.S. Hotel Holdings Co., Ltd., is also providing financial support, hence, it is expected that no liquidity risk will occur. As of December 31, 2020 and 2019, the Group's unused credit line were both amounted to zero.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(t) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2020, the Group's capital management strategy is consistent with the prior year as of December 31, 2019, and the gearing ratio is maintained stable so as to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Total liabilities | $ 3,480,592 | 4,117,918 |
| Less: cash and cash equivalents | (303,112) | (334,636) |
| Net debt | $ 3,177,480 | 3,783,282 |
| Total equity | $ 852,969 | 1,710,796 |
| Adjusted equity | $ 4,030,449 | 5,494,078 |
| Debt-to-equity ratio on December 31 | 78.84% | 68.86% |

The COVID-19 pandemic outbreak has had significant impacts on the tourism industry, leading to the recognition of non-financial assets impairment losses and operating losses, which resulted in the plummet in total equity. Therefore, there was increase in the debt to net worth ratio on December 31, 2020.

(u) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019 were as follows:

(i) For right-of-use assets by leasing, please refer to note6(d).

## (7) Related-party transactions:

(a) Parent company and ultimate controlling company

H.I.S. Hotel Holdings Co., Ltd. is the parent company of the Company, holding 51% of all outstanding shares of the company. The ultimate controlling party of the Group is H.I.S. Co., Ltd..

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| Name of related party | Relationship with the Group |
|---|---|
| Sanpu Travel Service Co., Ltd. (Sanpu Travel) | Same chairman with the Company |
| Tour Royale Service Co., Ltd. | Same chairman with the Company |
| Star Light Co., Ltd. | Same chairman with the Company |
| Cherry Tourist Co., Ltd. | Same chairman with the Company |
| H.I.S. Sanken Travel Co., Ltd. | Same chairman with the Company |
| Green World Co., Ltd. | Same chairman with the Company |
| Nien Fu Investment Co. | Same chairman with the Company |
| Mai Hotels Co., Ltd. | Same chairman with the Company |
| Hung-Yi Tour Bus Co., Ltd. | The entity’s director is the chairman of the Company |
| Hsien-Chih Hsieh | The Company’s chairman |
| Hsiu-Mei Hsieh | Related party in substance |
| H.I.S Hotel Holdings Co., Ltd. | The Company’s parent company |
| H.I.S. Co., Ltd. | The Company’s ultimate parent company |

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Hotel room and catering service revenue | | |
| Other related parties－Sanpu Travel | $ 40,628 | 300,015 |
| Other related parties | 1,219 | 10,508 |
| Lease Income | | |
| Other related parties－Sanpu Travel | 1,976 | 7,800 |
| Other related parties | - | 2,000 |
| | $ 43,823 | 320,323 |

The credit term for hotel room service and catering service is 45 days for related parties and 30 to 60 days for non-related parties. The Group negotiates with each travel agencies according to the current market prices, and offers discount to those lease a constant level of accommodation. The terms of transaction with related parties are the same as those mentioned above, which are not significantly different with those offered to non-related parties.

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

| Account | Relationship | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Notes receivable | Other related parties－Sampu Travel | $ 569 | 27,496 |
| Notes receivable | Other related parties | - | 564 |
| Accounts receivable | Other related parties－Sampu Travel | 645 | 30,667 |
| Accounts receivable | Other related parties | 128 | 1,265 |
| | | $ 1,342 | 59,992 |

(iii) Payables to Related Parties

The payables to related parties were as follows:

| Account | Relationship | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Accounts payable | Other related parties | $ 100 | 9 |
| Other payables | Other related parties | 11 | 32 |
| Other payables | Parent company | 865 | 870 |
| Other payables | The Group's main management | 26 | 94 |
| | | $ 1,002 | 1,005 |

(iv) The Group rented office buildings and hotels from other related parties, and the rental expenses were determined based on nearby office rental rates. The Group adopted IFRS 16 and recognized its right-of-use assets and lease liabilities. For the years ended December 31, 2020 and 2019, the interest expenses amounted to $13,928 thousand and $16,682 thousand; and the lease liabilities amounted to $502,599 thousand and $701,000 thousand, respectively; and also, the rental deposits, which were recognized as other financial asset-non-current, each amounted to $280 thousand for both years.

(v) Guarantee

As of December 31, 2020 and 2019, the ultimate parent company had provided for loans taken out by the Group. The credit limits of the guarantee were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| H.I.S. Co., Ltd. | $ 350,000 | 390,000 |

(vi) Management fee

The details of the payments made by the Group to the management consultant services are as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| H.I.S. Hotel Holdings Co., Ltd. | $ 3,474 | 3,009 |

(d) Key management personnel compensation

Key management personnel compensation comprised:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Short-term employee benefits | $ 6,253 | 7,566 |
| Post-employment benefits | 9 | 55 |
| | $ 6,262 | 7,621 |

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| Pledged assets | Object | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Other financial asset-non-current | Guarantee for rental payment | $ 35,500 | 35,500 |

**(9) Commitments and contingencies:**

(a) The Group’s hotel renovation project and purchase computer software significant commitments were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| The price signed (tax included) | $ 4,511 | 65,571 |
| The price paid (tax included) | - | 56,546 |

(b) Please refer to note 6(h) for the leasing contracts of the Group as of December 31, 2020 and 2019. Besides, the notes payable due to leasing payments were $464,684 thousand and $703,427 thousand, respectively.

(c) As of December 31, 2020 and 2019, the guarantees issued by the bank for the Group’s human resources management were both amounted to $3,000.

**(10) Losses Due to Major Disasters:**

The COVID-19 pandemic outbreak in the early 2020 have caused the decrease in room occupancy rate and the average room rate, resulting in major operating losses for the year ended December 31, 2020.

**(11) Subsequent Events:None**

**(12) Other:**

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| | For the years ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| By funtion<br>By item | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 115,224 | 28,751 | 143,975 | 159,503 | 60,145 | 219,648 |
| Labor and health insurance | 13,919 | 3,851 | 17,770 | 17,350 | 5,334 | 22,684 |
| Pension | 7,194 | 1,825 | 9,019 | 9,064 | 2,555 | 11,619 |
| Others | 8,219 | 3,295 | 11,514 | 10,560 | 3,498 | 14,058 |
| Depreciation | 483,405 | 3,622 | 487,027 | 507,392 | 5,047 | 512,439 |
| Amortization | 126 | 19,609 | 19,735 | 947 | 21,082 | 22,029 |

## (13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(in thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2020 | | | Highest Percentage of wnership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2020 | December 31, 2019 | Shares (thousands) | Percentage of wnership | Carrying value | | | | |
| The company | Green World Solutions Co., Ltd. | Taiwan | Human resource | 5,000 | 5,000 | 500,000 | 100.00% | 4,724 | 100.00% | (65) | (65) | Subsidiary |

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None

(ii) Limitation on investment in Mainland China: None

(iii) Significant transactions: None

(d) Major shareholders:

| Shareholding<br>Shareholder' s Name | Shares | Percentage |
|---|---|---|
| H.I.S. Hotel Holdings Co., Ltd. | 55,961,455 | 51.00% |
| Sheng-Yang Investment Co., Ltd. | 7,930,502 | 7.22% |

**(14) Segment information:**

(a) General Information

The Group' s hotel business is considered as operating segment, whose segment profit or loss, assets, and liabilities are similar to the consolidated report. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

(b) Major Customers

Please refer to note 7 for the details of the operating revenue from single customer, which is more than 10% of total revenue of the Group.

Stock Code:8077

# GREEN WORLD HOTEL CO., LTD.

**Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended December 31, 2019 and 2018**

Address: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)

Telephone: (02)2562-0018

# Independent Auditors' Report

To the Board of Directors of Green World Hotel Co., Ltd.:

**Opinion**

We have audited the financial statements of Green World Hotel Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of right-of-use assets, intangible assets, property, plant and equipment:

   Refer to Notes 4(i) "Leases", 4(h) "Property, plant and equipment", 4(j) "Intangible assets", 6(e) "Right-of-use assets", 6(d) "Property, plant and equipment" and 6(f) "Intangible assets" to the financial statements for the accounting policies and the details of the information.

   <u>Description of key audit matters:</u>

   As of December 31, 2020, the carrying amount of right-of-use assets, intangible assets, property, plant and equipment constitute 88% of the total assets of the Company. Since the aforementioned assets are affected by industry competition, government policy, and economic environment, as well as the COVID-19 pandemic in the beginning of 2020, the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimating the carrying amount of right-of-use assets, intangible assets, property, plant and equipment. We pay more attention to the appropriateness of the assumptions, estimates and judgments of the future discounted cash flows during the audit process.

How the matter was addressed in our audit:

We cast professional skepticism on management’s impairment assessment model. The work includes evaluating whether management has identified all cash generating units which might have impairments and considering whether all the assets which need to be tested have been included in the impairment assessment.

We also review the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash-basis revenue, and cost increase rate). We verify the reasonableness of the assumptions and accuracy of management’s calculation based on available data.

**Emphasis of Matter**

As stated in Note 6(d), (f), and 10 to the independent financial statements, the COVID-19 pandemic has led to the decrease of the Company’s occupancy rates and average room rates, thereby influencing its operation. Therefore, as of December 31, 2020, the management recognized the impairment losses of property, plant, and equipment, and intangible assets, amounting to $120,730 thousand and $319,823 thousand, respectively. Our opinion is not modified in respect of this matter.

**Responsibilities 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 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 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 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 auditor’s 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 investment in other entities accounted for using the equity method to express an opinion on this 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 of the current period 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 Shu-Ying Chang and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2021

**(English Translation of Financial Statements Originally Issued in Chinese)**

# GREEN WORLD HOTEL CO., LTD.

## Balance Sheets

## December 31, 2020 and 2019

**(expressed in thousands of New Taiwan Dollar)**

| | | December 31, 2020 | | | December 31, 2019 | |
|---|---|---|---|---|---|---|
| | **Assets** | | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ | 301,388 | 7 | 332,879 | 6 |
| 1150 | Notes receivable, net (notes 6(b), (o) and 7) | | 569 | - | 29,277 | 1 |
| 1170 | Accounts receivable, net (notes 6(b), (o) and 7) | | 19,731 | - | 54,521 | 1 |
| 1220 | Current tax assets | | 95 | - | 234 | - |
| 1476 | Other current financial assets (notes 6(a) and (g)) | | 1,040 | - | 251,181 | 4 |
| 1479 | Other current assets | | 14,677 | 1 | 17,864 | - |
| | | | 337,500 | 8 | 685,956 | 12 |
| | **Non-current assets:** | | | | | |
| 1550 | Investments accounted for using equity method, net (note 6(c)) | | 4,724 | - | 4,789 | - |
| 1600 | Property, plant and equipment (note 6(d)) | | 957,037 | 22 | 1,181,816 | 20 |
| 1755 | Right-of-use assets (notes 3(a) and 6(e)) | | 2,756,253 | 64 | 3,278,251 | 56 |
| 1780 | Intangible assets (note 6(f)) | | 83,286 | 2 | 414,287 | 7 |
| 1840 | Deferred tax assets (note 6(l)) | | 44,590 | 1 | 100,000 | 2 |
| 1980 | Other non-current financial assets (notes 6(g), 7 and 8) | | 150,171 | 3 | 163,504 | 3 |
| 1990 | Other non-current assets | | - | - | 71 | - |
| | | | 3,996,061 | 92 | 5,142,718 | 88 |
| | **Total assets** | **$** | **4,333,561** | **100** | **5,828,674** | **100** |

(English Translation of Financial Statements Originally Issued in Chinese)

# GREEN WORLD HOTEL CO., LTD.

## Balance Sheets (CONT’D)

## December 31, 2020 and 2019

**(expressed in thousands of New Taiwan Dollar)**

| | | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note 6(h)) | $ 350,000 | 8 | 390,000 | 7 |
| 2130 | Current contract liabilities (note 6(o)) | 13,324 | - | 10,587 | - |
| 2150 | Notes payable | 480 | - | 1,242 | - |
| 2170 | Accounts payable(note 7) | 22,445 | 1 | 49,212 | 1 |
| 2200 | Other payable (notes 6(d), (p) and 7) | 25,084 | 1 | 55,433 | 1 |
| 2280 | Current lease liabilities (notes 6(i) and 7) | 340,867 | 8 | 365,054 | 6 |
| 2399 | Other current liabilities | 681 | - | 1,411 | - |
| | | 752,881 | 18 | 872,939 | 15 |
| | **Non-current liabilities:** | | | | |
| 2580 | Non-current lease liabilities (notes 6(i) and 7) | 2,726,583 | 63 | 3,243,711 | 56 |
| 2645 | Guarantee deposits | 1,128 | - | 1,228 | - |
| | | 2,727,711 | 63 | 3,244,939 | 56 |
| | **Total liabilities** | 3,480,592 | 81 | 4,117,878 | 71 |
| | **Equity attributable to owners of parent (notes 6(m)):** | | | | |
| 3100 | Capital stock | 1,097,283 | 25 | 1,097,283 | 19 |
| 3200 | Capital surplus | 604,393 | 14 | 604,393 | 10 |
| 3310 | Legal reserve | 8,943 | - | 8,923 | - |
| 3350 | Unappropriated retained earnings (accumulated deficit) | (857,650) | (20) | 197 | - |
| | **Total equity** | 852,969 | 19 | 1,710,796 | 29 |
| | **Total liabilities and equity** | **$ 4,333,561** | **100** | **5,828,674** | **100** |

(English Translation of Financial Statements Originally Issued in Chinese)

## GREEN WORLD HOTEL CO., LTD.

## Statements of Comprehensive Income

## For the years ended December 31, 2020 and 2019

## (expressed in thousands of New Taiwan Dollar , except earnings per share)

| | | 2020 | | | 2019 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| 4000 | **Operating revenuess (notes 6(o) and 7)** | $ | 441,165 | 100 | 1,218,896 | 100 |
| 5000 | **Operating costs (notes 6(d), (e), (f), (k) and 7)** | | 676,657 | 153 | 890,473 | 73 |
| | **Gross profit from operations** | | (235,492) | (53) | 328,423 | 27 |
| | **Operating expenses (notes 6(d), (e), (f), (i), (k) and 7):** | | | | | |
| 6100 | Selling expenses | | 66,243 | 15 | 122,436 | 10 |
| 6200 | Administrative expenses | | 48,762 | 11 | 70,467 | 6 |
| | **Operating expenses** | | 115,005 | 26 | 192,903 | 16 |
| 6500 | Net other income (expenses) (note (q)) | | 30,083 | 7 | - | - |
| | **Operating income (expenses)** | | (320,414) | (72) | 135,520 | 11 |
| | **Non-operating income and expenses (notes 6(d), (f), (r) and 7):** | | | | | |
| 7100 | Total interest income | | 3,129 | 1 | 3,314 | - |
| 7020 | Other gains and losses, net | | (404,630) | (92) | 8,209 | 1 |
| 7050 | Finance costs | | (80,437) | (18) | (87,906) | (7) |
| 7070 | Share of loss of subsidiaries accounted for using equity method, net | | (65) | - | (211) | - |
| | | | (482,003) | (109) | (76,594) | (6) |
| | **Profit (loss) before income tax** | | (802,417) | (181) | 58,926 | 5 |
| 7950 | Less: Income tax expenses (gains) (note 6(l)) | | 55,410 | 13 | (1,057) | - |
| | **Profit (Loss)** | | (857,827) | (194) | 59,983 | 5 |
| 8300 | **Other comprehensive income, net** | | - | - | - | - |
| | **Comprehensive income** | **$** | **(857,827)** | **(194)** | **59,983** | **5** |
| | **Earnings per share (note 6(n))** | | | | | |
| 9750 | **Basic earnings (loss) per share (NT dollars)** | **$** | | **(7.82)** | | **0.55** |
| 9850 | **Diluted earnings (loss) per share (NT dollars)** | **$** | | **(7.82)** | | **0.55** |

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# GREEN WORLD HOTEL CO., LTD.

## Statements of Changes in Equity

## For the years ended December 31, 2020 and 2019

## (expressed in thousands of New Taiwan Dollar)

| | Capital stock | Capital surplus | Retained earnings: Legal reserve | Retained earnings: Unappropriated retained earnings | Retained earnings: Total retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Balance on January 1, 2019 (restated)** | $ 1,097,283 | 604,393 | 4,844 | (55,707) | (50,863) | 1,650,813 |
| Profit for the year ended December 31, 2019 | - | - | - | 59,983 | 59,983 | 59,983 |
| Other comprehensive income for the year ended December 31, 2019 | - | - | - | - | - | - |
| Comprehensive income for the year ended December 31, 2019 | - | - | - | 59,983 | 59,983 | 59,983 |
| Appropriation and distribution of retained earnings: | | | | | | |
| Legal reserve appropriated | - | - | 4,079 | (4,079) | - | - |
| **Balance on December 31, 2019** | 1,097,283 | 604,393 | 8,923 | 197 | 9,120 | 1,710,796 |
| (Loss) for the year ended December 31, 2020 | - | - | - | (857,827) | (857,827) | (857,827) |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | - | - |
| Comprehensive income for the year ended December 31, 2020 | - | - | - | (857,827) | (857,827) | (857,827) |
| Appropriation and distribution of retained earnings: | | | | | | |
| Legal reserve appropriated | - | - | 20 | (20) | - | - |
| **Balance on December 31, 2020** | **$ 1,097,283** | **604,393** | **8,943** | **(857,650)** | **(848,707)** | **852,969** |

(English Translation of Financial Statements Originally Issued in Chinese)

**GREEN WORLD HOTEL CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

**(expressed in thousands of New Taiwan Dollar)**

| | | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **(Loss) profit before tax** | $ | (802,417) | 58,926 |
| **Adjustments:** | | | |
| **Adjustments to reconcile profit:** | | | |
| Depreciation expense | | 487,027 | 512,439 |
| Amortization expense | | 19,735 | 22,029 |
| Interest expense | | 80,437 | 87,906 |
| Interest income | | (3,129) | (3,314) |
| Share of loss of subsidiaries accounted for using equity method | | 65 | 211 |
| Impairment loss on non-financial assets | | 440,553 | 150 |
| Loss (gain) on lease termination | | (27,891) | - |
| Loss (gain) from disposal of property, plant and equipment | | (1,862) | - |
| Loss (gain) from disposal of intangible assets | | 129 | - |
| Rent concessions | | (62,211) | - |
| **Total adjustments to reconcile profit** | | 932,853 | 619,421 |
| **Changes in operating assets and liabilities:** | | | |
| Notes receivable | | 28,708 | (1,337) |
| Accounts receivable | | 34,790 | 3,653 |
| Other current assets | | (1,009) | 5,281 |
| Other financial assets | | 141 | 477 |
| Contract liabilities | | 2,737 | 1,615 |
| Notes payable | | (762) | (2,908) |
| Accounts payable | | (26,767) | 1,615 |
| Other payable | | (28,230) | 593 |
| Other current liabilities | | (730) | (356) |
| **Total changes in operating assets and liabilities** | | 8,878 | 8,633 |
| Cash inflow generated from operations | | 139,314 | 686,980 |
| Interest received | | 3,129 | 3,314 |
| Interest paid | | (80,437) | (88,271) |
| Income taxes paid | | 139 | (6,954) |
| **Net cash flows from operating activities** | | 62,145 | 595,069 |

(English Translation of Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTEL CO., LTD.

Statements of Cash Flows (CONT' D)

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan Dollar)

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of investments accounted for using equity method | - | (5,000) |
| Acquisition of property, plant and equipment | (19,370) | (56,307) |
| Proceeds from disposal of property plant, and equipment | 2,857 | - |
| Acquisition of intangible assets | (4,419) | (8,686) |
| Decrease (increase) in other financial assets | 263,333 | (96,741) |
| **Net cash flows from (used in) investing activities** | 242,401 | (166,734) |
| **Cash flows from (used in) financing activities:** | | |
| Decrease in short-term borrowings | (40,000) | (40,000) |
| (Decrease) increase in guarantee deposits received | (100) | 400 |
| Payment of lease liabilities | (295,937) | (362,646) |
| **Net cash flows from (used in) financing activities** | (336,037) | (402,246) |
| **Net increase (decrease) in cash and cash equivalents** | (31,491) | 26,089 |
| **Cash and cash equivalents at beginning of period** | 332,879 | 306,790 |
| **Cash and cash equivalents at end of period** | **$ 301,388** | **332,879** |

(English Translation of Financial Statements Originally Issued in Chinese)

# GREEN WORLD HOTEL CO., LTD.

## Notes to the Financial Statements

## For the years ended December 31, 2020 and 2019

## (expressed in thousands of New Taiwan Dollar, unless otherwise specified)

**(1) Company history**

GREEN WORLD HOTEL CO., LTD.(the "Company"), which was original named U Chain Technology Co., Ltd.. The Company was established in accordance with the Company Act of the Republic of China, and began running business on July 22, 1994. The Company changed its organization type to a company limited by shares in January 1996, and changed its name to "Applied Vacuum Coating Technologies Co., Ltd." in May 1997. The Company's common shares were listed on the Taipei Exchange(TPEx) on December 6, 2004.

A resolution was passed during the general shareholders' meeting held on June 26, 2015, for changing its name to "Green World Hotel Co., Ltd.", and a resolution of short form merger with the subsidiary Green World Hotel Co., Ltd. was passed during the meeting of Board of Directors held on August 11, 2015. The two parties merged in accordance with the Business Mergers and Acquisitions Act, the date of merger was set on October 1, 2015. After the merger, the Company is the survival one, and the subsidiary is eliminated.

The short-form merger was completed and approved in accordance with Ruling No.10401220100 issued by the Ministry of Economy on December 7, 2015.

A resolution of short-form merger with subsidiary, Green World Hotel ZhongHua Co., Ltd., was passed during the meeting of Board of Directors held on August 8 2019, with the Company being the sole surviving entity. The date of merger was set on October 1, 2019, and the related registration procedure was completed and approved in accordance with Ruling No. 10801146200 issued by the Ministry of Economy on November 18, 2019.

The major business activities of the Company is Hotels and Restaurants Operation.

**(2) Approval date and procedures of the financial statements:**

The financial statements were authorized for issuance by the Board of Directors on February 24, 2021.

**(3) New standards, amendments and interpretations adopted:**

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The details of impact on the Company's adoption of the new amendments beginning January 1, 2020 are as follows:

(i) Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(i).

The Company has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was $62,211 thousand.

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform －Phase 2"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.<br>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated in Note 3, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(i) an investment in equity securities designated as at fair value through other comprehensive income;

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

An entity shall classify an assets as current when:

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL.

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due**.**

The Company considers time deposits to have low credit risk, since the counterparties are financial institutions with good rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 180 days past due;

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization； or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 90 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’ s procedures for recovery of amounts due.

3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Investment in subsidiary

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the financial statements. Under equity method, the net income, other comprehensive income and equity in the financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings 21 years
- Transportation equipment 8 years
- Leasehold improvements 2~19 years
- Other equipment 3~12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

   - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

   - the relevant decisions about how and for what purpose the asset is used are predetermined and:

     - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When assessing at inception of a contract or reassessing whether a contract contains a lease, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Company has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component, instead.

(ii) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

1) the rent concessions occurring as a direct consequence of the COVID19 pandemic;

2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

3) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

4) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(j) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- Trademark 10 years
- Customer relationships 10 years
- Computer software 1~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Recognition of revenue

(i) Revenue from contracts with customers

The Company provides catering, room accommodation, leasing and business management services to customers. Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a service to a customer. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(m) Government grants and government assistance

The Group recognizes an unconditional government grant related to operation in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Company discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(q) Operating segments

The Company has disclosed operating segments in the consolidated financial statements. Please refer to the consolidated financial statements.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Impairment of right-of-use assets, property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of right-of-use assets, property, plant and equipment, and intangible assets, the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash based revenue, and cost increase rate) are affected by uncertainties of industry competition, government policy, and economic environment, and the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimating the carrying amount of right-of-use assets, intangible assets, property, plant and equipment. Please refer to note 6(d), (e), and (f) for further description of recoverable amount and impairment assessment.

## (6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Cash and petty cash | $ | 1,562 | 3,176 |
| Demand deposits | | 299,826 | 329,213 |
| Check deposit | | - | 490 |
| Cash and cash equivalents in the statement of cash flows | $ | 301,388 | 332,879 |

Please refer to note 6(s) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

As of December 31, 2020 and 2019, the bank time deposits with original maturities of more than three months are $0 thousand and $250,000 thousand, respectively, and presented as other current financial assets.

(b) Note and trade receivables

| | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Note receivables (including related parties) | $ | 569 | 29,277 |
| Trade receivables (including related parties)-measured at amortized cost | | 19,731 | 54,531 |
| Less: Loss allowance | | - | (10) |
| | $ | 20,300 | 83,798 |

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

| | December 31, 2020 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 20,281 | 0% | - |
| 1 to 60 days past due | 19 | 0% | - |
| | $ 20,300 | | - |

| | December 31, 2019 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 83,788 | 0% | - |
| 1 to 60 days past due | 10 | 0% | - |
| More than 181 days past due | 10 | 100% | 10 |
| | $ 83,808 | | 10 |

The movement in the allowance for notes and trade receivables were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Balance at January 1 | $ 10 | 10 |
| Amounts written off | (10) | - |
| Balance at December 31 | $ - | 10 |

As of December 31, 2020 and 2019, the Company didn't provide any receivables as collateral for its borrowings.

(c) Investments accounted for using equity method

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| Subsidiary | $ 4,724 | 4,789 |

(i) Subsidiary

Please refer to the consolidated financial statements for the years ended December 31, 2020.

(ii) Guarantee

As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(d) Property, plan and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

| | Land | Buildings and construction | Leasehold improvement and other facilities | Construction in progress | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost:** | | | | | |
| Balance on January 1, 2020 | $ 105,621 | 12,223 | 1,575,783 | 47,666 | 1,741,293 |
| Additions | - | - | 3,766 | 13,485 | 17,251 |
| Reclassifications | - | - | 60,620 | (60,620) | - |
| Disposals | - | - | (116,443) | - | (116,443) |
| Balance on December 31, 2020 | $ 105,621 | 12,223 | 1,523,726 | 531 | 1,642,101 |
| Balance on January 1, 2019 | $ 105,621 | 12,223 | 1,565,431 | 342 | 1,683,617 |
| Additions | - | - | 6,576 | 51,100 | 57,676 |
| Reclassifications | - | - | 3,776 | (3,776) | - |
| Balance on December 31, 2019 | $ 105,621 | 12,223 | 1,575,783 | 47,666 | 1,741,293 |
| **Depreciation and impairments loss:** | | | | | |
| Balance on January 1, 2020 | $ - | 2,938 | 556,539 | - | 559,477 |
| Depreciation | - | 558 | 119,747 | - | 120,305 |
| Impairment loss | - | - | 120,730 | - | 120,730 |
| Disposals | - | - | (115,448) | - | (115,448) |
| Balance on December 31, 2020 | $ - | 3,496 | 681,568 | - | 685,064 |
| Balance on January 1, 2019 | $ - | 2,379 | 425,207 | - | 427,586 |
| Depreciation | - | 559 | 131,182 | - | 131,741 |
| Impairment loss | - | - | 150 | - | 150 |
| Balance on December 31, 2019 | $ - | 2,938 | 556,539 | - | 559,477 |
| **Carrying amounts:** | | | | | |
| Balance on December 31, 2020 | $ 105,621 | 8,727 | 842,158 | 531 | 957,037 |
| Balance on January 1, 2019 | $ 105,621 | 9,844 | 1,140,224 | 342 | 1,256,031 |
| Balance on December 31, 2019 | $ 105,621 | 9,285 | 1,019,244 | 47,666 | 1,181,816 |

(i) As of December 31, 2020 and 2019, due to payments to hotels maintenance of lease building, the Company recognized other payables amounting to $2,336 thousand and $4,455 thousand, respectively.

(ii) In 2020, the COVID-19 pandemic outbreak has had significant impacts on tourism industry. Since the carrying amount of certain hotels exceeded its recoverable amount, an impairment loss of leasehold improvement and other facilities of $120,730 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income. In 2019, since the carrying amount of certain hotels was exceeded its recoverable amount, an impairment loss of leasehold improvement and other facilities of $150 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income. Please refer to note 6(f) for the key assumptions used in the estimation of value-in-use.

(iii) The board of directors approved a resolution to cease the business operation of the Company's subsidiary, Sung-Chiang Co. Ltd., as well as disposing of its property, plant, and equipment on May 13, 2020. Please refer to note 6(r) for disposal gains and losses.

The board of directors approved a resolution to cease the business operation of the Company's subsidiary, Green World Flora Co. Ltd., as well as disposing of its property, plant, and equipment on June 15, 2020. Please refer to note 6(r) for disposal gains and losses.

(iv) As of December 31, 2020 and 2019, the property, plant and equipment of the Company had not pledged as collateral for borrowings.

(e) Right-of-use assets

The cost and depreciation of the leased buildings were as follows:

| | | Buildings |
|---|---|---|
| **Cost:** | | |
| Balance on January 1, 2020 | $ | 5,337,864 |
| Additions | | 130,262 |
| Disposal / Write-off | | (535,606) |
| Balance on December 31, 2020 | **$** | **4,932,520** |
| Balance on January 1, 2019 | $ | 5,222,440 |
| Additions | | 115,424 |
| Balance on December 31, 2019 | **$** | **5,337,864** |
| **Accumulated depreciation:** | | |
| Balance on January 1, 2020 | $ | 2,059,613 |
| Depreciation | | 366,722 |
| Disposal / Write-off | | (250,068) |
| Balance on December 31, 2020 | **$** | **2,176,267** |
| Balance on January 1, 2019 | $ | 1,678,915 |
| Depreciation | | 380,698 |
| Balance on December 31, 2019 | **$** | **2,059,613** |
| **Carrying amounts:** | | |
| Balance on December 31, 2020 | **$** | **2,756,253** |
| Balance on January 1, 2019 | **$** | **3,543,525** |
| Balance on December 31, 2019 | **$** | **3,278,251** |

(i) The board of directors approved a resolution to cease the business operation of the Company's subsidiary, Sung-Chiang Co. Ltd., on May 13, 2020, resulting in a decrease in right-of-use assets. Please refer to note 6(r) for termination gains and losses.

(ii) The board of directors approved a resolution to cease the business operation of the Company's subsidiary, Green World Flora Co. Ltd., on June 15, 2020, resulting in a decrease in right-of-use assets. Please refer to note 6(r) for termination gains and losses.

(f) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2020 and 2019, were as follows:

| | Goodwill | Trademark | Customer relationships | Computer software | Total |
|---|---|---|---|---|---|
| **Costs:** | | | | | |
| Balance on January 1, 2020 | $ 346,883 | 53,000 | 143,000 | 18,037 | 560,920 |
| Additions | - | - | - | 4,419 | 4,419 |
| Reclassifications | - | - | - | 4,196 | 4,196 |
| Disposals | - | - | - | (148) | (148) |
| Balance on December 31, 2020 | $ 346,883 | 53,000 | 143,000 | 26,504 | 569,387 |
| Balance on January 1, 2019 | $ 346,883 | 53,000 | 143,000 | 9,351 | 552,234 |
| Additions | - | - | - | 8,686 | 8,686 |
| Balance on December 31, 2019 | $ 346,883 | 53,000 | 143,000 | 18,037 | 560,920 |
| **Accumulated amortization and impairment losses** | | | | | |
| Balance on January 1, 2020 | $ 48,875 | 24,126 | 65,095 | 8,537 | 146,633 |
| Amortization for the year | - | 4,342 | 11,715 | 3,607 | 19,664 |
| Disposals | - | - | - | (19) | (19) |
| Impairment loss | 298,008 | 5,899 | 15,916 | - | 319,823 |
| Balance on December 31, 2020 | $ 346,883 | 34,367 | 92,726 | 12,125 | 486,101 |
| Balance on January 1, 2019 | $ 48,875 | 18,954 | 51,142 | 6,360 | 125,331 |
| Amortization for the year | - | 5,172 | 13,953 | 2,177 | 21,302 |
| Balance on December 31, 2019 | $ 48,875 | 24,126 | 65,095 | 8,537 | 146,633 |
| **Carrying value:** | | | | | |
| Balance on December 31, 2020 | $ - | 18,633 | 50,274 | 14,379 | 83,286 |
| Balance on January 1, 2019 | $ 298,008 | 34,046 | 91,858 | 2,991 | 426,903 |
| Balance on December 31, 2019 | $ 298,008 | 28,874 | 77,905 | 9,500 | 414,287 |

(i) The amortization of intangible assets are included in the statements of comprehensive income:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Cost of sales | $ 55 | 151 |
| Operating expenses | 19,609 | 21,151 |
| Total | $ 19,664 | 21,302 |

(ii) The recoverable amount of the cash-generating units (CGUs) of hotel business was based on its value in use. The COVID-19 pandemic outbreak has had significant impacts on the tourism industry since the beginning of 2020. Since the carrying amount of certain hotels was determined to be higher than its recoverable amount after the revaluation of respective future cash flows, an impairment loss of intangible assets of $319,823 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income.

(iii) For impairment testing purposes, goodwill had been allocated to individual CGUs as follows:

| | | Amount after deducting impairment losses | |
|---|---|---|---|
| **Taipei Area** | **Carrying amount** | **December 31, 2020** | **December 31, 2019** |
| A | $ 52,018 | - | 52,018 |
| B | 24,598 | - | 24,598 |
| C | 63,280 | - | 55,360 |
| D | 28,695 | - | 28,695 |
| E | 56,478 | - | 56,478 |
| F | 8,416 | - | - |
| G | 64,255 | - | 34,883 |
| H | 13,210 | - | 10,043 |
| I | 15,854 | - | 15,854 |
| J | 20,079 | - | 20,079 |
| | **$ 346,883** | **-** | **298,008** |

As of December 31, 2020 and 2019, the recoverable amount of the CGUs were based on its value-in-use. The carrying amount of the CGUs were determined to be higher than its recoverable amount and an impairment loss of $298,008 thousand in 2020 was recognized. The impairment loss was fully allocated to goodwill and reported in "other gains and losses" in the statement of comprehensive income.

The key assumptions used in the estimation of value in use were as follows.

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| Discount rate | 5.75% | 2.81% |
| Terminal value growth rate | 1%～10% | 1%～10% |

As of December 31, 2020 and 2019, the discount rates were determined based on weighted average cost of capital of industry. The cash flow projections are based on five-year period financial budgets approved by the management. A long-term growth rate in perpetuity for cash flows in subsequent periods had been determined as constant.

The value in use of the CGUs had been determined by discounting the future cash flows that are generated from continuing use of the CGUs. Unless otherwise stated, the value in use of the CGUs and the key assumptions used had been applied consistently with those described in the financial statements for the year ended December 31, 2019.

1) The estimate of cash flow is based on past experience, actual operating results, and lease expiration date. Due to the long-term operating cycle of hotel business, the management believes that the above forecast period is reasonable.

2) Estimated revenues in financial budgets are based on past experience and development of actual operating results.

3) Estimated operating costs and expenses in financial budgets are based on past experience and various factors of operating costs and expenses.

4) The recoverable amount of the CGU was determined by a pre-tax discount rate.

The value of these key assumptions represents the management's assessment to the trends of hotel business with consideration of both external and internal (historical) information.

(g) Other financial assets

The other financial assets were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Current** | | |
| Other receivables | $ 1,040 | 1,181 |
| Time deposits | - | 250,000 |
| Subtotal | 1,040 | 251,181 |
| **Non-current** | | |
| Lease deposits | 147,873 | 161,074 |
| Other deposits | 2,298 | 2,430 |
| Subtotal | 150,171 | 163,504 |
| | **$ 151,211** | **414,685** |

(h) Short-term borrowings

The short term borrowings were summarized as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Unsecured bank loans | **$ 350,000** | **390,000** |
| Range of interest rates | **1%** | **1%** |

For the guarantee and endorsement from the ultimate parent company, please refer to note 7.

(i) Lease liabilities

The Company's lease liabilities were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | $ 340,867 | 365,054 |
| Non-current | 2,726,583 | 3,243,711 |
| | $ 3,067,450 | 3,608,765 |

For the maturity analysis, please refer to note 6(s).

The amount recognized in profit or loss was as follows:

Interest on lease liabilities, please refer to note 6(r)(iii).

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Income from sub-leasing right-of-use assets | $ 12,249 | 19,873 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | $ 4,329 | 3,398 |
| Covid-19-related rent concessions (recognized as deduction of rent expenses) | $ 62,211 | - |

The amounts recognized in the statement of cash flows for the Company were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Total cash outflow for leases | $ 377,029 | 449,913 |

Real estate leases

The Company leases buildings for its hotel business. The leases typically run for a period of 3 to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases contain extension options exercisable by the Company. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(j) Operating lease

Non-cancellable operating lease rentals payable were as follows:

Leases as lessor

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Less than one year | $ 4,210 | 15,732 |
| One to two years | 2,352 | 7,639 |
| Two to three years | - | 3,780 |
| Total undiscounted lease payments | $ 6,562 | 27,151 |

(k) Employee benefits

(i) Defined contribution plans

The Company allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of Labor Insurance amounted to $9,019 thousand and $11,619 thousand for the years ended December 31, 2020 and 2019, respectively.

(l) Income Tax

(i) Income tax

The components of income tax in the years 2020 and 2019 were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Current tax expense | | |
| Current period | $ - | 2,552 |
| Adjustment for prior periods | - | 1 |
| | - | 2,553 |
| Deferred tax expense (gains) | | |
| Origination and reversal of temporary difference | 55,410 (Note) | (3,610) |
| Income tax expenses (gains) | $ 55,410 | (1,057) |

Note: The application of tax treatment was mainly due to the interpretation of IFRS 16 “Leases” announced by the Ministry of Finance on May 22, 2020.

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Profit excluding income tax | $ (802,417) | 58,926 |
| Income tax using the Company' s domestic tax rate | (160,483) | 11,785 |
| Non-deductible expenses | 2,151 | 2,771 |
| Impairment losses | 88,111 | 30 |
| Recognition of previously unrecognized tax losses | - | (12,743) |
| Current-year losses for which no deferred tax asset was recognized | 62,460 | - |
| Change in unrecognized temporary differences | 66,102 | - |
| Investment income recognized under equity method | 13 | 42 |
| Others | (2,944) | (2,942) |
| | **$ 55,410** | **(1,057)** |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| The carry forward of unused tax losses | **$ 217,306** | **148,689** |

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets

| | **Unused tax losses** | **Rental expenses** | **Total** |
|---|---|---|---|
| **Balance on January 1, 2020** | $ 33,898 | 66,102 | 100,000 |
| Recognized in profit or loss | 10,692 | (66,102) | (55,410) |
| **Balance on December 31, 2020** | **$ 44,590** | **-** | **44,590** |
| **Balance on January 1, 2019** | $ 33,898 | 62,492 | 96,390 |
| Recognized in profit or loss | - | 3,610 | 3,610 |
| **Balance on December 31, 2019** | **$ 33,898** | **66,102** | **100,000** |

3) As of December 31, 2020, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

| Year of loss | Unused tax loss | Expiry date |
|---|---|---|
| 2010 | $ 218,791 | 2020 |
| 2011 | 170,994 | 2021 |
| 2012 | 174,604 | 2022 |
| 2013 | 69,060 | 2023 |
| 2014 | 19,290 | 2024 |
| 2015 | 14,786 | 2025 |
| 2016 | 52,299 | 2026 |
| 2019 | 223,897 | 2029 |
| 2020 | 365,759 | 2030 |
| | **$ 1,309,480** | |

(iii) Business income tax administrative remedies

The Company's income tax return for the year 2018 had been examined by the tax authorities.

(m) Capital and other equity

As of December 31, 2020 and 2019, the total value of authorized ordinary shares were both amounted to $2,500,000 thousand, with par value of $10 per share. As of that date, ordinary shares amounted $1,097,283 thousand (including private placement $594,334 thousand) were issued. All issued shares were paid up upon issuance.

(i) Ordinary and preferred shares

In accordance with the rules of Article 42 of the Securities and Exchange Act and Article 68 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the Company filed to the Financial Supervisory Commission to complete supplemental procedures for public issuance of 20,000 thousand ordinary shares under private placement in 2014, 2,346 thousand ordinary shares under private placement in 2012, and 22,922 thousand preferred shares under private placement in 2006 – 2010 (all preferred shares have been converted to ordinary shares). The relevant statutory registration procedures had been completed on October 31, 2018, December 27, 2018 and January 10, 2019, respectively.

As of December 31, 2020 and 2019, there were both 59,433 thousand ordinary shares under private placement. The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares should be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Share capital | $ 604,393 | 604,393 |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

The meeting of shareholders held on June 15, 2020 and June 28, 2019 passed a resolution that earnings of 2019 and 2018 will not be distributed except for retaining $20 thousand and $4,079 thousand as legal reserve, respectively.

(n) Earnings (loss) per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019 are as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| **Basic earnings (loss) per share:** | | |
| Profit attributable to ordinary shareholders of the Company | $ (857,827) | 59,983 |
| Weighted average number of ordinary shares on December 31 | 109,728 | 109,728 |
| | $ (7.82) | 0.55 |

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| **Diluted earnings (loss) per share:** | | |
| Profit attributable to ordinary shareholders of the Company (diluted) | $ (857,827) | 59,983 |
| Weighted average number of ordinary shares on December 31 | 109,728 | 109,728 |
| Effect of dilutive potential ordinary shares | | |
| Effect of employee share bonus | (Note) | 31 |
| Weighted average number of ordinary shares (diluted) on December 31 | 109,728 | 109,759 |
| | $ (7.82) | 0.55 |

Note: Not included for calculating diluted eqrnings per share due to anti-dilutive effect.

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Primary geographical markets: | | |
| Taiwan | $ 441,165 | 1,218,896 |
| Major products/ services lines: | | |
| Hotel room service | $ 386,076 | 1,086,646 |
| Hotel catering service | 42,390 | 110,316 |
| Management consultancy services | 450 | 1,800 |
| Leasing services | 12,249 | 20,083 |
| Sale of products service | - | 51 |
| | $ 441,165 | 1,218,896 |

(ii) Contract balances

| | **December 31, 2020** | **December 31, 2019** | **January 1, 2019** |
|---|---|---|---|
| Notes and accounts receivable (including related parties) | $ 20,300 | 83,808 | 86,124 |
| Less: allowance for impairment | - | (10) | (10) |
| Total | $ 20,300 | 83,798 | 86,114 |
| Contract liabilities-hotel room service/ unearned revenue | $ 13,324 | 10,587 | 8,972 |

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the year ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period was $9,501 thousand and $8,867 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There was no other significant changes during 2020 and 2019.

(p) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation, the Company should contribute no less than 0.7% ~10% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to $0 thousand and $415 thousand, and directors' and supervisors' remuneration were both zero. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019.

(q) Net other income (expenses)

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Government grants | $ 30,083 | - |

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Total interest income | $ 3,129 | 3,314 |

(ii) Other gains and losses

The details of other gains and losses were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Gains (Losses) on disposals of property, plant and equipment | $ 1,862 | - |
| Gains (Losses) on disposals of intangible assets | (129) | - |
| Gains on lease termination | 27,891 | - |
| Foreign exchange gains | 156 | 1,501 |
| Impairment loss on property, plant, and equipment | (120,730) | (150) |
| Impairment loss on intangible assets | (319,823) | |
| Losses on liquidated damage | (14,760) | - |
| Government tax refund | 18,791 | - |
| Others | 2,112 | 6,858 |
| | **$ (404,630)** | **8,209** |

(iii) Finance costs

The details of finance costs were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Interest expense of bank loans | $ 3,674 | 4,037 |
| Interest expense of lease liabilities | 76,763 | 83,869 |
| | **$ 80,437** | **87,906** |

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The cash and deposits are deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions, and believes that cash and deposits do not have significant credit risk concentration.

The major business activities of the Company are management consultancy services and hotel business services. The major customers of the Company are centralized in the general customers and travel agencies. Since some of travel agencies are related parties, the Company believes that there is credit risk concentration. However, the Company periodically evaluates the possibility of collecting account receivables, and it doesn't expect to have significant loss in the future.

3) Receivables

For credit risk exposure of note and trade receivables, please refer to note 6(b). Other financial assets at amortized cost include other receivables, time deposits and lease deposits.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

There was no increase in loss allowance provision during 2020 and 2019.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 1 year | 1-5 years | Over 5 years |
|---|---|---|---|---|---|
| **December 31, 2020** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Non-interest-bearing liabilities | $ 48,009 | 48,009 | 48,009 | - | - |
| Lease liabilities | 3,067,450 | 3,423,945 | 406,376 | 1,520,392 | 1,497,177 |
| Fixed rate instruments | 350,000 | 351,511 | 351,511 | - | - |
| | **$ 3,465,459** | **3,823,465** | **805,896** | **1,520,392** | **1,497,177** |
| **December 31, 2019** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Non-interest-bearing liabilities | $ 105,887 | 105,887 | 105,887 | - | - |
| Lease liabilities | 3,608,765 | 4,052,577 | 442,506 | 1,721,965 | 1,888,106 |
| Fixed rate instruments | 390,000 | 391,815 | 391,815 | - | - |
| | **$ 4,104,652** | **4,550,279** | **940,208** | **1,721,965** | **1,888,106** |

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Entity management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% basis points, the Entity's net income would have increased / decreased by $2,399 thousand and $2,634 thousand for the years ended December 31, 2020 and 2019 with all other variable factors remaining constant, respectively. This is mainly due to the changes in the Company's variable-interest-rate deposits.

(iv) Fair value of financial instruments

1) Fair value hierarchy

For financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(t) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The management of the Company reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversee how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's supervisors are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

1) Trade and other receivable

The Company's major business is hotel business service. The major customers are travel agencies. The management periodically evaluates the collections of account receivables from travel agencies, and expects there would be no significant credit risk. The Company does not require any collaterals of account receivables and other receivables.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations, hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2020, no other guarantees were outstanding (2019: none).

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The COVID-19 pandemic in 2020 has affected the Company and its business operation by causing a sharp fall in the housing rate. The Company had negotiated the credit lines with financial institutions through the government's tourism industry recovery and revitalization policy. In addition, the parent company, H.I.S. Hotel Holdings Co., Ltd., is also providing financial support, hence, it is expected that no liquidity risk will occur. As of December 31, 2020 and 2019, the Company's unused credit line were both amounted to zero.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(u) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2020, the Company's capital management strategy is consistent with the prior year as of December 31, 2019, and the gearing ratio is maintained stable so as to ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Total liabilities | $ 3,480,592 | 4,117,878 |
| Less: cash and cash equivalents | (301,388) | (332,879) |
| Net debt | $ 3,179,204 | 3,784,999 |
| Total equity | $ 852,969 | 1,710,796 |
| Adjusted equity | $ 4,032,173 | 5,495,795 |
| Debt-to-equity ratio at December 31 | 78.85% | 68.87% |

(v) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019 were as follows:

(i) For right-of-use assets by leasing, please refer to note 6(e).

**(7) Related-party transactions:**

(a) Parent company and ultimate controlling company

H.I.S Hotel Holdings Co., Ltd. is the parent company of the Company, holding 51% of all outstanding ordinary shares of the Company. The ultimate controlling party of the Company is H.I.S. Co., Ltd..

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

| Name of related party | Relationship with the Company |
|---|---|
| Sanpu Travel Service Co., Ltd. (Sanpu Travel) | Same chairman with the Company |
| Tour Royale Service Co., Ltd. | Same chairman with the Company |
| Star Light Co., Ltd. | Same chairman with the Company |
| Cherry Tourist Co., Ltd. | Same chairman with the Company |
| H.I.S. Sanken Travel Co., Ltd. | Same chairman with the Company |
| Green World Co., Ltd. | Same chairman with the Company |
| Nien Fu Investment Co. | Same chairman with the Company |
| Mai Hotels Co., Ltd. | Same chairman with the Company |
| Hung-Yi Tour Bus Co., Ltd. | The entity's director is the chairman of the Company |
| Hsien-Chih Hsieh | The Company's chairman |
| Hsiu-Mei Hsieh | Related party in substance |
| H.I.S Hotel Holdings Co., Ltd. | The Company's parent company |
| H.I.S Co., Ltd. | The Company's ultimate parent company |
| Green World Solutions Co., Ltd. | Subsidiary |

(Continued)

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

| | For the years ended December 31 | |
|---|---|---|
| | **2020** | **2019** |
| Hotel rooms and catering service revenue | | |
| Other related parties－Sanpu Travel | $ 40,628 | 300,015 |
| Other related parties | 1,219 | 10,508 |
| Lease revenue | | |
| Other related parties－Sanpu Travel | 1,976 | 7,800 |
| Other related parties | - | 2,000 |
| Subsidiaries | 18 | 25 |
| | $ 43,841 | 320,348 |

The credit term for hotel room service and catering service is 45 days for related parties and 30 to 60 days for non-related parties. The Company negotiates with each travel agencies according to the current market prices, and offers discount to those lease a constant level of accommodation. The terms of transaction with related parties are the same as those mentioned above, which are not significantly different with those offered to non-related parties.

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

| Account | Relationship | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Notes receivable | Other related parties－Sanpu Travel | $ 569 | 27,496 |
| Notes receivable | Other related parties | - | 564 |
| Accounts receivable | Other related parties－Sanpu Travel | 645 | 30,667 |
| Accounts receivable | Other related parties | 128 | 1,265 |
| | | $ 1,342 | 59,992 |

(iii) Payables to Related Parties

The payables to related parties were as follows:

| Account | Relationship | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Accounts payable | Other related parties | $ 100 | 9 |
| Other payables | Other related parties | 11 | 32 |
| Other payables | Parent company | 865 | 870 |
| Other payables | The Company's main management | 26 | 94 |
| | | $ 1,002 | 1,005 |

(iv) The Company rented office buildings and hotels from other related parties, and the rental expenses were determined based on nearby office rental rates. The Company adopted IFRS 16 and recognized its right-of-use assets and lease liabilities. For the years ended December 31, 2020 and 2019, the interest expenses amounted to $13,928 thousand and $16,682 thousand; and the lease liabilities amounted to $502,599 thousand and $701,000 thousand, respectively; and also, the rental deposits, which were recognized as other financial asset-non-current, each amounted to $280 thousand for both years.

(v) Guarantee

As of December 31, 2020 and 2019, the ultimate parent company had provided for loans taken out by the Company. The credit limits of the guarantee were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| H.I.S. Co., Ltd. | $ 350,000 | 390,000 |

(vi) Management consultant fee

The details of the payments made by the Company to the management consultant services are as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2019 | 2019 |
| H.I.S Hotel Holdings Co., Ltd. | $ 3,474 | 3,009 |

(d) Key management personnel compensation

Key management personnel compensation comprised:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Short-term employee benefits | $ 6,253 | 7,566 |
| Post-employment benefits | 9 | 55 |
| | $ 6,262 | 7,621 |

## (8) Pledged assets:

The carrying values of pledged assets were as follows:

| Pledged assets | Object | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Other financial asset-non-current | Guarantee for rental payment | $ 35,500 | 35,500 |

**(9) Commitments and contingencies:**

(a) The Company's hotel renovation project and purchase computer software significant commitments were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| The price signed (tax included) | $ 4,511 | 65,571 |
| The price paid (tax included) | $ - | 56,546 |

(b) Please refer to note 6(i) for the leasing contracts of the Company as of December 31, 2020 and 2019. Besides, the notes payable due to leasing payments were $464,684 thousand and $703,427 thousand, respectively.

**(10) Losses Due to Major Disasters:**

The COVID-19 pandemic outbreak in the early 2020 have caused the decrease in room occupancy rate and the average room rate, resulting in major operating losses for the year ended December 31, 2020.

**(11) Subsequent Events: None**

**(12) Other:**

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| By function / By item | For the years ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 115,224 | 27,981 | 143,205 | 159,503 | 59,595 | 219,098 |
| Labor and health insurance | 13,919 | 3,851 | 17,770 | 17,350 | 5,334 | 22,684 |
| Pension | 7,194 | 1,825 | 9,019 | 9,064 | 2,555 | 11,619 |
| Remuneration of directors | - | 770 | 770 | - | 550 | 550 |
| Others | 8,219 | 3,295 | 11,514 | 10,560 | 3,498 | 14,058 |
| Depreciation | 483,405 | 3,622 | 487,027 | 507,392 | 5,047 | 512,439 |
| Amortization | 126 | 19,609 | 19,735 | 947 | 21,082 | 22,029 |

As of December 31, 2020 and 2019, the additional information of the number of employees and employee benefits expense of the Company were as follows:

| | 2020 | 2019 |
|---|---|---|
| Number of employees | 367 | 493 |
| Number of directors (excluding those are employees concurrently) | 6 | 3 |
| Average employee benefits | $ 503 | 546 |
| Average employee salary | $ 397 | 447 |
| Average adjustment of employee salary | (11.19)% | |
| Remunerations of supervisors | $ 50 | 50 |

The Company's remuneration policy information (including directors, supervisors, managers, and employees) is as follows:

(a) When directors and supervisors are performing their duties, regardless of the Company's profits and losses, their salaries will be handled by the Board of Directors in accordance with the same industry level and relevant legal provisions. For example, transportation allowance payments for attending the board meeting (a fixed payment of $20 thousand per month for each non-executive director and $10 thousand for each executive director and supervisor). Please refer to note6(p) for directors' and supervisors' remuneration regulations.

(b) The Group's policy for the remunerations to managers and employees, apart from base salary, is based on different job properties in order to facilitate the management and computation. Please refer to note 6(p) for employee remuneration regulations. The payroll system is as follows:

- Job allowance: based on different jobs; job allowances are paid every month.
- Various allowance: based on different job requirements, night shift allowance, parental allowance, special bonus, and understaffing allowance will be offered.
- Business meal expense: each person gets $2,400 food allowance per month.
- Overtime pay: computed and paid according to Article 24 of Labor Standards Act.
- Performance bonus: paid extra bonus according to different work performances.

## (13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(in thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2020 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of ownership | Carrying value | | | |
| The Company | Green World Solutions Co., Lt. | Taiwan | Human resource | 5,000 | 5,000 | 500,000 | 100.00% | 4,724 | (65) | (65) | Subsidiary |

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None

(ii) Limitation on investment in Mainland China: None

(iii) Significant transactions: None

(d) Major shareholders:

| **Shareholding** / **Shareholder's Name** | **Shares** | **Percentage** |
|---|---|---|
| H.I.S. Hotel Holdings Co., Ltd. | 55,961,455 | 51.00% |
| Sheng-Yang Investment Co., Ltd. | 7,930,502 | 7.22% |

## (14) Segment information:

Please refer to the consolidated financial statements for the years ended December 31, 2020 and 2019 for disclosure of segment information.

Green World Hotels Co., Ltd.

Chairman: HSIEH,HSIEN-CHIH