



味全公司
WEI CHUAN CORP.

Stock Code:1201

WEI CHUAN FOODS Corp.

2020 Annual Report

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Name of overseas securities exchange where the securities are listed and method of inquiry:

None

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Mission, Vision and Operation Philosophy of Wei Chuan

Mission: We are sincerely devoted to creating a healthy and convenient corporate culture.

Vision: Becoming the benchmark food enterprise in Taiwan.

Benchmark 1: Financial performance superior to other listed food companies.

Benchmark 2: Company of the best public welfare image.

Operation Philosophy:
Integrity, Diligence and Innovation.

Integrity - We are sincere, and keep promises.

Diligence - We are practical and down-to-earth.

Innovation- We make breakthroughs and create value.

Chapter 1. Letter to Shareholders

I. 2020 Business Report

Looking back to the overall economic environment in 2020, the global economy declined by 3.5% under the influence of the COVID-19 pandemic. However, driven by effective control of the pandemic, and steady growth of the government and private investments, the domestic economy increased by 3.11%. Looking ahead to the global economy in 2021, with the wide introduction of vaccines for COVID-19 and policy support of large economies, IMF estimates that the global economy is expected to recover and grow by 5.5%. According to data from the Chief Statistics Office of the Executive Yuan, the economy of Taiwan will see growth at a rate of 4.64%.

In the context of the food industry in Taiwan, the output value of Taiwan's food industry in 2020 was about NT\$ 635.5 billion, with a growth of 0.83%. The overall revenue of the listed/ OTC/ public food companies was NT\$ 772.5 billion, with a growth of 0.2%. Facing with the increase in consumption, alternative/ diversified consumption patterns and demands, and intensifying competition of markets/ channels, we must continue making breakthroughs, transform toward high-end development of higher quality and more value-added, and optimize operation systems, process, marketing and management mode, so as to respond to middle-term and long-term competitive development of the industry and market.

In 2020, Wei Chuan achieved consolidated revenue of NT\$ 18,650,871 thousand, declined by 7.8% on a year-on-year basis; the consolidated operating profits were NT\$ 595,053 thousand, increased by NT\$ 50,447 compared with that in 2019; net profits attributable to the parent company were NT\$ 535,196 thousand; due to disposal of assets in 2019, proceeds from the disposal of assets were reduced by NT\$814,789 thousand compared with that in 2019; the earning per share was NT\$ 1.06, declined by NT\$1.61 on a year-on-year basis. With respect to the financial performance of the parent company, the operating revenue was NT\$ 7,802,514 thousand, increased by 2.1% compared with that in 2019; operating profits were NT\$122,964 thousand, with earnings of NT\$ 383,457 after the turn from loss in 2019. The Company achieved significant results in the operation of food.

Taiwan Business:

In 2020, the Company turned losses into gains, and achieved substantial improvement for operating profits or losses thanks to the strategies of “boosting sales”, “adjusting the portfolio to improve gross profits”, “rationalizing expenses”, “rebuilding brand assets” and “deepening business promotion strength” under the operation policies of

“Brand/Category Focus” and “Brand Asset Rebuilding”. With respect to operation management, in addition to continuous improvement for food safety and core competitiveness, the Company also masters the demands of the consumers and creates valued services for customers so as to promote better operation mode, and improves efficiency of operation management system and process to establish a more health and virtuous cycle development direction for the Company.

Mainland China Business:

In 2019, under the influence of the COVID-19 pandemic, the performance was not as good as expected. However, thanks to the established planning policies and strategies, the Company still successfully sized a new market share in Mainland China in face of adversity, and alleviated the impact of the external adverse environment. In the future, the Company will continue deepening the regional development of the chilled foods business and promote the brand/category/channel strategies. With respect to regional operation, the Company continues to keep moving in Eastern China, and seek rapid development in Northern China and Southern China. The Company will make further breakthroughs in brand/ category operation and new channel operation development, to make remarkable achievements.

Looking forward to the future, with the long-term support and care of our shareholders, consumers and the general public, we are moving towards the 68th Anniversary. Under the strategies of “keeping a foothold in Taiwan and developing Mainland markets” and the business orientation of “food manufacturing, brand marketing and channel management”, the operation team will uphold the Company’s food operation philosophy, fulfill the Company’s social responsibilities. The Company is committed to strengthening the integration of cross-Strait resources, continues to deepen brand management, intensifies the root of the key core technologies of the products, optimizes the systematic process benefit and efficiency of the supply chain and operation management system, and promotes rapid development of the cross-strait markets with more positive attitudes and efforts, so as to lay a solid foundation for the Company’s sustainable management and core market competitiveness. The Company will do its best to make operation achievements, and create remarkable results, so as to establish the brand reputation in the cross-strait market.

Chairman:
CHEN, HUNG-YU

Manager:
CHANG, CHIAO-HUA

Accounting Manager:
HUANG, CHIH-YU

II. Overview of the 2020 Business Plan

A. Food Business- Taiwan

In response to the changing industry environment, the Company's operation strategies focus on "brand/ category focused operation, deepened channel development, and continuously optimized operation management system", to lay a sustainable foundation for the middle-term and long-term business development while the Company actively accumulates driver for growth of food business. Key points of business targets and strategies for 2021:

(I) Business targets of the main products:

Category	Main Products	Estimated Sales in 2021	Unit
Dairy foods (including soybean milk)		89,743	Ton
Beverages	Coffee beverage	24,110	Ton
	Juice beverage	14,003	Ton
Spices	Seasoner	2,695	Ton
	Sauce and salad	7,059	Ton
	Convenient foods	1,643	Ton

(II) key points of strategies:

1. Brand/ category focused operation:
 - (1) Focus on development and enhancement of core brand / value chain competitiveness.
 - (2) Speed up establishment of growth driver and brand assets of potential brand/ category.
 - (3) Develop potential opportunities of new brands/ new categories, and accumulate new growth driver.
2. Establishment and development of channels:
 - (1) Deepen general marketing of the retail channels, and improve operation performance.
 - (2) Transform and upgrade business channels, and improve business model.
 - (3) Accelerate rapid development of new channels, and establish business model.
3. Optimization of supply chain and operation management system:
 - (1) Continue to deepen and promote food safety and protection system, and industry upgrading.
 - (2) Continue to deepen and integrate production and marketing supply chain system.
 - (3) Optimize the operation management system, and promote overall computerization.
 - (4) Deepen roots of philosophy and culture, and cultivate key strategic talents.

B. Food Business – Mainland China

(I) Chilled Foods Business in Mainland China

In 2021, the overall performance forecast in Mainland China is optimistic. In the overall strategy of the Company for the chilled foods business in Mainland China, B2C is to adjust physical conditions, while B2B is to boost the team morale by further developing customers. It is expected to turn losses into profits.

1. Brand/ Category: Weichuan Daily C continues expanding its market shares against the competitive products; Bernachon builds up high-end brand image, and combines non-refrigerated products to enhance regional penetration and rapid growth; Yogurt product rebuilds middle-end and high-end new single products; milk/ dairy beverages continue promotion to end users and rapid penetration and growth of key channels.
2. B2C operation: B2C operation focuses on first-tier cities in Eastern China, adjusts rapid growth in Beijing, Tianjin/ Guangzhou and Shenzhen, expands e-commerce scale and continue implementation of basic management of chilled foods business.
3. B2B operation: B2B operation continues expanding customers and daily product categories, and improves royalty of customers.
4. Supply chain: Supply chain builds up strategic cooperation pattern, continues enhancing production and logistics quality management, and improves B2B and key e-commerce customer service level.
5. Remuneration and incentive system is optimized to implement the elite policy, so as to elect and cultivate a talent team.

(II) Nutrition Business in Mainland:

In response to health market development and the trend of nutritious products in Mainland China, the products are transformed towards home nutrition product supply with equal emphasis on infant formula milk powder, baby milk powder and powdered drinks. The Company also plans to launch the plant protein powder. Our operation strategies are designed to “build up the daily product nutrition expert image by brand focus, with mother and infant products and new retail sale as new channels”, so as to achieve steady and sustainable profitability.

C. Packaging Materials Business:

The Company mainly engages in the manufacturing of food mold, injection mold and plastic caps. Meanwhile, the Company continues to expand the development of core products and new products, plan new production lines and work together with the partners to develop the markets for coffee cup caps and chain packaging materials, speed up the middle-term and long-term technology development of molds, reduce production costs, and positively develop new customers and new products, so as to lay a solid foundation for growth.

D. Import and Export Trade:

Import business gives play to the comprehensive procurement effect in the integration of the Group’s demands, assists to develop new sources, reduces costs of raw materials; enhances source management; guarantees quality and food safety; establishes strategic partnership with the suppliers; masters the exclusive sources of goods, and develops new raw materials and new business opportunities. The export business mainly consolidates the existing products and market sales, continues to develop new products and new customers, and intensifies overseas marketing power.

Chapter 2. Company Profile

I. Date of Incorporation: September 22, 1953.

II. Company History:

- 1953: Mr. Huang, Lieh Huo founded the Company, formerly known as Ho Tai Chemical Industry Co., Ltd.
- 1954: Renamed as Wei Chuan Foods Industry Co., Ltd., and planned to establish the soy sauce business.
- 1955: Expanded the equipment for the Gourmet Powder Plant, and acquired Taipei ranch as one of the Company's business division.
- 1956: Begun to manufacture soy sauce, pickles and cans in response to the supply market demands.
- 1957: Laid a foundation for public company.
- 1958: Established a laboratory, to promote research and development, and introduced the production method for gourmet powder fermentation method.
- 1959: Built a fermentation plant to successfully engage in mass production of gourmet powder.
- 1960: Merged Wei Chuan Dairy Industry Co., Ltd., and established the Dairy Foods Business Division, to establish diversified management system.
- 1961: Expanded equipment for the production of gourmet powder, kept the public informed of the financial affairs of the Company, and listed its shares.
- 1962: Built a canning plant and an ice cream plant in Taichung. Made IPO.
- 1963: Built a milk powder plant.
- 1964: Founded Kuang Hua Food Co. together with Chinese Thai people to produce gourmet powder for Thailand markets.
- 1967: Built a soybean milk powder plant to develop infant foods business.
- 1968: Expanded production equipment for the soy sauce plant, increased the branches, and promoted target management system.
The sales turnover exceeded NT\$ 400 million.
- 1969: Updated equipment for dairy frozen foods in Taipei plant. Manufacturing method of gourmet powder was replaced with direct recycling method to reduce costs and increase yield.
- 1970: Established a new soy sauce plant and Kaohsiung dairy plant and enabled computer.
- 1971: Launched soy sauce.
- 1972: Launched new products Chen Wei Pickled Cucumbers and Chen Wei Soy Sauce.
- 1976: Commenced construction for Douliu Complex Daily Foods Plant.
- 1978: Launched new product Tetra Packed Dairy.
- 1979: Developed plain taste canned foods, apple milk powder, instant milk powder and fresh juice.
- 1980: Built Douliu Milk Powder Plant, which was formally put into operation in July to produce new fresh juice. Launched soybean milk.
- 1981: Built Puxin Plant for flour production equipment.
- 1982: Established business division system, expanded equipment for Douliu Milk Powder Plant. China Youth Store Co., Ltd. invested by the Company was formally established.
- 1983: Launched new products such as fresh juice in pop cans, soft drinks in aluminum foil package, sports beverages, fresh jelly, and tuna fish sauce.
- 1984: Renamed as Wei Chuan Company Limited. Launched UCC pop-caned coffee.

- 1985: Renamed Wei Chuan Foods Corp. Launched new product guava juice.
- 1986: Built UCC baked and fried coffee plant and Taichung Nandun Plant. Jiayi Distribution Center was formally put into operation.
The Company invested Sung Ching Supermarket. Kangguo Marketing Co., Ltd. was duly established.
The Company cooperated with Morinaga Milk Industry Co., Ltd. to improve daily production and quality management technology.
- 1987: Launched three-stage feeding milk powder S1. Douliu Milk Powder Plant implemented good food manufacturing practice, and Taichung Distribution Center was duly put into operation.
- 1988: Signed the cooperation plan with USA AM/PM, launched three-stage feeding milk powder S2 and S3. Wastewater treatment project of Taipei Gourmet Powder Plant was completed, and was consistent with the new emission standards. An Pin Supermarket Co., Ltd. invested by the Company was duly established.
- 1989: completed construction of Taichung Seasoning Food Plant, and expanded and developed chilled foods business. Increased capital of NT\$ 300 million in cash. 30,000,000 new shares were issued at premium of NT\$ 40 per share to raise NT\$ 1.2 billion in total.
- 1990: Increased capital of NT\$ 250 million in cash. 25,000,000 new shares were issued at premium of NT\$ 20 per share to raise NT\$ 0.5 billion in total.
- 1991: Capitalized reserve of NT\$ 132,504,470. The Company's paid-up capital was NT\$2,782,593,910.
- 1992: Authorized capital was NT\$ 3.5 billion. Paid-in capital was NT\$ 3,144,331,110. There was a variety of new products. Fresh dairy foods were launched.
- 1993: Capitalized reserve of NT\$ 377,319,730. The Company's paid-in capital was NT\$ 3,521,650,840.
- 1994: Capitalized reserve of NT\$ 422,598,100. The Company's paid-in capital was NT\$ 3,944,248,940.
- 1995: Capitalized surplus reserve of NT\$ 315,539,910. The Company's paid-in capital was NT\$ 4,259,788,850.
- 1996: Increased capital of NT\$ 425,978,880. The Company's paid-in capital was NT\$ 4,685,767,730.
- 1997: Increased capital of NT\$ 374,861,410. The Company's paid-in capital was NT\$ 5,060,629,140.
- 1998: Held the shareholders' meeting to re-elect the directors and supervisors. Wei Ying Hsing and Wei Ying Chung were elected as the new Chairman and Vice Chairman. New equipment works for Kaohsiung Dairy Plant #2 and expansion works for Taichung Juice Plant were completed. Meanwhile, 31 categories of new products were developed, including seasoning, dairy products, sauce products, dairy foods, desserts, juice and tea beverage.
Land of Taipei Plant was sold.
- 1999: All employees of Wei Chuan Group attended the Corporate Culture Seminar held in Pu Hsin Ranch to establish a new "Vision" and "Management Philosophy" of Wei Chuan. Four products, namely, Wei Hsiao Pao Pure Meat Crisp Cake, Lin Feng Ying High-quality Fresh Milk, Daily C Pure Juice and Wei Chuan Yogurt, won the "National Consumption Gold Award" granted by the Consumer Association of the Republic of China. Wei Chuan Fresh Milk won the "Top Gold Award" granted by the World Food Evaluation Association. Meanwhile, Wei Chuan Fresh Milk and Yogurt also won the "Gold Award".

- 2000: Duly established Bio-technology Center, leading new milestone for Wei Chuan's transformation from professional field of food nutrition towards biotechnology. The Company kept improving its 47 years of professional knowledge in the application of biotechnology based on food research and development, and expanded it to the application of production technology, driving the upgrading of the whole enterprise. Wei Chuan Biotechnology Center now has two core technologies, liquid fermentation and lactic acid bacteria fermentation. It is one of a few domestic enterprise research centers that have the ability to independently cultivate and preserve bacteria. The first product "Logen Bifidobacterium" passed the certification of the Department of Health under the Healthy Food Act.
- 2001: Held the shareholders' meeting to re-elect the directors and supervisors. Mr. Wei Ying Chung was elected as the Chairman; Mr. Chen Chin Tsai was elected as the Vice Chairman; the former Executive Vice General Manager Wang Ya Ling was promoted as General Manager. Healthy Balanced Oil of Super-low Cooking Fume for Healthy Kitchen won the National Quality Award of Medical Biotechnology.
- 2002: Logen Bifidobacterium and Grape Seed CE won the Quality Medical Award of the Republic of China. Master Kong instant noodles were launched in Taiwan.
- 2003: 50th Anniversary Celebration Part was held in Mandarin Crown Hotel, Taipei. President Chen Shui-Bian delivered a speech. Douliu New Plant of Master Kong was completed and duly put into operation.
- 2004: Held the shareholders' meeting to re-elect the directors and supervisors. Mr. Wei Ying Chung was re-elected as the Chairman, and Mr. Chen Chin Tsai was re-elected as the Vice Chairman. Brazilian Mushroom Drink and Collagen Essence won the National Quality Award of Medical Biotechnology. Female Exclusive Milk Powder of Cranberry Formula and Green Flow Coconut Formula, Collagen Essence, Brazilian Mushroom Drink, Milk Pudding Series and other products won the Excellent Product Award of the Institute Food Science and Technology of the Republic of China. By resolution of the Board of Directors, the Company merged with the subsidiary Taiwan UB that engaged in the same business activities. After merger, the Company was the surviving company, and Taiwan UB was merged.
- 2005: The Company obtained patent for low-cooking fume edible oil. Lotus Seed Gluten, Green TP Healthy Oil, Soufflé Cheese Cake, Daily C 100% Orange Grapefruit Juice, 50 UP Healthy Nutrition Milk Powder and Mini Instant Noodles Q-CUP Series won the New Product Award of the Institute Food Science and Technology of the Republic of China.
- 2006: Natural Red Yeast passed healthy food certification. Natural Red Yeast and Dr. Chuang Physiological Soup won the National Quality Award of Medical Biotechnology. Wei Chuan Soy Milk Cheese, Limited Fresh Milk Series, CoQ10 plus, High-Flavor Gourmet Powder (Bonito and Mushroom), Wei Chuan Ho Feng Sesame Sauce won New Product Award of the Institute Food Science and Technology of the Republic of China.
- 2007: Held the shareholders' meeting to re-elect the directors and supervisors. Mr. Wei Ying Chung was re-elected as Chairman, and Mr. Chen Chin Tsai was re-elected as the Vice Chairman.
The fist "Vincent Breed" Composite Bakery was opened.
Chin Sui Low-Sugar High-fiber Soymilk and Wei Chuan Healthy Edible Oil passed healthy food certification.

- Gold Brown Rice Oil for Healthy Kitchen won the National Quality Standard Award.
- Sweet Grease Cake, Healthy Grain Garden- Low-Sugar Healthy Grain Powder, P327 Functional Yoghurt and VOSSI Canada Glacier Water won New Product Award of the Institute Food Science and Technology of the Republic of China.
- 2008: The 55th Anniversary Celebration Party & Family Day was held in Pu Hsin Ranch.
- Kaohsiung Business Office, the first building under green and environmental protection act, was established.
- The Company was the sole sponsor for the outdoor art shows of the National Palace Museum for a long term.
- 2009: promoted Wei Chuan's corporate culture events, repositioned and communicated the Company's vision, mission, operation philosophy, belief and code of conduct.
- Sponsored the Baseball Team of Yung Ching Middle School in Changhua County to promote basic baseball education.
- Promoted the humanistic public welfare event of "Silent Thoughts and Nice Words Running around the Street" together with Tzu Chi Foundation.
- The Group participated in "8.8" typhoon relief event.
- 2010: Mr. Huang Lieh Huo, founder of the Company, passed away on March 21, 2010 at the age of 100.
- Annual shareholders' meeting was held to amend the Articles of Incorporation. In accordance with the Articles of Incorporation as amended, the number of the directors and supervisors was respectively adjusted to 9 and 2 instead of 15 and 3. Besides, the directors and supervisors were re-elected. Mr. Wei Ying Chung was re-elected as Chairman, and Mr. Wang Hsi Ho was elected as the Vice Chairman.
- Land of the original Taipei factory in Sanchong was acquired by tendering, and Top Rate was founded to engage in the real estate development business.
- The Company reached settlement with Hsin Yen for the legal proceeding in connection with the land purchase and sale contract.
- The Company established cooperation with Kenko to seize market shares of salad seasoning in Mainland China.
- The affiliate Sung Ching Supermarket launched new concept store "Matsusei Exquisite Life", and also won the First Prize for Excellent Service Award of "Fresh Food Supermarket" of the 8th Vision in the year.
- Sponsored performance of large opera "Princess Turandot in Taiwan, to promote cross-strait culture exchange.
- 2011: Although plasticizer was contained in food upon domestic food inspection, all products of Wei Chuan passed the inspection of SGS and nationally accepted inspection companies, and did not contain any plasticizers.
- Lin Feng Ying Brand was awarded as one of "Top 100 Brands of Taiwan" by the Ministry of Economic Affairs.
- The Company's Board of Directors subordinated the Remuneration Committee.
- 2012: In response to "Safe Food Traceability Cloud Application Program" initiated by the Council of Science and Technology of the Executive Yuan, Wei Chuan and other food manufacturers jointly introduced access to the food history in a digital and convenient way.
- "Vincent Breed" Bread Business Division supported Taiwan's "Hsi Yuan Wheat" so as to positively support local agricultural development in Taiwan through the platform of public welfare. It introduced a series of commodities in combination with local fruits of Taiwan, to support the agricultural development of Taiwan by actual actions.

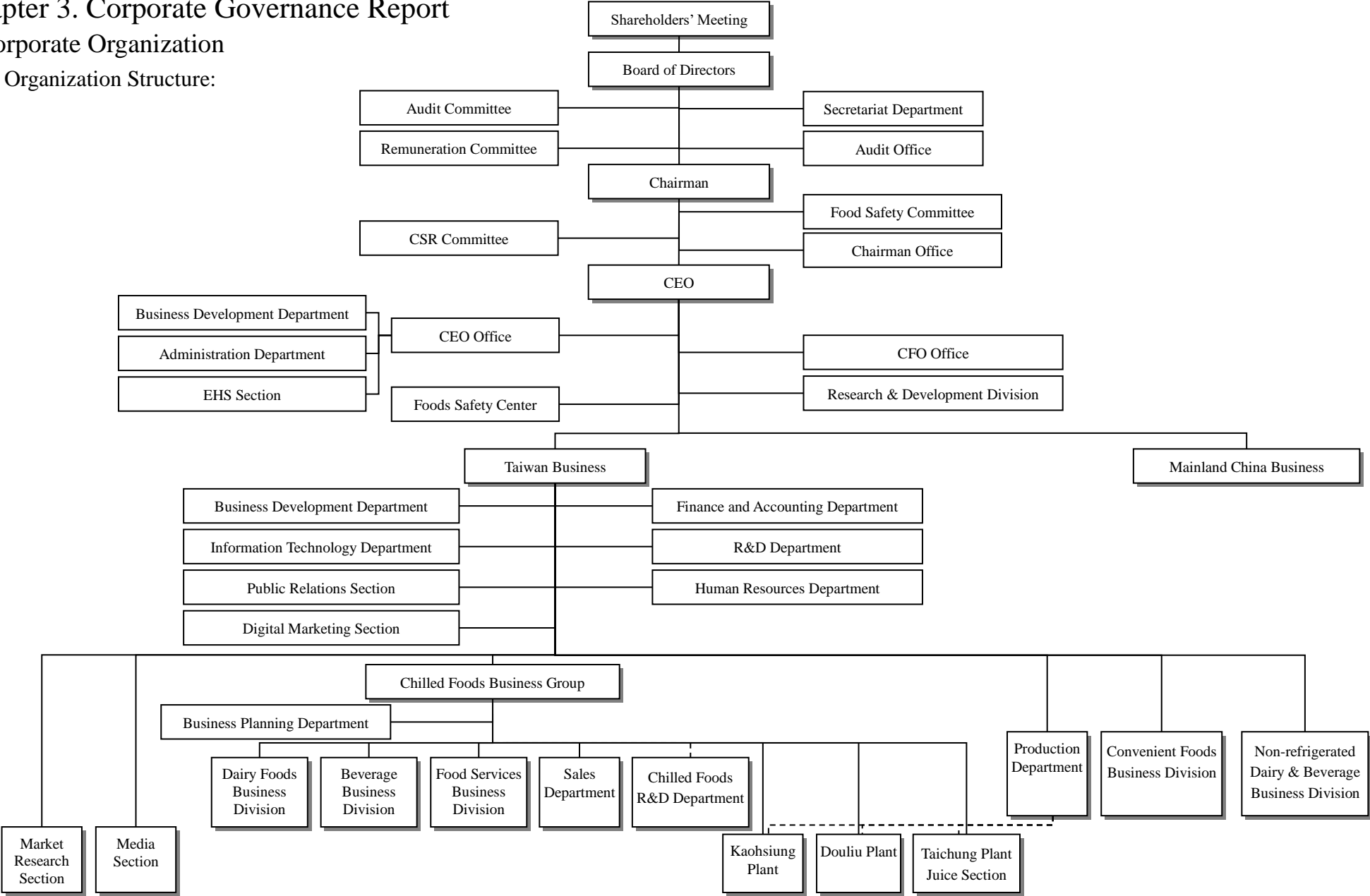
- Douliu Plant passed ISO14001 and ISO14064 International Environmental Protection Certification.
- 2013: The Complex Building of Taichung Plant that adopted concept design under the Energy Conservation and Environmental Protection Act was completed and put into operation. The Building was composed of a canteen, office, conference room and other spaces.
- The annual shareholders' meeting was held to re-elect the directors and supervisors. Mr. Wei Ying Chung was re-elected as Chairman, and Mr. Wang Hsi Ho was re-elected as the Vice Chairman.
- The Company sponsored the "Puppet Opera Production and Publication Project" of the National Culture and Arts Foundation, to support the promotion of Taiwan's traditional art and culture, and fulfill its social art and culture responsibilities by actual actions.
- The 60th Anniversary Celebration Party & Family Day was held in Pu Hsin Ranch. Besides, 60 bald cypress saplings were planted to symbolize the implantation of Ideas "Love the Earth, Just Do It". Musicians Shou-Chuan Lee, Wu Hsiung and Chen Fei Wu were invited to compose the song "Wei Chuan 60 Years" to commemorate the occasion.
- Douliu Plant was the first factory to pass conformity examination of the clean production assessment system of the Ministry of Economic Affairs and the Bureau of Industry.
- The edible oil event taken place in Taiwan had a strong impact on the edible oil consumption market. The Company's edible oil brand was also affected.
- 2014: Due to edible oil events broke out for two consecutive years giving rise to the purchase boycott movement, the Company's reputation was affected with a strong impact on the performance. Production and manufacturing of edible oil and instant noodles were stopped.
- Mr. Wei Ying Chung resigned from the office of Chairman and Director.
- Corporate shareholders appointed four new director representatives and one new supervisor representative. The majority of the members of the Board of Directors were new. Mr. Lee Feng Ao was elected as the Chairman. With more than two decades of professional experience in connection to consumer rights and interest in Taiwan, he led to reform in Wei Chuan. In addition to the establishment of food traceability mechanism, he also incorporated the business ethics in the development of foods, urged full information disclosure to satisfy the consumer's right to know, right to choose and right for safety, and improved the food quality to offer "safe and healthy" products to the consumers, so as to regain confidence and reliance from the customers.
- 2015: Vigorously promoted three food safety actions: "Whole Product Traceability", "Simplification of Formula" and "Quality in line with International Standards", led the industry to launch the first bottle of transparent fresh milk in Taiwan, and made milk source, production process and inspection items transparent and open through QRcode.
- Mr. Lee Feng Ao resigned from the office of Chairman, and Mr. Wang Hsi Ho was elected as the Chairman.
- In order to centralize the resources for development of the cross-Strait food business, the Board of Directors passed the proposal on transfer of certain assets for reinvestment in Sung Ching.

- The Company continued to promote food safety reform to meet the international clean label trend. In the principles of minimum or zero additives of the industry, three star products of simple formula were launched: Lin Feng Ying Yoghurt, soybean milk, brewed sauce, enabling the consumers to have high-quality, absolutely safe and delicious foods.
- 2016: “Dairy Farmer 4.0” Plan was initiated to promote industry upgrading in terms of source management, world-class quality, science-based ranch and sustainable operation.
- By focusing on food industry, the Board of Directors passed proposal on sale of equity in Wang Te Hsing Tea Co., Ltd., Wei Chuan Enterprise Co., Ltd., UCC Coffee Taiwan Co., Ltd., and Taiwan Calbee Food Co., Ltd.
- The Company participated in the capital increment plan of Comtrend Engineering Co., Ltd. and China Youth Store Co., Ltd., and carried out the liquidation.
- Brewed sauce won the Top Three-star Award of the International Taste & Quality Institute (iTQi).
- The directors were re-elected, and three independent directors were elected. The Audit Committee was established to take place of the supervisors. Mr. Chen Yung Ching became the Chairman.
- Kaohsiung Plant passed Level-3 Safety Quality Food (SQF) Certification, a top-grade rating of international food safety quality standards with a high score. Lin Feng Ying High-quality Fresh Milk produced by Kaohsiung Plant was the first bottle of SQF fresh milk in Asia.
- Thanks to compliance with food safety standards, and alignment with international practice, Kaohsiung Plant became the factory of which the whole plant and all production lines passed SQF international certification in Taiwan.
- 2017: The Company was judged not guilty in relation to the oil product event in the trial of the second instance of the Intellectual Property Court.
- The Board of Directors approved relocation of LongTan Plant, and sale of the land of LongTan Plant and peripheral buildings on the land.
- Following Kaohsiung Plant, Douliu Plant also passed SQF Level 3 Certification.
- All production lines of Wei Chuan passed ISO22000 Certification.
- Taichung Plant, Douliu Plant and Kaohsiung Plant obtained OHSAS 18001, TOSHMS and ISO50001 Energy Management System Certification.
- 2018: The Board of Directors approved sale of 51% of equity in Top Rate Development Co., Ltd., and three idle lands in Sanchong District, New Taipei City.
- The Board of Directors approved sale of land and other assets inside and outside Pu Hsin Ranch.
- 2019: Directors were re-elected. Mr. CHEN, HUNG-YU was elected as the Chairman.
- The Board of Directors approved the proposal for the merger of two subsidiaries Kang Ho International Trade Co., Ltd. and Sung Ching Commerce Co., Ltd., where, Kang Ho was the surviving company.
- 2020: The shareholders’ meeting approved the Company’s transfer of Cheng Shuen Nung Ranch, the subsidiary 100% held by the Company.

Chapter 3. Corporate Governance Report

I. Corporate Organization

(I) Organization Structure:



(II) Department Functions

Department	Key Functions
Audit Office	<p>Comply with government agencies, and laws and regulations on audit business.</p> <p>Audit systems including internal control, and evaluate efficiency and effect of operation, to reasonably guarantee effective implementation of the internal control system, and provide basis for review of the amended internal control systems.</p> <p>Assist the Board of Directors and managers to establish effective enterprise risk evaluation and risk management mechanism, examine and follow up improvement for defects, to intensify corporate governance and management benefits.</p>
CFO Office	<p>Support operation and development of the group company with steady and safe financial policies.</p> <p>Provide correct and object group finance and management information to improve the decision-making quality.</p> <p>Offer operation recommendations to guarantee achievement of the Group's budget targets.</p>
Research & Development Division	<p>Innovate product development, and continue to improve the product quality.</p> <p>Improve key and basic technologies for core product categories, establish technology platform, and enhance the product competitiveness of Taiwan and Mainland China.</p> <p>Introduce, develop and commercialize new product and new technology resources.</p> <p>Responsible for healthy food certification and patent application, maintenance and management.</p> <p>Continue to improve research and development organization capability, and cultivate experts for both Taiwan and Mainland China.</p> <p>Continue to improve the supply chain quality management system, intensify raw material and supplier management system, maintain product quality and safety, and ensure that the products are consistent with the standards and requirements under the food related laws and regulations.</p> <p>Promote transparent and intelligent system of production quality.</p> <p>Improve inspection and analysis technology, maintain TAF laboratory certification, and promote product quality safety warning system.</p> <p>Improve R&D management rules/ systems, establish R&D information system, and improve technology TM system.</p>
Foods Safety Center	<p>Plan, integrate and promote the Company's food safety policies and food safety management system, fulfill the food safety targets assigned by the Food Safety Committee and the Food Safety Promotion Office, and guide, supervise and audit the food safety management system, and the implementation effect of each unit.</p> <p>Promote and integrate operation of the Food Safety Committee and the Food Safety Promotion Office.</p> <p>Fulfill the Company's food safety targets, and plan the food safety policies, and annual food safety promotion strategies and targets.</p> <p>Plan, integrate and optimize the supply chain food safety management system.</p> <p>Improve the food safety related system process and system, and promote continuous improvement of the Company's food safety management system.</p> <p>Maintain the supply chain food safety capabilities;</p> <p>Plan and execute food safety system audit, and facilitate to supervise and audit improvement and effect.</p>
Business Planning Department	<p>Analyze overall economic, industrial and competition trend and business operation performance, and advance the Company's middle-term and long-term business development strategies and annual operation plan. Improve various systems to enhance the operation efficiency of the operation management system.</p>
Administration Department	<p>Optimize and maintain the working environment, receive and process mails and letters, control seals, telephone exchange and visitor's reception, protect the Company's movable and real estate business and benefits, and enforce and manage the Company's legal affair services.</p>
EHS Section	<p>Guarantee effective operation of the OHS management systems, organize regular safety management guideline education, training and promotion, continue to improve management standards superior to the laws and regulations, and prevent occupational hazards and occupational diseases.</p>

Finance and Accounting Department	<p>Establish safe financial management process to support development of Taiwan Business.</p> <p>Provide correct and object financial management information of Taiwan Business to improve decision-making quality.</p> <p>Offer operation recommendations to achieve the budget targets of Taiwan Business.</p>
R&D Department	<p>Plan and develop strategies: plan R&D strategies, cultivate R&D talents, and develop patent layout.</p> <p>Develop and improve products and technologies: develop new products/ new package, research and develop new categories, improve product/ package/ process design quality, research food services/ business channel product application, research category consumers, and establish core category/ new product application technology R&D and process technology.</p> <p>Raw material application technology: research and application of key raw materials.</p>
Human Resources Department	<p>Responsible for talent development and organization ability improvement, planning and executing human resources development strategies.</p>
Information Technology Department	<p>Introduce information solution based on the Company's strategies and objectives, integrate internal and external supply chain process, establish high-efficiency, safe and steady information system, improve operation performance, and strengthen the Company's competitiveness and value.</p>
Public Relations Section	<p>Formulate the policies regarding public affairs and media public relationship, establish and maintain the corporate and brand image, respond news crisis and control risks, and integrate the Group's communication and media functions and resources.</p> <p>Maintain and manage media relationship regularly.</p>
Digital Marketing Section	<p>Strengthen commodity marketing, content marketing and community marketing towards online groups/ consumers through new Internet media and new marketing methods, and raise consumer's recognition and understanding of commodities, brands and the Company, so as to establish preference and loyalty.</p>
Market Research Section	<p>Collect and acquire category markets and consumer's information.</p> <p>Execute and supervise market research programs.</p> <p>Investigate and acquire accumulation, summary and application of market data.</p> <p>Improve the efficiency and function of the Company's market survey system.</p>
Media Section	<p>Integrate the annual strategic media planning/ creative media planning provided by the agency.</p> <p>Integrate the annual medial planning provided by the agency/ acquire the quality review report and establish database.</p> <p>Offer recommendations on medial advertising plans, supervise performance of the plan, and evaluate effect of the plan.</p> <p>Improve the optimized module of the media strategies.</p>
Dairy Foods Business Division	<p>Plan and execute brand management and new product launching of chilled foods (including fresh milk, yogurt drinking, yogurt and milk drinks), guide management of dairy farmers, improve dairy quality, and balance production and marketing.</p> <p>Provide the consumers with the best products and services under the core value of quality first.</p>
Beverage Business Division	<p>Plan and execute the brand strategies for the chilled foods (including coffee, juice, chilled eggs, soybean drinks and desserts, etc.), and provide products and services that meet or exceed expectation of the customers and consumers.</p>
Food Services Business Division	<p>Food services is a service team that integrates marketing, R&D, sales, production and logistics distribution, including chain fast food, coffee casual dining, western restaurant, tea bar, breakfast chain, star restaurant, fresh food factory and regional single-point catering channels, and focus on development of such core categories as dairy products, drinks, salad, desserts and egg products. Provide package services that meet the market trends and the customer's demands, such as customized development, product application plan and the like, to become the best partner of the customers to create values.</p>

Sales Department	<p>Develop short-term, middle-term and long-term business strategies of chilled food business policies and programs, to achieve the business objectives.</p> <p>Establish the best chilled business team; improve the business capability and the efficiency of the operation system, achieve daily chilled food distribution service, execute and maintain food safety logistics quality and review, meet the customer's demands, develop business management, cultivate business elites, and achieve customer satisfaction and offer complaint and consulting services to the customers.</p>
Production Department	<p>Guide the factories and workshops to control capacity planning, and guarantee quality so as to achieve the Company's business objectives.</p> <p>Implement full-supply chain quality management system operation, and continue to improve the food safety management system.</p> <p>Strengthen supplier management, and guarantee raw material supply quality.</p> <p>Anticipate supply chain risks, and guarantee stable supply of raw materials.</p> <p>Integrate management systems of the production factory, and guide continuous improvement.</p> <p>Establish core technology for production process, and apply knowledge management</p> <p>Promote automation of the production factory, and improve the production management efficiency.</p> <p>Execute and supervise engineering creativity.</p> <p>Enhance production cost management, and supervise material management of the purchasing department and factories.</p> <p>Guarantee harmonious labor relationship.</p> <p>Coordinate and integrate resources of the production system, and ensure launching of new products on schedule.</p> <p>Guarantee effective operation of occupational safety and health/ environmental protection in production areas.</p> <p>Cultivate talents and organize development plan, and establish excellent production technical team.</p> <p>Plan new production lines in new factory, and improve the existing process design.</p> <p>Promote environmental management, energy conservation and carbon reduction, and accelerate replacement of old and energy-consuming equipments to achieve environmental sustainability.</p> <p>Promote water conservation and reduce waste of important resources.</p>
Convenient Foods Business Division	<p>Sell delicious, safe and healthy products, including seasonings and sauces necessary for cooking, instant scans and sauce series, focus on brand operation, category innovation and improvement of domestic and international consumer production/ business market channels, and provide customers with safe and secure choice of products.</p>
Non-refrigerated Dairy & Beverage Business Division	<p>Plan, manage and execute brand strategies for non-refrigerated products (such as coffee, dairy products, water and soymilk), and provide products and services to the expectation of the consumers.</p>

II. Information of Directors, Supervisors, General Manager, Vice General Managers, Directors, and Heads of Departments and Branches

1. Information of the Directors (I)

April 25, 2021

Position	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term of Office	Date First Election	Shareholding When Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held in the Company and Other Companies	Other executives, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
Chairman	Republic of China	Kang Ching Corporation	Male	2019.6.27	3	1998.5.30	35,880,000	7.09%	35,880,000	7.09%	0	0	0	0	Master, Institute of Management, National Taiwan University of Science and Technology General Manager, Circle K General Manager, Lallai Logistics Co., Ltd. Lecturer, Department of Business Administration, Taipei University of Business Lecturer, Department of Food Nutrition and Health Biotechnology, Shih Chien University	Director, Corporate Body Foundation Executive Director, Taiwan Cold Chain Association Chief Advisor, Beijing Wuwart Investment Co., Ltd.,	None	None	None	None
		2019.6.27				0	0	0	0											
Director	Republic of China	Kang Ching Corporation	Male	2019.6.27	3	1998.5.30	35,880,000	7.09%	35,880,000	7.09%	0	0	0	0	PhD in Business, National Chung Cheng University MBA, National Chengchi University Chief of Staff, Hua Wei International Technology Consulting Corporation Head, Yuanlin Branch of HSBC China Investment Corporation Head, Business Division, Prince Construction Corporation	Chairman, Shanghai Zhaowei Investment Management Consulting Co., Ltd. Director, Star Telecom Co., Ltd.	None	None	None	None
		2019.6.27				0	0	0	0											
Director	Republic of China	Kang Ching Corporation	Male	2019.6.27	3	1998.5.30	35,880,000	7.09%	35,880,000	7.09%	0	0	0	0	Graduated from Department of International Trade, Air Business College, National Cheng Kung University Graduated from CEO Class, Fudan University of Shanghai Southern Regional Vice President, Dingyi Corporation Northern Regional Vice President and Northeastern Regional Chairman, Dingyi Corporation General Manager, Northern China, Dingyi Corporation General Manager, Hangzhou Dingyi Corporation General Manager, Guangzhou Dingyi Corporation Director, Tianjin Dingyi Corporation	None	None	None	None	
		2019.6.27				0	0	0	0											
Director	Republic of China	Juqing Investment Co., Ltd.	Male	2019.6.27	3	1999.2.1	1,050,000	0.21%	1,050,000	0.21%	0	0	0	0	M.A., Institute of International Affairs, Columbia University Legal Representative, Juqing Investment Co., Ltd.	Chairman, Synmax Biochemical Co., Ltd. Vice Chairman, Taichung Industrial Corp. Director, Taiwan Yifanwu Corp. Director, Elite Material Co., Ltd.	None	None	None	None
		2001.7.26				0	0	0	0											
Director	Republic of China	Nice Triumph Investment Limited	Male	2019.6.27	3	1998.5.30	36,688,000	7.25%	36,688,000	7.25%	9,000	0.00%	0	0	Master in Business, Taiwan University and EMBA, Fudan University Bachelor of Accounting, Soochow University CFO, Vice President and Executive Director, Master Kong Holdings Co., Ltd. Director/ Chief Accountant, Finance Department, Taiwan and Guangzhou General Foods Corporation Manager, Accounting Department/ Administration Department, Taiwan Nestle Co., Ltd. Vice Manager, Audit Department, Oriental Union Chemical Corporation Head, Accounting Section, Dadechang Petrochemical Co., Ltd.	Chairman, Star Telecom Co., Ltd./ Chairman, Ding'an Development Corp./ Chairman, Hexun Investment Corp./ Chairman, He Yang Investment Corp./ Chairman, Konzen Corporation/ Chairman, Nice Triumph Investment Limited/ Chairman, Kangfa Investment Co., Ltd./ Chairman, Kangqing Corporation/ Chairman, Kangchao Corporation/ Director, Vigorkobo Corp.	None	None	None	None
		2001.7.26				0	0	0	0											
Director	Republic of China	HSUEH, KUANG-CHI	Male	2019.6.27	3	1998.5.30	0	0	30,000	0.01%	5,000	0.00%	0	0	Graduated from Department of Business Administration, National Taiwan University General Manager, Rikkei Trading Corp.	Chairman, Rikkei Trading Corp. Chairman, Hongstar Investment Corp. Supervisor, Hung Shu Pioneer Investment Corp.	None	None	None	None
Independent Director	Republic of China	CHEN, SHUN-PING	Male	2019.6.27	3	2016.6.28	0	0	0	0	0	0	0	MBA, Rutgers University, USA Manager, Jingshuo Technology (Shanghai) Co., Ltd.	Director and General Manager of General Administration Affairs Office, Win Semiconductor Corp./ Corporate Director Representative, Win Venture Capital Corp./ Corporate Director Representative, Union Biotechnology Co., Ltd./ Corporate Director Representative, Huixin Venture Capital Co., Ltd./ Corporate Supervisor Representative, Cultural Value Creating and Development Investment	None	None	None	None	
Independent Director	Republic of China	LI, ZHI-PING	Male	2019.6.27	3	2018.6.27	0	0	0	0	0	0	0	MBA, Finance, National Taipei University Bachelor of Finance, National Taipei University CFO, EnTie Commercial Bank, Ltd. Vice President, Investment Banking Division, Taiwan Branch, Lehman Brothers Securities Inc.	Executive Director, The Taiwan Entrepreneurs Fund Limited	None	None	None	None	
Independent Director	Republic of China	SONG, JUN-MING	Male	2019.6.27	3	2019.6.27	0	0	0	0	0	0	0	Master, Institute of Enterprise and Administration, University of Missouri Executive Partner, Richside Ventures Vice General Manager, GigaMedia Corporation General Manager, LITEON Electronic Business Group Supply Chain (Xunwang) Co., Ltd. Chief Operation Officer of Greater China and General Manager of Taiwan, BeXcom Corporation Manager, Overseas Business Division, CITIC Securities Company Limited	Vice CEO & CFO, Forde International Healthcare Group	None	None	None	None	

2. Major shareholders of corporate shareholders

'April 25, 2021

Name of corporate shareholder	Major shareholder of corporate shareholder	Shareholding ratio
Kang Ching Corporation	SWB (BVI) Co., Ltd.	100%
Nice Triumph Investment Limited	SWB (BVI) Co., Ltd.	100%
Juqing Investment Co., Ltd.	Chengen Global Co., Ltd.	31.25%
	Xiangcheng Global Co., Ltd.	68.75%

3. Major Shareholders of Major Corporate Shareholder

'April 25, 2021

Name of corporate shareholder	Major shareholder of corporate shareholder	Shareholding ratio
SWB (BVI) Co., Ltd.	TING HSIN (CAYMAN ISLANDS) HOLDING CORP.	100%
Chengen Global Co., Ltd.	Hsiao, Shih-Jen	100%
Xiangcheng Global Co., Ltd.	Lin, Chin-Hsing	100%

4. Information of the Directors (II)

April 25, 2021

Qualifications	At least five years of work experience together with following professional qualification			Independence criteria (note)												Number of other public companies where the individual concurrently serves as an independent director
	Lecturer or position at higher level in a department of commerce, law, finance, accounting, or other academic department related to the business needs in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business	Work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business	1	2	3	4	5	6	7	8	9	10	11	12	
CHEN, HUNG-YU	-	-	√	√	-	√	√	√	√	√	√	√	√	√	√	-
CHIEN, PEI-HSIANG	-	-	√	√	-	√	√	√	√	√	√	√	√	√	√	-
LAI, CHING-PAO	-	-	√	√	-	√	√	√	√	√	√	√	√	√	√	-
HSIEH, MON-CHANG	-	-	√	√	-	√	√	√	√	√	√	√	√	√	√	-
LIN, CHING-TANG	-	-	√	√	-	√	√	√	√	√	√	√	√	√	√	-
HSUEH, KUANG-CHI	-	-	√	√	-	√	√	√	√	√	√	√	√	√	√	-
CHEN, SHUN-PING	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	-
LI, ZHI-PING	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	-
SONG, JUN-MING	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	-

Note: Please check “ ” in the corresponding boxes if the directors and supervisors meet the following conditions during the two years prior to the nomination and during the term of office. ✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any managers in paragraph (1) or of the officer in the paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a

subsidiary of the same parent).

- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, General Manager, or person holding an equivalent position in the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, in the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, manager or their spouse who provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

1.Information of General Manager, Vice General Manager, Directors, and Heads of Departments and Branches

‘April 25, 2021

Position (Note 1)	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Shareholding of Spouse and Minor Children		Shareholding by Nominees		Main Experience (Education) (Note 2)	Other Position Concurrently Held in the Company and Other Companies	Managerial Officer who is Spouses or within the Second Degree of Kinship			Remarks (Note 3)
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
General Manager	Republic of China	CHANG, CHIAO-HUA	Male	‘January 28, 2019	0	0	0	0	0	0	Department of Business Administration, Soochow University	Director of Kang Chuan Engineering Corp., Director of Hangzhou Wei Chuan Biotechnology Food Co., Ltd., Director of Hangzhou Wei Chuan Food Co., Ltd., Director of Wei Chuan Food Investment Co., Ltd., Director of Langfang Wei Chuan Food Co., Ltd., Director of Suzhou Wei Chuan Food Co., Ltd., Director of Wei Chuan Asia Investment Co., Ltd., Director of Kang Qin Development Co., Ltd., Principal of Wei Chuan (BVI) Limited in Republic of China, Manager of Taiwan Branch of Wei Chuan (BVI) Limited	None	None	None	-
Vice General	Republic of China	CHIU, TZU- CHUAN	Male	‘August 14, 2020	0	0	0	0	0	0	PhD, Agricultural	Director of Hsin Chuan Industrial	None	None	None	-

Manager											Chemistry, Taiwan University	Co., Ltd., Chairman of Cheng Shuen Nung Ranch Corp.				
Director	Republic of China	TSAI, WEN-LIN	Female	'August 1, 2017	31,051	0.01%	0	0	0	0	Institute of Agricultural Chemistry, Taiwan University	None	None	None	None	-
Senior Director	Republic of China	CHANG, SHU-MIAO	Female	'August 1, 2017	0	0	0	0	0	0	Institute of Industrial Engineering, Chung Yuan University	None	None	None	None	-
Senior Director	Republic of China	CHEN CHING LONG	Male	'April 1, 2021	0	0	0	0	0	0	Institute of Urban Planning, Chung Hsing University	None	None	None	None	-
Director	Republic of China	GUO SHIU CHUAN	Male	'January 1, 2010	0	0	0	0	0	0	Institute of Business Administration, National Chengchi University	None	None	None	None	-
Director	Republic of China	MENG YUAN CHEN	Male	'February 1, 2010	0	0	0	0	0	0	Institute of Business Administration, National Sun Yat-sen University	None	None	None	None	-
Director	Republic of China	LIN,HSIN CHU	Male	'May 1, 2014	0	0	0	0	0	0	Institute of Food Science, Tokai University	None	None	None	None	-
Director	Republic of China	SHIH, CHIEH-JEN	Male	'July 1, 2017	0	0	0	0	0	0	Institute of Business Administration, Chang Gung University	None	None	None	None	-
Director	Republic of China	TANG,WEI CHE	Male	'February 1, 2019	0	0	0	0	0	0	Institute of Business Administration, Chung Hsing	Director, Cheng Shuen Nung Ranch Corp.	None	None	None	-

											University					
Director	Republic of China	CHANG,CHEN-CHANG	Male	'February 1, 2019	0	0	0	0	0	0	Section of Food Industry, Pingtung Agricultural College	Director of Kangho International Trading Corp., Director of CONCOURSE INTERNATIONAL LIMITED, Director of Hangzhou Kangpei Trade Co., Ltd.	None	None	None	-
Director	Republic of China	KO, CHI-FENG	Male	'September 1, 2019	0	0	0	0	0	0	Institute of Food Nutrition, Fu Jen Catholic University	None	None	None	None	-
Director	Republic of China	LUOR, DER CHERNG	Male	'January 20, 2020	0	0	0	0	0	0	Institute of Business Administration, University of IOWA	None	None	None	None	-
Director	Republic of China	YU, CHEN-PI	Male	'January 20, 2020	0	0	0	0	0	0	Tou Cheng High School	None	None	None	None	-
Director	Republic of China	SUN, YU-CHIANG	Male	'August 12, 2019	0	0	0	0	0	0	Institute of Food Science, Tokai University	None	None	None	None	-
CFO (Finance Supervisor)	Republic of China	HUANG,KUO CHEN	Male	'July 1, 2020	0	0	0	0	0	0	Department of Accounting, Fu-Jen Catholic University	Director of Kangho International Trading Corp., Director of Fu Ting Food Corp., Director of Cheng Shuen Nung Ranch Corp.	None	None	None	-
Senior Manager (Accounting officer)	Republic of China	HUANG,CHIH-YU	Female	'April 1, 2014	0	0	1,600	0.00%	0	0	Master, Department of Accounting, National Cheng Kung University	Supervisor of Hsin Chuan Industrial Co., Ltd., Director of KingCan (BVI)Corporation, Director of Kunshan Yuquan Mould Industry Co. Ltd, Supervisor of Fu Ting Food Corp.,	None	None	None	-

											Supervisor of Kang Chuan Engineering Corp., Supervisor of Kangho International Trading Corp., Director of CONCOURSE INTERNATIONAL LIMITED, Director of Hangzhou Kangpei Trade Co., Ltd., Supervisor of Hangzhou Wei Chuan Food Co., Ltd., Supervisor of Langfang Wei Chuan Food Co., Ltd., Supervisor of Suzhou Wei Chuan Food Co., Ltd., Supervisor of Wei Chuan Food Investment Co., Ltd., Director of Wei Chuan Asia Investment Co., Ltd., Director of Kang Qin Development Co., Ltd., Director of Shanghai Wei Chuan Food Industry Co., Ltd., Director of Kan Lian Investment Corporation, Supervisor of Cheng Shuen Nung Ranch Corp.				
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Note 1: It shall include information of General Manager, Vice General Manager, Director and heads of departments and branches; any position equivalent to General Manager, Vice General Manager or director, regardless of job title, shall also be disclosed.

- Note 2: For the experience related to holding the current position, if one has worked in the CPA firm conducting the auditing and attesting business or its affiliates, he/she shall state the job title and responsibilities.
- Note 3: Where the chairperson of the board of directors and the General Manager or person of an equivalent post (the top level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example, increase the number of independent directors, and there shall be more than half of the directors who do not concurrently serve as employees or managers).

6. Remuneration paid to the directors, General Manager and Vice General Manager in the most recent year

(1) Remuneration of the Ordinary Directors and Independent Directors

Unit: NT\$ thousands

Position	Name	Remuneration Paid to Directors								Ratio of Total Remuneration (A+B+C+D) to Earnings After Tax (Note 10)		Relevant Remuneration Received by Directors who Are Also Employees						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Earnings After Tax (Note 10)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company (Note 11)		
		Compensation (A) (Note 2)		Severance pay and pension (B)		Director's remuneration (C) (Note 3)		Fees for service performance (Note 4)				Salaries, bonus and special subsidies (E) (Note 5)		Severance pay and pension (F)		Employee's remuneration (G) (Note 6)						
		The Company	All companies incorporated in the financial reports (Note 7)	The Company	All companies incorporated in the financial reports (Note 7)	The Company	All companies incorporated in the financial reports (Note 7)	The Company	All companies incorporated in the financial reports (Note 7)	The Company	All companies incorporated in the financial reports (Note 7)	The Company	All companies incorporated in the financial reports (Note 7)	The Company	All companies incorporated in the financial reports (Note 7)	Cash	Stock	Cash	Stock		The Company	All companies incorporated in the financial reports (Note 7)
Chairman	Kang Ching Corporation Representative: CHEN, HUNG-YU	8,400	8,400	-	-	6,300	6,300	1,369	1,369	3%	3%	-	-	-	-	-	-	-	-	3%	3%	None
Director	Kang Ching Corporation Representative: CHIEN, PEI-HSIANG																					
Director	Kang Ching Corporation Representative: LAI, CHING-PAO																					
Director	Juqing Investment Co., Ltd. Representative: HSIEH, MON-CHANG																					
Director	Nice Triumph Investment Limited Representative: LIN, CHING-TANG																					
Director	HSUEH, KUANG-CHI																					
Independent Director	CHEN, SHUN-PING	5,400	5,400	-	-	-	-	108	108	1.03%	1.03%	-	-	-	-	-	-	-	-	1.03%	1.03%	None
Independent Director	SONG, JUN-MING																					
Independent Director	LI, ZHI-PING																					

- Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time.
The Board of Directors is delegated to determine the remuneration to independent directors by reference to the remuneration level of the peers in accordance with Article 27 of the Articles of Incorporation.
- Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies incorporated in the financial reports in the most recent year: None.

Note: A driver is assigned to the Chairman, and is entitled to the remuneration NT\$ 551 thousand, which is not included in the remuneration to the Chairman.

Range of remuneration

Range of remuneration paid to each director of the Company	Name of director			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies incorporated in the financial reports (Note 9)(H)	The Company (Note 8)	All companies incorporated in the financial reports (Note 9)(I)
Less than NT\$ 1,000,000	-	-	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Kang Ching Corporation Representative CHIEN, PEI-HSIANG Kang Ching Corporation Representative LAI, CHING-PAO Juqing Investment Co., Ltd. Representative HSIEH, MON-CHANG Nice Triumph Investment Limited Representative LIN, CHING-TANG HSUEH, KUANG-CHI CHEN, SHUN-PING SONG, JUN-MING LI, ZHI-PING	Kang Ching Corporation Representative CHIEN, PEI-HSIANG Kang Ching Corporation Representative LAI, CHING-PAO Juqing Investment Co., Ltd. Representative HSIEH, MON-CHANG Nice Triumph Investment Limited Representative LIN, CHING-TANG HSUEH, KUANG-CHI CHEN, SHUN-PING SONG, JUN-MING LI, ZHI-PING	Kang Ching Corporation Representative CHIEN, PEI-HSIANG Kang Ching Corporation Representative LAI, CHING-PAO Juqing Investment Co., Ltd. Representative HSIEH, MON-CHANG Nice Triumph Investment Limited Representative LIN, CHING-TANG HSUEH, KUANG-CHI CHEN, SHUN-PING SONG, JUN-MING LI, ZHI-PING	Kang Ching Corporation Representative CHIEN, PEI-HSIANG Kang Ching Corporation Representative LAI, CHING-PAO Juqing Investment Co., Ltd. Representative HSIEH, MON-CHANG Nice Triumph Investment Limited Representative LIN, CHING-TANG HSUEH, KUANG-CHI CHEN, SHUN-PING SONG, JUN-MING LI, ZHI-PING
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Kang Ching Corporation Representative CHEN, HUNG-YU	Kang Ching Corporation Representative CHEN, HUNG-YU	Kang Ching Corporation Representative CHEN, HUNG-YU	Kang Ching Corporation Representative CHEN, HUNG-YU
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	9 seats	9 seats	9 seats	9 seats

- Note 1: Director's name shall be identified one by one (corporate shareholder shall be identified by the name of corporate shareholder and representative individually), and amount of the remuneration paid will be disclosed in the summary form. If a Director also serves as the General Manager or the Vice General Manager concurrently, indicate the fact in this table and the following table.
- Note 2: Remuneration to the directors in the most recent year (including director's salary, allowance, severance pay, various bonuses, and incentive payments, etc.).
- Note 3: Remuneration to directors approved by the Board of Directors in the most recent years.
- Note 4: Professional service fees paid to the directors in the most recent year (including travelling expenses, special allowances, subsidies, dormitory, company cars, in-kind payments, etc.). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid by the Company to the driver in a note; however, it is not included in the executive compensation.
- Note 5: Salary, duty allowance, severance pay, various bonuses, incentive payments, travelling expenses, special expenses, various subsidies, dormitory, company cars, in-kind payments received by the directors who were employees concurrently (including General Manager, Vice General Manager, managerial officer and employee) in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid by the Company to the driver in a note; however, it is not included in the executive compensation. Any salary listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.
- Note 6: If the directors who were employees concurrently (including General Manager, Vice General Manager, managerial officer and employee) received employee's remuneration (including stock and cash payment) in the most recent year, please disclose the amount of the employee's remuneration approved by the Board of Directors in the most recent year. If it is impossible to anticipate the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the Table 1-3.
- Note 7: The aggregate of the remuneration to directors in the Company from all companies included into the consolidated financial reports (including the Company) should be disclosed.
- Note 8: The aggregate of the remuneration to each director by the Company shall include the director's name disclosed in the relevant range of the remuneration.
- Note 9: The aggregate of the remuneration paid to each of the Company's directors by the companies included into the consolidated financial reports (including the Company) shall include the director's name disclosed in the relevant range of the remuneration.
- Note 10: The earnings after tax refers to the earnings after tax in the most recent year. If IFRSs is adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

- Note 11:
- a. Remuneration received by the Company's directors from the reinvestments other than the subsidiaries shall be specified in this column.
 - b. If the Company's directors have received remuneration from reinvestments other than subsidiaries, such remuneration shall be incorporated in Column I of the Range Table, and the column name is changed to "all reinvestments".
 - c. The remuneration refers to the compensation and benefits paid to the Company's directors who serve as directors, supervisor or manager in the reinvested companies other than subsidiaries (including remuneration for employees, directors and supervisors), professional service fees and relevant benefits.

(2) Remuneration of the General Manager and Vice General Manager

Unit: NT\$ thousands

Position	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonus and special allowance (C) (Note 3)		Employee compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Earnings After Tax (%) (Note 10)		Compensation from reinvested companies other than subsidiaries (Note 9)
		The Company	All companies incorporated in the financial reports (Note 5)	The Company	All companies incorporated in the financial reports (Note 5)	The Company	All companies incorporated in the financial reports (Note 5)	The Company		All companies included into the financial reports (Note 5)		The Company	All companies incorporated in the financial reports (Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	CHANG, CHIAO- HUA													
Vice General Manager	LI, YUNG- LIN	12,694	12,694	117	117	5,939	5,939	133	-	133	-	3.53%	3.53%	None
Vice General Manager	CHIU, TZU- CHUAN													

Note 1: Vice General Manager Li Yung-Lin retired on April 1, 2020.

Note 2: A driver was assigned to the General Manager and was paid the remuneration of NT\$ 608 thousand, which was not included in the remuneration of the General Manager.

Range of remuneration

Range of Remuneration Paid to the General Manager and the Vice General Manager	Name of General Manager and Vice General Manager (Notes 1 and 2)	
	The Company (Note 6)	All companies in the financial reports (Note 7) E
Less than NT\$ 1,000,000	LI, YUNG-LIN	LI, YUNG-LIN
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	CHIU, TZU-CHUAN	CHIU, TZU-CHUAN
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	CHANG, CHIAO-HUA	CHANG, CHIAO-HUA
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	3	3

Note: Vice General Manager Li Yung-Lin retired on April 1, 2020.

Note 1: The name of General Manager and Vice General Manager shall be identified individually, and the various payments shall be summarized and then disclosed. If a Director serves concurrently as General Manager or Vice General Manager, indicate in this table and the table above.

- Note 2: Please specify the salary, duty allowance and severance paid to the General Manager or Vice General Manager in the most recent year.
- Note 3: Please specify the salary, duty allowance, severance pay, various bonuses, incentive payments, travelling expenses, special expenses, various subsidies, dormitory, company cars, in-kind payments and other remuneration, received by General Manager or Vice General Manager in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid by the Company to the driver in a note; however, it is not included in the executive compensation. Any salary listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.
- Note 4: Please specify the employee remuneration (including stock and cash) approved by the Board of Directors to be allocated to the General Manager or the Vice General Manager in the most recent year. If it is impossible to anticipate the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the Table 1-3.
- Note 5: Please disclose the aggregate of the remuneration paid to the Company's General Manager and Vice General Manager by all companies included into the consolidated financial reports (including the Company).
- Note 6: The aggregate of the remuneration to each General Manager and Vice General Manager by the Company shall include the General Manager and Vice General Manager's name disclosed in the relevant range of remuneration.
- Note 7: The aggregate of the remuneration paid to each of the Company's General Manager and Vice General Manager by the companies included into the consolidated financial reports (including the Company) shall include the General Manager and Vice General Manager's names disclosed in the relevant range of remuneration.
- Note 8: The earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.
- Note 9:
- a. To specify whether the Company's General Manager and Vice General Manager have received remuneration from investees or parent companies other than subsidiaries (If there is none, please fill in "none").
 - b. If the Company's General Manager and Vice General Manager have received remuneration form investees or parent company other than subsidiaries, please include the same into Column E in the following table and changed the name of the section into "Parent company and all investees".
 - c. The remuneration refers to the compensation and benefits paid to the Company's General Manager and Vice General Manager who serve as directors, supervisor or manager in the reinvested companies or parent company other than subsidiaries (including remuneration for employees, directors and supervisors), professional service fees and relevant benefits.

(3) Name of managers received employee's remuneration and allocation of remuneration:

Unit: NT\$ thousands

	Job Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio to Earnings after Tax
Manager	General Manager	CHANG, CHIAO-HUA	0	432	432	0.08%
	Vice General Manager	CHIU, TZU-CHUAN				
	Director	GUO SHIU CHIUAN				
	Director	MENG YUAN CHEN				
	Senior Director	CHANG, SHU-MIAO				
	Director	LIN,HSIN CHU				
	Director	SHIH, CHIEH-JEN				
	Director	TSAI, WEN-LIN				
	Director	TANG,WEI CHE				
	Director	CHANG,CHEN-CHANG				
	Director	KO, CHI-FENG				
	Director	LUOR, DER CHERNG				
	Director	YU, CHEN-PI				
	Director	SUN, YU-CHIANG				
	Senior Director (Note 5)	CHEN CHING LONG				
	CFO (Financial Supervisor)	HUANG,KUO CHEN				
	Senior Manager (Chief Accountant)	HUANG,CHIH-YU				

Note 1: Please disclose the name and job title individually, while the allocation of earnings may be summarized and then disclosed.

Note 2: Please specify the employee's remuneration (including stock and cash) allocated to the manager with approval of the Board of Directors in the most recent year. If it is impossible to estimate the same, the amount to be allocated this year shall be based on the allocated physically last year. The earnings after tax refer to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 3: The scope of the managers shall be defined in the following manner, as per the Board's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301. March 27, 2003

- (1) General Manager and equivalents.
- (2) Vice General Manager and equivalents.
- (3) Director and equivalents.
- (4) Head of Finance Department.
- (5) Head of Accounting Department.
- (6) Any other persons in charge of the Company's affairs and entitled to sign the instruments on behalf of the Company.

Note 4: Please complete this table if the directors, General Manager and Vice General Manager receive employee's remuneration (including stock and cash).

Note 5: Assumed office on April 1, 2021.

7. Please compare, describe and analyze the ratio of total remuneration paid by the Company and all companies in the consolidated statements to the Company's directors, General Manager and Vice General Manager during the most recent two years to the earnings after tax, and specify the remuneration policies, standards and packages, remuneration determination procedures, and links with the operation performance and future risks.

(1) Analysis on remuneration paid to the directors, General Manager and Vice General Manager in the most recent two years.

Unit: NT\$ thousands

Position	2019			2020		
	Total remuneration (Note)	Net income after individual tax	Ratio of total remuneration to earnings after tax	Total remuneration (Note)	Net income after individual tax	Ratio of total remuneration to earnings after tax
Director	21,601	1,349,984	1.60%	21,577	535,195	4.03%
General Manager and Vice General Manager	14,989		1.11%	18,883		3.53%

Note: Total remuneration include the aggregate of the remuneration paid to the Company's directors, General Manager and Vice General Manager by all companies included in the consolidated statements (including the Company).

(2) Remuneration policy, standards and packages, remuneration determination procedures, and link with operation performance and future risks.

- 1) The Board of Directors is delegated to determine the remuneration to directors by reference to the directors' involvement in the Company's operation and the remuneration level of the peers in accordance with Article 17 of the Articles of Incorporation.
- 2) The remuneration of the Company's directors and managers are determined in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and is submitted to the Remuneration Committee for discussion and the Board of Directors for approval. If the Company makes profits in the year, the remuneration shall be allocated according to Article 27 of the Articles of Incorporation.
- 3) Business performance directly affects allocation of remuneration to the manager.

III. Status of Corporate Governance

(I) Operation of the Board of Directors

1. Information and status of the Board of Directors

The Board of Directors held 12 meetings in the most recent year (up to the date of publication of the 2019 Annual Report). The attendance of the directors was as follows:

May 10, 2021

Position	Name (Note)	Attendance in person (B)	Attendance by proxy	Due attendance (A)	Actual attendance rate (%) (B/A)	Remarks
Corporate Representative of Chairman	Kang Ching Corporation Representative: CHEN, HUNG-YU	12	0	12	100%	
Director in person	HSUEH, KUANG-CHI	8	4	12	67%	
Corporate Representative of Director	Kang Ching Corporation Representative: CHIEN, PEI-HSIANG	11	1	12	92%	
Corporate Representative of Director	Kang Ching Corporation Representative: LAI, CHING-PAO	12	0	12	100%	
Corporate Representative of Director	Juqing Investment Co., Ltd. Representative: HSIEH, MON-CHANG	10	2	12	83%	
Corporate Representative of Director	Nice Triumph Investment Limited Representative: LIN, CHING-TANG	12	0	12	100%	
Independent Director in person	CHEN, SHUN-PING	12	0	12	100%	
Independent Director in person	SONG, JUN-MING	12	0	12	100%	
Independent Director in person	LI, ZHI-PING	11	1	12	92%	

Other matters to be recorded:

- I. For matters under Article 14-3 of the Securities and Exchange Act, and other resolutions of the Board of Directors with the independent directors voicing opposing or qualified opinions on the record or in writing, please state the Board meeting date, term, contents of proposal, and opinions of all members and the Company's handling of the independent director's opinions: None
- II. If the directors abstain in certain proposals for being a stakeholder, please specify the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts:
Chairman CHEN, HUNG-YU was interested with the Proposal 2 "Governing the 2nd Meeting of the 43rd Remuneration Committee" at the 4th meeting of the 43rd Board of Directors on January 17, 2020, the Proposal 9 "Governing the 3rd Meeting of the 43rd Remuneration Committee" at the 5th meeting of the 43rd Board of Directors on March 30, 2020, and the Proposal 8 "Governing Effective Date of the Adjustment to Remuneration of Chairman" at the 6th meeting of the 43rd Board of Directors on May 11, 2020. In order to avoid interest conflict with the Company, Chairman CHEN, HUNG-YU abstained in discussion and voting of the above proposals, and the acting chair presided over discussion and voting of the above proposals.
- III. Execution of functions of the Board of Directors in the year and the recent years:
 1. Dedicated section regarding stakeholder and enterprise social responsibility is set up at the website of the Company to enhance disclosure of the Company's corporate information, and information transparency.
 2. The Board of Directors held 6th meetings in 2020. Due attendance of all directors shall be 54 times in aggregate, but the actual attendance was 50 times in aggregate. The average attendance rate was 92.6%.

2. Execution of evaluation of the Board of Directors

Evaluation frequency (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)
<p>The Company evaluated the performance of the Board of Directors once a year pursuant to the Company's Regulations Governing Performance Evaluation of the Board of Directors. Performance evaluation takes place at the end of every year, and the evaluation results will be completed by the end of the first quarter of the next year. In addition, external professional independent institution or an external professional scholar team will be appointed for performance evaluation every three years.</p>	<p>From January 1, 2020 to December 31, 2020</p>	<p>(1) Self-evaluation of the Board of Directors (2) Self-evaluation of the functional committees. (3) Self-evaluation of the members of the Board of Directors. (4) Evaluation by external professional evaluation institution of the Board of Directors.</p>	<p>(1) Self-evaluation of the Board of Directors: The Board Secretariat collected the information related to activities of the Board of Directors in 2020, and gave a fair, objective and independent report to the Board of Directors. (2) Self-evaluation of the functional committees: Three members of the Audit Committee and the Remuneration Committee completed the self-evaluation questionnaires, which were collected by the Board Secretariat for statistics and analysis, and submitted to the Board of Directors. (3) Self-evaluation of the members of the Board of Directors: The self-evaluation questionnaire is completed by each director, collected by the Board Secretariat for statistics and analysis, and submitted to the Board of Directors. (4) Evaluation by the external professional independent institution: The Company provides the self-evaluation and relevant materials to the external institution for examination. Upon field visiting, the external institution issues the evaluation report, and submits it to the Board of Directors.</p>
<p>Evaluation contents (Note 5)</p>			
<p>(1) Self-evaluation items of the Board of Directors include the following five aspects: A. Participation in the Company's operation. B. Improvement of the decision-making quality of the Board of Directors. C. Composition and structure of the Board of Directors. D. Election and continuing education of the directors. E. Internal control. There are 45 self-evaluation items of the Board of Directors, and the average score is 4.93 points (full mark is 5.00 points). The average attendance rate of each director in 2020 was 92.6%, which was the same as the previous year (2019: 92.6%). There were 9 directors present at the 2020 annual shareholders' meeting. The attendance rate was 100%, higher than that of the previous year (2019: 6 directors present). In 2020, the Board of Directors held 6 meetings, which was the same as the previous year (2019: 6 meetings). In 2020, continuing education of each director was at least 6 hours.</p> <p>(2) Self-evaluation items of the functional committees include the following five aspects: A. Participation in the Company's operation. B. Acknowledgement of duties of the functional committees. C. Improvement of the decision-making quality of the functional committees. D. Composition and member re-election of the functional committees. E. Internal control. There are 24 self-evaluation items of the functional committees, and the average score is 4.88 points (full mark is 5.00 points). In 2020, the Audit Committee held 6 meetings, and the Remuneration Committee held 3 meetings. The average attendance rate of each member was 100%.</p> <p>(3) Self-evaluation items of the members of the Board of Directors include the following six aspects: A. Execution of the Company's targets and tasks. B. Understanding of the duties of the directors. C. Participation in the Company's operation. D. Management and communication of the internal relationship. E. Expertise and continuing education of the directors. F. Internal control. Upon collection and analysis of self-evaluation questionnaires of 9 directors, the overall average score of self-evaluation of directors was 4.83 points (full mark 5.00 points), equivalent to 97 points, and the rating was excellent. Based on the statistical data of 23 self-evaluation items, the average score of the majority of items was 4.50 points or above (close to totally consent), but only one item was scored 4.22 points- "Director does not serve as director or supervisor in a number of companies concurrently".</p>			

Evaluation contents (Note 5)

(4) Evaluation by external professional evaluation institution of the Board of Directors:

A. The Company appoint an external professional independent institution or an external professional scholar team to evaluate the performance of the Board of Director once every three years in order to enhance the operation performance of the Board of Directors and improve the corporate governance. In 2020, Taiwan Corporate Governance Association (TCGA) was appointed for external evaluation. With abundant experience in corporate governance system measurement and evaluation, TCGA is able to provide independent and professional board performance evaluation services in terms of business planning, execution, supervision and appraisal, as well as labor division and cooperation between the board of directors and the management department. The evaluation scope of TCGA covers composition, guidance, authorization, supervision, communication, self-discipline, internal control and risk management, and meeting and support system of the board of directors. The Company furnished self-evaluation related data to TCGA for review. The members of TCGA (Lin Chun-Cheng, Lin Chan-Chuan, Sun I-Ching, and Chen I-Ting) paid a field visit to the Company on February 23, 2021, and issued an evaluation report on March 3, 2021. The Company submitted it to the Board of Directors on March 29, 2021.

B. Overall evaluation report of TCGA: The Company's Board of Directors properly exerted the duties of the functional committees; the directors positively fulfilled the responsibilities, and assisted the Board of Directors to perform the supervisory functions. Besides, both the Chairman and the General Manager had professional manager background, and clear division of responsibilities. To sum up, the Board of Directors properly performed its duties and was self-discipline.

C. TCGA's suggestions and the Company's corrective action plan:

a. It is suggested that the Company should further establish a register of directors, to assist the new directors to know the Company's business, department operation, the industry trend and competitiveness and other activities as soon as possible, and make it written system. The Company will establish a register of directors before re-election of the next board of directors, and will update the register of directors from time to time pursuant to laws and regulations.

b. It is suggested to establish a Risk Management Committee, develop written article of incorporation to specify the duties and rule of procedure of the committee, and to report to the Board of Directors regularly, so as to enhance connection and effective division of labor with the Board of Directors. The Company will establish a Risk Management Committee and formulate its article of incorporation, and will submit information regarding its performance and implementation to the Board of Directors regularly every year.

c. Considering close interaction between the chief auditor and the Audit Committee, it is suggested the Audit Committee evaluates the chief auditor's annual performance first, and then, submit it to the Chairman for review. Furthermore, it is suggested to establish individual communication mechanism between the Audit Committee and the internal audit personnel as well as the CPA, so as to enhance the guidance functions of the Audit Committee on the internal audit, and ensure smooth communication channels with CPA. From this year, the annual performance of the Company's chief auditor will be evaluated by the Audit Committee firstly, and then, by the Chairman. Furthermore, from this year, independent communication meeting of the Audit Committee with the internal audit personnel and the CPA will be planned and arranged at least once a year.

d. It is suggested that major events shall be reported to the members of the Board of Directors but not merely to the Chairman, and shall be incorporated in the existing system, so that there are concrete systems to be followed. The Company will amend the relevant systems to incorporate report of major events to the members of the Board of Directors.

(5) Relationship between director's performance evaluation and remuneration:

The remuneration to the Company's directors is determined pursuant to Article 27 of the Articles of Incorporation. The Company will set aside 5% or more out of any earnings of the year as the director's remuneration, and will pay the director's remuneration in cash.

In determination of the remuneration, the Company offers reasonable remuneration to the directors based on the Rules Governing Performance of the Board of Directors, taking into consideration of the Company's overall performance and the director's individual performance and contribution to the Company's performance. The Remuneration Committee and the Board of Director will review the above remuneration determination. The relevant rules governing remuneration will be amended as appropriate pursuant to the laws and regulations, taking into consideration the actual operation status of the Company.

Note 1: Please specify frequency for evaluation of the Board of Directors, for example, once a year.

Note 2: Please specify the period for evaluation of the Board of Directors, for example, evaluation on the performance of the Board of Directors from January 1, 2020 to December 31, 2020.

Note 3: The scope of evaluation includes performance of the entire Board, individual directors and the functional committees.

Note 4: The evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Board members, peer evaluation, appointment of external professional institutions or experts, or other appropriate methods.

Note 5: the evaluation contents shall include at least the following items according to the scope of evaluation:

- (1) Evaluation on performance of the Board of Directors: at least including participation in operation of the Company, decision-making quality of the Board of Directors, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control, etc.
- (2) Evaluation on performance of individual director: at least including alignment with the targets and tasks of the Company, awareness of the duties of the directors, participation in operation of the Company, internal relationship management and communication, director's expertise and continuing education, and internal control, etc.
- (3) Evaluation on performance of the functional committees: including participation in operation of the Company, awareness of the duties of the functional committee, decision-making quality of the functional committee, composition and member election of the functional committee, and internal control, etc.

(II) Status of the Audit Committee

Information about operation status of the Audit Committee

1. The Company's Audit Committee is composed of 3 members.
2. Term of office: from June 27, 2019 to June 26, 2022 (the same as the term of office of the directors). In 2020 and up to the date of publication of the annual report, the Audit Committee held 11 meetings (43rd term) (A). Qualification and attendance of the members are as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	LI, ZHI-PING	10	1	91%	-
Committee Member	CHEN, SHUN-PING	11	0	100%	-
Committee Member	SONG, JUN-MING	11	0	100%	-

Other matters to be recorded:

- I. With respect to management of the Audit Committee, in any of the following circumstances, please specify the date, term and proposal contents of the Board meeting, resolutions of the Audit Committee, and the Company's handling of such resolutions:
 - (I) Circumstances referred to in Article 14-5 of the Securities and Exchange Act.
 - (II) Apart from foregoing matters, other matters that were not approved by the Audit Committee, but were approved by two-thirds or more of all directors.
The Company's Audit Committee did not have the above matters.
- II. If the independent directors abstain in certain proposals for being a stakeholder, please specify the name of the independent director, the content of the proposal, reasons for abstentions and the results of voting counts: None.

III. Communication between the Independent Directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.):

The independent directors maintain good communication with the chief internal auditor and the CPAs. The independent directors have been appointed since 2016 to mainly communicate the following items:

Date of meeting	Key points for communication with the CPA	Key points for communication with the chief auditor
2016.08.11 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the second quarter of 2016, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2016 to June 2016.
2016.11.11 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the third quarter of 2016, and communicated with the independent directors.	Report and communication on implementation of internal audit for the third quarter.
2017.01.23 Audit Committee	(N/A)	Report and communication on implementation of internal audit for the fourth quarter of 2016.
2017.03.27 Audit Committee	The CPA expressed its audit opinion on the 2016 consolidated and parent company only financial reports, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2017 to February 2017.
2017.05.10 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the first quarter of 2017, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2017 to April 2017.
2017.08.11 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the second quarter of 2017, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2017 to June 2017.
2017.11.13 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the third quarter of 2017, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2017 to September 2017.
2018.02.09 Audit Committee	(N/A)	Report and communication on implementation of internal audit from January 2017 to December 2017.
2018.03.26 Audit Committee	The CPA expressed its audit opinion on the 2017 consolidated and parent company only financial reports, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2018 to February 2018.
2018.05.10 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the first quarter of 2018, and communicated with the independent directors.	Report and communication on implementation of internal audit from March 2018 to April 2018.
2018.08.10 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the second quarter of 2018, and communicated with the independent directors.	Report and communication on implementation of internal audit from May 2018 to June 2018.
2018.11.12 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the third quarter of 2018, and communicated with the independent directors.	Report and communication on implementation of internal audit from July 2018 to September 2018.

2019.01.28 Audit Committee	(N/A)	Report and communication on implementation of internal audit from October 2018 to December 2018.
2019.03.27 Audit Committee	The CPA expressed its audit opinion on the 2018 consolidated and parent company only financial reports, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2019 to February 2019.
2019.05.13 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the first quarter of 2019, and communicated with the independent directors.	Report and communication on implementation of internal audit from March 2019 to April 2019.
2019.08.12 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the second quarter of 2019, and communicated with the independent directors.	Report and communication on implementation of internal audit from May 2019 to June 2019.
2019.11.11 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the third quarter of 2019, described its audit plan regarding the 2020 financial reports, and communicated with the independent directors.	Report and communication on implementation of internal audit from July 2019 to September 2019.
2020.01.17 Audit Committee	(N/A)	Report and communication on implementation of internal audit from October 2019 to December 2019.
2020.03.30 Audit Committee	The CPA expressed its audit opinion on the 2019 consolidated and parent company only financial reports, and communicated with the independent directors.	Report and communication on implementation of internal audit from January 2020 to February 2020.
2020.05.11 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the first quarter of 2020, and communicated with the independent directors.	Report and communication on implementation of internal audit from March 2020 to April 2020.
2020.08.10 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the second quarter of 2020, and communicated with the independent directors.	Report and communication on implementation of internal audit from May 2020 to June 2020.
2020.09.30 Audit Committee	(N/A)	(N/A)
2020.11.09 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the third quarter of 2020, described its audit plan regarding the 2021 financial reports, and communicated with the independent directors.	Report and communication on implementation of internal audit from July 2020 to September 2020.
2021.02.02 Audit Committee	(N/A)	Report and communication on implementation of internal audit from October 2020 to December 2020.
2021.03.29 Audit Committee	The CPA expressed its audit opinion on the 2020 consolidated and parent company only financial reports, and communicated with the independent directors. Discussion regarding audit on the 2020 financial statements and the management's response (closed meeting)	Report and communication on implementation of internal audit from January 2021 to February 2021.

2021.05.10 Audit Committee	The CPA expressed its audit opinion on the consolidated financial reports for the first quarter of 2021, and communicated with the independent directors.	Report and communication on implementation of internal audit from March 2021 to April 2021.
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Note: The above matters were audited or adopted by resolution of the Audit Committee, and the independent directors did not dissent from such matters.

(III) Composition, duties and operation of the Remuneration Committee

Information of the members of the Remuneration Committee

Title (Note 1)	Qualifications	At least five years of work experience together with following professional qualification			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks End of document	
		Lecturer or position at higher level in a department of commerce, law, finance, accounting, or other academic department related to the business needs in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business	Work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business	1	2	3	4	5	6	7	8	9	10			
Independent Director	CHEN, SHUN-PING	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	SONG, JUN-MING	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	LI, ZHI-PING	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: For the title, please fill in director, independent director, or others.

Note 2: Please check “ü” in the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any Managers in paragraph (1) or of the officer in the paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a

- subsidiary of the same parent).
- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a subsidiary of the same parent).
 - (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, General Manager, or person holding an equivalent position in the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such in the Company and its parent or subsidiary or a subsidiary of the same parent).
 - (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, in the Company and its parent or subsidiary or a subsidiary of the same parent).
 - (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, manager or their spouse who provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
 - (10) Not in any of circumstances under Article 30 of the Company Act.

Duties of the Remuneration Committee

The Remuneration Committee shall exercise the care of a prudent administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- I. Periodically review the Rules of Procedure for the Remuneration Committee, and give recommendations for amendments.
- II. Establish and periodically review the performance evaluation standards for the directors and managers, the annual and long-term performance targets, and remuneration related policies, systems, standards and structure, and disclose the contents of the performance evaluation standards in the annual report.
- III. Periodically evaluate achievement of the performance objectives of the directors and managers, and set contents and amounts of individual remuneration based on the results of the evaluation conducted in accordance with the performance evaluation standards. Individual performance evaluation results for directors and managers, as well as contents and amounts of individual remuneration as well as correlation to performance evaluation results and reasonableness shall be disclosed in the Annual Report and reported to the shareholders' meeting.

Operation status of the Remuneration Committee

1. The Company's Remuneration Committee is composed of 3 members.
2. Term of office: from June 27, 2019 to June 26, 2022 (the same as the term of office of the directors). In 2020 and up to the date of publication of the annual report, the Remuneration Committee held 6 meetings (43rd term) (A). Qualification and attendance of the members are as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	CHEN, SHUN-PING	6	0	100%	
Committee Member	SONG, JUN-MING	6	0	100%	
Committee Member	LI, ZHI-PING	5	1	83%	

Other matters to be recorded:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, please specify the date of the meeting, session, content of the proposal, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommended amount of the Remuneration Committee, please specify the circumstances and cause for the difference): None.
- II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, please specify the date of the meeting, session, content of the proposal, all members' opinions and the response to members' opinion: None.

Note:

- (1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the `Remarks" Section. His/her actual attendance rate (%) to the committee meeting shall be calculated based on the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
- (2) Where an election may be held for filling the vacancies of committee member before the end of the fiscal year, please list out both the new and the discharged committee members, and specify if they are former members or newly elected, re-elected, and the date of appointment or reelection in the "Remark" Section. His or her attendance rate (%) will be calculated on the basis of number of Remuneration Committee meetings held during his or her tenure and number of such meetings attended.

(V) Corporate governance implementation status and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Items	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		In accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, the Company has established a Corporate Governance Best Practice Principles, which was adopted by the Board of Directors on November 11, 2016, and published at the Company's official website and the MOPS.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish internal operating procedures to handle shareholder suggestions, doubts, disputes and lawsuits and implemented such procedures?	V		(I) An investor contact window is set up at the homepage of the Company's website. Shareholders may also give feedback through customer service hotlines. Specialist or customer-service system will process the shareholders' opinion and respond to the shareholders through the internal procedures.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company possess a list of major shareholders of the actual controlling company and list of ultimate controllers of these major shareholders?	V		(II) The Company possesses a list of its major shareholders of the actual controlling company and the list of ultimate controller of these major shareholders. Pursuant to laws and regulations, the Company shall provide the list of the shareholders holding 5% or more shares every quarter.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established and enforced risk control and firewall systems with its affiliate companies?	V		(III) The Company has established and enforced risk control and firewall systems with its affiliate companies, such as procedures for control and management of property training, loaning funds to others, endorsement and guarantee. These measures will be implemented according to the internal control procedures.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Items	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		(IV) The Company has developed the management measures for prevention of insider trade, prohibiting the employees from insider trade.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and duties of the Board of Directors (I) Does the Board of Directors formulate diversity policy for composition, and implement the policy?	V		(I) The Company's Board of Directors are composed of directors with different professional backgrounds, such as business management, accounting and finance, and taking officers in enterprises in different areas.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) In addition to the Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?	V		(II) In addition to the Remuneration Committee established in accordance with laws, the Company has also voluntarily established the Audit Committee to take replace of the supervisors in advance after the shareholders' meeting elected the independent directors in 2016.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established the Regulations Governing Performance Evaluation of the Board of Directors and the evaluation methods, and does the Company conduct performance evaluation annually? Does the Company report the results of the performance evaluation to the Board of Directors, and use them as a reference for each Director's remuneration and nomination for re-election?	V		(III) The Company established the Regulations Governing Performance Evaluation of the Board of Directors which was adopted by the Board of Directors on May 10, 2017. The Company will conduct periodical internal performance evaluation every year, and conduct an external evaluation every three years. The self-evaluation and external evaluation results were submitted by the Board of Directors to the 2020 Board Meeting on March 29, 2021. In determination of the remuneration, the Company offers reasonable remuneration to the directors based on the Rules Governing Performance of the Board of Directors, taking into consideration of the	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Items	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Does the Company regularly assess on the independence of CPAs?	V		<p>Company's overall performance and the director's individual performance and contribution to the Company's performance. The Remuneration Committee and the Board of Director will review the above remuneration determination. Nomination for re-election also considers the performance evaluation results of the Board of Directors.</p> <p>(IV) The Company shall periodically evaluate independence and competence of the CPA at least once a year. The Board of Directors adopted evaluation on independence of CPA on March 29, 2021, and the CPA also issued a statement of independence. (Note 2)</p>	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
IV. Do the TWSE/TPEX listed companies appoint adequate competent corporate governance personnel, and a chief governance officer to be in charge of the corporate governance related matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes of the Board meetings and shareholders' meetings according to law)?	V		<p>The Company's Board Secretariat acts as the Corporate Governance Officer, adopted by the Board of Directors on May 10, 2021, and in charge of the corporate governance related affairs. The main duties and responsibilities of the Corporate Governance Officer are as follows:</p> <ol style="list-style-type: none"> 1. Maintain good operation of the Board of Directors, including planning and convening the Board meeting at least once a quarter, supplementing and amending the corporate governance related rules, assisting the directors to arrange continuing education, and holding Board meeting and director performance evaluation at least once a year, etc. 2. Successfully convene the shareholder's meeting, including shareholder's meeting announcement, meeting agenda and execution, and rules of procedure, etc. 	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Items	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			3. Publish the corporate governance related affairs and information, including important information that shall be published and uploaded to MOPS, and corporate governance related information at the Company's website.	
V. Does the Company establish communication channels and a dedicated section on the Company's website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		The Company establishes the dedicated contact window for the stakeholders (such as 0800 consumer hotline, investor contact window, Human Resources Department, CFO Office, Public Relations Section, Legal Affairs Section, and Board Secretariat, etc.) Dedicated contact window is also set at the Company's website for stakeholders to respond to the material corporate social responsibility issues in a proper manner.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VI. Does the Company appoint a professional shareholder service agency to deal with affairs of the shareholders' meeting?	V		The Company appointed Yuanta Securities Corporation to deal with the affairs related to the shareholders' meeting together with the shareholder service agency.	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure				
(I) Has the Company established a corporate website to disclose information regarding the Company's financial, business, and corporate governance status?	V		(I) The Company has established a corporate website to disclose the information regarding the Company's financial, business, and corporate governance status to the stakeholders. (Website: http://www.weichuan.com.tw)	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating a specially-assigned person to collect and disclose information, implementing the spokesperson system, webcasting investors' conference, etc.)?	V		(II) The Company discloses its relevant major information at the MOPS, implements the spokesperson system, and clarifies the major information according to regulations. Dedicated section for stakeholder, dedicated CSR section, road show webpage and annual reports are	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Items	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does the Company announce and declare the financial reports of the first, second and third quarters and operating conditions of each month as soon as possible before the prescribed period?		V	<p>available at the Company's website.</p> <p>(III) The Company made announcement and submitted the financial reports to the competent authorities according to regulations, including:</p> <ol style="list-style-type: none"> 1. Announce and publish the annual financial reports that have been affixed signature or seal of the Chairman, the manager and the accounting supervisor, audited and endorsed by the CPA, adopted by the Board of Directors and acknowledged by the supervisors within 3 months at the end of each fiscal year. 2. Announce and publish the financial reports that have been affixed signature or seal of the Chairman, the manager and the accounting supervisor, audited by the CPA and submitted to the Board of Directors within 45 days at the end of the first, second and third quarters of every fiscal year. 3. Announce and publish the operation status of the previous month before the 10th day of every month. 	The company publishes and reports its financial reports to the competent authority in accordance with relevant regulations.
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' continuing education, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors	V		<ol style="list-style-type: none"> 1. The Company establishes the Employee Welfare Committee and the Pension Supervision Committee, to implement the pension system, take charge of various staff tourism, group insurances, training courses, and regular physical examination, provide fair job opportunity, emphasize labor's rights and labor relationship harmony, facilitate employee's care and first aid, etc. 2. Any attendance of the directors at the Board meeting shall be updated to MOPS according to 	It was consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Items	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
and Supervisors)?			<p>regulations.</p> <p>3. Pursuant to the Company’s “Key Points for Promotion of Director’s Continuing Education”, the corporate governance related continuing education courses will be made available to the directors from time to time, encouraging them to continue education. Continuing education related information will be uploaded to MOPS according to the regulations.</p> <p>4. At the end of every Board meeting, the important resolutions of the meeting will be uploaded to the Company’s website for reference.</p> <p>5. The Company adopted a resolution of the Board of Directors on March 29, 2021 regarding coverage of liability insurance for directors and managers at an insurance amount of USD 20 million, in order to reduce and decentralize risks of major damages caused to the Company and shareholders by fault or negligence of the directors and managers.</p> <p>6. The Company received the Final report on the Equator Principles from Mott MacDonald on December 22, 2020. Mott MacDonald audited the Company in terms of environment and society on the Equator Principles. The overall evaluation results were satisfactory. No major environmental and social risks were found, and some recommendations were given to improve the existing management and practice.</p>	

Evaluation Items	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (Not applicable to the companies not listed in evaluation).</p> <ol style="list-style-type: none"> 1. The Company completed the 7th self-evaluation for corporate governance (for 2020) in January 2021, and made review and improvement based on the evaluation results. 2. The improvements made by the Company based on the corporate governance evaluation results of the previous year in 2020 include director's continuing education based on the stipulated hours, attendance by the directors at the shareholders' meeting, and disclosure of specific and clear dividend policies, etc. 3. Items that have not been improved and shall be optimized first include proposal to convene the second road show; formulation of the supply management policy; request for cooperation with the suppliers, compliance with the relevant environmental, safety or health standards, common improvement of CSR, and disclosure at the Company's website or CSR Report. 4. The above corporate governance evaluation results and the relevant improvement items were followed up and reported to the directors. 				

Note 1: Reasons for checks of "Yes" or "No" of status should be specified in "Summary Description" column.

Note 2: Independence evaluation data of CPA.

The Company will evaluate the independence and competence of the CPA at least once a year.

On March 29, 2021, independence and competence evaluation of CPA Wu, Yu Lung and CPA Huang, Shih Chun from PricewaterhouseCoopers, Taiwan was discussed by the Audit Committee and submitted to the Board of Directors for approval. The results were consistent with the Company's evaluation standards, and they were competent of the office as CPA of the Company. The CPA firm issued the Statement of Independence.

1) Standards for self-evaluation of independence and competence of CPA

No.	Assurance Report	Results	Description
Chapter 1	Is the CPA independent questionnaire completed, and the questionnaire conclusion consistent with the independence and competence audit?	Yes	The CPA independent questionnaire is completed, and the conclusion is consistent with the audit.
Chapter 2	Has the CPA been reappointed to provide the audit service for consecutive 7 years?	Yes	1. CPA Wu, Yu Lung has been appointed to provide the audit services for 3 years in total from the first quarter of 2018 to the fourth quarter of 2020. 2. CPA Huang, Shih Chun has been appointed to provide the audit service for 1 year in total from the first quarter of 2020 to the fourth quarter of 2020.
Chapter 3	Does the CPA issue the Statement of Impartiality and Independence?	Yes	The CPA has issued the Statement of Impartiality and Independence.

2) Conclusion of the independence evaluation questionnaire of CPA

No.	Assurance Report	Results	Is it consistent with the independence
I. Evaluation of independence elements			
1	Does the CPA or his/her spouse or minor children have investment in the Company or share financial interest?	No	Yes
2	Does the CPA or his/her spouse or minor children borrow or lend funds from or to the Company? However, it is not applicable if the principal is an financial institution with normal transactions.	No	Yes
3	Does the CPA or member of the audit team serve as director or manager of the Company or take other offices that have significant influence on the audit cases at present or in the past 2 years?	No	Yes
4	Does the CPA or member of the audit team engage in publicity or intermediary agency service for the stocks or other securities issued by the Company?	No	Yes
5	Does the CPA or member of the audit team defense legal cases or other disputes with a third party for and on behalf of the Company aside from engagements allowed by regulations?	No	Yes
6	Is the CPA or member of the audit team the spouse, lineal relative by blood, relation by marriage or relative within the second degree of kinship of the Company's director, manager or other personnel having significant influence on the audit case?	No	Yes
7	Does the CPA relieving from the office serve as the Company's director or manager or take other offices having significant influence on the audit case?	No	Yes
8	Does the CPA or member of the audit team receive valuable gifts, presents or privileges from the Company or its directors, managers or major shareholders?	No	Yes
9	Does the CPA accept engagement by the engager or auditee to do regular job, receive fixed salary, or serve as the director or supervisor?	No	Yes

II. Independence operation evaluation			
1	Does the CPA have direct or indirect interest with the engagement subject matter that affects the impartiality and independence? Has the CPA abstained from the audit services?	Yes	Yes
2	Does the CPA maintain pro forma independence in addition to substantial independence while auditing, examining, reviewing or evaluating the financial statements and forming the opinion?	Yes	Yes
3	Is the member of the audit team, other CPAs or shareholders of the incorporated CPA firm, CPA firm, affiliates of CPA firm and alliance firms independent of the Company?	Yes	Yes
4	Does the CPA perform professional services in an impartial and prudent manner?	Yes	Yes
5	Does the CPA maintain fair and objective standpoint when conducting professional services, and try not to affect professional judgment due to bias, conflict of interest or stakes?	Yes	Yes
III. Competence evaluation			
1	Has the CPA received disciplinary proceeding records from the CPA Discipline Committee in the recent two years? Has the CPA firm been CPA Discipline Committee in the recent two years?	No	Yes
2	Does the CAP firm have adequate scale, resources and regional coverage in handling audit services for the Company?	Yes	Yes
3	Does the CPA firm have clear quality control procedures? Does the coverage include the level and key points of the audit procedures, methods for handling auditing issues and making judgment, independent quality control review and risk management?	Yes	Yes
4	Does the CPA firm notify the Board of Directors any obvious issues and development regarding risk management, corporate governance, financial and accounting, and relevant risk control in time?	Yes	Yes

Statement of Independence issued by the CPA

PWC

Statement

Zi-Hui-Zong Document No. 20007822

- I. Our CPAs treat all cases in an impartial, objective, honest and prudent manner, and strictly comply with our Code of Conduct, in order to provide the best and high-quality professional audit services to your Company in time, and meet the expectation of the social public.
- II. The CPA is responsible for expressing opinion as to whether the Company's financial statements give fair view on the Company's financial position, operating results and cash flows based on the audit results, so as to obtain reasonable assurance that the financial statements are free from material misstatement. The Company's management is responsible for preparing the financial statements, and will provide all information related to preparation of the financial statements, including financial and accounting records, and other relevant materials. The management is still responsible for the foregoing financial statements even if the financial statements have been audited by the CPA.
- III. The CPA communicates with those charged with governance in accordance with the Statement on Auditing Standards No. 62 "Communication with Those charged with Governance of the Audited Companies". In audit of the financial statements, the CPA will communicate the governance matters that are critical to financial reporting supervision and disclosure procedures with those charge with governance based on its judgment. However, the foregoing provisions do not require the CPA to design an audit procedure specifically for the purpose of identifying significant governance matters. Therefore, it shall not be expected to identify all governance matters through such audit.
- IV. In order to fulfill the responsibilities of the CAP and ensure the highest quality of the audit work, our CPA and professional and the professional team will properly plan and perform the audit work in a professional and skeptical manner. The audit report is also subject to final review of the CPA to determine the type of the audit, and signed by the CPA.
- V. The Appointment Team, all other professionals of the Firm and the Firm's audit work of the year have complied with the provisions under the Norm of Professional Ethics for Certified Public Accountants of the Republic of China No.10 Independence of Bulletin and PwC Global Independence Policy (including the International Standards on Auditing Gazette No.220), and there is no any violation of the relevant provisions that affect the impartiality and independence of the Firm. If this engagement involves other members of PwC, then, the relevant members have complied with PwC Global Independence Policy.
- VII. The audit and other services provided by the Firm have consistent with the requirements under the Standards on Auditing of the Republic of China Gazette No.46 "Quality Control of Certified Public Accountants".
- VII. The audit work of the Firm is based on impartiality and objectiveness. The Firm has acknowledged the following matters. In case of inconsistency, please contact with us:
 - (I) Our CPAs and the professional service personnel of the audit team do not have shareholding and investment relationship with the Company.
 - (II) Our CPAs and professional personnel do not serve as directors, supervisors or managerial officers in the Company.

- (III) The Firm does not have business cooperation relationship with the Company.
- (IV) The Firm does not have litigations with the Company.
- (V) There are no any other circumstances that will violate independence in the professional judgment of the CPA.
- (VI) The CPAs have not founded any circumstances that might jeopardize independence. Thus, there is no need to communicate safeguard measures.

VIII. In case of any possible violation of independence in the audit process, the CPA will communicate with those charged with governance of the Company such circumstances and take the corresponding safeguard measures.

PricewaterhouseCoopers, Taiwan

PricewaterhouseCoopers, Taiwan

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CPA

Wu, Yu-Lung

Huang, Shih-Chun

February 22, 2021



(VI) Implementation of social responsibility and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Items	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
I. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 3)	V		Every year, the Company will investigate and screen the important issues of concern to all stakeholders as the major issues with respect to corporate governance, society and environment depending on concern degree of stakeholders and impact on the Company, whichever is higher, and implement the risk evaluation and control based on the Company's risk management policies and methods.	It is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".
II. Does the Company establish exclusively (or concurrently) dedicated CSR units, and urge the Board of Directors to authorize the top management to be in charge of proposing the corporate social responsibility policies and reporting to the Board of Directors?	V		<ol style="list-style-type: none"> 1.The Company has established the CSR Committee, with the Chairman serving as the chief member; set up the Promotion Office and the Sustainable Executive Secretary; and subordinated 6 sections, including Corporate Governance Section, Food Safety Promotion Office, Social Welfare Section, Human Care Section, Environmental Sustainability Section and Information Disclosure Section, responsible for promoting various activities. 2.Every year, the Company will investigate and screen key issues of concern of each stakeholder as reference of key points and promotion projects to be disclosed in the annual CSR report, and plan, execute and improve the promotion projects. 3.Every year, the Company will prepare the CSR report and disclose it at the website. 	It is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".

			4. Every quarter, the important achievements will be included in the operating report of the Board of Directors.	
III. Environmental issues				
(I) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		(I) The Company's Douliu Plant and Taichung Plant have adopted ISO14001 (Environmental Management System) and ISO 14064 (Green House Emission Inventory and Verification) in succession, and passed relevant certification. Subsequently, other plants and units will adopt the above systems in succession. In addition, Douliu Plant is the first food manufacturer that filed to the Bureau of Industry and passed the clean production evaluation system in 2013, and passed again after the follow-up inspection in 2015. In addition, in 2017, Taichung Plant, Douliu Plant and Kaohsiung Plant passed ISO50001 Energy Management System Certification in succession, to effectively measure and supervise utilization of energy, and reduce energy consumption and expenditures, and carbon emission.	It is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".
(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(II) 1. The Company is committed to research, development and use environmental-friendly packaging materials, such as light-weight plastic dairy and beverage bottles. In combination with expertise in design, material and process equipment, the Company continues to perform light-weight inspection on the package of the products, to minimize the weight of the packaging at a level that maintains the quality of the products, minimize consumption of the plastics, reduce consumption of non-renewable petroleum resources, and greatly reduce carbon emission. 2. Packaging materials, carbons, paper bags, boxes and tag papers of the convenient foods are	It is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".

<p>(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</p>	<p>V</p>	<p>integrated with four environmental-friendly inks such as soy, UV, benzol-free and water based. Meanwhile, the Company also takes the initiative to introduce the Free PVC environmental-friendly claw cover in the glass cans of such two categories of products ahead of the same trade.</p> <p>3. Sleever on the bottle of beverage and soy sauce is made of PET, PS and other environmental-friendly materials instead of PVC.</p> <p>4. With respect to product gift design, in addition to renewable paper materials and environmental-friendly soy sauce ink printing, the Company also prevents excessive packaging as much as possible, and focuses on less-color printing.</p> <p>5. In order to improve resource reuse efficiency, recycling papers are used to make the recycled external package carbons of the products, which is marked with the environmental label of the Republic of China. In the future, the Company will continue to promote reduction of the packaging materials, to minimize use of plastics, and introduce FSC certified papers.</p> <p>(III) The Company attaches great importance on such topics as climate change and global warming. Since 2012, the Company has investigated greenhouse gas emission in succession, and formulated energy conservation and carbon emission reduction strategies. Such strategies include continuous monitoring of process in the factory, improvement of equipment efficiency; a number of electricity saving and environmental measures in working environment, promotion of electronized sheets, reduction of paper consumption, reduction of fuel consumption of business vehicle through path</p>	<p>It is consistent with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”.</p> <p>It is consistent with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”.</p>
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<p>(IV) Does the Company make statistics of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and formulate policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?</p>	<p>V</p>		<p>planning, and electric power control through temperature detection. With respect to greenhouse emission of livestock raising, Lin Feng Ying Ranch positively implements the environmental protection related projects, such as carbon emission reduction of renewable energy- biogas power generation, green planting, sewage treatment and solid waste reuse, etc.</p> <p>(IV) The Company makes statistics for greenhouse gas emission, water consumption and total weight of wastes in the past two years, and discloses the statistical data on the CSR Report. Furthermore, the Company formulates the environmental policies, and takes environmental-protection actions to implement energy conservation and carbon reduction practice on the principles of clean at the source and quality approach to environmental protection. The plants cooperate with the Company’s energy management strategies, implement the ISO 50001 Energy Management System, and undertake to put it into practice. The annual power conservation target is 1%. Other strategies related to energy conservation, carbon reduction, and greenhouse gas emission reduction are set out in Paragraph (III) above.</p>	
<p>IV. Social issues (I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Human Rights Convention?</p>	<p>V</p>		<p>(I) The Company attaches great importance to human rights of labors, and has formulated policies regarding the labor’s human rights pursuant to the International Social Responsibility Standard SA 8000. The Company has also formulated personnel management rules and working rules according to the labor related regulations, and conducted labor insurance, health insurance and pension for the</p>	<p>It is consistent with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”.</p>

<p>(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?</p>	<p>V</p>		<p>employees. In addition, the Company has formulated a number of measures related to the employee’s rights and interest such as ethical management, employee complaint, and sexual harassment prevention and control measures, to protect the legitimate rights and interest of the employees.</p> <p>(II) The Company will appropriate budgets for the employee’s welfare activities every year, and will integrate the resources of the employee welfare committee, to provide diversified welfare benefits and subsidies to the employees. The Company also protects the vacation rights and interest of the employees in accordance with laws and regulations. With respect to remuneration, Wei Chuan equally treats the employees regardless of gender on the principle of equal pay for equal work; in addition, the Company also sets aside not less than 1% out of earnings, if any, as distribution to the employees pursuant to the Articles of Incorporation. We will continue improving the operation profitability of the Company, and strive to optimize the remuneration level of the peers.</p>	<p>It is consistent with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”.</p>
<p>(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p>	<p>V</p>		<p>(III) The Company regards the employees as the most important assets of the Company, and continues to promote a health working environment. In addition to safe and health offices, the Company also organizes regular fire drilling, regularly disinfects and cleans the working environment, tests the water quality and implements access control. Every year, the Company will organize regular physical examination for the employees, and implement safety and health education and training for the employees.</p>	<p>It is consistent with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”.</p> <p>It is consistent with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed</p>

<p>(IV) Does the Company provide its employees with effective career development and training sessions?</p>	<p>V</p>		<p>(IV) The Company will formulate and implement the annual education and training plan every year based on TTQS talent development system and the structure of enterprise university in order to improve the employee's functions, promote work efficiency, accelerate business development.</p>	<p>Companies". It is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".</p>
<p>(V) Do the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and does the Company set polices to protect consumers' rights and consumer appeal procedures?</p>	<p>V</p>		<p>(V) The Company emphasizes the consumer's rights and interest. There is 0800 consumer hotline to provide product knowledge consulting service, recommendations, defect feedback and complaint, protect the basic rights and interest of the consumers, and improve the customer satisfaction and service quality. In addition, the Company establishes a Food Safety Committee and a Foods Safety Center. The Company draws up short-term, middle-term and long-term plans to promote "full product traceability, formula simplification and quality in line with the international standards". The Company properly identify the relevant information on the products to protect the consumer's right of being informed pursuant to the consumer's protect laws and commodity labeling related regulations.</p>	<p>It is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".</p>
<p>(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?</p>	<p>V</p>		<p>(VI) The Company has the supplier development and evaluation rules in place, and visits the factories of the suppliers from time to time. Records whether the supplier affects the environment and society are included in evaluation. At present, contracts signed with the supplier set forth compliance with the relevant laws and regulations, and incorporate provisions regarding termination or cancellation of the contract at any time if the supplier has violated the corporate social responsibility policy and has significant impact on the environment and society.</p>	<p>It is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".</p>

<p>V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?</p>	<p>V</p>	<p>The Company prepares the SCR report by reference to the “Regulations Governing Preparation and Declaration of CSR Report of Listed Companies” and relevant FAQ, and the “Core Options of GRI Standards” of the Global Reporting Initiative (GRI), and appoints PricewaterhouseCoopers, Taiwan to make limited confirmation on the CSR Report pursuant to the Statements on Auditing Standards No.1 “Confirmation Case for Checking or Reviewing Non-historical Financial Information” of the Accounting Research and Development Foundation.</p>	<p>It is consistent with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”.</p>
<p>VI. If the Company has established corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe the implementation and any deviations from such principles: The Corporate Social Responsibility Policy established by the Company is consistent with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies".</p>			
<p>VII. Other important information to facilitate a better understanding of corporate social responsibility practices:</p> <p>(I) Three food safety standards: including full product traceability, formula simplification and quality in line with international standards, making it the industry pioneer, and the first food company that passes Safety Quality Food (SQF) international certification in the entire factory area for the whole production lines; Kaohsiung Plant, Taichung Plant and Douliu Plant passed top-level certification, SQF Level 3, with high marks of excellence. Lin Fengying Fresh Milk Product has become the first SQF internationally certified fresh milk in Asia, achieving the consumer’s safety expectation to food.</p> <p>(II) Industry promotion: Wei Chuan promotes upgrading of dairy farmer industry in terms of source management, world-class quality, technology-based ranch and sustainable development, and assists dairy farmer industry of Taiwan towards the goal of building “Sustainable Ranch and Healthy and Fresh Milk”. With Lin Fengying Ranch as the demonstration farm of “Dairy Farmer 4.0” Plan, Wei Chuan also provides professional guidance talents to dairy farmer partners, introducing the modern and scientific management mode of Lin Fengying Ranch to the dairy farmer partners, so as to lead the dairy farmer partners to build more perfect ranch, improve product quality, and provide consumers with more fresh, more healthy and safer milk products. In addition, with a goal to cultivate talents for Taiwan, Wei Chuan has organized the “Student New Product Development Contest” for 4 years in succession, to prove a stage for students’ new product development and creativity, accumulate ability of future employment, and cultivate more talents for the industry. Over the past 4 years, Wei Chuan has invested manpower and materials of nearly NT\$ 50 million, and industry mentor guidance of more than 5,000 hours, attracting enrollment of over 800 students.</p> <p>(III) Corporate volunteers and local care: Three factory areas, ranches and place of business of Wei Chuan are located over counties and cities of Taiwan. By upholding the philosophy of “One Township One Enterprise”, it is expected to promote combination of corporate resources with volunteer services in each factory area, ranch and place of business, integrate the community with actual public actions, and give return to the home village or town, so as to create a well-being community full of love and care. In the past three years, up to 150,000 person-time was benefited from such</p>			

movement.

- (IV) Nutrition care: Wei Chuan continues to work together with the national food bank for the “Nutrition Supplement Package Plan for Rural Classrooms”, to exclusively sponsor nutritional supplement package of “preserved milk” to the “children in remote rural schools” so as to achieve the middle-term and long-term public welfare plan. As of 2019, we have sponsored school children of nearly 114,000 person-time with investment of over NT\$ 1.50 million.
- (V) Energy management: Each plant coordinates with the Company’s energy management strategies, and implements the ISO 50001 Energy Management System, to take practical actions to set the power conservation target at 1% every year. Wei Chuan continues to improve the energy performance, and proceeds with internal staff training to jointly complete the Company’s energy management responsibility. In 2017, all factory areas passed ISO 50001 (Energy Management System Certification) to implement energy utilization supervision and management.
- (VI) The Company issued the 2019 CSR Report that had been verified by PricewaterhouseCoopers, Taiwan in 2020, and disclosed it at the Company’s website and MOPS. The verification report is set out in the Appendix to “2019 CSR Report of Wei Chuan”.

(VII) Implementation of ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.

Evaluation Items	Operation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	V		(I) The Company has established its Ethical Corporate Management Best Practice Principles, the Code of Conduct, and the Procedures and Guidelines for Ethical Corporate Management, which have been announced to all employees and uploaded to the Company's website.	It is consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".
(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(II) The Company has established the Procedures and Guidelines for Ethical Corporate Management, and the Self-discipline Guidelines, and taken preventive measures against business activities that have higher risks of unethical conducts.	It is consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".
(III) Has the Company provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?	V		(III) The Company has established the Procedures and Guidelines for Ethical Corporate Management, the Rules of Rewards and Punishment, and Complaint Handling Measures as the basis to take actions against unethical conducts. The audit department works together with the	It is consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".

Evaluation Items	Operation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			implementing department to review implementation of the above rules and guidelines.	
II. Fulfillment of ethical corporate management				
(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) The Company has set forth ethical conduct related terms and conditions in the business contracts. In addition, there are over 300 qualified suppliers. Wei Chuan sets forth ethical corporate management policies in the contracts, and signs the letter of undertaking for ethical corporate management with all suppliers at the rate of 100%.	It is consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".
(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		(II) The Company's HR Department is responsible for promoting ethical corporate management of the Company. Main responsibilities: formulate ethical corporate management policies and unethical conduct prevention measures, and supervision implementation thereof, promote and coordinate publicity and training of ethical corporate management policies, plan whistle-blowing system, assist the Board of Directors and the management to check and evaluate whether the preventive measures established for implementation of the ethical corporate management are effective, and regularly report implementation of the relevant business to the Board of Directors. Report was submitted to the Board of Directors on March 29, 2021.	It is consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".

Evaluation Items	Operation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Has the Company established policies to prevent conflicts of interest, provided appropriate communication channels, and implemented them accordingly?	V		(III) Provisions governing avoidance of conflict of interest with the directors are set forth in the Rules of Procedure of the Board of Directors, and are implemented.	It is consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”. It is consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”. It is consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”.
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devised relevant audit plans and audited the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		(IV) The Company establishes the effective accounting system and internal control system according to the regulations. Each department makes self-evaluation and the internal audit department makes regular evaluation according to the regulations.	
(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	V		(V) Ethical corporate management is the operation philosophy of Wei Chuan. Every year, the relevant topics will be incorporated in the training activities. New employees shall sign the acceptance letter for taking office upon report to duty, and will receive the “Code of Conduct” and the “Working Rules”. In addition, induction training will cover the Company’s ethical corporate management policies, and introduction to relevant complaint channels. The legal affairs officer further introduces compliance with laws, so that the new employees can know the Company’s ethical corporate management related policies and practice. In 2020, 585 employees cumulatively received 1,943 hours of educational training related to	

Evaluation Items	Operation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			ethnical corporate management issues (including compliance with laws related to ethical corporate management, food safety health management and inspection, accounting system and internal control related courses).	
III. Operation of the whistle-blowing system				
(I) Does the Company establish the reward and punishment system and a whistle-blowing hotline? Can the accused be reached by an appropriate person for follow-up?	V		(I) The Company has established the Procedures and Guidelines for Ethnical Corporate Management, the Rules of Rewards and Punishment, and Complaint Handling Measures as the basis to take actions against unethical conducts. The Company has also established the whistle-blowing box against unethical conducts, and dedicated officer is appointed to take appropriate actions. In addition, Chairman Box is also established to allow whistle-blowing in anonymous manner. The Company's three independent directors will receive the whistle-blowing letters, take appropriate actions in time, and keep confidential any materials and information provided by the whistleblower.	It is consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V		(II) Confidentiality related provisions for relevant whistle-blowing information are set forth in the Procedures and Guidelines for Ethnical Corporate Management.	It is consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".

Evaluation Items	Operation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Does the Company provide proper whistleblower protection?	V		(III) The Procedures and Guidelines for Ethical Corporate Management protect the whistleblower from and against improper treatment because of whistle-blowing.	It is consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”.
IV. Enhanced disclosure of information Does the Company disclose the ethical corporate management policies and the results of its implementation on its website and MOPS?	V		The Company has uploaded the Code of Ethical Corporate Management, the Procedures and Guidelines for Ethical Corporate Management and the Code of Ethical Conduct to the Company’s website and MOPS.	It is consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”.
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. It is consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies) 1. In addition to publicity of relevant ethical corporate management policies to the employees by e-mail and intranet, the Company also established a “Whistle-blowing Box” on the webpage, so that the stakeholders could express their voice, accept relevant whistle-blowing, which shall be treated in a confidential manner. In addition, in the process of cooperation, the manufacturers and suppliers will be also informed of the Company’s ethical corporate management ideas, in order to maintain the goodwill and pursue sustainable operation. 2. The working rules and the ethical corporate management related rules are published on the network sharing area throughout the Company, so that our peers could know the Company’s rules and regulations, and search appeal practice related to their own rights and obligations at any time.				

Note: Reasons for checking of "Yes" or "No" of status should be specified in "Summary Description" column.

(VIII) Please disclose access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any:

The important rules related to investor relationship and the corporate governance related information are available at the following website:

(<http://www.weichuan.com.tw/Management/Rule>).

(IX) Other Important Information on Corporate Governance:

1. Continuing education and training that the directors (43rd term) attended in 2020 and up to the date of publication of the annual report

Position	Name	Date of Continuing Education	Name of Course	Training Institution	Hours of Continuing Education
Corporate Representative of Chairman	CHEN, HUNG-YU	'March 24, 2021	Notes and FAQ discussion of the Board of Directors and the shareholders' meeting in 2021	Chinese National Association of Industry and Commerce, Taiwan	3
		'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3
		'October 15, 2020	Latest ESG Trend- Sustainability in Finance	Taiwan Accounting Research and Development Foundation	3
		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Director in person	HSUEH, KUANG-CHI	'December 22, 2020	Series Course for Audit Committee- Role of Independent Director in Corporate Operation and Governance	Taiwan Corporate Governance Association	3
		'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3
		'September 21, 2020	Corporate Governance 3.0- Sustainable Development Roadmap Summit Forum	Taiwan Stock Exchange Corporation	3
		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Independent Director	SONG, JUN-MING	'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3
		'November 4, 2020	Corporate Governance - Family Business Inheritance and Planning	Taiwan Accounting Research and Development Foundation	3
		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Independent Director	CHEN, SHUN-PING	'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3
		'October 20, 2020	2020 Promotions of Corporate Governance and Ethical Business Conduct to Directors and Supervisors	Taiwan Stock Exchange Corporation	3
		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Independent Director	LI, ZHI-PING	'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3

		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Corporate Representative of Director	CHIEN, PEI-HSIANG	'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3
		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Corporate Representative of Director	LAI, CHING-PAO	'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3
		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Corporate Representative of Director	LIN, CHING-TANG	'November 9, 2020	Compliance with Company Regulations and Directors' Monitoring Obligations	Taiwan Corporate Governance Association	3
		'August 10, 2020	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	Taiwan Corporate Governance Association	3
Corporate Representative of Director	HSIEH, MON-CHANG	'July 31, 2020	The Major Trends of CSR and Sustainable Governance	Taiwan Corporate Governance Association	3
		'March 10, 2020	Response Strategies for Corporate Changes	Taiwan Corporate Governance Association	3

2. Continuing education and training that the accountants preparing the financial reports attended in 2020 and up to the date of publication of the annual report

Position	Name	Date of Continuing Education	Name of Course	Training Institution	Hours of Continuing Education
Chief Accounting Officer	HUANG, CHIH-YU	'December 24, 2020	Continuing Education Training Class for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	Accounting Research and Development Foundation	12
		'December 5, 2020			
Agent of Chief Accounting Officer	Hung, Tsai O	'June 18, 2020	Continuing Education Training Class for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	Accounting Research and Development Foundation	12
		'June 19, 2020			
Accounting officers related to preparation of the financial reports	Hsueh, Yu Hsin	'August 14, 2020	Latest IFRS FAQ and Analysis of Common Deletion of Financial Reports	Accounting Research and Development Foundation	3
		'December 8, 2020	Analysis on "Significance Judgment" Related Provisions under IFRS	Accounting Research and Development Foundation	3
Accounting officers related to preparation of the financial reports	Cheng, Yu Ti	'August 18, 2020	Analysis of Example of IFRS 16 "Lease"	Accounting Research and Development Foundation	3
		'November 5, 2020	Analysis on Latest Profit-seeking Enterprise Income Tax Reform and Review Practice	Accounting Research and Development Foundation	3

(X) Execution Status of Internal Control System

1. Statement of Internal Control

Wei Chuan Foods Corporation
Statement of Internal Control System

Date: March 29, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- I. The Company acknowledges that the Company's Board of Directors and managers are responsible for establishing, implementing, and maintaining the internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may vary with environment and circumstances. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the evaluation results in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be open to the public. Any falsehood, concealment, or other illegality in the content open to the public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 29, 2021, and none of the nine Directors in attendance objected to it and all consented to the content expressed in this statement.

Wei Chuan Foods Corporation

Chairman: CHEN, HUNG-YU

General Manager: CHANG, CHIAO-HUA

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(XI) Penalties Imposed upon the Company and its Employees According to Law, Penalties Imposed by the Company upon Employees for the Violation of the Internal Control System Policy, Principal Deficiencies, and Improvement Status during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

(XII) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

1. Major resolutions adopted at the 2020 Annual Shareholders' Meeting and implementation status:

Time: 9:00 a.m., Tuesday, June 23, 2020

Proposed Adoptions:

Proposal 1

Subject: Adoption of the 2019 Annual Business Report, Financial Statements and Consolidated Financial Statements incorporating the subsidiaries

Implementation:

The proposal is voted and adopted as it was.

Proposal 2

Subject: Adoption of the Company's earnings distribution proposal for 2019.

Implementation:

The proposal is voted and adopted as it was. Cash dividends of NT\$ 1.3339 per share were allocated, and the ex-dividend date was July 21, 2020.

Discussions:

Subject: Adoption of the Company's division and transfer of Cheng Shuen Nung Ranch Corporation in which the Company held 100% of equity.

Implementation:

The proposal is voted and adopted as it was. According to the proposal, the original base division date was November 1, 2020. Later on, the base division date was changed to December 31, 2020 due to performance of relevant legal procedures or adjustment due to facts. Transfer was completed on this date after change.

2. Important resolutions adopted at the 7th meeting of the 43rd Board of Directors

Time: 1:30 p.m., Monday, August 10, 2020

- Proposals recommended at the 4th meeting of the 43rd Remuneration Committee were adopted.
- Proposal regarding new financial lines or extension of financial lines was adopted.
- The proposal to provide endorsement and guarantee to a subsidiary of the Company was adopted.
- The proposal regarding Comfort Letter provided by the Company to the subsidiary was adopted.

The above proposals were adopted by all present directors.

3. Important resolutions adopted at the 8th meeting of the 43rd Board of Directors

Time: 3:00 p.m., Wednesday, September 30, 2020

- Amendment of Wei Chuan (BVI) Corp. to the Plan on Repayment of Loaning Funds to Wang Te Hsing Tea Limited was adopted.

The above proposals were adopted and implemented by all present directors.

4. Important resolutions adopted at the 9th meeting of the 43rd Board of Directors

Time: 1:30 p.m., Monday, November 9, 2020

- The proposal that the accounts receivables that were non-recoverable within 3 months beyond the normal credit period at significant amount were recognized as non-loaning funds according to regulations was adopted.
- The 2021 Annual Audit Plan of the Company's Internal Audit Department was adopted.
- Amendments to the "Rules of Procedure of the Board of Directors", the "Rules of Organization of the Audit Committee", the "Rules of Organization of the Remuneration Committee", the "Rules of Duties of the Independent Directors", the "Regulations Governing Performance Evaluation of the Board of Directors", the "Code of Ethical Conduct", the "Code of Ethical Corporate Management", and the "Procedures and Guidelines for Ethnical Corporate Management" were adopted.
- Amendments to the "Internal Control System" and the "Internal Audit Implementation Rules" were adopted.
- Proposal regarding new financial lines or extension of financial lines was adopted.
- External endorsements and guarantees as of September 30, 2020 were adopted.

The above proposals were adopted and implemented by all present directors.

5. Important resolutions adopted at the 10th meeting of the 43rd Board of Directors

Time: 3:00 p.m., Tuesday, February 2, 2021

- Key operation points and budgets for 2021 were adopted.
- Proposals recommended at the 5th meeting of the 43rd Remuneration Committee were adopted.
- The proposal on extension of the financial line was adopted.
- The proposal to provide endorsement and guarantee to a subsidiary of the Company was adopted.
- The proposal regarding Comfort Letter provided by the Company to the subsidiary was adopted.
- Sale and retirement of the fixed assets in 2020 were adopted.

The above proposals were adopted and implemented by all present directors.

6. Important resolutions adopted at the 11th meeting of the 43rd Board of Directors

Time: 4: 35 p.m., Monday, March 29, 2021

- Proposals recommended at the 6th meeting of the 43rd Remuneration Committee were adopted.
- The Company's 2020 Annual Business Report, the Financial Statements and Consolidated Financial Statements incorporating the subsidiaries were adopted.
- The Company's distribution of earnings for 2020 was adopted.
- The Company's CPA independence evaluation for 2021 and the professional fees of CPA in 2021 were adopted.
- The proposal regarding the Company's coverage of liability insurance for the directors and managers was adopted.
- The Company's "Statement of Internal Control System" for 2020 was adopted.
- Amendments to the "Rules of Procedure for Shareholders' Meeting" and the "Rules for Election of Directors" were adopted.
- Proposals regarding date, time, place and other relevant issues of the 2021 Annual Shareholders' Meeting were adopted.
- Proposal for receiving bills from the shareholders holding 1% or more was adopted.
- Proposal regarding new financial lines or extension of financial lines was adopted.

The above proposals were adopted and implemented by all present directors.

- (XIII) Recorded or written statements made by the directors which specified dissent to important resolutions adopted by the Board of Directors during the most recent year and up to the date of publication of the annual report: None
- (XIV) Resignation or dismissal of the Chairman, the General Manager, the Chief Accounting Officer, the Treasurer, the Internal Audit Head, the Corporate Governance Officer and R&D Supervisor during the most recent year and up to the date of publication of the annual report: None

IV. Information about CPA Professional Fee

(I) Breakdown of CPA Professional Fee

Name of CPA Firm	Name of CPA		Audit Period	Remarks
PricewaterhouseCoopers, Taiwan	Wu, Yu Lung	Huang, Shih Chun	2020	-

Unit: NT\$ thousands

Range		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000 thousand				
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand			V	
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive)~NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand		V		
6	More than NT\$10,000 thousand (inclusive)				V

(II) If the non-audit fees paid to the CPA, the CPA firm and its affiliates account for 25% of the audit fees, please disclose the amount of the audit fees and the non-audit fees, and contents of the non-audit service: The Company's non-audit fees accounted for 27.81% of the audit fees this year.

Unit: NT\$ thousands

Name of CPA Firm	Name of CPA	Audit Fees	Non-audit Fees						Remark
			System Design	Company Registration	Human Resources	Other (Note)	Subtotal	Audit Period	
PricewaterhouseCoopers, Taiwan	Wu, Yu Lung	8,343				2,320	2,320	2020	CSR consulting service, assurance report and transfer service fees
	Huang, Shih Chun								

Note 1: If the Company changes the CPA or the CPA firm in this year, the Company shall disclose the audit period covered by the predecessor CPA and the successor CPA as well as the reasons for replacement, and the audit fees and non-audit fees in order.

Note 2: The non-audit fees shall be stated according to the non-audit services. If the "other" non-audit fees are 25% of the non-audit fees paid thereto, the details of non-audit services shall be disclosed in the remarks column.

(III) If the CPA firm is replaced and the audit fees paid in the year of replacement are lower than the audit fees paid before replacement, please disclose the amount of the audit fees before and after replacement and reasons thereof: None.

(IV) If the audit fees are lower than 50% or more of the audit fees in the previous year, please disclose the reduction in amount of the audit fees, reduction percentage and reasons thereof: None.

V. Information about Replacement of CPA

Over the most recent two years, the Company has not replaced the CPA firm, and will not do so in the near futures. But the Company made adjustments in conjunction with internal organization of PricewaterhouseCoopers, Taiwan, including replacement of CPA to Wu, Yu Lung and Huang, Shih Chun from the first quarter of 2020.

VI. Information about Chairman, General Manager, and Financial or Accounting Manager of the Company who has worked with the CPA firm or its affiliates in the most recent year: None

VII. Transfer and pledge of equity of the directors, the supervisors, the managers and the shareholders holding more than 10% of shares in the Company

1.Changes to equity of the directors, the managers and the major shareholders

Position	Name	2020		As of April 25	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairman	Kang Ching Corporation Representative: CHEN, HUNG-YU	0	0	0	0
Director	Kang Ching Corporation Representative: CHIEN, PEI-HSIANG	0	0	0	0
Director	Kang Ching Corporation Representative: LAI, CHING-PAO	0	0	0	0
Director	Juqing Investment Co., Ltd. Representative: HSIEH, MON-CHANG	0	0	0	0
Director	Nice Triumph Investment Limited Representative: LIN, CHING-TANG	0	0	0	0
Director	HSUEH, KUANG-CHI	0	0	0	0
Independent Director	CHEN, SHUN-PING	0	0	0	0
Independent Director	LI, ZHI-PING	0	0	0	0
Independent Director	SONG, JUN-MING	0	0	0	0
General Manager	CHANG, CHIAO-HUA	0	0	0	0
Vice General Manager	CHIU, TZU-CHUAN	0	0	0	0
Senior Director	CHEN CHING LONG (appointed on April 1, 2021)	0	0	0	0
Director	GUO SHIU CHIUAN	0	0	0	0
Director	MENG YUAN CHEN	0	0	0	0
Senior Director	CHANG, SHU-MIAO	0	0	0	0
Director	LIN,HSIN CHU	0	0	0	0
Director	SHIH, CHIEH-JEN	0	0	0	0
Director	TSAI, WEN-LIN	0	0	0	0
Director	TANG,WEI CHE	0	0	0	0
Director	CHANG,CHEN-CHANG	0	0	0	0
Director	KO, CHI-FENG	0	0	0	0
Director	LUOR, DER CHERNG	0	0	0	0
Director	YU, CHEN-PI	0	0	0	0
Director	SUN, YU-CHIANG (appointed on August 12, 2020)	0	0	0	0
CFO (Financial Supervisor)	HUANG,KUO CHEN	0	0	0	0
Senior Manager (Chief Accountant)	HUANG,CHIH-YU	0	0	0	0
Senior Director	Hu Chih Kuei (Dismissed on May 1, 2020)	0	0	0	0
Director	Li Peng Fei (Dismissed on March 1, 2021)	0	0	0	0

2. Information about transfer of equity: N/A

3. Information about pledge of equity: N/A

VIII. Information about the relationship among the Company's top 10 shareholders

April 25, 2021

NAME (NOTE 1)	CURRENT SHAREHOLDING		SHAREHOLDING OF SPOUSE AND MINOR CHILDREN		SHAREHOLDING BY NOMINEES		INFORMATION ABOUT TOP 10 SHAREHOLDERS WHO ARE RELATED PARTY TO ONE ANOTHER, OR SPOUSE OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP, THEIR NAMES AND RELATIONSHIP (NOTE 3)		REMARKS
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Name (or Designation)	Relationship	
Konzen Corporation Representative: LIN, CHING-TANG	50,523,000 0	9.98% 0	198,000	0.04%	0	0	Kang Chao, Kang Sheng Kang Ching, Kang Fa	The Chairman is the same person.	-
Kang Chao Corporation Representative: LIN, CHING-TANG	50,407,000 0	9.96% 0	198,000	0.04%	0	0	Kang Cheng, Kang Sheng Kang Ching, Kang Fa	The Chairman is the same person.	-
Nice Triumph Investment Limited Representative: LIN, CHING-TANG	36,688,000 0	7.25% 0	198,000	0.04%	0	0	Kang Cheng, Kang Chao, Kang Ching, Kang Fa	The Chairman is the same person.	-
Kang Ching Corporation Representative: LIN, CHING-TANG	35,880,000 0	7.09% 0	198,000	0.04%	0	0	Kang Cheng, Kang Chao, Kang Sheng, Kang Fa	The Chairman is the same person.	-
Kang Fa Investment Co., Ltd. Representative: LIN, CHING-TANG	29,828,000 0	5.89% 0	198,000	0.04%	0	0	Kang Cheng, Kang Chao, Kang Sheng, Kang Ching	The Chairman is the same person.	-
GAOLING FUND L.P.	9,988,000	1.97%	0	0	0	0	None	None	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	5,921,600	1.17%	0	0	0	0	None	None	-
Norges Bank	5,569,000	1.10%	0	0	0	0	None	None	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	5,095,507	1.01%	0	0	0	0	None	None	-
Employee Welfare Committee of Weichuan Corp.	4,639,863	0.92%	0	0	0	0	None	None	-

Note 1: The top 10 shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately).

Note 2: The ratio of shareholding is calculated in proportion to the shares held by the shareholders or their spouse or minor children or others.

Note 3: Relationship between the aforementioned shareholders (including corporate and natural person shareholders) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

IX. Total Number of Shares and Total Equity Held in the Same Investee by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

As of March 31, 2021; Unit: Share; %

Name of Investee (Note)	Investment of the Company		Investment by Directors, Supervisors/ Managers and Companies Directly or Indirectly Controlled by the Company		Comprehensive Investment	
	Number of Shares	Shareholding ration	Number of Shares	Shareholding ration	Number of Shares	Shareholding ration
Cheng Shuen Nung Ranch Corporation	57,929,989	100.00%	0	0.00%	57,929,989	100.00%
Hsin Chuan Industrial Co., Ltd.	34,539,451	98.68%	0	0.00%	34,539,451	98.68%
Kangho International Trading Corp.	14,034,753	99.99%	0	0.00%	14,034,753	99.99%
China Youth Store Corporation	8,481,905	99.79%	0	0.00%	8,481,905	99.79%
Kang Chuan Engineering Corp.	35,113,408	99.85%	0	0.00%	35,113,408	99.85%
Thai Wei Chuan Corporation	390,000	60.00%	0	0.00%	390,000	60.00%
Fu Ting Food Corp.	7,500,000	37.50%	0	0.00%	7,500,000	37.50%
Wei Chuan International (BVI) Co., Ltd.	N/A	100.00%	N/A	0	N/A	100.00%
Wei Chuan Asia Investment Co., Ltd.	N/A	1.00%	N/A	0.99	N/A	100.00%
BVI Wei Chuan Co., Ltd.	N/A	100.00%	N/A	0	N/A	100.00%

Note: long-term investments under equity method; or warrants of the limited company

Chapter IV. Fund Raising

I. Capital and Shares

(I) Source of Capital

Year/Month	Issuing Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
'October 1992	10	350,000,000	3,500,000,000	314,433,111	3,144,331,110	Capital increase with earnings: NT\$ 222,607,508; Capital reserve: NT\$ 139,129,692	None	81/8/25(81) Tai Cai Zheng (I) No. 02207
'August 1993	10	352,165,084	3,521,650,840	352,165,084	3,521,650,840	Capital reserve: NT\$ 377,319,730	None	82/7/12(82) Tai Cai Zheng (I) No. 29783
'August 1994	10	394,424,894	3,944,248,940	394,424,894	3,944,248,940	Capital reserve: NT\$422,598,100	None	83/7/19(83) Tai Cai Zheng (I) No. 31946
'August 1995	10	425,978,885	4,259,788,850	425,978,885	4,259,788,850	Capitalized earnings: NT\$ 315,539,910	None	84/6/30(84) Tai Cai Zheng (I) No. 38517
'July 1996	10	468,576,773	4,685,767,730	468,576,773	4,685,767,730	Capitalized earnings: NT\$ 170,391,552; Capital reserve: NT\$ 255,587,328	None	85/7/3(85) Tai Cai Zheng (I) No. 41762
'August 1997	10	600,000,000	6,000,000,000	506,062,914	5,060,629,140	Capital reserve: NT\$ 374,861,410	None	86/7/14(86) Tai Cai Zheng (I) No. 53032
'June 2019	10	800,000,000	8,000,000,000	506,062,914	5,060,629,140	-	-	-

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Unissued Shares	Total	
Common stock	506,062,914	293,937,086	800,000,000	-

Note: The Company's share is the listed stock.

Information about Shelf Registration System: None

(II) Structure of Shareholders

'April 25, 2021

Structure of Shareholders Number	Government Agencies	Financial Institutions	Other Corporate Shareholders	Natural Persons	Foreign Institutions and Natural Persons	Total
	Number of shareholders	0	2	300	86,240	171
Shares Held	0	2,283	223,501,480	227,589,058	54,970,093	506,062,914
Shareholding ration	0.00%	0.00%	44.16%	44.98%	10.86%	100%

(III) Distribution of Shares

‘April 25, 2021

Range of Shares	Number of Shareholders	Shares Held	Shareholding ratio
1~ 999	57,680	6,923,630	1.37%
1,000~ 5,000	21,988	47,096,537	9.31%
5,001~ 10,000	3,530	29,148,287	5.76%
10,001~ 15,000	968	12,631,806	2.50%
15,001~ 20,000	811	15,375,390	3.04%
20,001~ 30,000	567	14,884,204	2.94%
30,001~ 50,000	502	20,778,078	4.10%
50,001~ 100,000	370	27,264,060	5.39%
100,001~ 200,000	155	22,052,592	4.36%
200,001~ 400,000	71	19,770,098	3.91%
400,001~ 600,000	20	10,155,899	2.01%
600,001~ 800,000	15	10,335,000	2.04%
800,001~1,000,000	9	8,104,405	1.60%
Over 1,000,001	27	261,542,928	51.67%
Total	86, 713	506,062,914	100%

Distribution of Preferred Shares: None

(IV) List of Major Shareholders

‘April 25, 2021

Name of Major Shareholders	Share	Shares Held	Shareholding ratio
Konzen Corporation		50, 523, 000	9. 98%
Kang Chao Corporation		50, 407, 000	9. 96%
Nice Triumph Investment Limited		36, 688, 000	7. 25%
Kang Ching Corporation		35, 880, 000	7. 09%
Kang Fa Investment Co., Ltd.		29, 828, 000	5. 89%
GAOLING FUND L.P.		9, 988, 000	1. 97%
VANGUARD EMERGING MARKETS STOCK INDEX FUND A SERIES OF		5, 921, 600	1. 17%
Norges Bank		5, 569, 000	1. 10%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds		5, 095, 507	1. 01%
Employee Welfare Committee of Weichuan Corp.		4, 639, 863	0. 92%

(V) Market Price, Net Value, Earnings and Dividends per Share During the Most Recent Two Years

Information about market price, net value, earnings and dividends per share

Item		Year	2019	2020	As of May 12, 2021 (Note 8)
		Per share	Highest		36.45
Market price (Note 1)	Lowest		20.75	15.80	19.90
	Average		26.26	21.18	21.56
Net value per share (Note 2)	Before distribution		13.71	13.53	
	After distribution		13.71	(Note 9)	(Note 9)
Earnings per Share	Weighted Average Shares		506,062,914	506,062,914	506,062,914
	Earnings per Share (Note 3)		2.67	1.06	
Dividends Per Share	Cash dividends		1.3339	0.53 (Note 9)	-
	Free- Gratis dividends	Stock dividends appropriated from earnings	-	(Note 9)	-
		Stock dividends appropriated from capital reserve	-	(Note 9)	-
	Retained dividend (Note 4)		-	-	-
Return on Investment	Price-Earnings Ratio (Note 5)		9.84	19.98	-
	Dividend Yield (Note 6)		19.69	39.96	-
	Cash dividend yield (Note 7)		5.08%	2.50%	-

* In the case of retained shares distribution or capital surplus shares distribution, please also disclose the information about the market value and cash dividend adjusted retroactively based on the number of shares as distributed.

Note 1: Please identify the highest market value and the lowest market value of the common stock in each year, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Please apply the number of shares already issued at the end of the year and identify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.

Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.

Note 5: Price-Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share.

Note 6: Dividend Yield=Average Closing Price Per Share in current year/Cash Dividend Per Share.

Note 7: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

Note 9: The Board of Directors is authorized to distribute the cash dividends in accordance with the Articles of Incorporation, and report such distribution to the shareholders' meeting. The Company distributed cash dividends by resolution of the Board of Directors dated March 29, 2021. Other distributions out of the earnings for 2020 have not been resolved at the annual shareholders' meeting yet.

(VI) Dividends policy and Implementation Status

1. Dividend policies under the Articles of Incorporation:

As traditional industry, if the Company has earnings after the accounts are closed every year, in addition to payment of any business income tax due and recovery of losses of the previous years, the Company shall first set aside ten percent out of the earnings as the legal reserve, and then, set aside or reserve special reserve according to laws. To the extent that there is any balance, the total earnings available for distribution shall consist of the remainder of such balance and the retained earnings from the previous years. The Board of Directors may draw up proposal for distribution or retaining of earnings, and submit it to the shareholders' meeting for approval. Distribution of dividends shall be based on shareholding ratio of each shareholder.

The Company shall evaluate the investment environment taking into consideration the investment development and interest of the shareholders. Every year, the Company shall distribute not less than 50% of net profits of the current period to the shareholders. However, when the net profits of the current period every year is less than 5% of the total paid-in capital, no distributions shall be made; dividends may be distributed to the shareholders in cash or in stock, and cash dividends shall be not less than 50% of the total dividends.

The Company may, by a resolution adopted by a majority of the directors present who represent two-thirds or more of the total number of board members, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in cash, which shall be reported to the shareholders' meeting.

2. Distribution of dividends proposed at the shareholders' meeting:

Pursuant to the Company's dividend policy, the Company's Board of Directors has formulated the proposal on distribution of dividends for 2020 on March 29, 2021. It was resolved to distribute cash dividends of NT\$ 0.53 per share. Such cash dividend distribution proposal was submitted to the shareholders' meeting according to regulations.

3. Material change to expected dividend policy: None:

The Company's Board of Directors still continues executing the dividend policy under the Articles of Incorporation at present.

(VII) Effect of distribution of Free-Gratis Dividends proposed at the shareholders' meeting on the operational performance of the Company and the Earnings Per Share:

There are no proposed free-gratis dividends at the annual shareholders' meeting.

(VIII) Information about remuneration to employees and directors

1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation:

If the Company recorded profits for the year, no less than 1% of the Company's profits shall be set aside as employee's remuneration. Employees of the affiliates who meet certain qualifications may be included in the distribution. Employee's remuneration shall be paid in cash.

The Company shall also set aside not more than 5% of above profits as the directors' remuneration. The directors' remuneration shall be allocated in cash.

Distribution to the employees' and directors' remuneration above shall be adopted by the majority of present directors at the Board meeting where more than two thirds of

directors were present, and shall be reported to the shareholders' meeting. However, when the Company suffered from accumulated losses, the Company shall first set aside a sum out of earnings to offset the losses, and then distribute profits as employee's and directors' remuneration pro rata based on the said percentage.

2. The basis for estimating the amount of the employees' and directors' remuneration, for calculating the number of shares to be distributed as dividends, and for calculating the number of shares to be distributed as the employee's remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for 2020:

The Company estimated the employee's and directors' remuneration for 2020 based on the earnings of the year at the amount set out in the Articles of Association. There is no difference between the distribution amount resolved by the Board of Directors and the estimate.

3. Distribution of employees' and directors' remuneration for 2020 adopted by the Board of Directors:

- (1) Amount of employees' and directors' remuneration distributed in cash:

Employee's remuneration in cash: NT\$ 6,510 thousand.

Directors' remuneration in cash: NT\$ 6,300 thousand.

- (2) Amount of employee's remuneration distributed in stock, and percentage among net after-tax earnings of the parent company only financial reports for the current period and total employees' remuneration: The Company's employee's remuneration was distributed in cash pursuant to the Articles of Incorporation.

- (3) Earnings per share taking into consideration the employees' and directors' remuneration: The Company distributed the employees' and directors' remuneration in cash pursuant to the Articles of Incorporation.

4. Actual distribution of employees' and directors' remuneration in the previous year, difference between the actual distribution and the estimated figures, if any, and cause and treatment thereof:

The Company actually distributed employees' remuneration of NT\$ 21,097 thousand in total in 2019, increased by NT\$ 908 thousand compared with the estimated figure in the 2019 financial reports, which was adjusted to 2020 according to the accounting principle. The directors' remuneration amounted to NT\$ 6,812 thousand, and was not different from the estimated figures in the 2019 financial reports.

- (IX) Redemption of shares of the Company: The Company did not redeem its shares in 2019 and as of the date of publication of the annual report.

- II. Corporate Bonds: None.
- III. Preferred Shares: None.
- IV. Global Depository Receipts (GDRs): None.
- V. Employee Stock Options:
 - (I) Unexpired employee stock options as of the date of publication of annual report and impact on shareholders' rights and interests: None.
 - (II) The names, acquisitions, and subscriptions of the managerial officers who have obtained the employee stock options and the top ten employees who have obtained the stock options evidence up to the date of publication of the annual report: None.
- VI. New restricted employee stock:
 - (I) New restricted employee stock for which the vesting conditions have not yet been met for the full number of shares as of the date of publication of the annual report, and impact on the shareholders' rights and interest: None.
 - (II) The names and acquisitions of the managerial officers who have obtained new restricted employee stock and the top ten employees who have obtained shares up to the date of publication of the annual report: None.
- VII. Mergers and Acquisitions, or as Assignee of New Shares Issued by Another Company: None.
- VIII. Capital Utilization Plan and Implementation: None.

Chapter 5. Operational Highlights

I. Business Activities

(I) Scope of Business

1. The business scope of the Company is as follows:

- (1) A102080 Horticulture
- (2) A401010 Cattle
- (3) A401020 Animal Husbandry
- (4) C102010 Dairy Products Manufacturing
- (5) C103050 Canned, Frozen, Dehydrated Food Manufacturing
- (6) C104010 Sugar Confectionery and Bakery Product Manufacturing
- (7) C104020 Bakery Food Manufacturing
- (8) C105010 Edible Oil Manufacturing
- (9) C106010 Flour Milling
- (10) C109010 Seasoning Manufacturing
- (11) C110010 Beverage Manufacturing
- (12) C114010 Food Additives Manufacturing
- (13) C199010 Noodles, Flour Food Manufacturing
- (14) C199020 Edible Ice Manufacturing
- (15) C199030 Instant Food Manufacturing
- (16) C199040 Bean and Preparations Manufacturing
- (17) C199990 Other Food Manufacturing Not Elsewhere Classified
- (18) C201010 Prepared Animal Feeds Manufacturing
- (19) F101990 Wholesale of Other Agricultural, Husbandry and Aquatic Products
- (20) F102020 Wholesale of Edible Oil
- (21) F102030 Wholesale of Tobacco Products and Alcoholic Beverages
- (22) F102040 Wholesale of Nonalcoholic Beverages
- (23) F102170 Wholesale of Food and Grocery
- (24) F103010 Wholesale of Animal Feeds
- (25) F121010 Wholesale of Food Additives
- (27) F201990 Retail Sale of Other Agricultural, Husbandry and Aquatic Products
- (28) F202010 Retail sale of Animal Feeds
- (29) F203010 Retail sale of Food and Grocery
- (30) F203020 Retail Sale of Tobacco and Alcoholic Drinks
- (30) F221010 Retail of food additives
- (31) F301020 Supermarkets
- (32) F399010 Supermarkets
- (33) F399040 Retail Business Without Shop
- (34) F399990 Retail sale of Others
- (35) F401010 International Trade
- (36) F501030 Coffee/Tea Shops and Bars
- (37) F501060 Restaurants
- (38) H701010 Residence and Buildings Lease Construction and Development
- (39) H701020 Industrial Factory Buildings Lease Construction and Development
- (40) H701040 Specialized Field Construction and Development
- (41) H701050 Public Works Construction and Investment
- (42) J302010 Press Release
- (43) J303010 Magazine and Periodical Publication
- (44) J304010 Book Publishers
- (45) J601010 Arts and Literature Service

- (46) J602010 Agents and Managers for Performing Arts, Entertainers, and Models
- (47) J603010 Live House
- (48) J701010 Electronic Game Arcades
- (49) J701020 Amusement Parks
- (50) J901020 Hotels and Motels
- (51) J901011 Tourist Hotels
- (52) J 904011 Tourist Recreation
- (53) A102041 Leisure Agriculture
- (54) C802041 Western Medicine Manufacturing
- (55) C802051 Traditional Chinese Medicine Manufacturing
- (56) F108011 Wholesale of Traditional Chinese Medicine
- (57) F108021 Wholesale of Western Medicine
- (58) F208011 Retail Sale of Traditional Chinese Medicine
- (59) F208021 Retail Sale of Western Medicine
- (60) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. The Company's main products and its weights in 2020:

Type of Product	Major Product	Proportion of Business (%)
Dairy products	Fresh milk, modified milk, yogurt, diluted fermented milk, and soybean milk, etc.	62.3
Beverages	Juice, diluted juice, coffee, tea, water, etc.	18.0
Convenient Foods	Seasoning, sauce, cans, etc.	11.7
Others	Chilled desserts, salad, egg, nutrition foods and other business revenue, etc.	8.0

3. Principal business activities and revenue distribution of the Group (including subsidiaries) in 2020:

Type of Business	Major Business Contents	Proportion of Business (%)
Foods	Dairy products, beverages, instant foods and other foods, etc.	95.5
Packaging Materials	Manufacturing of food mold, injection mold, and plastic bottle caps	2.8
Other business activities	Import and export trades	1.7

(II) Overview of the Industry

Under the strategic principle of “deep foot holding in Taiwan and development in Mainland China” and the business strategy of “focusing on rapid development of chilled business and steady operation of non-refrigerated foods”, the Group arranges its food business development layout in Greater China. With respect to re-investment business, the resources are invested in development of the business that integrates with the food industry. Under this strategy, each business sector gives play to its specialty and core advantages in the Group to support and develop each other, and create the maximum management benefits of the Group as a whole in light of its industry characteristics and positioning.

A. Food Business:

1. Current status and development

The data of the Food Industry Research and Development Institute indicated that in

2020, Taiwan achieved food and beverage output of about NT\$ 635.5 billion, at growth rate of 0.83%. The overall industrial momentum was slowed down. Mature industrial economy, competition in the same trade, strong channels, import of foreign products, raising of consumer's awareness of product quality, the whole industry becoming saturated and highly competitive tested the operating ability of the food operators. In addition to the basic requirements to offer safe and nutritious foods, and how to meet the consumer's substantial and psychological demands for product quality and differentiation, improvement of added value for brand and products is another important issue for the food operators.

2. Relationship amongst upstream, midstream and downstream of the industry

Relationship amongst upstream, midstream and downstream of the industry is as follows:

Upstream industry	Agriculture, animal husbandry, and raw materials, etc.
Midstream industry	Research and development, manufacturing and packaging, etc.
Downstream industry	Transport service, storage, retail sale, food and beverage, etc.

3. Development trends of the products:

- (1) With raising awareness on health, health care and diet, consumers pursue for how to retain the best flavor and nutrients in the natural food materials with the freshest natural foods materials and least additives, so as to meet their needs for health diet.
- (2) With increase in double-earner family and fast food population, in addition to natural, healthy and delicious foods, real-time and convenient eating and cooking, as well as simple, convenient, innovative and diversified menu make contributions to increasing business demands for daily diet, group meals and catering of individual and household consumers.

4. Competition of products:

- (1) Taiwan market is faced with limited space for growth and fierce competition.
- (2) However, consumers in Taiwan increasingly focus on food safety and quality. In order to guarantee food safety and product quality, the Company not only invests more resources to strengthen management and control, but also continues improving and strengthening the supply management system, food safety management information platform, notification system and risk early warning management mechanism through the supervision and pre-planning of the Food Safety Committee.
- (3) In face with consumer's pursuit for health, high quality and differentiation, and substantial and psychological added value, the Company not only invests a large number of resources under the basic requirements of assuring food safety, but also upgrades high-quality products, develops simple formula as well as innovative and differential new products. In addition, the Company improves the quality of the dairy farmers and suppliers through strict monitoring of the upstream suppliers; and accumulates brand assets and improves management competitiveness by supplier integration, efficiency improvement, strong branding and communication and interaction with the consumers, so as to achieve breakthrough growth and create space for development in the future.

B. Packaging Materials:

In Taiwan, there are many competitors in food packaging material business. Accession by SMEs to the food packaging market has lower barrier. The overall plastic injection and hollow molding industry are saturated and highly competitively.

King Can Industry Corp. focuses on the field of food packaging materials manufacturing, advocates the total quality management concepts and improve personnel's quality through internal staff training, strengthens the enterprise, improves the product added value through technology breakthrough, develops the core competitiveness advantage, and takes the initiative to expand its market shares in Japan, Australia and Americas, and crease the international market segments through continuous development. In the future, the Company will continue intensifying the core products, and developing the markets at home and aboard. Quality and services become the advantage for permanent operation.

C. Import and Export Trades:

The main import business of Concourse International Inc. is to procure bulk or key raw materials for the needs of the Group. The products purchased and sold are mainly raw materials. In addition, the company positively strengthens the Group's internal and external raw material procurement function. The export business is marketing and promotion the featured products of Wei Chuan and Taiwan, in order to meet the needs of overseas customers.

In the future imports, the Company will still integrate the supply sources of bulk and key raw materials, to enhance the cost performance of the raw materials, master the exclusive sources, control the supply risks and food safety, and actively develop external business. Export targets are based on overseas Chinese to expand the new sale channels, develop new markets, new products and new sources, and accumulate sales growth momentum. Furthermore, the Company internally strengthens cultivation of professional international trade talents, so as to improve its competitiveness and become the most reliable international trade partners for the consumers.

(III) Overview of Technology and R&D:

1. Research and development expenses

Unit: NT\$ thousands

Year	R&D expenses	Turnover	Percentage of R&D expenses among turnover (%)
2018	98,436	7,465,839	1.32%
2019	104,668	7,638,740	1.37%
2020	100,668	7,802,514	1.30%

Note: As of March 31, 2021, the R&D expenses were NT\$ 25,135 thousand, and the estimated reinvestment in R&D expenses was NT\$ 74,778 thousand.

2. R&D achievements:

(1) In the past 3 years, 108 new products have been developed and launched; 36 research reports have been produced; and 9 patents have been obtained.

Year	Product	Research report	Patent granted
2018	49	0	1
2019	38	5	7
2020	21	31	1
Total in the past 3 years	108	36	9

(2) Technologies or products successfully developed

1) Product development achievements:

In 2020, the Company continued focusing on the development direction of healthy, delicious and safe foods. Meanwhile, the Company continued raw material source traceability and supplier audit, to control high-quality and safe source of raw materials. Professional R&D formula design, production technology and process achieved reduced or zero additives in foods, to develop healthy products for the consumers.

In 2020, 21 new products were launched. Brief introduction to characteristics of each series products is as follows:

a. Lin Feng Ying Probiotics Yogurt Series (Plain/ Unsweetened/ Strawberry)

Selected high-quality milk source and bacteria for a long-term fermentation at constant temperature, adhered to formula and process technology without adding spices, glue and cream, to produce high-quality yogurt.

b. Simple Series Yogurt (Plain/ Unsweetened)

Selected formula and process technology without adding spices, glue, cream and pigment, with appeal for high-quality products of no addition, easy digestion and no burden.

c. LCA Fermented Milk with Live Bacteria –Lemons

Classic with good taste, good bacteria, good digestion. Adhere to no use of artificial sugar substitute and high fructose syrup, and use Taiwan's local lemon juice and live bacteria fermented milk.

d. Bixtar Series (Orange Green Tea)

Bixtar Brand entered tea beverage market, and launched new fruit tea products. Extracted with 100% Taiwan osmanthus green tea, and mixed with Florida orange pulp, a sweet and rich taste with both tea and fruit aroma.

e. Local Farm Product Series (Pineapple Mix Drinks / Honey Lemon Drinks)

Local farm products from famous places, and safe natural foods. Simple ingredients without addition, returned to the nature. Pineapple Mix Drinks was made of No.17 Golden Pineapple from local farmer, harvested in season, chilled to keep fresh, squeezed for juice to keep fresh aroma, and mixed with Pingtung lemon juice; Honey Lemon Drinks mixed imported pure honey with Pingtung lime juice.

f. Bernachon Coffee Series

1. Bernachon Q-Grader Coffee (Unsweetened)

SCAA Assessor's special coffee bean formula together with Ethiopian sunshine bean, clean citrus and floral aromas, nutty taste. Freshly brewed coffee, strong different coffee taste with milk content at 60% or more, sweet after taste.

2. Bernachon Dark Roast Coffee Latte

Bernachon, Rolls-Royce in coffee drinks. Adhered to special first-class coffee beans mixed with high-quality milk.

g. Healthy Kitchen Series (Seasoning of Vegetable and Fruit Flavor)

100% local fresh vegetables and fruits from Taiwan. 100% no addition of artificial seasoning, artificial monosodium glutamate, preservative and artificial color. Suitable for soup, fried dish, boiled dish and all kinds of foods.

h. Wei Chuan Classic Fresh Cheese

Pure formula combined process technology and colloid technology without addition, spices and artificial additives, 100% local fresh raw milk.

i. Egg Brulee (Honey)

High-quality free egg mixed with pure high-quality milk source, and natural ingredient of honey to enhance the taste. No spices and no artificial additives, a nutritious snack for the whole family.

j. AVILA Strong Carbonated Bubble Water

Water source from Puli, Nantou, with strict control over amount of carbonic acid gas and filing temperature, with strong and exciting bubble taste. The packaging design is enthusiastic and lively, simple, fashionable and vigorous.

2) Technology R&D achievements:

In order to improve the product quality, the Company continues technology research in the relevant product field. In 2020, the Company completed a number of research and development for raw materials and key processes in relation to products. Some technical research achievements have been commercially launched, and there are still many research products in process.

- a. Project for quality improvement of raw milk of range.
- b. Technical research and development of plant fermented milk.
- c. Research on grinding process of soybean milk line—dense soybean milk technology.
- d. Technical research for enhancing fragrance of grain by enzymatic hydrolysis.
- e. Chilled juice processing technology – pineapple.
- f. Egg quality and freshness research.
- g. Research on dilution process of fermented milk with high bacteria amount.

3) Quality assurance:

Wei Chuan is committed to reliable, transparent and open food safety practice, so as to actively promote food safety reform in essence, and establish the corporate constitution and philosophy that integrates food safety as DNA of Wei Chuan corporate culture. We will strictly control every detail “from the origin to the table”. Through “full product traceability”, “formula simplification” and “alignment of quality with international standards”, we respect the consumer’s “right to know” the food. We not only focus on “food safety”, but also build a reliable food environment, to lead and drive upgrading of the food industry and the supply chain. In 2020, a total of 41 R&D projects for simple formula without adding or with reducing additives were completed.

As a comprehensive food manufacturer, Wei Chuan has complicated upstream supply sources. In order to implement independent food safety management, Wei Chuan formulated relevant management rules against its upstream suppliers, and established audit mechanism for new suppliers in terms of development, qualification, admission, field investigation, evaluation and rating, periodic audit, and disqualification due to nonconformity, to ensure that the raw materials for the products are legal and safe.

Wei Chuan continues to advance third-party international food safety management system certification so as to build a more perfect food process and environment. By the end of 2020, the plants of Wei Chuan maintained two major international systems recognized by GFSI, that is, SQF and FSSC 22000. 17 main production lines were assigned TQF, and 20 products passed Halal certification.

Wei Chuan establishes an internal traceability management system, to fully develop the historical information of each product stage from raw material management, supplier management, production process, storage to transportation, so that the Company could master the upstream and downstream product information accurately in real time. In light of the undertaking of “safety, transparency and openness”, Wei Chuan continues to promote “transparent QRCode”, and prints QRCode on the product package so that the consumers could access to the official website for the product inspection information by real-time scanning.

3. Future research and development:

(1) Diversified innovation/ development of simple and delicious products without addition:

Wei Chuan develops a variety of innovative/ simple and delicious food products without artificial additives based on the market trend and consumer’s needs, including natural fruit juice drinks, high-quality coffee drinks, fermented milk, grain and milk drinks, snacks, seasoning and sauces, etc.

(2) B2B industrial product promotion and customer service:

In response to booming development of convenient food industry in the recent years, Wei Chuan establishes corresponding product development direction and main product categories according to classification of customers, and greatly promotes dairy products/ salad/ snack/ drinks/ eggs. For example, coffee/ tea bar chain supply mainly promotes fresh milk, salad, spread sauce, pudding and fruit juice. . etc. Given customer’s needs, Wei Chuan offers customized product service and application recipes. Meanwhile, Wei Chuan strengthens the R&D technical service team, regularly assist the team to promote services and customers to create values, and gradually improve the convenient food technical service module.

(3) Deep cultivation of category competitiveness and technology:

Wei Chuan establishes the category technology, continues deepening internal talent cultivation and basic technology, maintains technical exchange with/ technology introduction from external universities, research institutes, and international manufactures, and continues advancing the key technology. With insights on the demands of the consumers and customers, we are dedicated to research on foundation engineering and application development capability so as to improve the product competitiveness.

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

1. Short-term plans:

- (1) Continue deepening food safety, quality assurance and supply chain management system.
- (2) Deepen core product competitive advantages and brand asset accumulation.
- (3) Expand retail channels, and transform and upgrade business channels.
- (4) Optimize operation management system, and promotion comprehensive informatization.
- (5) Integrate philosophy and culture, and cultivate key strategic talents.
- (6) Continue deepening and promoting corporate social responsibility and industry upgrading.

2. Long-term plans:

- (1) Promote market development and layout in Greater China.
- (2) Establish the leading position of core products in the cross-strait markets.
- (3) Integrate resources to achieve operation results in the cross-strait markets.

II. Overview of Market, Production and Sales

A. Food Business- Taiwan:

(I) Dairy products

- (1) Main sales areas: The Company's dairy products are mainly sold in Taiwan. At present, the products of the Company are not sold aboard.
- (2) Competitors and market share:
The main competitors of the Company's dairy products include: UNI-President, Kuang Chuan, Flou, etc.

Market share in Taiwan at present:

Major Product	Market share
Fresh milk	24.7%
Yogurt	11.7%

(3) Future market supply, demand and growth potential:

1) Fresh milk:

- A. Based on analysis of the market survey data for 2020, the total sales of the fresh milk was increased by 6.3%. Increase in purchase volume per capita was the main reason for this growth.
- B. Specification: The main specification is 1/2 gal. at a rate of about 59%.
- C. Fat: ratio of full fat v.s. low fat is 92:8.
- D. Channel: Supermarket (including PX-Mart) is still the channel from which the most of consumers purchase the fresh milk. The sales accounted for about 44%, with increased growth.

2) Yogurt:

- A. Based on analysis of the market survey data for 2020, sales was reduced by 2.1% compared with that in 2019. Decline in consumer penetration rate and market unit price was the main reason.
- B. Specification: The main specification is 1kg and 1/2 gal. at a rate of 34% for both.
- C. Channel: Supermarket (including PX-Mart) is the main channel followed by convenience stores.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Dairy products (including soybean milk)	89,743

(5) Advantages and disadvantages of future development:

1) Advantages:

- A. Consumers increasingly pay attention to food quality and safety. Main brands of the dairy products include Lin Feng Ying, which is the leader of exclusive transparent system. The consumers are able to inquire the real-time information at any time, and feel more assured about the quality.
- B. The Company will continue injecting resources to operate the core brand –Lin Feng Ying, and will continue developing potential brands, such as Wan Tan Yogurt.
- C. Wei Chuan positively develops the categories of products. In addition to the major products: fresh milk and yogurt, Wei Chuan launched Wan Tan Fresh Milk Tea and Fresh Milk Drinks in the fourth quarter of 2017; launched Lin Feng Ying Extra Strong Milk Yogurt, and Lin Feng Ying Fresh Milk Yogurt in the third quarter of 2018; and launched new dairy brand –Xiao Mu Fresh Milk Tea and Apple Milk Drinks by the end of 2019, which was targeted at the young groups, and was well received.

- D. Strong R&D and production capacity for dairy products enables us to introduce high-quality products. Kaohsiung Plant, a fresh milk production factory, has obtained SQF certification (Safe Quality Food; an internationally accepted comprehensive and rigorous food safety management verification system) for 5 years in succession; Douliu Plant, a yogurt production factory, has obtained SQF certification for 4 years in succession. The production lines have passed a number of domestic and international quality certification in succession, providing the consumers with higher quality option.
- E. Chilled business system is completed with strong feasibility and high marketability.

2) Disadvantages:

- A. In recent years, with influence of food safety incidents, multi-brand small farms and trend of imported dairy products are emerging. Consumers are provided with diversified options.
- B. Thanks to strong dominance of modern channels, sales profits and costs necessary for channels are increasing. Raw milk acquisition, raw material and processing costs for internal production are also increased gradually, affecting the operating profits.
- C. Dairy product market in Taiwan is quiet matured with fierce competitiveness. Some of products have potential for development and operation. However, given the established advantages of the competitors, we still face with challenge in the potential brands.

(II) Beverages:

1. Coffee market:

(1) Sales areas of major commodities: mainly in Taiwan markets.

(2) Market trend and major competitors:

- A. Sales volume of the whole coffee drink market in 2020 was declined by 3% compared with that in 2019. Sales volume in chilled market, and non-refrigerated market was declined by 6% and 1% respectively. Market share of chilled and non-refrigerated coffee was 34% and 66% respectively.
- B. Based on stratification data, our chilled coffee products dominated the market share. Bernachon maintains its leading brand position. In May 2019, Bixtar Brand was developed. Thanks to double brands, the overall market share of chilled coffee was increased to 44%, making Wei Chuan the leader in chilled coffee sector by a large margin.
- C. At present, Wei Chuan's non-refrigerated coffee drinks include Bernachon canned coffees, aluminium-foil packaged coffee and 36 Fran canned coffee, with market share of about 8%.

Business activities	Market share
Chilled coffee	44%
Non-refrigerated coffee	8%

(3) Future market supply, demand and growth potential:

As coffee drinking habit is becoming more and more common, the Company continues innovation and invests resources to continuously further expand the chilled business sector and develop non-refrigerated coffee market by taking advantage of the leading position of chilled coffee, so as to greatly increase the sales of instant coffee and fully increase the market share of the coffee products.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Coffee drinks	24,110

(5) Advantages and disadvantages of future development:

1) Advantages:

- A. The R&D department has professional knowledge and experience in relation to coffee product.
- B. The business department has ability for customer development and good distribution service.
- C. Core brands (such as Bernachon) have high recognition.
- D. The Company will continue investing powerful marketing resources.
- E. Consumers in Taiwan have increasingly strong awareness of food safety, and high value-added drinks have development potential.

2) Disadvantages:

- A. Although the Company has the largest market segment of non-refrigerated coffee, the Company has not successfully established a brand yet.
- B. Operation costs are increased with impairment to the operating profits.
- C. The industry has low entry barrier. It is easy for the new competitors to engage in the trade, with increasingly expanding market competition.
- D. Competitors have their own channels, crowding out other vendors.
- E. Increasing demands for channels lead to small market profits.
- F. Continuous investment of resources in brewed coffee in the convenience stores greatly reduces sales of chilled packaged coffee.

2. Fruit juice market:

- (1) Sales areas of major commodities: mainly in Taiwan markets.
- (2) Market trend and major competitors:
 - 1) The overall market sales of chilled vegetable and fruit juice in 2020 were declined by 2% compared with that in 2019. Decline in chilled vegetable and fruit juice by 14% and chilled diluted fruit juice by 7% was the main reasons. However, chilled pure fruit juice saw growth at a rate of 14%. The market share of chilled pure fruit juice, chilled diluted fruit juice, and chilled vegetable and fruit juice is 40%, 30% and 30% respectively.
 - 2) As the leader brand in chilled pure fruit juice market, Daily C Juice occupied 49% market share in 2020. Nung Cha is another leader brand in the chilled diluted fruit juice market, and occupied 40% market share in 2020. The total market share of two major juice brands of Wei Chuan is up to 45% in the whole chilled fruit juice market.

Business activities	Market share
Chilled juice	45%

- (3) Future market supply, demand and growth potential:

As consumers attach great importance to healthy diet, we will continue developing new products with strong health concept in the future, to communicate health value.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Juice drinks	14,003

(5) Advantages and disadvantages of future development:

1) Advantages:

- A. The R&D Department has professional knowledge and experience in relation to juice products.
- B. The business department has ability for customer development and good distribution service.
- C. Daily C Brand has high recognition, and Nung Cha Brand has development potential.
- C. The Company continues investing strong market resources.
- E. Consumers in Taiwan have increasingly strong awareness of health, and healthy drinks have development potential.

2) Disadvantages:

- A. Chilled vegetable and fruit juice has certain market share, but no successful brand has been established yet.
- B. Although the Company has the largest market segment of non-refrigerated drinks, the Company has not successfully established a brand yet.
- C. Customers in channels develop their own brands, leading to increasingly fierce market competition.

(III) Seasoning and convenient foods:

1. Seasoning:

- (1) Sales region of main commodities: Commodities are mainly sold in Taiwan (80%), followed by sales aboard.
- (2) Main competitors and market share:
 - A. The main competitors of the Company's seasoning products include: P'eng Ta Shih, Kanbo, Vedan and Ve Wong , etc. In recent years, due to

transformation of consumer's habits (convenience/ small capacity/ health concept), the Company introduced healthy kitchen brand without adding seasoning in 2020, so as to meet the market trend and the consumer's needs. At present, the overall market share has not been established. Due to decline in consumer's needs/ promotion of competitive products/ reduced channels, the original Wei Chuan Kao Hsien Brand seized about 10% market shares.

B. As the leader brand, Wei Chuan Kao Hsien has high recognition and royalty, and is the only brand that discloses the product history in the industry, so that the consumers not only enjoy delicacy but also are secured in terms of food safety. At present, the main operation focuses on continuous development of new users to avoid market shrinking.

(3) Future market supply, demand and growth potential:

Seasoning: ratio of domestic and foreign sales is 80:20. Under brand operation in the consumer markets, Wei Chuan continues expanding the business channels.

1) Traditional monosodium glutamate:

As traditional seasoning, monosodium glutamate is widely used in cooking and food processing to enhance tasty. However, with transformation of living and diet habits, use of monosodium glutamate in cooking at home is reduced, leading to continuous recession in market shares of monosodium glutamate in 2020.

2) Kao Hsien Monosodium Glutamate

Growth of eating out affects frequency of cooking at home. As a result, use frequency and amount of Kao Hsien Monosodium Glutamate are reduced year by year. Vegetable and fruit formula is applied for Kao Hsien Monosodium Glutamate to increase the product features, and improve its competitiveness. However, both overall market popularity and usage are declining year by year. It is necessary to consolidate the consumer's royalty and enhance the business promotion channels, so as to maintain the overall sales of Kao Hsien Monosodium Glutamate.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Seasoning	2,695

While further developing main customers in channels, Wei Chuan also increases the regional direct customers (depth), and expands the business layout (range), to improve the growth momentum for operation quality and performance of channels.

(5) Advantages and disadvantages of future development:

1) Advantages:

A. Wei Chuan Kao Hsien Monosodium Glutamate has high recognition and customer loyalty. Furthermore, the Company discloses the product history so that the customer has full understanding about the product in both terms of taste and safety. Due to long-term practical experience in relation to seasoning, Wei Chuan has established technology and process capability for high-value flavor seasoning that has market growth potential.

B. As a leading brand, Wei Chuan Kao Hsien Monosodium Glutamate has royal users. We will continue to expand the range of food ingredients and wholesale vendors, and expand the depth of direct users, to assist development of new products under Kao Brand, and promote the growth momentum of performance.

2) Disadvantages:

A. Increase in number of small families and people who take fast food, reduction of cooking at home, and reduction in use of seasoning.

2. Sauce products:

- (1) Sales areas of main commodities: The commodities are mainly sold in Taiwan (domestic sales take up 95%).
- (2) Main competitors and market share:
 - A. Market trend: The overall sales of soy sauce decreased by 1%, while sales of flavored soy sauce/ thin salt and soy oil saw growth (1-8%), and growth in sales became more obvious due to the trend of high price.
 - B. The Company's sauce products mainly include soy sauce, seasoning sauce (including dip sauce, barbecue sauce, and oil and vinegar sauce) and other liquid seasoning sauces for cooking. The main competitors include: Kikkoman, UNI-President, Chin Lan, Wan Ja Shan, Ve Wong, etc.
 - C. The sauce production line has been modified and improved since 2018. The market share of Wei Chuan's sauce (including Tsui Niang) was increased to 4%, because the Company launched the healthy kitchen sauce series in 2020, of which, the market share of the flavor sauce reached 8% (the overall market share of Wei Chuan's sauce was increased from 27% to 32%). As the leading brand of oil and vinegar salad dressings, the Healthy Kitchen Brand experienced growth at a rate of 20% in 2020, and achieved continuous growth year by year. Other sauces such as barbecue sauce, dumpling sauce and garlic sauce also make Wei Chuan the leader in the market even though the market share is small.
- (3) Future market supply, demand and growth potential:
 - 1) Soy sauce:

With change to their perception about sauce and purchasing behaviors, the consumers pursue high-quality and non-gmo pure brewed soy sauces without addition. Thus, the trend for soy sauce at high price with concept of health becomes matured gradually.
 - 2) Sauce:

As the market of traditional sauce is stable, introduction of exotic sauces and health-conscious sauces is conducive to growth of the market.
 - 3) Salad:

The existing market of the oil and vinegar, and emulsified salad dressings is experiencing rapid growth. Salad dressings of health concept and appeal will facilitate more growth momentum.

(4) Business targets (including business channels):

Major Product	Annual estimated sales volume (ton)
Sauces (including salad)	7,059

(5) Advantages and disadvantages of future development:

- 1) Advantages:
 - A. Tsui Niang Brand maintains steady business trend under the existing basis. Based on the consent of less addition, Healthy Kitchen Brand introduced sauce series for appeal for no addition of preservatives and caramel coloring, and passed the double clean badge certification. Meanwhile, this brand also won One Star and Two Star Awards granted by Belgium International Taste Institute (iTt). We will keep moving to offer products that have concept of health and good taste to the consumers.
 - B. As the non-gmo pure brewed sauce of high quality, Wei Chuan Best Sauce will be further introduced to users of non-pure brewed as the main source for growth, and promote Japanese sauces and salad dressings of higher

added value, to enhance the overall contribution of the business channels.

- C. In response to the healthy diet trend, salad (emulsified salad, oil and vinegar salad) experiences growth every year; in 2020, two new products of Healthy Kitchen Salad Series were recognized by iTi, and both Star Product, and Onion and Thai Chutney won Two Star Award. Subsequently, we will develop new markets by introducing more health-conscious salad dressing products and explain the usage to develop the opportunity to use, and promote contribution to growth.

2) Disadvantages:

- A. Price of raw materials is raised every year, with unfavorable cost trend.
- B. Continuous improvement in convenience of eating out and reduction in number of family cooking at home impact the market size of the consumer products; given price factors, customers in business channels will continue using the non-pure brewed soy sauce. The product under this brand is the non-gmo pure brewed sauce, and it is still need to actively promote this product so as to solicit customers due to costs and price factors.

3. Convenient foods:

(1) Sales areas of major commodities:

The convenient foods are mainly sold in Taiwan (domestic sales took up 90%).

(2) Main competitors and market share:

The Company's convenient foods mainly include pickles, vegetable-flavor, and animal-derived foods. The main competitors include: Flavor of Love, Ta Mao, Hsin Tung Yang, and Chin Lan, etc. In light of over 60 years of abundant experiences in food industry, Wei Chuan continues upgrading products and improving formula.

(3) Future market supply, demand and growth potential:

The canned foods have mature market. However, with impact of eating out and consumer's misunderstanding about addition of preservatives in canned foods, the sales of canned foods are declined year by year. In recent years, Wei Chuan has transformed to develop formula with an appeal for high quality and no addition of pigment, condiment and monosodium glutamate. Meanwhile, multiple inspection is applied to control quality in the production process, and raw materials are traceable to provide the consumers of safe and delicious foods.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Convenient Foods	1,643

(5) Advantages and disadvantages related to future development:

1) Advantages:

- A. We will continue producing pickles, vegetable-flavor, and animal-derived foods without addition of pigment, condiment and monosodium glutamate under high-quality formula, and trace raw materials of the products, to meet the consumer's demands for safety and health.
- B. We will continue developing differential products, and will approach to developing new convenient foods so as to expand the growth momentum.

2) Disadvantages:

- A. Increasingly raising costs of raw materials and packaging materials, strong position of modern channels, downturn of traditional canned foods, and constant increase in sales ratio of modern channels and channel fees, affect the benefits.

- B. In recent years, as more and more consumers enhance health awareness, consumer still have prejudice that preservatives are added to the canned foods to extend the shelf life, which leads to decrease of purchase intention.
- C. As the consumers changes their diet habits, and convenience of eating out is improved, demands for the traditional canned foods are declined, affecting development of the overall market.

B. Food Business - Mainland China

(I) Chilled business in Mainland China:

1. Yogurt:

(1) Sales areas of major commodities:

Eastern China is the core operation area. The Company also focuses on development of markets in key cities in Northern China, Southern China, Southwestern China and Central China. The Company has not sold the products aboard.

(2) Market share: At present, the market share in China is as follows-

Main region	Market share
Eastern China	4.4 %
--Shanghai	8.4 %
--Jiangsu	4.2 %
--Zhejiang	3.9 %

(3) Future market supply, demand and growth potential:

Based on the market survey data, in 2020, the retail sales and turnover of chilled yogurt were declined by -11.1% and -12.5% compared with that in 2019. In 2020, overall consumption was reduced due to influence of COVID-19. Overall turnover of basic yogurt, the main sub-category of the chilled yogurt market segment (accounting for 51.9% of the chilled yogurt) is declined, among which, bottled yogurt experiences the most serious decline (sales volume and turnover were declined by -41.0% and -41.2% respectively on a year-on-year basis). As the two major markets of chilled yogurt (accounting for 54.2% among the market shares of chilled yogurt in total), Southeastern China and Northern China experienced decline in retail sales by -10.2% and -15.1% respectively compared with that in the last year. In addition, Southern China, Central China and Southwestern China also experience decline by -13.8%, -14.2% and -3.5% respectively on a year-on-year basis.

Yogurt is good for improving immunity. Dairy products that have health properties and live bacteria ingredient are becoming well received; low-temperature disinfection and whole-process cold chain of chilled yogurt can better maintain the health ingredients of the products. With respect to long-term market, with improvement of cold chain logistics construction level and continuous education of the consumers in Mainland China, the trend of replacement of the non-refrigerated products with the chilled products is obviously accelerated, and the future growth is promising.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Wei Chuan Yogurt	35,530

(5) Advantages and disadvantages of future development:

1) Advantages:

- A. With huge market potential, the chilled yogurt is experiencing relatively stable overall development in the past 3 years. In 2020, impact of non-refrigerated products and influence of epidemic are the main reasons for recession in 2020. Now, as the epidemic is under control, popularity of vaccine will promote consumption growth and is conducive to category improvement.

- B. With obvious high-end trend, Wei Chuan continues investing resources to operate the yogurt brands, and will gradually complete transformation to middle-end and high-end brand by virtue of brand promotion and production line expansion.
- C. To meet the demand for consumption upgrading and grasp the market trend, in 2020, Wei Chuan also approaches to the middle-end and high-end yogurt markets while improving the layout of basic market. Wei Chuan seizes high-quality uses by launching differentiated new products (spoon food/ cup food), so as to improve the professional brand image and seize the market share of yogurt.

2) Disadvantages:

- A. Competition of milk source is still fierce; international trade environment is unstable, and costs of raw milk, milk powder and other raw materials continuously rise. Meanwhile, the current scale effect of Wei Chuan's yogurt is insufficient, and the requirement on quality of raw material is higher than the competitive products, resulting in no price competitiveness.
- B. Rapid industry change, fast replacement of manufacturer, domination of national and regional chilled yogurt brands, higher product innovation requirements, short lifetime, and replacement by substitutes make development and marketing of new products more difficult.
- C. Market capacity of the main markets Eastern China and Northern China is the main recession range, and stock competition is intensified.

2. Lactobacillus:

(1) Sales areas of major commodities:

Southern China, Northern China and Southern China are the core operation areas of lactobacillus. Southwestern China and Central China focus on development in key cities. At present, the Company does not sell products abroad.

(2) Market share: Current market share in China

Main region	Market share
Eastern China (Shanghai/ Jiangsu/ Zhejiang/ Anhui/ Jiangxi)	13.8%
Northern China (Beijing/ Tianjin/ Hebei/ Shandong/ Shanxi/ Liaoning)	3.7%
Southern China (Guangdong/ Fujian)	0.6%

(3) Future market supply, demand and growth potential:

According to the market survey data, in 2020, the retail sales and turnover of chilled lactobacillus decreased by -16.7% and -18.7% respectively, mainly because high sugar content of lactobacillus is inconsistent with the consumption trend of the consumers. Meanwhile, faster innovation and upgrading of drinks lead to reduction in purchase or turn to low-sugar substitutes. In the future, as the consumers enhance their awareness of intestinal health and personalized consumption, it is expected that low-sugar taste, functional enhancement and cross-industry innovation of beverage will become an important driving force for category growth.

With respect to segment market of specification, the overall market is composed of 100ml, 300-500ml and other specifications, among which, the market share of 100ml is 62.0%, increased by 5.8ppts compared with that in the last year; the market share of 300-500ml is 25.5%, declined by 4.8ppts compared with that in the last year; top brands in the category are gradually increasing the market shares for 100ml, to guide transfer of consumption. It is expected that small specification will become the future development trend of the basic lactobacillus products.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Wei Chuan Lactobacillus	33,780

(5) Advantages and disadvantages of future development:

1) Advantages:

- A. Product of this category still maintains market size of NT\$ 8.2 billion. Live bacteria is good for intestinal health with increasing attention. Wei Chuan has fully promoted product, brand and package upgrading in 2020. In the future, Wei Chuan will focus on 800E Live Bacteria and advertise “one bottler after meal”, to continue strengthening functionality and demand scenarios.
- B. Wei Chuan Lactobacillus has certain competitiveness in Southern China and Beijing markets. Meanwhile, as low-sugar product is the market development trend, Wei Chuan Lactobacillus meets the needs of the consumers with low sugar and less burden.
- C. We will maintain the performance of key channels, and strengthen the layout of new retail products in Taiwan. Main specification focuses on 400ml, with side development of 100ml small specification and 850ml family pack, to seize the market share together.

2) Disadvantages:

- A. Significant raising of the costs of main raw materials such as dried skim milk and white sugar has great impact on gross profits of the products.
- B. The whole market in Taiwan has suffered serious recession. High sugar content becomes the main drawback of the product. Moreover, there are many functional alternative drinks in the market. Thus, the whole category of product experience serious downturn.
- C. Due to pressure in respect to sales volume, the major manufacturers have enhanced promotion efforts to seize the stock market. Yakult has strong brand barriers (with market share about 50% nationwide). White-hot competition situation has been existing in the lactobacillus market for a long term.
- D. Large manufactures introduce non-refrigerated lactobacillus production line. Low-price competition under the advantage of cost has significant impact on sale of chilled products.

3. Juice:

(1) Sales areas of major commodities:

The product is mainly sold in Southern China, Northern China, Southern China region and key cities in Southwestern China and Central China. At present, the Company does not sell products aboard.

(2) Market share: Current market share in China

Main region	Market share (100% pure fruit juice)
Eastern China (Shanghai/ Jiangsu/ Zhejiang/ Anhui/ Jiangxi)	58.3%
Northern China (Beijing/ Tianjin/ Hebei/ Shandong/ Shanxi/ three northeast provinces of China)	17.2%
Southern China (Guangdong/ Fujian)	40.7%
Southwestern China (Sichuan/ Chongqing)	23.8%
Central China (Hunan/ Shaanxi)	13.7%

(3) Future market supply, demand and growth potential:

According to the market survey data, in 2020, the market retail sale and turnover of 100% pure fruit juice decreased by -28.4% and -26.1% respectively. The market share in Mainland China decreased to 4.9%. Compared with the consumption structure of the fruit juice drinks in the developed countries, there is still a large potential for development of pure fruit juice. Meanwhile, with continuous construction of cold chain logistics infrastructures, large-scale drinks manufacturers seize the market by virtue of their advantages from upstream resources. International brands approach in Chinses markets. In the future, it is expected to promote continuous expansion of the pure fruit juice drinks.

(4) Business targets:

Major Product	Annual estimated sales volume (ton)
Wei Chuan Daily C	65,642

(5) Advantages and disadvantages of future development:

1) Advantages:

- A. At present, Wei Chuan Daily C has the largest market share in the pure fruit juice market nationwide. The market share in key area Eastern China is 58.3% (increased by +3.0% on a year-on-year basis). At present, Eastern China and Southern China have established stronger leading advantages.
- B. Wei Chuan Daily C optimized the benefits from advertising on media in 2020. With steady operation and continuous improvement on brand penetration rate, Wei Chuan has successfully built the leader image of Daily C 100% Pure Fruit Juice.
- C. In response to diversified consumption scenarios and consumption upgrading trend, Wei Chuan will continue making use of its powerful technical innovation and product R&D capability to promote segment market layout and expand target consumer groups, leading the market development of the chilled fruit juice drinks.
- D. While maintaining the stable operation in Eastern China, the Company strengthens market penetration and consumer development in Northern China, Southern China and Central China to increase the sales.

2) Disadvantages:

- A. Fluctuation of the international trade environment has great impact on the costs of the imported raw materials for fruit juice, and affects the profitability of the products to a certain extent.
- B. The overall market volume of the pure fruit juice decreased and the consumption trend is shifted.
- C. Drinks manufacturers enter the fruit juice drinks market in succession. Nongfu Spring rapidly increases the market share through non-refrigerated NFC drinks. Meanwhile, Nongfu Spring improved the product line layout of non-refrigerated NFC drinks in 2020. It is expected to become a strong competitor of Wei Chuan in the future.

4. Coffee drinks:

(1) Sales areas of major commodities:

Eastern China is the main sales area of coffee drinks. Moreover, the Company also focuses on development in key cities in Northern China, Southern China, Northwestern China and Central China. The Company does not sell products aboard.

(2) Future market supply, demand and growth potential:

According to the market survey data, coffee market sees rapid growth in the past 3 years. In 2020, the overall retail sales of the ready-to-drink coffee decreased by about

-4% due to impact of the epidemic. After the epidemic situation, demands for coffee increased. The whole market is recovered and sees growth.

With upgrading trend, the main beverage manufacturers have started to established layout for entry to the ready-to-drink coffee market at medium and high price. Retailers also positively develop in-store freshly brewed coffee. The whole market is blossoming.

In a long term, development of middle class accelerates expansion of market demands. The overall RTD coffee market has a promising prospect (growth at 10%-15% in the next 5 years). Education and use expansion in coffee market of Mainland will be still the theme for development of the category. For ready-to-drink coffee brands, cost efficiency and product innovation speed will be the core breakthrough to expand the market share and explore the potential consumers.

(3) Business targets:

Major Product	Annual sales volume (ton)
Coffee drinks	13,754

(4) Advantages and disadvantages of future development:

1) Advantages:

- A. Double brand layout combining Bernachon and international famous brand successfully explores high-end product line, and category layout of high gross profit and differentiation.
- B. Urbanization in Mainland China, accelerated development of middle class, strong factors such as preference of coffee, and dramatic increase in per capita drinking in the first and second-tier cities anticipate accelerated expansion of the coffee market. In the next 5 years, penetration rate will be expected to grow rapidly, at annual rate of 8-10%.
- C. Powerful R&D production capacity, perfect supply chain and quality management, successful stock and a number of seasonal limited and innovative new products meet the consumers' demands for high quality and personalization.

2) Disadvantages:

- A. The coffee market in Mainland China is in the process of education for consumers. More manufacturers and brands draw a bead on the coffee market. In the future, entry of more new products leads to fierce market competition.
- B. Ready-to-drink coffee market still mainly focuses on non-refrigerated coffee. Meanwhile, with rapid approach of a majority of manufacturers to the markets, expansion ability of the chilled product is relatively inadequate. Wei Chuan is faced with greater seepage pressure in outer region.

5. Chilled fresh milk:

(1) Sales areas of major commodities:

Chilled fresh milk is mainly sold via B2B channel at present. B2C product focuses on Eastern China/ Shanghai. Chilled fresh milk has not been exported yet.

(2) Future market supply, demand and growth potential:

According to the market survey data, in 2020, the market share of chilled fresh milk increased by 12% on a year-on-year basis. Over the past years, the market has been experiencing double-digit growth. The market health demand is obvious. As the state vigorously promotes revitalization of dairy industry, and encourages upgrading of dairy consumption and popularization of national dairy nutrition knowledge, chilled fresh milk market has entered a golden period of development. In addition, epidemic control process in 2020 also promoted market education and demand outbreak in relation to chilled fresh milk.

(3) Business targets:

Major Product	Annual sales volume (ton)
Chilled fresh milk	72,865

(4) Advantages and disadvantages of future development:

1) Advantages:

- A. In 2020, with the impact of COVID-19, market education of chilled fresh milk in Mainland China was accelerated. Consumers enhance their awareness to drink milk. In combination with the policy regarding revitalization of the dairy industry in Mainland China, it is anticipated that the future fresh milk market demands will increase dramatically.
- B. For B2C business, “ranches selected by Wei Chuan with strict requirements” maintain the positioning of “good ranch for good milk” to build up the image of high quality. Meanwhile, Wei Chuan also actively develops high-end fresh milk, and approaches to the market with differentiation advantage, so as to meet the consumption upgrading demands and build up the brand image.
- C. For B2B business, in the first half of 2020, turnover from outdoor consumption experienced serious recession due to impact of the epidemic. In the second half of 2020, as the epidemic was under control, outdoor consumption was recovered, resulted to gradually recovery of sales volume. By the end of 2020, sales volume started to achieve positive growth.
- D. Wei Chuan Fresh Milk has established higher brand recognition and obtained certain market share in the catering sector. It has successfully been extended to top high quality catering customers. In the future, continuous expansion of chain tea drink stores/ coffee shops/ CVS will be conducive to Wei Chuan Fresh Milk to maintain rapid growth.

2) Disadvantages:

- A. Rapid integration of resources of ranches, tight raw source supply, raising costs and increasingly fierce stock competition.
- B. Regional dairy brand has obvious advantages and higher customer’s royalty. Meanwhile, fresh milk is subject to higher supply chain management and terminal return requirements. Thus, it is not easy to achieve regional expansion with limited ranch and production base resources.
- C. A number of dairy product enterprises, including leading brand of non-refrigerated product, increase their efforts in full-channel competition of chilled fresh milk (B2C and B2B), which create greater pressure to Wei Chuan’s business growth.

6. Grain milk drinks:

(1) Sales areas of major commodities:

Grain milk drinks focus on Eastern China’s market, with a development layout in Northern China. No grain milk drinks have been exported yet.

(2) Future market supply, demand and growth potential:

At present, the overall milk drink market is dominated by non-refrigerated category (share of chilled milk drinks is less than 5%). After the epidemic, consumers become more rational, and go after health and high quality. Growth in chilled fresh milk will drive the consumer’s acceptance of milk drinks, and the market share of the chilled milk drinks is increased accordingly.

(3) Business targets:

Major Product	Annual sales volume (ton)
Annual sales volume (tone)	16,085

(4) Advantages and disadvantages of future development:

1) Advantages:

- A. The chilled fresh milk market is gradually expanding, driving the consumer's acceptance of the milk drinks. The market size is expected to grow.
- B. Wei Chuan has established a raw milk regulation mechanism. In response to upgrading of consumption and enhancement of consumer's health awareness, milk drinks return to balanced nutrition. Wei Chuan builds up its dairy product image by introducing new category of flavor milk.

2) Disadvantages:

- A. Milk drink market is mainly dominated by non-refrigerated products. The chilled milk drink market size remains small, and the growth momentum is inadequate.

(II) Nutrition Business in Mainland China:

(1) Sales areas of major commodities:

The Company's milk powder is mainly sold in Southern China (Fujian and Guangdong) and Jiangxi in Central China. From the fourth quarter of 2020, the Company adjusted the operation strategies, paid equal attention to infant formula milk powder, baby milk powder and powdered drinks, and planned to launch vegetable protein powder. At present, no products have been exported yet.

(2) Market share: At present, the market share of infant milk powder is about 1%.

(3) Future market supply, demand and growth potential:

A. Policies:

1) After the measures on registration of infant formula milk powder are implemented, the first-class domestic branches further increase the market shares by virtue of the channel advantages and policy support. The relevant government administration authorities tend to support the enterprises that have good R&D and quality management capabilities to become bigger/ stronger.

2) The 19th Session of the National Congress of CPC pointed out that China will implement the strategy of Health China, and escalate health to the national strategy. Since 2020, major public health events deepened the public awareness of health management, leading to rapid growth in health consumption. With advanced technology, health food process becomes future mature, and the market is further booming.

B. Supply:

1) Second formula registration and formula modification in accordance with the new national standards will surely result in dramatic increase in the cash costs, time costs and opportunity costs of the enterprises, and foreign manufacturers even have greater time costs. Thus, a considerable number of enterprises will give up secondary registration for some product series, which will release a lot of market spaces. It is necessary to accelerate the market layout, and occupy the market shares of the small and medium brands on the premise of secured profitability.

2) The nutrition industry sees rapid growth. There is no absolute leading enterprise. Domestic brands are showing more and more powerful vitality. It also means that the industry is still on the rise, and relevant enterprises are faced with huge development opportunity.

C. Demands:

It is estimated that in the next 3 years, China's newborn population rate will be declined to less than 10‰ year by year. Infant formula milk powder will continuously maintain negative growth. Aging trend of the population structure

is obvious. With enhancement of health awareness, nutrition products for adults and middle-aged and elderly people have larger space for development.

(4) Advantages and disadvantages of future development:

1) Advantages:

A. External advantages:

- a. Domestic aging trend becomes prominent, but the awareness on nutrition supplement for children is enhanced. At the same time, industry standards for foods for adults are relatively loose, which is conducive to the development of baby milk powder and nutrition products.
- b. High gross profit rate of nutrition enterprise attracts many manufacturers, which are mainly SMEs with low market concentration. Lading enterprises have not established the significant barrier advantage, which provides opportunity for approaching to the nutrition market.

B. Internal advantages:

- a. The Company has the qualification for production of infant and baby products, which is conducive to building up professional brand image.
- b. R&D capability and quality control enables the Company to have competitiveness advantage against the domestic small and medium brands, which is conducive to expansion of the product lines.

2) Disadvantages:

- A. The birth rate is decreased year by year. Meanwhile, the market pattern of the infant formula milk powder presents a trend of centralization. The market share of the first-class domestic brands is increased continuously, with further narrow channels and increased resource input, leading to more fierce competition.
- B. Product type of the nutrition market is diversified. However, the level of homogenization is high with strong substituting ability. To make a breakthrough, new entrants need to have unique product innovation and sales channels to quickly enter the market.

C. Packaging Material Business:

(I) Modules:

- (1) Sales areas of major commodities: Mainland China, Taiwan, Middle East, Europe, Indonesia, etc.
- (2) Future market supply, demand and growth potential: Consumer's health awareness is enhanced. Growth of PET packaged tea drinks has tended to ease in the past two years. In the future, drinking water will be a relatively stable product for the growth of PET package.
- (3) Advantages and disadvantages of future development:
 - 1) Advantages:
 - A. King Can Industry Corp. has accumulated many years of PET mold design experience, and will further optimize the mold structure, improve the manufacturing process and reduce costs to expand the market shares.
 - B. Cooperation with Italian PET Company expands external sales of the Group.
 - 2) Disadvantages:
 - A. Die and module enterprises in Mainland strive for the market shares with low-price strategies. Competition of the same trade by price cutting is obviously increased.
 - B. Lack of international talents, and other weak foreign business and after-sale service capabilities.
 - C. There is no PET blowing mould development and testing equipment. Test is relied on customers. The Company is unable to establish the independent ability for one-stop R&D service.

(II) Molding:

- (1) Sales area of major commodities: Taiwan, Japan, Korea and USA.
- (2) Future market supply, demand and growth potential:
 - A. Rubber cap: Domestic beverage market constantly introduces new taste. The growth space of the overall domestic market is limited, with the need to compete with the existing manufacturers in a reasonable price range. Currently, it is necessary to cooperate with development toward large-caliber cap market, expand the product advantages and differentiation.
 - B. Coffee cup lid: The coffee drink markets at home and aboard are growing stably. In particular, the ready-to-drink coffee are launched by the chain convenient stores, which is in line with the modern people's demand for speed and convenience. Thus, in the future, molding growth momentum will develop towards coffee cup lid.
 - C. Plastic fork and spoon: Old products including pudding cups, yogurt cups and other desert products, will take aim at market development at home and aboard in the form of plastic fork and spoon in the future due to limited growth space.
 - D. Vacuum molding: In response to enhanced awareness of environmental packaging materials at home and aboard, market demands for food packaging materials in

vacuum molding will increase significantly, to lay a foundation for vacuum molding market in terms of equipment procurement, staff training and other preparations. In the future, vacuum molding products will become one of the major sources for operating income.

(3) Advantages and disadvantages of future development:

1) Advantages:

- A. As new food products are constantly introduced and launched, molding injection manufacturers have more opportunities to receive orders.
- B. Complete product portfolio and good core competitiveness.
- C. Development towards short-cap market to expand product differentiation.
- D. Coffee cup lid series are expanded foreign countries to increase growth momentum for performance.

2) Disadvantages:

- A. Modern channel manufacturers have strong bargaining power, and the channel costs are constantly increased, impairing the operating profits.
- B. Taiwan's population growth holds the line, and the main market size is bogged down.
- C. The market is mature and saturated, with fierce competition.
- C. Due to drastic fluctuation of oil price, it is difficult to control the costs of raw materials.

(III) Assembly:

(1) Sales areas of major commodities: Taiwan, Japan, Australia.

(2) Future market supply, demand and growth potential:

Customers who need to process assembly precision products in Taiwan require higher quality (compared with Mainland) and lower cost (compared with Japan). Only quality of every delivery to the satisfaction of the customer can assure sustainable orders.

(3) Advantages and disadvantages of future development:

1) Advantages:

- A. Adjust product accessories according to the customer's needs to reduce costs and deepen customer's attachment.
- B. Strong core competitiveness and good customer reputation.
- C. Influence of aging population and growth of medical device market demand.

2) Disadvantages:

- A. Domestic auto parts market is bogged down.
- B. Products denominated in USD are subject to drastic fluctuation of exchange rate, adversely affecting export price.

(IV) Can making:

(1) Sales areas of major commodities: Commodities are mainly sold at home.

(2) Future market supply, demand and growth potential:

Domestic tin cans in food market are approaching saturation. In the future, there is need to strengthen product promotion and introduce diversified products to meet the needs of the processing plants.

(3) Advantages and disadvantages of future development:

1) Advantages:

- A. With enhanced health awareness of modern people, sales of organic grain cans and health-care milk powder cans are increased.
- B. Sales of Taiwan's tea promoting tea cans of Mainland China see growth.

2) Disadvantages:

- A. With low birth rate, sales volume of infant formula milk powder cans go to the dogs.
- B. Market competition of tin cans is fierce; the unit price cannot be raised up, and the gross profit is relative low.

D. Import and Export Trades:

(I) Dairy products and raw materials:

(1) Sales areas of major commodities: including Taiwan and China.

(2) Market supply, demand and growth potential in Taiwan:

Taiwan's dairy product consumption market is relatively mature. Fresh chilled liquid milk is the main fresh milk processing product, and is oriented by the domestic consumption demand. However, as the domestic raw milk has higher cost, and the breeding conditions are bad for large-scale production expansion, the milk source is insufficient. In order to meet the refresh milk demand and to be used in processing of other dairy products, domestic manufacturers of the dairy products have to rely on imported milk raw materials. Affected by COVID-19, in 2020, Taiwan imported liquid milk of about 20.9 thousand tons, declined by about 65% compared with that in 2019. It is estimated that growth will be recovered after the epidemic slows down in 2021.

(3) Market supply, demand and growth potential in China:

In 2020, China's milk (i.e. fresh and raw milk) output was about 34.40 million tons, increased by 7.5% compared with that in 2019; total output of dairy products was 27.80 million tons, increased by 2.8% on a year-on-year basis; output of liquid dairy products was 25.99 million tons, increased by 3.3%, and output of mild powder was 1.01 million tons, declined by 9.4%. However, dairy product marketing enterprises above designated size maintain strong growth trend, reaching NT\$ 419.6 billion, increased by 6.2% on a year-on-year basis, of which, sales volume of liquid dairy products was increased by 6.9% compared with that in 2019; revenue of milk powder enterprises was NT\$ 73 billion, increased by 0.6% on a year-on-year basis.

(4) Advantages and disadvantages of future development:

1) Advantages:

Affected by COVID-19, the consumer's demand for preventive health food is increased, and China's domestic demand and consumption are upgraded. However, domestic milk production is insufficient for domestic demand. Raw fresh milk is only used to produce fresh products. The gap is relied on raw materials imported from China, leading to growth of demand for raw materials of dairy products, in particular to milk powder.

2) Disadvantages:

A. Different progress of epidemic control in different regions increases uncertainty of the whole dairy market. It is estimated that output of the main dairy product export areas in the first half of this year is increased by 1.6% on a year-on-year basis. Even the European Union, the largest producer, also experienced relatively slight growth rate. With limited growth in milk output, EU will remain tight in supply of fresh cream and skimmed milk.

B. Strong dairy product growth in the United State was also limited in the first half of this year. As the channels for eating out are limited as a whole due to epidemic situation, it is expected that demand for cheese and milk fat will not be increased effectively till the second half of the year.

C. Due to the impact of COVID-19 on the world, the transformation and recovery of the consumer's market, rise of the international raw materials and doubling of global transportation costs, the impact on the dairy market is greater than

that on other markets with relatively closed raw materials. It will be more difficult to grasp the price of the dairy products than that in the past five years.

(II) Granulated sugar:

- (1) Sales areas of major commodities: The granulated sugar purchased by the Company is mainly sold in Taiwan.
- (2) Competitors and market share:

Granulated sugar used by the food producer in Taiwan is mainly the imported sugar, followed by sugar made by contractual farmers in Taiwan and self-made sugar. Compared with 2019, in 2020, the imported granulated sugar was reduced by about 11% to 590 thousand tons, mainly because the overall demand was declined due to outbreak of COVID-19, leading to decline in import volume.

The market share of the Taiwan's company is about 52%, while the remaining market share is occupied by the sugar importers or food companies, such as Mitsubishi, Mitsui and other large-scale food raw material trading companies, and food or liquid glucose companies such as Vedan, Tai Jung, Huan T'ai and Feng Nien, etc.
- (3) Future market supply, demand and growth potential:
 - A. Market supply and demand of granulated sugar:
 - (a) Total domestic market supply: about 600 thousand metric tons.
 - (b) Total domestic market demand: about 500 thousand metric tons.
 - B. With enhanced health awareness, consumers in Taiwan tend to low-sugar or organic diet. Thus, the demand for granulated sugar is relatively reduced, and the market growth is limited.
- (4) Advantages and disadvantages of future development:
 - 1) Advantages:

Although the global sugar supply and demand gap is about 3.5 million tons, leading to sharp rise in international futures price, the costs of the imported granulated sugar remain favorable compared with that of domestic sugar due to higher scale economic costs for limited self-made sugar in Taiwan.
 - 2) Disadvantages:

With change to consumer's diet habits and reduction of sugar used in global food industry, most beverage manufacturers follow the trend, and prioritize development of sugar-free/low-sugar beverages. The overall demand for granulated sugar is weak.

(III) Plastic particles:

- (1) Sales areas of major commodities:

The plastic particles purchased by the Company are mainly HDPE, which are sold to the affiliates in Taiwan.
- (2) Future market supply, demand and growth potential:

Severe snowstorms hit Texas in this February, leading to large-scale shutdown of a number of petrochemical plants; especially, ethylene, propylene and many downstream derivatives were almost out of production. Upstream cracking plants, including FPC USA and Exxon Mobil Petrochemical, are forced to stop production of ethylene. Reduced or shutdown yield of upstream raw materials ethylene and propylene for petrochemical industry due to extreme event in the United States this time accounted for 96% and 91% respectively all over the United States, among them, even production of 62% of ethylene was completely closed. PVC and HDPE hindered capacity accounted for more than 80% of the United State's supply.

Although the producers are speeding up to return to work, the production lines will not be restarted until the petrochemical plants complete inspection and repair. Exports of the United States are expected hard to be fully recovered in a short term. Thus, in

the second quarter, global petrochemical raw material supply and demand are still in a tight state with rising price. Subsequent reconstruction demand of the United State might enlarge the short-term supply gap, affecting the petrochemical market in Asia. OPEC announced that it would maintain the current production cut in April. In addition, Saudi Arabia was willing to extend its production cut of 1 million barrels per day till the end of April. It is optimistic that the oil price maintains steady, to continue providing support to the midstream and downstream petrochemical market.

(3) Advantages and disadvantages of future development:

1) Advantages:

- A. With global vaccination and fiscal incentives of each country, IMF expects that global economic growth rate in this year will be 6% due to strong post-pandemic recovery. Taiwan achieved remarkable results in the economic activities. The research agencies increase their forecast of Taiwan's GDP growth in this year. Taiwan's government appropriated bailout budgets of NT\$ 420 billion last year, which was expected to continue supporting the economic performance this year. Furthermore, Sino-US trade impasse will continue driving money back to Taiwan. Private consumption force is expected to rebound this year.
- B. In 2021, even though the international crude oil market will be recovered, under controlled supply and balanced supply and demand, and the oil price is expected to boost and recover, it is still necessary to concern about short-term impact of various emergencies on the oil price. It is estimated that the average price of Brent and WTI crude oil per barrel will be in the range of USD 44-54 and USD 41-51.

2) Disadvantages:

- A. The global supply chain is faced with challenge due to COVID-19. Moreover, blockage of ships in the Suez Canal, which has disrupted movement of many goods including oil and raw materials, has not only severely affected the international trade, but also highlighted the heavy reliance of modern business model on global supply chain. Thus, it will be the main direction for the enterprises to increase inventories and shorten supply chain.
- B. Stranding of Ever Given exacerbated global container shipping supply and demand, and shortage of containers. Tight shipping capacity increased freight rates from Far East to Europe, Eastern USA, South Africa and West Africa, and also stimulated increase in air cargo rates. With increase in both land and air cargo rates, rise in procurement costs is inevitable.

III. Key Functions and Manufacturing Process of Key Products

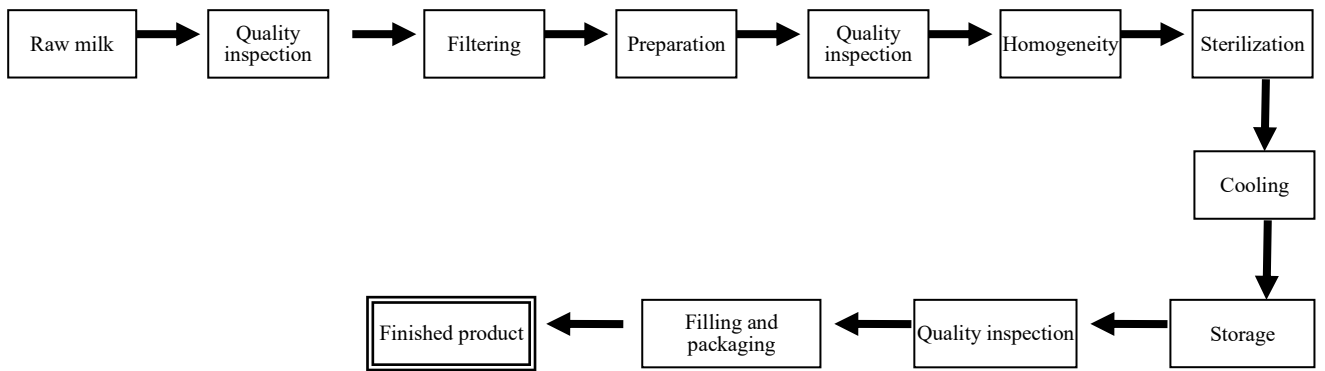
1. Key functions of the key products

Under the mission to create healthy and convenient life culture, the Company develops a variety of foods including dairy products, drinks, cans, sauces and seasoning based on the diet demand of the consumers, so that different age groups of consumers can enjoy delicious, healthy and convenient foods every day. Furthermore, the Company also strictly controls quality and safety of the products, offering customers safe foods and taking care of their health.

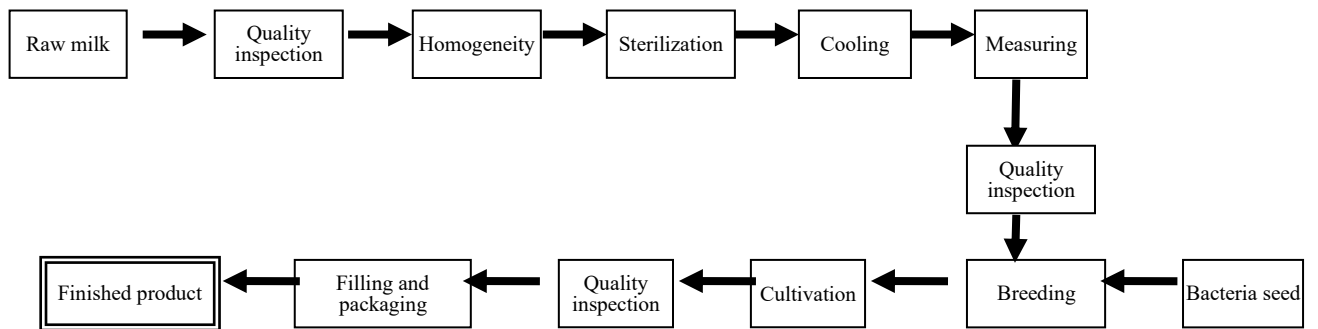
2. Manufacturing process of the key products

The Company applies different R&D and manufacturing technologies based on different categories of the products, and have produced high quality and safe products through strict quality management. See the following figure for the manufacturing process of the key products (such as fresh milk, yogurt juice, coffee and brewed sauce).

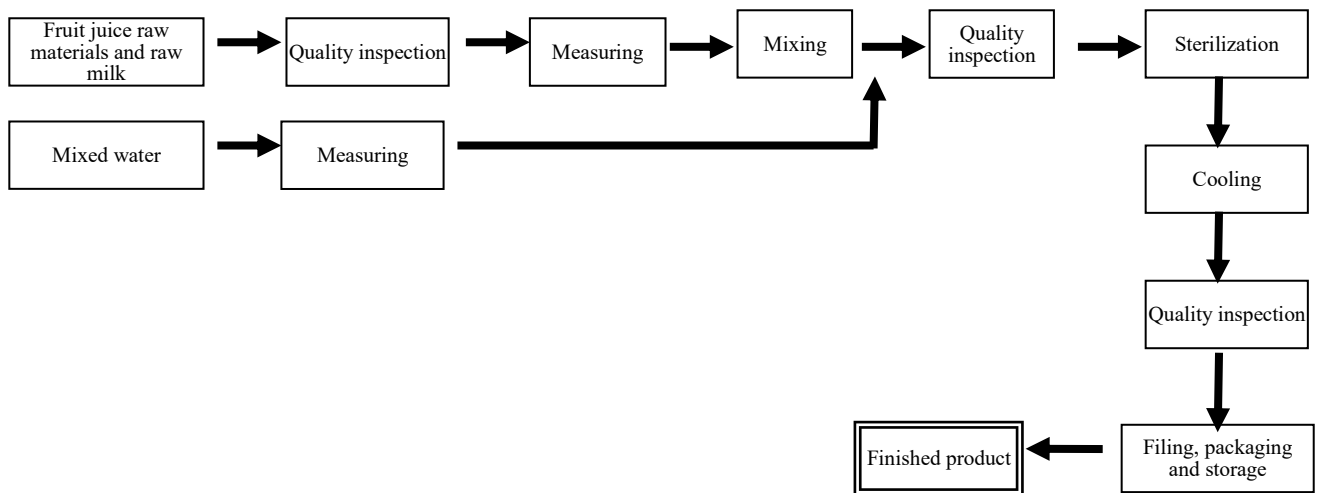
(1) Fresh Milk Manufacturing Flow Chart



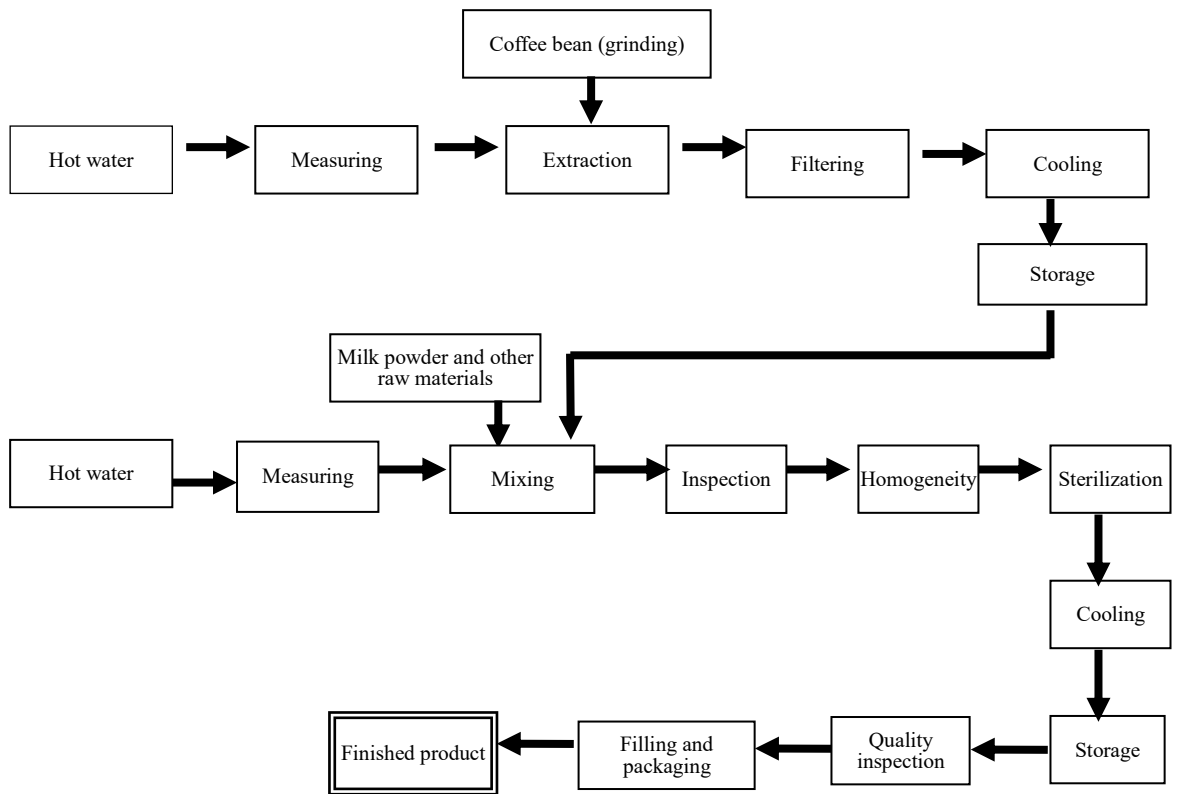
(2) Yogurt Manufacturing Flow Chart



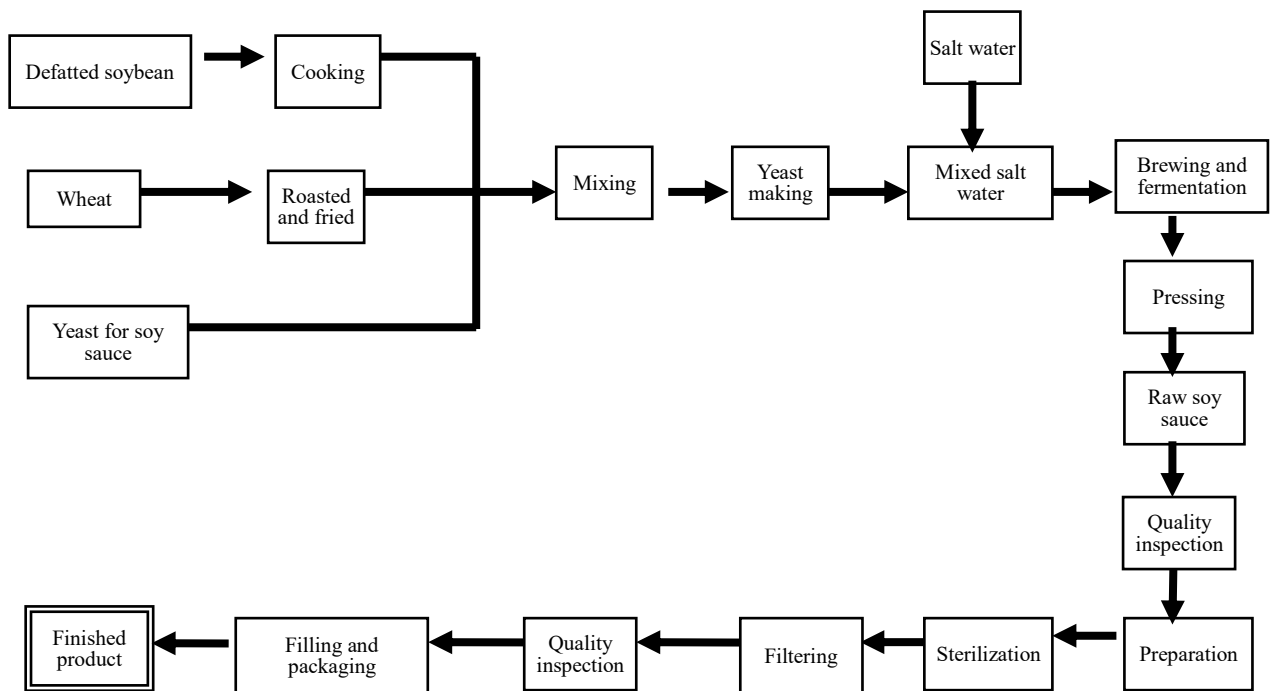
(3) Fruit Juice Manufacturing Flow Chart



(4) Coffee Manufacturing Flow Chart



(5) Brewed Sauce Manufacturing Flow Chart



IV. Supply of Key Raw Materials

1. The Company will sign a contract with the dairy farmer to purchase the raw milk from the dairy farmer and provide breeding technology guidance, so as to stabilize the price, quality and supply sources.
2. Milk powder, fruit juice, dairy raw materials and other bulk raw materials are vulnerable to drastic price fluctuation arising from changes to international futures market, and drastic climate changes, for which the Company has established countermeasures to stabilize the source and assure production.
3. Most of other raw materials are supplied from the domestic sources. Due to price increase in upstream raw materials, the costs of some categories are increased. However, the Company has prepared for the source of goods in advance, to stabilize the source and assure production.

Product	Major raw materials	Main source	Supply
Dairy products (including soybean milk)	Raw milk	Domestic	Stable
	Milk powder	New Zealand	Stable
	Soybean (non-gmo)	United States	Stable
Juice drinks	Granulated sugar	Thailand, Domestic	Stable
	Fruit juice	Domestic, Brazil, Spain, United States, New Zealand	Stable
	Coffee	Central and South America, Asia, and Africa	Stable
Sauce	Soybean (non-gmo)	United States	Stable
	Wheat	United States	Stable
Seasoning	Monosodium Glutamate	Domestic	Stable
Cans	Pork	Domestic	Stable
	Pickled cucumbers	China	Stable
	Peanut	Domestic	Stable
	Gluten	Domestic	Stable

V. Name and procurement (sale) amount and percentage of customers accounting for 10% or more of total procurement (sale) amount in any given year within the most recent two years:

1. Major suppliers in the past two years:

There are many suppliers for the raw materials required for the products sold by the Company and its subsidiaries. Purchase amount from single external supplier in 2019, 2020 and the first quarter of 2021 was less than 10% of total purchase amount.

2. Major customers in the past two years

Unit: NT\$ thousands

Item	2019				2020				2021 (As of March 31)			
	Name	Amount	Percentage in total net sales (%)	Relationship with the issuer	Name	Amount	Percentage in total net sales (%)	Relationship with the issuer	Name	Amount	Percentage in net sales as of March 31 of the year (%)	Relationship with the issuer
1.	Customer A	2,618,644	12.95	-	Customer A	2,856,118	15.31	-	Customer A	601,116	13.75	-
2.	Others	17,609,475	87.05	-	Others	15,794,753	84.69	-	Others	3,770,896	86.25	-
Total		20,228,119	100.00	-	Total	18,650,871	100.00	-	Total	4,372,012	100.00	-

Note: With the name and sales amount of the customers with 10% or more among the total sales of the Company and the subsidiaries in the most recent two years, only Customer A exceeded the disclosure criteria. Other customers did not reach the criteria, and thus their sales amounts were stated in aggregate and not disclosed individually.

VI. Table of Outputs for the Two Most Recent Years

Unit: NT\$ thousands

Category of Product	2020			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Food manufacturing- Taiwan						
Dairy products	Tons 100,809	Tons 95,963	5,024,248	Tons 101,813	Tons 101,210	4,978,180
Beverages	Tons 62,942	Tons 32,888	1,442,958	Tons 82,998	Tons 29,683	1,271,890
Convenient foods	Tons 136,402	Tons 9,856	873,531	Tons 135,988	Tons 11,165	754,975
Others	10,913	4,133	389,731	-	3,893	356,466
Subtotal	-	-	7,730,469	-	-	7,361,511
Food manufacturing- Mainland						
Chilled drinks	Tons 498,600	Tons 237,455	10,596,772	Tons 432,430	Tons 262,864	11,983,906
Nutrition products	Tons 10,462	Tons 404	262,950	Tons 10,190	Tons 1,324	526,291
Food services	Tons 12,289	Tons 1,580	159,395	Tons 12,690	Tons 1,868	218,822
Subtotal	-	-	11,019,117	-	-	12,729,019
Total	-	-	18,749,586	-	-	20,090,530

VII. Table of Sales for the Two Most Recent Years

Unit: NT\$ thousands

Category of Product	2020				2019			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Food manufacturing- Taiwan								
Dairy products	Tons 92,098	4,857,607	-	4	Tons 93,093	4,865,906	-	-
Beverages	Tons 29,429	1,401,841	Tons 92	6,575	Tons 27,936	1,292,168	Tons 75	6,554
Convenient foods	Tons 8,773	701,971	Tons 1,948	208,273	Tons 8,829	675,330	Tons 1,682	181,208
Others	8,832	625,535	7	708	6,352	616,173	13	1,401
Subtotal	-	7,586,954	-	215,560	-	7,449,577	-	189,163
Food manufacturing- Mainland								
Chilled drinks	Tons 234,115	10,735,150	-	-	Tons 255,438	12,293,689	-	-
Nutrition products	Tons 343	163,879	-	-	Tons 813	308,915	-	-
Food services	Tons 1,532	155,950	-	-	Tons 1,945	211,729	-	-
Subtotal	-	11,054,979	-	-	-	12,814,333	-	-
Total	-	18,641,933	-	215,560	-	20,263,910	-	189,163
Percentage of sales value	98.9%		1.1%		99.1%		0.9%	

Note: With domestic sales and foreign sales, domestic sales refer to the sales in the local place of the Company and its subsidiaries.

VIII. Employees

Number of Employees in the Most Recent Two Years and as of the Date of Publication of the Annual Report

Year		2019	2020	As of April 25, 2021	
Number of Employees	Employees	Operation	990	999	967
		Production	600	574	565
		Management	603	549	508
	Operators		926	894	866
	Total		3,119	3,016	2,906
Average Age		38.5	39.0	39.3	
Average Service Year		9.8	10.1	10.3	
Academic Distribution Ratio	PhD		0.19%	0.23%	0.24%
	Master		7.53%	7.59%	7.95%
	Bachelor		53.0%	53.08%	51.93%
	High school		29.63%	29.58%	30.14%
	Below high school		9.65%	9.52%	9.74%

IX. Environmental Protection Expenditures

(I) Losses from Polluting Environment in the Recent Years

2020			
Pollution status	Violation of the Air Pollution Control Act	Violation of the Water Pollution Control Act	Violation of the Waste Disposal Act
Compensation Target or Punishing Unit	Government of Taipei City	Government of Yunlin County	Government of Yunlin County
Compensation Amount or Punishment	In violation of paragraph 1, Article 36 of the Air Pollution Control Act Fine of NT\$ 6,000	In violation of Article 108 of the Water Pollution Control Measures and Test Reporting Management Regulations Fine of NT\$ 30,000	In violation of subparagraph 1, paragraph 1, Article 31, the Waste Disposal Act Fine of NT\$ 6,000
Other losses	None	None	None

(II) Responsive Actions

In order to promote the Company's image and corporate social responsibility, and meet the environmental standards published by the government, the Company proposes to implement the following environmental improvement plan:

1. Improvement measures:

- (1) Conformity with the relevant environmental standards published by the government.
- (2) Estimated environmental protection expenses in the next three years

Unit: NT\$ thousands

	2022	2023	2024
Relevant works of wastewater treatment equipment	\$10,000	\$12,000	\$12,000
Relevant works of waste disposal facilities	\$10,000	\$12,000	\$12,000
Total	\$20,000	\$24,000	\$24,000

(3) Greenhouse gas evaluation and verification (subject to ISO 14064 Internal Audit Standards):

- A. A.Douliu Plant passed the greenhouse gas emission evaluation and verification of BSI on January 18, 2012, and obtained the certificate on February 6, 2012.
- B. A.Taichung Plant passed the greenhouse gas emission evaluation and verification of BSI on January 28, 2014, and obtained the certificate on February 24, 2014.
- C. A.Kaohsiung Plant has made self-evaluation and verification for greenhouse gas since 2014 (subject to ISO 14064 Internal Audit Standards).

Data regarding greenhouse gas emission is as follows:

Unit: MTCE

Plant	2013	2014	2015	2016	2017	2018	2019	2020	Note
Douliu Plant	21,931	19,188	14,340	14,470	13,487	13,533	11,467	10,572	Taking 2010 as the base year
Taichung Plant	12,342	10,026	8,862	8,271	6,919	7,685	7,113	7,670	Taking 2012 as the base year
Kaohsiung Plant	13,584	12,734	11,587	12,460	12,735	12,571	12,797	12,876	Taking 2013 as the base year

2. Parts without responsive actions: None

X. Labor Relationship

- (I) The labor human rights policies and the occupational safety and health polices established by the Company to protect the basic human rights and relevant interest of the employees, the effective occupational safety and health management system maintained by the Company, the rules regarding benefits, continuing education, training and retirement and implementation thereof, labor agreements and measures for protection of the employees' rights and interest are as follows:

1. Employee Benefits

The Company integrates the resources of the whole company and the Employee Welfare Committee to plan diversified welfare measures for the employees:

- (1) Subsidies: including education sponsorship for the employees and their children; hospitalization allowance and funeral allowance for the employees and their direct relatives; marriage allowance, childbirth allowance of the employee and their spouses, and lunch allowance, etc.
 - (2) Events: Staff travel, mountaineering and recreational activities.
 - (3) Gifts: Festival gifts, staff birthday gifts, and commemorative gold coin for staff retirement.
 - (4) Concessions: Concessions on fresh milk, drinks and other products, concessions for travel and catering with partners.
 - (5) Insurances: Labor insurance, national health insurance, and employee group insurance (including life insurance, accident insurance, cancer insurance and medical insurance).
 - (6) Other items: Emergency rescue loans, and physical examination.
- ### 2. Continuing Education and Training

In order to cultivate and retain the excellent talents, and enhance the Company's competitiveness, the Company establishes a function-based corporate university education and training system, and designs a variety of courses in combination of the actual professional needs and future career development through internal work process, operation system, analysis on functional work at all levels and TTQS talent development quality system.

In light of TTQS talent development quality system, the Company formulates the annual education and training plan based on the annual strategic objectives, the curriculum of the corporate university and the annual performance evaluation results. The Company will implement and review the achievements of the training courses on time, including trainee's satisfaction, study evaluation and other aspects, to continue improving the training effect.

Furthermore, depending on individual work and development needs, the employees may request for external training to attend the courses organized by the external professional institutions in the way of recommendation by the HR Department, designation by the department or individual enrollment, so as to improve individual competence.

3. Retirement System and Implementation Status

For the employees to whom the old labor pension system is applicable, based on the different pension planning on the date of retirement, the Company will pay pension at maximum 50% up to the base under the Labor Standard Act to the employees who will retire before March 9, 1996, and will pay pension to the employees who will retire after March 10, 1996 (inclusive) according to the relevant standards under the Labor Standard

Act. Every year, the Company will entrust an external professional agency to calculate and appropriate the pension. The Company will pay 15% of the total salary to the labor pension account with the Bank of Taiwan every month, and will appropriate full amount of pension contribution by the end of the year according to regulations. Reserves for labor pension will be stated in the Company's accounts as liabilities, in order to give priority to the retirement rights and interest of the employees.

For the employees to whom the new labor pension system is applicable, the Company will deposit 6% out of the insurance pay in the labor's individual pension account with the Labor Insurance Bureau every month according to laws.

4. Labor Agreements, and Right and Interest Protection Measures

The Company has formulated the "Measures for Prevention and Controlling Employee Sexual Harassment" and the "Measures for Handling Employee Complaints", to provide the employees with a safe working environment, and sets up the special lines and mailboxes for sexual harassment and complaints. Upon receipt of complaints from the employees, the Company shall have the complaints addressed by the special units and personnel according to the relevant regulations. The Company shall protect the individual rights and privacy of the employees in question.

The Company pays attention to the recommendations of the employees, and takes the initiative to hold the labor relationship meeting, trade union meeting, meetings of directors, supervisors, Employee Welfare Committee and Labor Pension Supervision Committee to promote communication among employees. In addition to the role of supervision, the Trade Union also positively negotiates with the Company to protect the rights and interest of its members. Each department shall hold communication meeting from time to time, so as to build consensus through continuous negotiation, and promote harmonious labor relationship.

5. Code of Conduct for Employees

The Company's working rules stipulate various codes of conduct or ethics for the employees, which are listed as essential items for the year-end assessment. For the implementation of various codes, a complete reward and punishment system is also established as the basis for reward and punishment.

The employees of the Company shall comply with the following code of conduct:

- (1) Employees shall be loyal to their duties, say and do properly, comply with the Company's rules and regulations, obey the reasonable command of the supervisors at all levels, act in good faith; supervisors at all levels shall kindly guide the subordinates.
- (2) Employees shall work in earnest, cherish public property, reduce waste and loss, improve quality, increase output and sales, and keep confidential the information about business or position.
- (3) Employees shall perform the duties, and make report step by step according to their rights and responsibilities. However, any emergency or special circumstances shall be exempted from the above provisions.
- (4) If the employees have gross negligence, their direct supervisor shall be punished jointly and severally. If the employees achieve critical merits, their direct supervisors shall be also awarded jointly and severally.
- (5) During the working hours, the employees may receive the visitors in the designated place only with approval.
- (6) Employees shall not engage in any business that has interest conflict with the Company without permission.
- (7) Without written consent of the Company, no employees shall take a part-time job.
- (8) Employees shall not accept any hospitality, gifts or other improper benefits from the manufacturers.
- (9) Employees shall not gain benefits for themselves or others by taking advantage of their position.
- (10) Employees shall not bring any prohibited articles into the workplace.
- (11) Employees shall not provide external guarantee by taking advantage of their position.
- (12) After work, the employees shall properly tidy up the documents or tools for work before leaving.
- (13) Employees shall comply with the Company's safety and health related regulations.

6. Protective Measures for Working Environment and Personal Safety of the Employees

A safe working environment is the most basic commitment given by the Company to the employees. The Company shall formulate the occupational safety and health management policies, reduce the potential accidents through systematic management, and create a safe and secure working environment in accordance with the laws and regulations. The Company's disabling frequency rate is lower than the average of the food and beverage manufacturing sector and the state, while the disabling injury severity rate is superior to that of the food manufacturing peers. In order to make our employees feel more secure while working, all our plants have passed OHSAS 18001 (International Occupational Health and Safety Management System) and CNS 15506 (Taiwan Occupational Safety and Health Management System, that is, TOSHMS) certification. Besides, with respect to renewal of OHSAS 18001 Certificate before March 2021 in accordance with ISO 45001 (Occupational Health and Safety Management System), the Company has made deployment in advance. All plants have obtained ISO45001 certification in 2019 ahead of time. By virtue of the background and activities of the

management system evaluation organization, the Company identifies the hazards in the organization, continues improving the OHS targets and performance, and intensifies the risk prevention measures, so as to guarantee physical and mental health of the employees, and safety of the working environment.

The protective measures taken by the Company for the working environment and the employees' personal safety are as follows;

- (1) Establish OSH management system, and continue improving OSH performance.
- (2) Implement management of the contracting work, and guarantee safety of the contractors.
- (3) Periodically check, inspect and maintain the machinery equipment.
- (4) Periodically implement safety inspection for the fire equipment, to ensure normal performance.
- (5) Implement the safety and health education and training to build the employee's safety working awareness.
- (6) Organize emergency drills and exercise, to strengthen the employee's emergency response capabilities.
- (7) Promote electronic management of access control, to ensure safety of the employees going in and out.
- (8) Implement working environment monitoring and health inspection, to provide a safe and healthy working environment.
- (9) Regularly organize audit and guidance for the internal guards, to ensure effective operation of the security management system.

7. Codes of Ethical Conducts

Article 1 (Purpose and Scope of Application)

The Code of Ethical Conduct is formulated to guide the conducts of the Company's directors, managers (including General Manager and officers at equivalent level, Vice General Manager and officers at equivalent level, Directors and officers at equivalent level, heads of the Finance Department and the Accounting Department, and other persons who are authorized to manage the affairs of the Company and sign documents on behalf of the Company) and all employees (hereinafter referred to as the "Company's personnel") in compliance with the ethical standards, and enable the stakeholders of the Company to have a better understanding of the ethical standards of the Company.

Article 2 (Prevention of Conflict Of Interest)

The Company's personnel shall perform their duties in an objective and efficient manner, and shall avoid to take advantage of their position in the Company to obtain improper benefits for either themselves, their spouse, or relatives within the second degree of kinship.

The Company shall pay special attention to preventing conflicts of interest, and state clearly whether there is a potential conflict of interest with the Company when the Company lends funds to or provides guarantees for, has material asset transaction with or purchases goods from or sells goods to the affiliated company in which the aforementioned personnel works.

Article 3 (Prevention of Personal Gains)

The Company's personnel shall not:

- (I) Seek an opportunity to pursue personal gain by using the Company's property or information or taking advantage of their positions.
- (II) Obtain personal gain by using the Company's property or information or taking advantage of their positions.

(III) Compete with the Company.

When the Company has an opportunity for profit, it is the responsibility of the Company's personnel to maximize the reasonable and proper interests and benefits which can be so obtained by the Company.

Article 4 (Confidentiality Obligations)

The Company's personnel shall be bound by the obligation and duty to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except otherwise authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

Article 5 (Fair Trade)

The Company's personnel shall treat the Company's buyers (sellers), competitors and employees fairly, and shall not gain improper benefits through use, concealment or abuse of the information that is known in duty performance, misstatement of important events or other unfair means of transactions.

Article 6 (Protection and Proper Use of the Company's Properties)

It is the responsibility of the Company's personnel to protect the Company's assets and ensure that the Company's assets can be used effectively and legally for the business affairs, and protected from theft, negligence or waste with impairment on the Company's profits.

Article 7 (Compliance with Laws and Regulations)

The Company's personnel shall comply with the Company Act, the Securities and Exchange Act, and other applicable laws, regulations and bylaws.

Article 8 (Encouraging Report on Illegal or Unethical Conducts)

The Company shall raise awareness of ethics internally and encourage employees to report to managers, chief internal auditor or other appropriate personnel upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct.

In order to encourage employees to report illegal conduct, the Company shall establish a concrete whistleblowing system, allow anonymous whistleblowing, deal with the case in a confidential way, make objective investigation via independent channel, and make employees aware that the Company will use its best efforts to ensure the safety of whistleblowers and protect them from reprisals.

Article 9 (Disciplinary Measures)

When the Company's personnel violate the Code of Ethical Conduct, the Company shall take actions according to the relevant regulations, and shall also disclose at the Company's website the date of violation, reasons for violation, violated provisions and disciplinary actions taken.

The Company shall establish a relevant complaint system to provide the violator against the Code of Ethical Conduct with remedies. Article 10 (Procedure for Exemption)

Where the Company's personnel are required to be exempted from this Code, such exemption shall be approved by resolution of the Board of Directors, and the Company shall disclose at the Company's website such information on the date of approval by the Board of Directors, independent directors' dissenting or qualified opinions, the period for which the exemption is applicable, the reason for the exemption, and the criteria for

the exemption, for shareholders to assess if said resolution made by the Board of Directors is appropriate, to prevent arbitrary or questionable exemptions from complying with the Code and to ensure that any exemptions from complying with the Code are controlled appropriately to protect the Company.

Article 11 (Information Disclosure)

The Company shall disclose the Code of Ethical Conduct it has established and any amendments thereto on its company website, in its annual reports and prospectuses, and on MOPS.

Article 12 (Establishment and Amendment Authority)

Establishment and amendment of the Code shall be subject to consent of the Company's Board of Directors.

Article 13 (Date of Establishment and Amendment)

The Code is established on March 28, 2013, and amended by the first amendment dated May 13, 2014, the second amendment dated March 29, 2016 and the third amendment dated November 9, 2020.

(II) Losses sustained as a result of labor disputes in most recent years and up to the date of publication of the annual report (including violation by the labor inspection results against the Labor Standards Act, please specify the date of punishment, punishment official letter number, violated regulation, contents of violated regulation, and contents of punishment), and the estimated amounts to be incurred currently and in the future, and the responsive actions to be taken:

Labor inspection results in violation of the Labor Standards Act are as follows:

S/N	Date of Punishment	Punishment Official Letter Number	Violated Regulation	Contents of Violated Regulation	Contents of Punishment
1	January 7, 2021	Kao Shih Lao Tiao Tzu No. 10941662500	Labor Standards Act Paragraph 2, Article 32	The extended working hours exceed the provisions of the laws and regulation	NT\$ 160 thousand
			Paragraph 2, Article 34, Labor Standards Act	No days off are given according to regulations in case of shift system.	NT\$ 20 thousand

Responsive actions: Urge the production department to properly arrange the working hours of the employees, e.g., the extended working hours together with the normal working hours shall not exceed 12 hours a day; the extended working hours shall not exceed 46 hours in a month.
To properly arrange the rest time for the employees, strictly control the attendance hours of the personnel, establish the early warning mechanism, and avoid insufficient rest time due to overtime work.

XI. Important Contracts

Nature of Contract	Party	Contract Duration	Main Contents	Restrictions
Medium and Long-term Loans	Far East Bank	2020.09.22~2023.09.22	Amount of Loans: NT\$ 600,000 thousand; Interest Rate:1.24%; Collateral:Douliu Plant	During the term of the loans, the Company shall maintain three fiscal ratios, that is liability-equity ratio below 425%; the interest coverage ratio more than double; tangible net worth more than NT\$ 4 billion.
Medium and Long-term Loans	United Overseas Bank	2020.05.09~2022.04.30	Amount of Loans: NT\$ 1,700,000 thousand; Interest Rate:1.38%; Collateral: Taichung Plant	During the term of the loans, the Company shall maintain three fiscal ratios, that is, liquidity ratio above 80%, liability-equity ratio below 350%, and tangible net worth more than NT\$ 6 billion.
Medium and Long-term Loans	Sunny Bank	2019.12.31~2022.12.30	Amount of Loans: NT\$ 517,000 thousand; Interest Rate:1.27%; Collateral: Taichung Nantun Distribution Center	None
Medium and Long-term Loans	ROC Bonds	2020.06.18~2022.06.17	Amount of Loans: NT\$ 119,867 thousand; Credit Interest Rate:1.19%.	None

Chapter 6. Financial Overview

I. Condensed Balance Sheets and Condensed Consolidated Statements of Comprehensive Income for the Last 5 Years

(I) Balance Sheet

1. Condensed Consolidated Balance Sheet - IFRSs

Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial data for the last 5 years (Note 1)					Financial data as of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Current assets		19,715,510	19,706,970	8,996,892	6,536,514	5,875,356	6,092,481
Property, plant and equipment		11,781,890	11,223,740	9,934,574	9,780,396	9,426,888	9,317,254
Intangible assets		87,159	94,067	138,316	149,594	174,911	172,579
Other assets		2,283,374	1,837,865	2,172,915	2,630,439	2,554,366	2,752,639
Total assets		33,867,933	32,862,642	21,242,697	19,096,943	18,031,521	18,334,953
Current liabilities	Before distribution	22,986,719	19,050,319	11,746,178	7,290,451	6,105,443	6,163,084
	After distribution	22,986,719	19,050,319	12,151,028	7,965,488	6,373,656	6,431,297
Non-current liabilities		3,791,828	6,004,407	3,296,077	4,862,697	5,070,290	5,250,788
Total Liabilities	Before distribution	26,778,547	25,054,726	15,042,255	12,153,148	11,175,733	11,413,872
	After distribution	26,778,547	25,054,726	15,447,105	12,828,185	11,443,946	11,682,085
Equity attributable to owners of parent company		4,684,029	5,174,330	6,188,035	6,935,868	6,847,705	6,644,642
Share capital		5,060,629	5,060,629	5,060,629	5,060,629	5,060,629	5,060,629
Capital surplus		688	688	31,936	36,103	36,113	36,115
Retained earnings	Before distribution	(361,846)	258,836	1,234,238	2,141,842	2,003,464	2,087,914
	After distribution	(361,846)	258,836	829,388	1,466,805	1,735,251	1,819,701
Other equity interest		(15,442)	(145,823)	(138,768)	(302,706)	(252,501)	(271,803)
Treasury Stock		-	-	-	-	-	-
Non-controlling interest		2,405,357	2,633,586	12,407	7,927	8,083	8,226
Total equity	Before distribution	7,089,386	7,807,916	6,200,442	6,943,795	6,855,788	6,921,081
	After distribution	7,089,386	7,807,916	5,795,592	6,268,758	6,587,575	6,652,868

Note 1: The financial data from 2016 to 2020 has been audited by CPAs.

Note 2: The financial data for the first quarter of 2021 has been reviewed by CPAs.

Note 3: The Company's 2020 Earnings Distribution Proposal was approved by the Board of Directors on March 29, 2021 to distribute cash dividends of NT\$ 268,213 thousand.

2. Condense Parent Company Only Balance Sheet - IFRSs

Condensed Balance Sheet

Unit: NT\$ thousands

Item		Year	Financial data for the last 5 years (Note 1)				
			2016	2017	2018	2019	2020
Current assets			2,223,342	2,218,081	3,649,892	2,168,951	2,319,896
Property, plant and equipment			7,230,949	6,647,352	4,991,711	4,891,241	3,687,645
Intangible assets			-	-	-	-	-
Other assets			8,298,072	8,636,729	7,010,180	6,810,081	7,119,765
Total assets			17,752,363	17,502,162	15,651,783	13,870,273	13,127,306
Current liabilities	Before distribution		9,541,633	6,703,279	6,447,090	2,571,963	2,182,988
	After distribution		9,541,633	6,703,279	6,851,940	3,247,000	2,451,201
Non-current liabilities			3,526,701	5,624,553	3,016,658	4,362,442	4,096,613
Total Liabilities	Before distribution		13,068,334	12,327,832	9,463,748	6,934,405	6,279,601
	After distribution		13,068,334	12,327,832	9,868,598	7,609,442	6,547,814
Equity			4,684,029	5,174,330	6,188,035	6,935,868	6,847,705
Share capital			5,060,629	5,060,629	5,060,629	5,060,629	5,060,629
Capital surplus			688	688	31,936	36,103	36,113
Retained earnings	Before distribution		(361,846)	258,836	1,234,238	2,142,842	2,003,464
	After distribution		(361,846)	258,836	829,388	1,467,805	1,735,251
Other equity interest			(15,442)	(145,823)	(138,768)	(302,706)	(252,501)
Treasury Stock			-	-	-	-	-
Total equity	Before distribution		4,684,029	5,174,330	6,188,035	6,935,868	6,847,705
	After distribution		4,684,029	5,174,330	5,783,185	6,260,831	6,579,492

Note: The financial data from 2016 to 2020 has been audited by CPAs.

Note: There was no parent company only financial reports for the first quarter of 2021.

(II) 1. Condensed Consolidated Statements of Comprehensive Income - IFRSs

Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial data for the last 5 years (Note 1)					Financial data as of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Sales revenue	17,074,511	17,749,330	19,436,763	20,228,119	18,650,871	4,372,012
Gross profit	4,585,954	5,553,412	6,038,549	6,122,186	5,444,263	1,276,708
Operating (loss) profit	(1,387,222)	333,464	513,149	544,606	595,053	95,935
Non-operating income and expenses	245,236	746,432	479,517	1,184,991	(52,165)	20,680
Net profit (loss) before tax	(1,141,986)	1,079,896	992,666	1,729,597	542,888	116,615
Income from continuing operations	(1,084,302)	893,425	869,091	1,350,879	536,142	84,608
Net income (loss) of the period	(1,084,302)	893,425	869,091	1,350,879	536,142	84,608
Other comprehensive income or loss for the period (net amount after tax)	(357,214)	(172,935)	179	(201,553)	51,721	(19,317)
Total comprehensive income for the year	(1,441,516)	720,490	869,270	1,149,326	587,863	65,291
Net profit attributable to owners of the parent company	(776,709)	664,257	982,564	1,349,985	535,196	84,450
Net Income attributable to non-controlling interests	(307,593)	229,168	(113,473)	894	946	158
Comprehensive income attributable to owners of the parent company	(1,133,316)	491,446	982,457	1,148,516	586,864	65,148
Comprehensive income attributable to non-controlling interests	(308,200)	229,044	(113,187)	810	999	143
Earnings per Share (Note 3)	(1.53)	1.31	1.94	2.67	1.06	0.17

Note 1: Financial data from 2016 to 2020 has been audited by CPAs.

Note 2: The financial data for the first quarter of 2021 has been reviewed by CPAs.

Note 3: Calculated based on the weighted average outstanding shares for the year.

2. Consolidated Condensed Parent Company Only Statements of Comprehensive Income - IFRSs

Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial data for the last 5 years (Note 1)				
	2016	2017	2018	2019	2020
Sales revenue	7,157,761	7,256,372	7,465,839	7,638,740	7,802,514
Gross profit	913,979	1,190,301	1,345,367	1,424,679	1,753,884
Operating (loss) profit	(1,158,720)	(629,226)	(432,243)	(260,493)	122,964
Non-operating income and expenses	116,266	1,233,861	1,310,112	1,824,750	326,821
Net profit (loss) before tax	(1,042,454)	604,635	877,869	1,564,257	449,785
Income from continuing operations	(776,709)	664,257	982,564	1,349,985	535,196
Net income (loss) of the period	(776,709)	664,257	982,564	1,349,985	535,196
Other comprehensive income or loss for the period (net amount after tax)	(356,607)	(172,811)	(107)	(201,469)	51,668
Total comprehensive income for the year	(1,133,316)	491,446	982,457	1,148,516	586,864
Net profit attributable to owners of the parent company	(776,709)	664,257	982,564	1,349,985	535,196
Comprehensive income attributable to owners of the parent company	(1,133,316)	491,446	982,457	1,148,516	586,864
Earnings per Share (Note 2)	(1.53)	1.31	1.94	2.67	1.06

Note 1: Financial data from 2016 to 2020 has been audited by CPAs.

Note 2: Calculated based on the weighted average outstanding shares for the year

Note 3: There was no parent company only financial report for the first quarter of 2021.

(III) Name and opinion of the CPAs for the last 5 years

Year	Accounting Firm	CPA	Audit Opinion
2016	PricewaterhouseCoopers, Taiwan	Chang, Tso-Cheng, Chang, Ming-Hui	Unmodified Opinion
2017	PricewaterhouseCoopers, Taiwan	Hsiao, Chin-Mu, Chang, Ming-Hui	Unmodified Opinion
2018	PricewaterhouseCoopers, Taiwan	Hsiao, Chin-Mu, Wu, Yu-Lung	Unmodified Opinion
2019	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung, Hsiao, Chin-Mu	Unmodified Opinion
2020	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung, Huang, Shih-Chun	Unmodified Opinion

II. Financial Analysis for the Last 5 Years

1. Consolidated financial analysis for the last 5 years - IFRSs

(1) Financial analysis

Analysis Item (Note 3)		Year (Note 1)	Financial Analysis for the Last 5 Years					As of March
			2016	2017	2018	2019	2020	31, 2021 (Note 2)
Financial structure (%)	Debt-asset ratio		79.07	76.24	70.81	63.64	61.98	63.71
	Ratio of long-term capital to property, plant and equipment		92.36	122.95	95.59	120.72	126.51	127.76
Solvency %	Current ratio		85.77	103.45	76.59	89.66	96.23	94.73
	Quick ratio		26.98	32.35	63.25	68.62	73.90	66.23
	Interest coverage ratio		-98.23	307.73	371.07	1000.46	461.39	510.56
Operating ability	Accounts receivable turnover rate (times)		6.82	6.70	6.77	7.14	7.05	6.82
	Average days for cash receipts		53.52	54.47	53.91	51.12	51.77	53.51
	Inventory turnover rate (times)		0.91	0.91	1.83	10.64	10.29	8.68
	Accounts payable turnover rate (times)		8.11	7.66	7.86	8.57	8.45	7.95
	Average days for sale of goods		401.10	401.09	199.45	34.30	35.47	42.05
	Property, plant and equipment turnover rate (times)		1.39	1.54	1.84	2.05	1.94	1.87
	Total assets turnover rate (times)		0.49	0.53	0.72	1.00	1.00	0.96
Profitability	Return on total assets (%)		-1.72	3.97	4.30	7.46	3.54	0.59
	Return on equity (%)		-13.94	11.99	12.41	20.55	7.77	1.25
	Pre-tax profit to paid-in capital (%) (Note 7)		-22.57	21.34	19.62	34.18	10.73	2.30
	Net profit margin (%)		-6.35	5.03	4.47	6.68	2.87	1.94
	Earnings per share (NT\$)		-1.53	1.31	1.94	2.67	1.06	0.17
Cash flows	Cash flow ratio (%)		-4.98	5.16	4.73	19.59	30.69	-4.41
	Cash flow adequacy ratio (%)		5.08	7.22	5.24	23.55	62.11	77.79
	Cash reinvestment ratio (%)		-5.77	4.27	2.94	4.72	5.30	-2.44
Leverage	Operating leverage		-0.73	6.78	4.44	4.30	4.10	5.51
	Financial leverage		0.71	-1.79	3.49	1.54	1.34	1.42

Please explain the reasons for changes to the financial ratio in the last 2 years (Not required if the difference does not exceed 20%)

- (1) Increase in net profits and interest coverage ratio for the year arising from disposal of Buxin's assets in 2019 was the main reasons for decline in interest coverage ratio.
- (2) Decline in post-tax profits was the main reasons for decline in the profitability indicators (gains from disposal of Buxin's assets in 2019).
- (3) Increase in net cash flows from operating activities for the year was the main reasons for increase in cash flow indicators.

Note 1: The financial data from 2016 to 2020 has been audited by CPAs; the financial data for the first quarter of 2021 has been reviewed by CPAs.

Note 2: The companies who are listed or whose shares are traded at securities exchange shall include the financial data for the year one quarter before the publication date of the annual report into the financial statements of the year for analysis.

Note 3: The following formula shall be stated at the bottom of the annual report:

1. Financial structures

(1) Debt-asset ratio = Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities)/Net value of property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventories - prepaid expenses)/Current liabilities.

(3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of receivables (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average days for cash receipts = 365/Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold/Average inventories.

(4) Payables (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of payables (including accounts payable and notes payable generated from operations) for each period.

(5) Average days for sale of goods = 365/Inventory turnover rate.

(6) Property, plant and equipment turnover rate = Net sales/Average net property, plant and equipment.

(7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability

(1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.

(2) Return on equity = Income after tax/Average total equity.

(3) Net profit margin = Income after tax/Net sales.

(4) Earnings per share = (Income attributable to owners of the parent company- preferred share dividends)/Weighted average number of shares issued. (Note 4)

5. Cash flows

(1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends.

(3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant and equipment + Long term investment + Other non-current assets + Working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 6).

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 4: Special attention shall be paid to the following matters when the calculation formula of earning per share above is used:

1. Shares outstanding is based on weighted average shares, and not based on year end shares outstanding.

2. Circulation period of cash offerings or treasury stock transactions shall be considered in calculating weighted average shares.

3. Earnings appropriation or reserves to paid in capital shall be retroactively adjusted based on the capital increase percentage without consideration of issuing period of such capital increase while earnings per share of the past years and for half of year.

4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends)from or added to post-tax net profit. If preferred shares are non-cumulative, in the event of net profits, dividends on preferred shares shall be subtracted after tax, but no adjustments are needed if there are losses.

Note 5: Special attention shall be paid to the following matters when cash flow analysis is measured:

1. Net cash flows from operating activities refers to net cash inflows from operating activities in the cash flow statement.
2. Capital expenditures are from the cash outflows on annual capital expenditure.
3. Inventory increases are recognized only when the closing balance is greater than the opening balance, or calculated at zero if the inventories are decreased.
4. Cash dividends include dividends on common shares and preferred shares.
5. Gross amount of property, plant and equipment balance is the total amount of property, plant and equipment after subtracting accumulative depreciation.

Note 6: The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.

Note 7: Where the Company's shares have no par value or where the par value per share is not NTD 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio attributable to the owner of the parent company of the balance sheet.

2. Financial analysis of parent company only for the last 5 years - IFRSs

(1) Financial analysis

Analysis Item (Note 2)		Year (Note 1)	Financial Analysis for the Last 5 Years (Note 2)				
			2016	2017	2018	2019	2020
Financial structure (%)	Debt-asset ratio		73.61	70.44	60.46	49.99	47.84
	Ratio of long-term capital to property, plant and equipment		113.55	162.45	184.40	230.99	296.78
Solvency (%)	Current ratio		23.30	33.09	56.61	84.33	106.27
	Quick ratio		16.58	23.67	47.55	62.09	78.14
	Interest coverage ratio		-479.13	429.09	716.35	2464.07	867.43
Operating ability	Accounts receivable turnover rate (times)		8.30	7.58	7.28	7.92	8.79
	Average days for cash receipts		43.98	48.15	50.14	46.09	41.52
	Inventory turnover rate (times)		8.97	10.01	10.63	10.66	9.85
	Accounts payable turnover rate (times)		8.93	9.5	9.18	9.20	9.27
	Average days for sale of goods		40.69	36.46	34.34	34.24	37.06
	Property, plant and equipment turnover rate (times)		0.99	1.05	1.28	1.55	1.82
	Total assets turnover rate (times)		0.38	0.41	0.45	0.52	0.58
Profitability	Return on total assets (%)		-3.35	4.63	6.61	9.50	4.31
	Return on equity (%)		-14.78	13.48	17.30	20.57	7.77
	Pre-tax profit to paid-in capital (%) (Note 6)		-20.60	11.95	17.35	30.91	8.89
	Net profit margin (%)		-10.85	9.15	13.16	17.67	6.86
	Earnings per share (NT\$)		-1.53	1.31	1.94	2.67	1.06
Cash flows	Cash flow ratio (%)		-18.55	-3.86	-2.38	11.79	47.29
	Cash flow adequacy ratio (%)		3.50	-37.52	-99.73	-133.64	-29.38
	Cash reinvestment ratio (%)		-12.50	-1.54	-1.02	-0.58	2.15
Leverage	Operating leverage		-0.22	-1	-1.73	-3.72	10.06
	Financial leverage		0.87	0.77	0.75	0.80	1.91

Please explain the reasons for changes to the financial ratio in the last 2 years (Not required if the difference does not exceed 20%)

- (1) The ratio of long-term capital to property, plant and equipment is increased mainly due to decrease in net amount of fixed assets (classification of ranch business)
- (2) Decrease in short-term loans was the main reasons for increase in the liquidity ration and the quick ratio
- (3) Increase in net profits and interest coverage ratio for the year arising from disposal of Buxin's assets in 2019 was the main reasons for decline in interest coverage ratio.
- (4) Decrease in after tax profits (disposal of Buxin's assets in 2019) was the main reasons for decline in profitability indicators.
- (5) Increase in the net cash flows from the operating activities in the last 5 years was the main reasons for increase in cash flow indicators.
- (6) Increase in leverage indicators was attributable to turn loss into profit.

Note 1: The above financial data from 2016 to 2020 has been audited by CPAs.

Note 2: The following formula shall be stated at the bottom of the annual report:

1. Financial structures

- (1) Debt-asset ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities)/Net value of property, plant and equipment.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - prepaid expenses)/Current liabilities.
- (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of receivables (including accounts receivable and notes receivable generated from operations) for each period.
- (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
- (3) Inventory turnover rate = Cost of goods sold/Average inventories.
- (4) Payables (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of payables (including accounts payable and notes payable generated from operations) for each period.
- (5) Average days for sale of goods = 365/Inventory turnover rate.
- (6) Property, plant and equipment turnover rate = Net sales/Average net property, plant and equipment.
- (7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability

- (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
- (2) Return on equity = Income after tax/Average total equity.
- (3) Net profit margin = Income after tax/Net sales.
- (4) Earnings per share = (Income attributable to owners of the parent company- preferred share dividends)/Weighted average number of shares issued. (Note 3)

5. Cash flows

- (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
- (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends.
- (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant and equipment + Long term investment + Other non-current assets + Working capital). (Note 4)

6. Leverage:

- (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 5).
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 3: Special attention shall be paid to the following matters when the calculation formula of earning per share above is used:

1. Shares outstanding is based on weighted average shares, and not based on year end shares outstanding.
2. Circulation period of cash offerings or treasury stock transactions shall be considered in calculating weighted average shares.
3. Earnings appropriation or reserves to paid in capital shall be retroactively adjusted based on the capital increase percentage without consideration of issuing period of such capital increase while earnings per share of the past years and for half of year.
4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends) from or added to post-tax net profit. If preferred shares are non-cumulative, in the event of net profits, dividends on preferred shares shall be subtracted after tax, but no adjustments are needed if there are losses.

Note 4: Special attention shall be paid to the following matters when cash flow analysis is measured:

1. Net cash flows from operating activities refers to net cash inflows from operating activities in the cash flow statement.
2. Capital expenditures are from the cash outflows on annual capital expenditure.
3. Inventory increases are recognized only when the closing balance is greater than the opening balance, or calculated at zero if the inventories are decreased.
4. Cash dividends include dividends on common shares and preferred shares.
5. Gross amount of property, plant and equipment balance is the total amount of property, plant and equipment after subtracting accumulative depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.

Note 6: Where the Company's shares have no par value or where the par value per share is not NT\$ 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio attributable to the owner of the parent company of the balance sheet.

6.3 Audit Committee's report for the most recent year's financial statement

Wei Chuan Foods Corp. Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and Proposal for Earnings Distribution, among which, the Financial Statements have been audited by PricewaterhouseCoopers, Taiwan, for which the audit report has been issued accordingly. The above Business Report, Financial Statements and Proposal for Earnings Distribution have been examined and reviewed by the Audit Committee, and no irregularities were found. According to the Securities and Exchange Act and the Company Act, we hereby submit this report.

Sincerely

2021 Annual Shareholders' Meeting of Wei Chuan Foods Corp.

Convener of Audit Committee's Meeting:

LI, ZHI-PING

March 29,2021

IV. Consolidated Financial Reports for the Recent Years and Auditor's Report

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20000255

To the Board of Directors and Shareholders of Wei Chuan Foods Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Wei Chuan Foods Corporation and subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of 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 at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020" and generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in

accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Estimation of sales incentives

Description

Refer to Note 4(31) for accounting policy on revenue, Note 5(2) for the uncertainty of accounting judgments, assumptions and estimates in relation to revenue recognition and Note 6(23) for details of revenue.

The Group enters into different sales incentive agreements with different sales customers due to the nature of the industry. The Group pays incentives to sales customers if they meet the sales targets at various reward and promotion activities that the Group launches over a number of periods for cooperating with customers and distributors to promote products. International Financial Reporting Standards require that if sales incentives are substantively linked to operating revenue, the Group shall combine the two transactions and record the sales incentives as a deduction item to operating revenue.

The Group calculates and estimates the sales incentive amounts based on the actual sales amounts and the contract terms negotiated with sales customers. Given that the aforementioned process to recognise sales incentives usually involves management judgment and the calculations are relatively complicated, we consider the estimation of sales incentives a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Group's internal control designed for sales incentives and tested the effectiveness of the control, such as ascertained whether the calculations and estimates of each main sales incentive were reviewed by an authorised supervisor.
2. Obtained the reports derived from the Group's system and the relevant proofs of delivery, and then sampled and verified the actual sales volumes and unit prices.
3. Obtained the sales agreements of the Group's main sales customers. Used the actual sales amounts to recalculate the incentives based on the terms specified in the agreement.
4. Performed tests of subsequent deductions and write-offs for the balances of incentives payable that are material on the balance sheet date.

Evaluation of inventories

Description

Refer to Note 4(12) for accounting policy on inventory evaluation, Note 5(2) for critical judgement in relation to inventory evaluation, and Note 6(4) for details of inventories.

The Group is primarily engaged in the manufacture and sale of dairy products, beverages and soy sauce. Due to the high competitiveness of similar products in the food market, the growing consumer awareness of food safety in recent years and the short shelf-life of most dairy products, there is a higher risk of inventories losing value or becoming obsolete if the products are not selling as expected.

The Group applies judgments and estimates in determining the net realisable value of inventories on balance sheet date and then writes down the inventory costs to the net realisable value. Given that the inventories are the main operating assets for the Group, the evaluation of inventories involves management judgments and evaluation amounts are material to the financial statements, we consider the evaluation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained the policies for inventory valuation and determined whether the policies

applied in provision of allowance for inventory valuation losses in the different periods are in agreement.

2. Observed physical inventory count at the end of period to identify whether there are obsolete, damaged or unsalable inventories.
3. Obtained aging statements of each kind of inventory and tested the changes in ages of inventory. Selected samples with inventory number and verified the date of manufacture, checked the accuracy of classification range of inventory ages.
4. Obtained net realizable value statement of each kind of inventory and checked the applied calculation logic. Tested relevant parameters, including: sales or purchases data, reasonableness of marketing to sales ratio calculation, and relevant estimate document. Checked and compared allowance for valuation losses that the Group should provision at the lower of cost and net realizable value.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Wei Chuan Food Corporation as at and for the years ended December 31, 2020 and 2019.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards 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 auditors' 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.

Wu, Yu-Lung

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 29, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 1,905,431	11	\$ 2,221,758	12
1150	Notes receivable, net	6(3)	21,996	-	26,308	-
1170	Accounts receivable, net	6(3)	2,277,509	13	2,363,467	12
1180	Accounts receivable due from related parties, net	6(3) and 7(2)	213,946	1	274,378	1
1200	Other receivables	7(2)	82,476	-	101,985	1
1220	Current tax assets		4,241	-	5,351	-
130X	Inventories	6(4)	1,204,996	7	1,266,774	7
1410	Prepayments	7(2)	158,563	1	267,267	1
1470	Other current assets		6,198	-	9,226	-
11XX	Total current assets		<u>5,875,356</u>	<u>33</u>	<u>6,536,514</u>	<u>34</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	33,452	-	33,443	-
1550	Investments accounted for using the equity method	6(5)	17,686	-	18,306	-
1600	Property, plant and equipment	6(6) and 8	9,426,888	52	9,780,396	51
1755	Right-of-use assets	6(7)	629,264	3	662,640	4
1760	Investment property, net	6(8) and 8	131,801	1	133,733	1
1780	Intangible assets	6(9)	174,911	1	149,594	1
1830	Non-current biological assets	6(10)	121,744	1	104,519	1
1840	Deferred tax assets	6(30)	1,348,994	7	1,407,368	7
1900	Other non-current assets	6(11) and 8	271,425	2	270,430	1
15XX	Total non-current assets		<u>12,156,165</u>	<u>67</u>	<u>12,560,429</u>	<u>66</u>
1XXX	Total assets		<u>\$ 18,031,521</u>	<u>100</u>	<u>\$ 19,096,943</u>	<u>100</u>

(Continued)

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 1,770,429	10	\$ 3,159,229	17
2110	Short-term notes and bills payable	6(14)	349,939	2	40,000	-
2130	Current contract liabilities	6(23)	90,909	1	70,944	-
2150	Notes payable		299	-	6,602	-
2170	Accounts payable		1,485,952	8	1,507,668	8
2180	Accounts payable to related parties	7(2)	65,716	-	60,108	-
2200	Other payables	6(15) and 9(1)	2,076,044	12	1,998,678	10
2230	Current tax liabilities		54,051	-	153,534	1
2280	Current lease liabilities		78,278	-	108,922	1
2300	Other current liabilities	6(16)	133,826	1	184,766	1
21XX	Total current liabilities		<u>6,105,443</u>	<u>34</u>	<u>7,290,451</u>	<u>38</u>
Non-current liabilities						
2540	Long-term borrowings	6(16)	3,549,532	20	3,130,080	17
2570	Deferred tax liabilities	6(30)	831,224	4	987,384	5
2580	Non-current lease liabilities		161,093	1	154,431	1
2600	Other non-current liabilities	6(17)	528,441	3	590,802	3
25XX	Total non-current liabilities		<u>5,070,290</u>	<u>28</u>	<u>4,862,697</u>	<u>26</u>
2XXX	Total liabilities		<u>11,175,733</u>	<u>62</u>	<u>12,153,148</u>	<u>64</u>
Equity attributable to owners of parent						
Share capital						
3110	Ordinary share	6(19)	5,060,629	28	5,060,629	27
Capital surplus						
3200	Capital surplus	6(20)	36,113	-	36,103	-
Retained earnings						
3310	Legal reserve	6(21)	682,715	4	551,470	3
3320	Special reserve		302,706	2	-	-
3350	Unappropriated retained earnings		1,018,043	6	1,590,372	8
Other equity interest						
3400	Other equity interest	6(22)	(252,501)	(2)	(302,706)	(2)
31XX	Total equity attributable to owners of parent		<u>6,847,705</u>	<u>38</u>	<u>6,935,868</u>	<u>36</u>
36XX	Non-controlling interests		<u>8,083</u>	<u>-</u>	<u>7,927</u>	<u>-</u>
3XXX	Total equity		<u>6,855,788</u>	<u>38</u>	<u>6,943,795</u>	<u>36</u>
Significant contingent liabilities and unrecognised contract commitments						
		9				
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 18,031,521</u>	<u>100</u>	<u>\$ 19,096,943</u>	<u>100</u>

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

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6(23) and 7(2)	\$ 18,650,871	100	\$ 20,228,119	100
5000 Operating costs	6(4)(28) and 7(2)	(13,206,608)	(71)	(14,105,933)	(70)
5950 Gross profit from operations		<u>5,444,263</u>	<u>29</u>	<u>6,122,186</u>	<u>30</u>
Operating expenses	6(28)				
6100 Selling expenses		(3,826,312)	(21)	(4,403,028)	(22)
6200 General and administrative expenses		(789,926)	(4)	(921,574)	(4)
6300 Research and development expenses		(229,180)	(1)	(235,496)	(1)
6450 Expected credit losses	12(2)	(3,792)	-	(17,482)	-
6000 Total operating expenses		(4,849,210)	(26)	(5,577,580)	(27)
6900 Operating profit		<u>595,053</u>	<u>3</u>	<u>544,606</u>	<u>3</u>
Non-operating income and expenses					
7100 Interest income	6(24)	22,816	-	44,720	-
7010 Other income	6(25) and 7(2)	274,506	2	228,186	1
7020 Other gains and losses	6(26)	(198,643)	(1)	1,103,465	6
7050 Finance costs	6(27)	(150,224)	(1)	(192,079)	(1)
7060 Share of loss (profit) of associates and joint ventures accounted for using the equity method	6(5)	(620)	-	699	-
7000 Total non-operating income and expenses		(52,165)	-	1,184,991	6
7900 Profit before income tax		542,888	3	1,729,597	9
7950 Income tax expense	6(30)	(6,746)	-	(378,718)	(2)
8200 Profit for the year		<u>\$ 536,142</u>	<u>3</u>	<u>\$ 1,350,879</u>	<u>7</u>

(Continued)

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31				
		2020		2019		
		Amount	%	Amount	%	
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	Gains (losses) on remeasurements of defined benefit plans	6(18)	\$ 1,469	-	(\$ 37,524)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		1,469	-	(37,524)	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences on translation		51,133	-	(165,756)	(1)
8399	Income tax related to components of other comprehensive income(loss) that will be reclassified to profit or loss	6(30)	(881)	-	1,727	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		50,252	-	(164,029)	(1)
8300	Other comprehensive income (loss)		\$ 51,721	-	(\$ 201,553)	(1)
8500	Total comprehensive income		\$ 587,863	3	\$ 1,149,326	6
Profit, attributable to:						
8610	Owners of parent		\$ 535,196	3	\$ 1,349,985	7
8620	Non-controlling interests		946	-	894	-
	Profit for the year		\$ 536,142	3	\$ 1,350,879	7
Comprehensive income attributable to:						
8710	Owners of parent		\$ 586,864	3	\$ 1,148,516	6
8720	Non-controlling interests		999	-	810	-
	Total comprehensive income		\$ 587,863	3	\$ 1,149,326	6
Basic earnings per share						
9750	Profit for the year	6(31)	\$	1.06	\$	2.67
Diluted earnings per share						
9850	Profit for the year	6(31)	\$	1.06	\$	2.67

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

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of parent

	Notes	Retained earnings					Other equity	Total	Non-controlling interests	Total equity
		Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements			
<u>Year ended December 31, 2019</u>										
Balance at January 1, 2019		\$ 5,060,629	\$ 31,936	\$ 475,607	\$ -	\$ 758,631	(\$ 138,768)	\$ 6,188,035	\$ 12,407	\$ 6,200,442
Profit for the year		-	-	-	-	1,349,985	-	1,349,985	894	1,350,879
Other comprehensive loss for the year	6(22)	-	-	-	-	(37,531)	(163,938)	(201,469)	(84)	(201,553)
Total comprehensive income (loss) for the year		-	-	-	-	1,312,454	(163,938)	1,148,516	810	1,149,326
Appropriation and distribution of 2018 retained earnings										
Legal reserve appropriated	6(21)	-	-	75,863	-	(75,863)	-	-	-	-
Cash dividends	6(21)	-	-	-	-	(404,850)	-	(404,850)	-	(404,850)
Capital surplus - dividends unclaimed by shareholders		-	4,167	-	-	-	-	4,167	-	4,167
Changes in non-controlling interests	4(3)	-	-	-	-	-	-	-	(5,290)	(5,290)
Balance at December 31, 2019		\$ 5,060,629	\$ 36,103	\$ 551,470	\$ -	\$ 1,590,372	(\$ 302,706)	\$ 6,935,868	\$ 7,927	\$ 6,943,795
<u>Year ended December 31, 2020</u>										
Balance at January 1, 2020		\$ 5,060,629	\$ 36,103	\$ 551,470	\$ -	\$ 1,590,372	(\$ 302,706)	\$ 6,935,868	\$ 7,927	\$ 6,943,795
Profit for the year		-	-	-	-	535,196	-	535,196	946	536,142
Other comprehensive income for the year	6(22)	-	-	-	-	1,463	50,205	51,668	53	51,721
Total comprehensive income for the year		-	-	-	-	536,659	50,205	586,864	999	587,863
Appropriation and distribution of 2019 retained earnings										
Legal reserve appropriated	6(21)	-	-	131,245	-	(131,245)	-	-	-	-
Special reserve appropriated	6(21)	-	-	-	302,706	(302,706)	-	-	-	-
Cash dividends	6(21)	-	-	-	-	(675,037)	-	(675,037)	-	(675,037)
Capital surplus - dividends unclaimed by shareholders		-	10	-	-	-	-	10	-	10
Changes in non-controlling interests	4(3)	-	-	-	-	-	-	-	(843)	(843)
Balance at December 31, 2020		\$ 5,060,629	\$ 36,113	\$ 682,715	\$ 302,706	\$ 1,018,043	(\$ 252,501)	\$ 6,847,705	\$ 8,083	\$ 6,855,788

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

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax		\$ 542,888	\$ 1,729,597
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(28)	1,083,955	1,040,251
Amortisation expense	6(28)	21,123	19,469
Expected credit loss	12(2)	(23,575)	(35,814)
Interest expense	6(27)	150,224	192,079
Interest income	6(24)	(22,816)	(44,720)
Net gain on financial assets or liabilities at fair value through profit or loss	6(26)	(9)	(5)
Proceeds from disposal of non-current assets classified as held for sale	6(26)	-	(1,269,341)
Share of profit (loss) of associates accounted for using the equity method	6(5)	620	(699)
Losses on disposal of property, plant and equipment and biological assets	6(26)	36,969	93,895
(Reversal of) impairment loss on property, plant and equipment	6(26)	(9,720)	(55,867)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		-	(13)
Notes receivable		4,316	27,159
Accounts receivable		81,874	236,220
Accounts receivable due from related parties		60,432	(57,048)
Other receivables		47,575	88,120
Inventories		61,778	4,920
Prepayments		108,704	28,700
Other current assets		3,028	414
Other non-current assets		1,035	(1,085)
Changes in operating liabilities			
Current contract liabilities		19,965	26,916
Notes payable		(6,303)	(777)
Accounts payable		(21,716)	(108,139)
Accounts payable to related parties		5,608	(33,340)
Other payables		120,101	(272,592)
Other current liabilities		(3,293)	(587)
Other non-current liabilities		(50,580)	100,144
Cash (outflow) inflow generated from operations		2,212,183	1,707,857
Interest received		22,816	44,720
Interest paid		(156,864)	(192,870)
Income taxes paid		(204,516)	(131,274)
Net cash provided by operating activities		<u>1,873,619</u>	<u>1,428,433</u>

(Continued)

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>Year ended December 31</u>	
		<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of non-current assets classified as held for sale		\$ -	\$ 2,107,824
Proceeds from disposal of financial assets at fair value through profit or loss		-	27,942
Acquisition of property, plant and equipment	6(32)	(493,109)	(1,013,269)
Proceeds from disposal of property, plant and equipment		7,416	47,165
Acquisition of intangible assets	6(9)	(47,990)	(34,788)
Acquisition of biological assets	6(32)	(63,331)	(66,700)
Proceeds from disposal of biological assets		17,634	33,790
Increase in other non-current assets - prepayments for business facilities		(54,139)	(49,437)
Decrease (increase) in other non-current assets - guarantee deposits paid	6(11)	2,932	(5,162)
Decrease (increase) in other non-current assets - restricted bank deposits	6(11)	2,000	(1,500)
Income taxes paid		-	(471,152)
Net cash flows (used in) from investing activities		<u>(628,587)</u>	<u>574,713</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(33)	(1,388,800)	(1,067,846)
Increase in short-term notes and bills payable	6(33)	310,000	110,000
Payments of lease liabilities	6(33)	(149,891)	(155,269)
Repayments of long-term borrowings	6(33)	(1,139,045)	(1,949,909)
Proceeds from long-term borrowings	6(33)	1,505,418	797,462
Decrease in other non-current liabilities - guarantee deposits received	6(17)	(11,774)	(54,283)
Dividends paid	6(21)	(675,037)	(404,850)
Changes in non-controlling interests		(843)	(5,270)
Proceeds from dividends unclaimed by shareholders		10	4,167
Net cash flows used in financing activities		<u>(1,549,962)</u>	<u>(2,725,798)</u>
Effect of exchange rate changes		<u>(11,397)</u>	<u>(45,165)</u>
Net decrease in cash and cash equivalents		(316,327)	(767,817)
Cash and cash equivalents at beginning of year	6(1)	<u>2,221,758</u>	<u>2,989,575</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,905,431</u>	<u>\$ 2,221,758</u>

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

WEI CHUAN FOODS CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

- (1) Wei Chuan Foods Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations in September 1953. The Company is primarily engaged in manufacturing, processing and sale of dairy products, beverages and instant foods. The information regarding the main business activities that the Company and its subsidiaries (the “Group”) are engaged in is provided in Note 4(3).
- (2) The Company’s shares have been listed on Taiwan Stock Exchange since February 1962.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 29, 2021.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The Group continually evaluates the impact of the above standards and interpretations to the Group’s consolidated financial condition and financial performance. The quantitative impact will be disclosed when the assessment is complete.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed 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.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Wei Chuan Foods Corporation	KING CAN INDUSTRY CORPORATION	Process, manufacture and trade of tinplate products such as tin cans, tin boxes and bottle caps	98.68	98.68	Note 1
Wei Chuan Foods Corporation	CHINA YOUTH CO., LTD.	Trade of vegetables and fruits as well as agricultural and fishery products	99.79	99.79	Note 2
Wei Chuan Foods Corporation	KANG CHUAN ENGINEERING CO., LTD.	Planning, design and implementation of construction projects	99.85	99.85	Note 3
Wei Chuan Foods Corporation	CONCOURSE INTERNATIONAL INC.	General import and export trade business	99.99	99.99	Note 4
Wei Chuan Foods Corporation	Cheng Shuen Nung Ranch Dairy Co., Ltd.	Livestock farm management	100.00	-	Note 5
Wei Chuan Foods Corporation	THAI WEI-CHUAN CO., LTD.	Food processing	60.00	60.00	None
Wei Chuan Foods Corporation	WEI-CHUAN INTERNATIONAL LIMITED	General investment	100.00	100.00	None

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Wei Chuan Foods Corporation	WEI-CHUAN (BVI) CO., LTD.	General investment	100.00	100.00	None
Wei Chuan Foods Corporation	WEI-CHUAN ASIAN INVESTMENT LIMITED	General investment	1.00	1.00	None
KING CAN INDUSTRY CORPORATION	KingCan (BVI) Corporation	General investment	100.00	100.00	None
KingCan (BVI) Corporation	KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	Manufacture of food molds and injection molds	100.00	100.00	None
CONCOURSE INTERNATIONAL INC.	CONCOURSE INTERNATIONAL LIMITED	General investment	100.00	100.00	None
CONCOURSE INTERNATIONAL LIMITED	HANGZHOU CONCOURSE TRADING CO., LTD.	General import and export trade business	100.00	100.00	None
WEI-CHUAN INTERNATIONAL LIMITED	WEI-CHUAN ASIAN INVESTMENT LIMITED	General investment	99.00	99.00	None
WEI-CHUAN (BVI) CO., LTD.	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Manufacture and sale of food products such as milk powder, rice and wheat powder and solid drinks	100.00	100.00	None
WEI-CHUAN (BVI) CO., LTD.	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Manufacture and brand marketing of refrigerated dairy beverages	100.00	100.00	None
WEI-CHUAN (BVI) CO., LTD.	WEI CHUAN FOODS INVESTMENT CO., LTD.	General investment	100.00	100.00	None
HANGZHOU WEI-CHUAN FOOD CO., LTD.	SUZHOU WEI-CHUAN FOODS CO., LTD.	Manufacture and brand marketing of refrigerated dairy beverages	100.00	100.00	None
WEI CHUAN FOODS INVESTMENT CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Manufacture and brand marketing of refrigerated dairy beverages	100.00	100.00	None

Note 1: On April 25, 2019, the shareholders of the investee resolved to reduce its capital to return the share capital of \$158,102, and distribute cash of \$111,110 and \$111,963 from capital surplus and legal reserve, respectively. The capital reduction and distribution effective date was set on April 30, 2019. The change in non-controlling interests was (\$5,016).

On June 21, 2019, the shareholders of the investee resolved to distribute earnings of \$19,306 as cash dividends. The ex-dividend effective date was set on July 25, 2019. The change in non-controlling interests was (\$254).

On June 22, 2020, the shareholders of the investee resolved to distribute earnings of \$61,458 as cash dividends. The ex-dividend effective date was set on June 30, 2020. The change in non-controlling interests was (\$809).

Note 2: In November 2016, the shareholders of the investee approved to dissolve the investee, which was approved by the competent authority in January 2017. The investee is in the process of liquidation.

Note 3: In December 2016, the Board of Directors of the investee resolved to dissolve the investee.

On August 25, 2020, the shareholders of the investee approved to reduce its capital to return the share capital of \$23,000. The capital reduction effective date was set on August 26, 2020. The change in non-controlling interests was (\$34).

Note 4: On August 12, 2019, the Board of Directors of the Company's wholly-owned subsidiary, CONCOURSE INTERNATIONAL INC. (CONCOURSE), resolved to merge with the Company's 99.97% owned subsidiary, GREEN GIANT CORPORATION, with CONCOURSE being the surviving company. The merger effective date was set on October 31, 2019 and the merger was approved by the Taipei City Government under the Order No. Fi-chanye-shang-zi-10856236820, dated November 28, 2019. The change in non-controlling interests was (\$20).

Note 5: To implement division of services and enhance competitiveness and operational performance, the Company invested \$30,000 to establish a wholly-owned subsidiary, Cheng Shuen Nung Ranch Dairy Co., Ltd. (Cheng Shuen Nung), in April 2020.

The Board of Directors and the shareholders at their meeting on May 11, 2020 and June 23, 2020 resolved to spin off its business relating to the Linfengying Ranch to Cheng Shuen Nung in exchange for 54,929,989 new shares issued by Cheng Shuen Nung at a price of \$10 (in dollars) per share at a consideration of \$723,035. The ranch related business (including assets, liabilities and operation) was spun off from the Company to Cheng Shuen Nung. The effective date for the spin-off was set on December 31, 2020.

The nature of spin off was a group reorganisation, according to IFRS and the letter of the Accounting Research And Development Foundation Interpretation 100-390, the accounting basis of Cheng Shuen Nung was the carrying amounts of assets and liabilities at the effective date for the spin-off.

C. Subsidiaries not included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
WEI-CHUAN ASIAN INVESTMENT LIMITED	HEALTH CAN DEVELOPMENT LIMITED	General investment	75.00	75.00	Note 1
WEI-CHUAN INTERNATIONAL LIMITED	HEILONGJIANG WEI CHUAN DAIRY CO.	Dairy and other products	70.00	70.00	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December	December	
			31, 2020	31, 2019	
WEI-CHUAN INTERNATIONAL LIMITED	HEILONGJIANG WEI CHUAN FOOD CO.	Condiments and other products	67.00	67.00	Note 2

Note 1: The subsidiary was not included as a consolidated entity in the consolidated financial statements as its asset did not reach 0.05% of total assets of the parent company and it did not have operating revenue.

Note 2: The subsidiary was not included as a consolidated entity in the consolidated financial statements as it is in the process of liquidation.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

Cash and short-term deposits of \$884,424 deposited in Mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders, except for normal dividend distribution.

F. Subsidiaries that have non-controlling interests that are material to the Group:

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

The perpetual inventory system is adopted for inventory recognition. The cost is determined using the weighted-average method. The fixed production overheads are allocated based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods, taking into account the planned maintenance. The actual level of production may be used if it approximates normal capacity. Ending inventories are stated at the lower of cost and net realisable value. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(13) Investments accounted for using the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 60 years
Machinery and equipment	2 ~ 30 years
Office equipment	2 ~ 20 years
Transportation equipment	2 ~ 10 years
Others	2 ~ 30 years

(15) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 38 ~ 60 years.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Biological assets

Biological assets are measured at fair value. However, biological assets may be measured at cost less accumulated depreciation if the fair value cannot be obtained from the active market, and the alternative estimation of the fair value is clearly not reliable. They are depreciated over the expected useful life using the straight-line method, which is primarily 5 years. In addition to acquisition cost, feeding costs are capitalised when incurred and are tested annually for impairment. Where there is objective evidence of impairment, an impairment loss is recognised.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(23) Derecognition of financial liabilities

- A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(29) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(30) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by Company's Board of Directors.

(31) Revenue recognition

- A. The Group manufactures and sells food and packaging products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The products are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No significant financing component is deemed present as the sales are made with a credit term of 15 to 90 days, which is consistent with market practice.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(32) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Group's Chief Operating Decision Mmaker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year ; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Based on the Group's assessment, there is no significant uncertainty in the adoption of the accounting policies.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates the incentives relating to the sales revenue based on the agreements. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Group reassesses the reasonableness of estimates of incentives periodically.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the Group recognised inventories amounting to \$1,204,996.

C. Impairment loss on property, plant and equipment

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2020, the Group recognised impairment loss on property, plant and equipment amounting to \$9,426,888.

D. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2020, the Group recognised deferred tax assets amounting to \$1,348,994.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 3,045	\$ 16,099
Checking accounts and demand deposits	1,330,831	1,146,196
Time deposits	571,555	1,059,463
	<u>\$ 1,905,431</u>	<u>\$ 2,221,758</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2020 and 2019, the Group's cash and cash equivalents amounting to \$8,000 and \$10,000, respectively, were restricted due to the guarantee deposit paid for the operational use and were reclassified as other non-current assets. Refer to Notes 6(11) and 8 for more details.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Non-current items:		
Unlisted stocks	\$ 465,595	\$ 469,499
Valuation adjustment	(432,143)	(436,056)
	<u>\$ 33,452</u>	<u>\$ 33,443</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	Year ended December 31	
	2020	2019
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 9	\$ -
Financial products	-	18
Forward foreign exchange contracts	-	(13)
	<u>\$ 9</u>	<u>\$ 5</u>

B. The Group entered into forward foreign exchange contracts to buy USD and sell RMB to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk is provided in Note 12(2).

(3) Notes and accounts receivable (including related parties)

	December 31, 2020	December 31, 2019
Notes receivable	\$ 21,996	\$ 26,312
Less: Allowance for uncollectible accounts	-	(4)
	<u>\$ 21,996</u>	<u>\$ 26,308</u>
Accounts receivable	\$ 2,324,245	\$ 2,428,244
Less: Allowance for uncollectible accounts	(46,736)	(64,777)
	<u>\$ 2,277,509</u>	<u>\$ 2,363,467</u>
Accounts receivable due from related parties	<u>\$ 213,946</u>	<u>\$ 274,378</u>

A. Information relating to ageing analysis and credit risk of accounts receivable and notes receivables (including related parties) is provided in Note 12(2).

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. Also, as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$2,937,511.

C. The Group has no accounts receivable and notes receivable pledged to others.

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 597,058	(\$ 16,219)	\$ 580,839
Work in progress	143,450	(2,846)	140,604
Finished goods	464,281	(19,271)	445,010
Merchandise inventory	38,687	(159)	38,528
Inventory in transit	15	-	15
	<u>\$ 1,243,491</u>	<u>(\$ 38,495)</u>	<u>\$ 1,204,996</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 630,850	(\$ 15,880)	\$ 614,970
Work in progress	124,345	(3,148)	121,197
Current finished goods	490,617	(38,614)	452,003
Merchandise inventory	78,272	(133)	78,139
Inventory in transit	465	-	465
	<u>\$ 1,324,549</u>	<u>(\$ 57,775)</u>	<u>\$ 1,266,774</u>

A. The above inventories were not pledged as collateral.

B. The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2020	2019
Cost of goods sold	\$ 12,936,087	\$ 13,801,787
(Gain on reversal of) loss on decline in market value	(19,280)	1,880
Loss on scrapping inventory	195,333	220,188
Revenue from sales of scraps	(11,018)	(8,604)
Loss on excess capacity	<u>105,486</u>	<u>90,682</u>
	<u>\$ 13,206,608</u>	<u>\$ 14,105,933</u>

Gain on reversal of decline in market value was because of the sale of inventories previously written down which was charged to cost of goods sold.

(5) Investments accounted for using the equity method

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Book value</u>	<u>Shareholding ratio</u>	<u>Book value</u>	<u>Shareholding ratio</u>
Associates:				
FU TING FOODS CO., LTD.	<u>\$ 17,686</u>	37.50%	<u>\$ 18,306</u>	37.50%

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$17,686 and \$18,306, respectively.

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit (loss) for the year from continuing operations	(\$ 620)	\$ 699
Other comprehensive income, net of tax	-	-
Total comprehensive (loss) income	<u>(\$ 620)</u>	<u>\$ 699</u>

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(6) Property, plant and equipment

2020

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Unfinished construction and equipment under acceptance	Others	Total
At January 1								
Cost	\$ 2,800,985	\$ 3,850,180	\$ 6,618,170	\$ 774,422	\$ 410,655	\$ 620,443	\$ 4,566,660	\$ 19,641,515
Accumulated depreciation and impairment	(6,910)	(1,689,249)	(4,270,778)	(653,237)	(390,164)	-	(2,850,781)	(9,861,119)
	<u>\$ 2,794,075</u>	<u>\$ 2,160,931</u>	<u>\$ 2,347,392</u>	<u>\$ 121,185</u>	<u>\$ 20,491</u>	<u>\$ 620,443</u>	<u>\$ 1,715,879</u>	<u>\$ 9,780,396</u>
Opening net book amount as at January 1	\$ 2,794,075	\$ 2,160,931	\$ 2,347,392	\$ 121,185	\$ 20,491	\$ 620,443	\$ 1,715,879	\$ 9,780,396
Additions	-	3,867	58,630	22,266	2,836	319,822	49,645	457,066
Disposals	-	(923)	(2,638)	(122)	(130)	-	(15,466)	(19,279)
Reclassifications	-	2,993	193,851	4,957	1,202	(206,407)	50,581	47,177
Depreciation expense	-	(116,992)	(453,012)	(43,346)	(10,442)	-	(285,517)	(909,309)
Reversal of (impairment loss)	-	728	(2,431)	-	-	-	11,423	9,720
Net exchange differences	-	17,166	24,438	432	96	9,778	9,207	61,117
Closing net book amount as at December 31	<u>\$ 2,794,075</u>	<u>\$ 2,067,770</u>	<u>\$ 2,166,230</u>	<u>\$ 105,372</u>	<u>\$ 14,053</u>	<u>\$ 743,636</u>	<u>\$ 1,535,752</u>	<u>\$ 9,426,888</u>
At December 31								
Cost	\$ 2,800,985	\$ 3,877,962	\$ 6,874,140	\$ 787,201	\$ 404,395	\$ 743,636	\$ 4,625,546	\$ 20,113,865
Accumulated depreciation and impairment	(6,910)	(1,810,192)	(4,707,910)	(681,829)	(390,342)	-	(3,089,794)	(10,686,977)
	<u>\$ 2,794,075</u>	<u>\$ 2,067,770</u>	<u>\$ 2,166,230</u>	<u>\$ 105,372</u>	<u>\$ 14,053</u>	<u>\$ 743,636</u>	<u>\$ 1,535,752</u>	<u>\$ 9,426,888</u>

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Unfinished construction and equipment under acceptance	Others	Total
At January 1								
Cost	\$ 2,793,788	\$ 3,963,415	\$ 6,327,388	\$ 752,212	\$ 427,129	\$ 454,375	\$ 4,627,750	\$ 19,346,057
Accumulated depreciation and impairment	(6,910)	(1,656,132)	(4,046,979)	(640,461)	(390,113)	-	(2,670,888)	(9,411,483)
	<u>\$ 2,786,878</u>	<u>\$ 2,307,283</u>	<u>\$ 2,280,409</u>	<u>\$ 111,751</u>	<u>\$ 37,016</u>	<u>\$ 454,375</u>	<u>\$ 1,956,862</u>	<u>\$ 9,934,574</u>
Opening net book amount as at January 1	\$ 2,786,878	\$ 2,307,283	\$ 2,280,409	\$ 111,751	\$ 37,016	\$ 454,375	\$ 1,956,862	\$ 9,934,574
Additions	-	6,298	94,839	43,614	2,385	634,840	197,341	979,317
Disposals	-	(48,878)	(11,810)	(418)	(2,486)	-	(1,707)	(65,299)
Reclassifications	7,197	15,181	463,129	9,006	1,047	(452,322)	(132,765)	(89,527)
Depreciation expense	-	(121,690)	(422,344)	(41,466)	(17,051)	-	(271,464)	(874,015)
Reversal of (impairment loss)	-	51,211	3,856	97	-	-	703	55,867
Net exchange differences	-	(48,474)	(60,687)	(1,399)	(420)	(16,450)	(33,091)	(160,521)
Closing net book amount as at December 31	<u>\$ 2,794,075</u>	<u>\$ 2,160,931</u>	<u>\$ 2,347,392</u>	<u>\$ 121,185</u>	<u>\$ 20,491</u>	<u>\$ 620,443</u>	<u>\$ 1,715,879</u>	<u>\$ 9,780,396</u>
At December 31								
Cost	\$ 2,800,985	\$ 3,850,180	\$ 6,618,170	\$ 774,422	\$ 410,655	\$ 620,443	\$ 4,566,660	\$ 19,641,515
Accumulated depreciation and impairment	(6,910)	(1,689,249)	(4,270,778)	(653,237)	(390,164)	-	(2,850,781)	(9,861,119)
	<u>\$ 2,794,075</u>	<u>\$ 2,160,931</u>	<u>\$ 2,347,392</u>	<u>\$ 121,185</u>	<u>\$ 20,491</u>	<u>\$ 620,443</u>	<u>\$ 1,715,879</u>	<u>\$ 9,780,396</u>

A. The Group's property, plant and equipment are for its own use.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. The above land items include \$63,860 of farmland both as of December 31, 2020 and 2019. The title to the farmland will be transferred to the Company following the change of land category. However, the land was pledged as collateral in the amount of \$86,300 to the Company in order to safeguard the interests of the Company.

D. The amounts of interest capitalised, which were calculated based on monthly average interest rates, for the years ended December 31, 2020 and 2019 were \$223 and \$428, respectively.

E. Information about the (gain on reversal of) impairment loss on property, plant and equipment is provided in Note 6(12).

(7) Leasing arrangements - lessee

A. The Group leases various assets including land, offices, warehouses, machinery and equipment and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets cannot be subleased, lent, sold or granted in any different form to third parties without the consent of the lessor.

B. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 377,797	\$ 381,494
Buildings and structures	240,530	273,708
Machinery and equipment	7,773	2,399
Transportation equipment	3,164	5,039
	<u>\$ 629,264</u>	<u>\$ 662,640</u>
	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 9,512	\$ 9,951
Buildings and structures	149,843	133,888
Machinery and equipment	4,294	2,002
Transportation equipment	1,874	994
	<u>\$ 165,523</u>	<u>\$ 146,835</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$137,600 and \$296,774, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 10,664</u>	<u>\$ 13,764</u>
Expense on short-term lease contracts	<u>\$ 29,478</u>	<u>\$ 33,011</u>
Gain on lease modification	<u>\$ 149</u>	<u>\$ -</u>

E. Apart from the cash outflow for the interest expense on lease liabilities and expenses on short-term lease contracts as aforementioned in Note 6(7)D, the cash outflow resulting from payments of the principal portion of the lease liability amounted to \$149,891 and \$155,269 for the years ended December 31, 2020 and 2019, respectively.

(8) Investment property, net

	2020		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 105,892	\$ 95,733	\$ 201,625
Accumulated depreciation	-	(49,992)	(49,992)
Accumulated impairment	(8,013)	(9,887)	(17,900)
	<u>\$ 97,879</u>	<u>\$ 35,854</u>	<u>\$ 133,733</u>
Opening net book amount as at January 1	\$ 97,879	\$ 35,854	\$ 133,733
Depreciation expense	-	(1,932)	(1,932)
Closing net book amount as at December 31	<u>\$ 97,879</u>	<u>\$ 33,922</u>	<u>\$ 131,801</u>
<u>At December 31</u>			
Cost	\$ 105,892	\$ 95,733	\$ 201,625
Accumulated depreciation	-	(51,924)	(51,924)
Accumulated impairment	(8,013)	(9,887)	(17,900)
	<u>\$ 97,879</u>	<u>\$ 33,922</u>	<u>\$ 131,801</u>
	2019		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 113,089	\$ 121,729	\$ 234,818
Accumulated depreciation	-	(62,969)	(62,969)
Accumulated impairment	(8,013)	(9,887)	(17,900)
	<u>\$ 105,076</u>	<u>\$ 48,873</u>	<u>\$ 153,949</u>
Opening net book amount as at January 1	\$ 105,076	\$ 48,873	\$ 153,949
Reclassifications	(7,197)	(10,974)	(18,171)
Depreciation expense	-	(2,045)	(2,045)
Closing net book amount as at December 31	<u>\$ 97,879</u>	<u>\$ 35,854</u>	<u>\$ 133,733</u>
<u>At December 31</u>			
Cost	\$ 105,892	\$ 95,733	\$ 201,625
Accumulated depreciation	-	(49,992)	(49,992)
Accumulated impairment	(8,013)	(9,887)	(17,900)
	<u>\$ 97,879</u>	<u>\$ 35,854</u>	<u>\$ 133,733</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2020	2019
Rental income from investment property	\$ 15,606	\$ 15,952
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 1,932	\$ 2,045

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was \$757,568 and \$922,816, respectively, which was valued based on the transaction prices of similar property in the neighbouring areas. Valuations are categorised within Level 2 in the fair value hierarchy.

C. Information about the investment property that was pledged to others as collateral is provided in Note 8.

(9) Intangible assets

	2020		
	Computer software	Goodwill	Total
<u>At January 1</u>			
Cost	\$ 143,908	\$ 53,781	\$ 197,689
Accumulated amortisation and impairment	(48,095)	-	(48,095)
	<u>\$ 95,813</u>	<u>\$ 53,781</u>	<u>\$ 149,594</u>
Opening net book amount as at January 1	\$ 95,813	\$ 53,781	\$ 149,594
Additions - acquired separately	47,990	-	47,990
Amortisation expense	(21,123)	-	(21,123)
Net exchange differences	1,141	(2,691)	(1,550)
Closing net book amount as at December 31	<u>\$ 123,821</u>	<u>\$ 51,090</u>	<u>\$ 174,911</u>
<u>At December 31</u>			
Cost	\$ 194,237	\$ 51,090	\$ 245,327
Accumulated amortisation and impairment	(70,416)	-	(70,416)
	<u>\$ 123,821</u>	<u>\$ 51,090</u>	<u>\$ 174,911</u>

	2019		
	Computer software	Goodwill	Total
<u>At January 1</u>			
Cost	\$ 131,378	\$ 55,100	\$ 186,478
Accumulated amortisation and impairment	(48,162)	-	(48,162)
	<u>\$ 83,216</u>	<u>\$ 55,100</u>	<u>\$ 138,316</u>
Opening net book amount as at January 1	\$ 83,216	\$ 55,100	\$ 138,316
Additions - acquired separately	34,788	-	34,788
Amortisation expense	(19,469)	-	(19,469)
Net exchange differences	(2,722)	(1,319)	(4,041)
Closing net book amount as at December 31	<u>\$ 95,813</u>	<u>\$ 53,781</u>	<u>\$ 149,594</u>
<u>At December 31</u>			
Cost	\$ 143,908	\$ 53,781	\$ 197,689
Accumulated amortisation and impairment	(48,095)	-	(48,095)
	<u>\$ 95,813</u>	<u>\$ 53,781</u>	<u>\$ 149,594</u>

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2020	2019
General and administrative expenses	<u>\$ 21,123</u>	<u>\$ 19,469</u>

B. Goodwill is allocated as follows to the food segment and the value in use is used as recoverable amount:

	December 31, 2020	December 31, 2019
Goodwill	\$ 51,090	\$ 53,781
Accumulated impairment	-	-
	<u>\$ 51,090</u>	<u>\$ 53,781</u>

The excess of the consideration transferred over the fair value of the identifiable assets acquired and the liabilities assumed was recorded as goodwill at the acquisition date.

(10) Non-current biological assets

	2020		
	<u>Biological assets</u>	<u>Immature biological assets</u>	<u>Total</u>
<u>At January 1</u>			
Cost	\$ 44,123	\$ 72,304	\$ 116,427
Accumulated depreciation	(11,908)	-	(11,908)
	<u>\$ 32,215</u>	<u>\$ 72,304</u>	<u>\$ 104,519</u>
Opening net book amount as at January 1	\$ 32,215	\$ 72,304	\$ 104,519
Additions	-	67,156	67,156
Disposals	(26,506)	(16,234)	(42,740)
Reclassifications	49,385	(49,385)	-
Depreciation expense	(7,191)	-	(7,191)
Closing net book amount as at December 31	<u>\$ 47,903</u>	<u>\$ 73,841</u>	<u>\$ 121,744</u>
<u>At December 31</u>			
Cost	\$ 58,517	\$ 73,841	\$ 132,358
Accumulated depreciation	(10,614)	-	(10,614)
	<u>\$ 47,903</u>	<u>\$ 73,841</u>	<u>\$ 121,744</u>
	2019		
	<u>Biological assets</u>	<u>Immature biological assets</u>	<u>Total</u>
<u>At January 1</u>			
Cost	\$ 121,388	\$ 72,474	\$ 193,862
Accumulated depreciation	(34,896)	-	(34,896)
	<u>\$ 86,492</u>	<u>\$ 72,474</u>	<u>\$ 158,966</u>
Opening net book amount as at January 1	\$ 86,492	\$ 72,474	\$ 158,966
Additions	5,760	66,700	72,460
Disposals	(95,551)	(14,000)	(109,551)
Reclassifications	52,870	(52,870)	-
Depreciation expense	(17,356)	-	(17,356)
Closing net book amount as at December 31	<u>\$ 32,215</u>	<u>\$ 72,304</u>	<u>\$ 104,519</u>
<u>At December 31</u>			
Cost	\$ 44,123	\$ 72,304	\$ 116,427
Accumulated depreciation	(11,908)	-	(11,908)
	<u>\$ 32,215</u>	<u>\$ 72,304</u>	<u>\$ 104,519</u>

(11) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Long-term notes and accounts receivable	\$ 156,516	\$ 156,516
Guarantee deposits paid	49,740	52,672
Prepayments for business facilities	57,119	50,157
Restricted bank deposits	8,000	10,000
Others	50	1,085
	<u>\$ 271,425</u>	<u>\$ 270,430</u>

(12) Impairment of non-financial assets

The Group takes into consideration the utilisation of assets to assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. The recoverable amounts are estimated based on value in use of those assets. Information on impairment loss recognised or reversed based on the value in use of aforementioned assets for the Group's food segment is as follows:

	<u>Year ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>
(Impairment loss)/gain on reversal of impairment loss-buildings and structures	\$ 728	\$ -	\$ 51,211	\$ -
(Impairment loss)/gain on reversal of impairment loss-machinery and equipment	(2,431)	-	3,856	-
(Impairment loss)/gain on reversal of impairment loss-office equipment	-	-	97	-
(Impairment loss)/gain on reversal of impairment loss-others	11,423	-	703	-
	<u>\$ 9,720</u>	<u>\$ -</u>	<u>\$ 55,867</u>	<u>\$ -</u>

(13) Short-term borrowings

	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Short-term borrowings			
Secured borrowings	\$ 663,000	1.15%~1.30%	Note 8
Unsecured borrowings	984,882	1.05%~5.00%	None
Material purchase borrowings	35,227	1.37%~1.64%	None
Other borrowings	87,320	4.67%	None
	<u>\$ 1,770,429</u>		

	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 924,000	1.30%~1.45%	Note 8
Unsecured borrowings	1,814,456	1.45%~5.04%	None
Material purchase borrowings	291,889	1.70%~3.38%	None
Other borrowings	128,884	4.67%	None
	<u>\$ 3,159,229</u>		

A. Other borrowings are the loans granted by the financial institutions in Mainland China to the Group's subsidiaries in Mainland China for the working capital needs.

B. Information on the interest expense recognised in profit or loss is provided in Note 6(27).

(14) Short-term notes and bills payable

	December 31, 2020	
	Amount	Interest rate range
Short-term notes and bills payable (Note)	\$ 350,000	1.08%~1.20%
Less: Unamortised discount	(61)	
	<u>\$ 349,939</u>	
	December 31, 2019	
	Amount	Interest rate range
Short-term notes and bills payable (Note)	<u>\$ 40,000</u>	1.32%

Note: Information on the pledged assets is provided in Note 8.

(15) Other payables

	December 31, 2020	December 31, 2019
Sales commission payable	\$ 763,854	\$ 682,592
Salary, wages and bonus payable	408,744	408,185
Freight payable	283,518	290,897
Business tax payable	129,512	38,608
Advertisement expense payable	105,130	171,592
Machinery and equipment payable	80,245	116,288
Others	305,041	290,516
	<u>\$ 2,076,044</u>	<u>\$ 1,998,678</u>

(16) Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured borrowings	\$ 416,754	\$ 446,949
Secured borrowings	<u>3,252,000</u>	<u>2,850,000</u>
	3,668,754	3,296,949
Less: Current portion (shown as other current liabilities)	(<u>119,222</u>)	(<u>166,869</u>)
	<u>\$ 3,549,532</u>	<u>\$ 3,130,080</u>
Interest rate range	<u>1.19%~4.70%</u>	<u>1.34%~5.04%</u>

A. As of December 31, 2020, the Group has entered into the following loan facility agreements:

- (a) A \$1.7 billion loan facility agreement with United Overseas Bank that can be redrawn between May 9, 2020 and April 30, 2022.
- (b) A \$700 million loan facility agreement with Far Eastern International Bank that can be redrawn between September 9, 2020 and September 22, 2023.
- (c) A \$985 million loan facility agreement with Sunny Bank. Of the said loan facility, \$550 million was drawn once on December 30, 2019, the principal was repaid monthly and was settled on December 30, 2022. In addition, \$435 million was drawn once on December 31, 2020. The principal was repaid monthly and was settled on December 31, 2023.
- (d) A \$120 million loan facility agreement with China Bills Finance Corporation that can be redrawn between June 18, 2020 and June 17, 2022.
- (e) A RMB 200 million loan facility agreement with China Merchants Bank that can be redrawn between May 30, 2019 and May 30, 2024.

The above agreements entered into with United Overseas Bank and Far Eastern International Bank contain default clauses. The banks have the right to terminate the facility, cancel the undrawn facility or require the Company to make immediate repayment of the principal amount of loan facility withdrawn and outstanding and the relevant expenses if any events of default occur.

The events of default mainly include: Breach of commitments (including financial covenants) and restrictions or special agreements, etc.

As of December 31, 2020, the Group has no event of default.

B. Information on the pledged assets is provided in Note 8.

C. Information on the interest expense recognised in profit or loss is provided in Note 6(27).

(17) Other non-current liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued pension liabilities	\$ 281,649	\$ 343,180
Long-term deferred revenue	176,902	168,174
Guarantee deposits received	67,674	79,448
Others	2,216	-
	<u>\$ 528,441</u>	<u>\$ 590,802</u>

(18) Pensions

A. Defined benefit pension plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% ~ 15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 1,060,974)	(\$ 1,100,358)
Fair value of plan assets	<u>779,325</u>	<u>757,178</u>
Net defined benefit liability	<u>(\$ 281,649)</u>	<u>(\$ 343,180)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
2020			
Balance at January 1	(\$ 1,100,358)	\$ 757,178	(\$ 343,180)
Current service cost	(5,182)	-	(5,182)
Interest (expense) income	(8,431)	5,996	(2,435)
	<u>(1,113,971)</u>	<u>763,174</u>	<u>(350,797)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	25,003	25,003
Change in financial assumptions	(28,288)	-	(28,288)
Experience adjustments	4,754	-	4,754
	<u>(23,534)</u>	<u>25,003</u>	<u>1,469</u>
Pension fund contribution	-	67,679	67,679
Paid pension	76,531	(76,531)	-
Balance at December 31	<u>(\$ 1,060,974)</u>	<u>\$ 779,325</u>	<u>(\$ 281,649)</u>
2019			
Balance at January 1	(\$ 1,130,009)	\$ 753,261	(\$ 376,748)
Current service cost	(7,907)	-	(7,907)
Interest (expense) income	(13,271)	9,115	(4,156)
	<u>(1,151,187)</u>	<u>762,376</u>	<u>(388,811)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	25,048	25,048
Change in demographic assumptions	4,994	-	4,994
Change in financial assumptions	(32,251)	-	(32,251)
Experience adjustments	(35,315)	-	(35,315)
	<u>(62,572)</u>	<u>25,048</u>	<u>(37,524)</u>
Pension fund contribution	-	83,155	83,155
Paid pension	113,401	(113,401)	-
Balance at December 31	<u>(\$ 1,100,358)</u>	<u>\$ 757,178</u>	<u>(\$ 343,180)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts

accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2020	2019
Discount rate	0.30%~0.40%	0.70%~0.80%
Future salary increases	1.00%~2.50%	1.00%~2.50%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 34,776)	\$ 36,891	\$ 36,551	(\$ 34,809)
December 31, 2019				
Effect on present value of defined benefit obligation	\$ 37,040	(\$ 39,350)	(\$ 39,165)	\$ 37,235

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the following year amount to \$69,865.

(g) As of December 31, 2020, the Group's weighted average duration of the retirement plan is 6.7 ~ 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 142,823
1-2 year(s)	85,143
2-5 years	280,269
5-10 years	342,813
	<u>\$ 851,048</u>

B. Defined contribution pension plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount no lower than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company and its domestic subsidiaries for the years ended December 31, 2020 and 2019, were \$44,630 and \$41,919, respectively.
- (b) The Group’s mainland China subsidiaries, HANGZHOU CONCOURSE TRADING CO., LTD., Hangzhou Weichuan Biotechnology Foods Co., Ltd., HANGZHOU WEI-CHUAN FOOD CO., LTD., SUZHOU WEI-CHUAN FOODS CO., LTD. and LANGFANG WEI-CHUAN FOODS CO., LTD., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. In January 2020, because of the effect from COVID-19 outbreak in China, the China government reduce the provision rate of pension insurance starting from February 2020 to December 2020. The pension costs recognised for the years ended December 31, 2020 and 2019 were \$94,864 and \$103,110, respectively.

(19) Share capital

As of December 31, 2020, the Company’s authorised capital was \$8,000,000 and the paid-in capital was \$5,060,629 with a par value of \$10 (in dollars) per share. All the shares issued by the company are ordinary shares. The number of shares issued and outstanding was 506,063 thousand shares. All proceeds from shares issued have been collected.

(20) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The dividends unclaimed by shareholders for over 5 years shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.

(21) Retained earnings

A. According to the Articles of Incorporation of the Company, the appropriation of the earnings was as follows:

(a) Under the Company's Articles of Incorporation which was amended and resolved by the shareholders on June 27, 2019, every year's earnings, if any, shall first be used to pay business income tax and offset prior years' deficits and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any, the Board of Directors should propose the distribution or to retain the remaining earnings along with prior accumulated undistributed earnings for the approval of the shareholders. The dividends shall be distributed in proportion to the number of shares held by each shareholder accordingly, and the dividends to shareholders every year shall account for at least 50% of net profit of the year. However, dividends are not distributed if the net profit of the year is lower than 5% of paid-in capital. Dividends can be distributed to shareholders in the forms of cash or stocks, provided the cash dividends shall not be less than 50% of the total dividends distributed.

The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the earnings in whole or in part distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders at the shareholders' meeting.

(b) Under the Company's Articles of Incorporation which was amended and resolved by the shareholders on June 27, 2019, every year's earnings, if any, shall first be used to pay business income tax and offset prior years' deficits and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, the remaining shall be appropriated as dividends which was set at annual rate of 6%, however, the dividends shall not be paid with the capital. If any, earnings can be distributed with accumulated retained earnings of last year as special reserve or to be retained after being resolved by the shareholders, and the remaining can be distributed according to the proportion of each shareholder. Shareholders' dividends and bonus can be distributed in cash or stocks. However, the ratio of cash dividend shall not be less than 20%.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of earnings by the Company

(a) The appropriation of 2018 earnings approved by the shareholders of the Company on June 27, 2019 is as follows:

	<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Earnings per share (in dollars)</u>
Legal reserve	<u>\$ 75,863</u>	
Cash dividends	<u>\$ 404,850</u>	0.80

(b) The appropriation of 2019 earnings approved by the shareholders of the Company on June 23, 2020 is as follows:

	<u>Year ended December 31, 2019</u>	
	<u>Amount</u>	<u>Earnings per share (in dollars)</u>
Legal reserve	<u>\$ 131,245</u>	
Special reserve	<u>\$ 302,706</u>	
Cash dividends	<u>\$ 675,037</u>	1.3339

(c) The appropriation of 2020 earnings proposed by the Board of Directors on March 29, 2021 but not yet resolved by the shareholders of the Company is as follows

	<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Earnings per share (in dollars)</u>
Legal reserve	<u>\$ 53,666</u>	
Reversal of special reserve	<u>(\$ 50,205)</u>	
Cash dividends	<u>\$ 268,213</u>	0.53

(22) Other equity items

	Year ended December 31	
	2020	2019
At January 1	(\$ 302,706)	(\$ 138,768)
Currency translation	50,205	(163,938)
At December 31	<u>(\$ 252,501)</u>	<u>(\$ 302,706)</u>

(23) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major segments:

	Year ended December 31	
	2020	2019
	Revenue	Revenue
	from contracts	from contracts
	with customers	with customers
Food segment	\$ 17,802,265	\$ 19,422,917
Packaging segment	532,409	515,688
Others	316,197	289,514
	<u>\$ 18,650,871</u>	<u>\$ 20,228,119</u>

B. Contract liabilities

(a) The Group has recognised the revenue-related contract liabilities as a result of advance sales receipts for the sale of goods, which were recorded as current contract liabilities in the amounts of \$90,909, \$70,944 and \$44,028 as of December 31, 2020 and 2019, and January 1, 2019, respectively.

(b) Revenue recognised for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period amounted to \$67,961 and \$41,472, respectively.

(24) Interest income

	Year ended December 31	
	2020	2019
Interest income from bank deposits	<u>\$ 22,816</u>	<u>\$ 44,720</u>

(25) Other income

	Year ended December 31	
	2020	2019
Rent income	\$ 42,562	\$ 43,886
Royalty income	55,913	44,478
Government grant income (Note)	139,057	91,447
Others	36,974	48,375
	<u>\$ 274,506</u>	<u>\$ 228,186</u>

Note: This pertains to the recognition of government subsidies during the year related to enterprise development and investments of property, plant and equipment.

(26) Other gains and losses

	Year ended December 31	
	2020	2019
Net gains on financial assets or liabilities at fair value through profit or loss	\$ 9	\$ 5
Losses on disposal of property, plant and equipment and biological assets	(36,969)	(93,895)
Proceeds from disposal of non-current assets classified as held for sale (Note)	-	1,269,341
Losses on sales of non-finished goods	(114,820)	(57,303)
Reversal of impairment loss on property, plant and equipment	9,720	55,867
Net foreign exchange (losses) gains	4,787	(30,639)
Reversal of impairment loss on other receivables	27,367	53,296
Others	(88,737)	(93,207)
	<u>(\$ 198,643)</u>	<u>\$ 1,103,465</u>

Note: The Group entered into an agreement with SANLIH CINEMAS CO., LTD. to sell its assets, such as land, above-ground buildings and their auxiliary equipment, in the Pushin Ranch for a consideration of \$2,663,000 following the approval of the Board of Directors on November 12, 2018. During the fourth quarter of 2018, the Group classified the aforementioned assets to 'non-current asset held for sale' and the related deferred tax liabilities to 'liabilities directly relating to non-current assets held for sale'. On January 7, 2019, the Group completed the transfer of title to the aforementioned assets and recognised gain on disposal of non-current assets held for sale.

(27) Finance costs

	Year ended December 31	
	2020	2019
Interest expense on bank borrowings	\$ 139,560	\$ 178,315
Interest expense on lease liabilities	10,664	13,764
	<u>\$ 150,224</u>	<u>\$ 192,079</u>

(28) Expenses by nature

	Year ended December 31	
	2020	2019
Employee benefit expense	\$ 2,640,410	\$ 2,514,673
Depreciation expense (Note)	\$ 1,082,023	\$ 1,038,206
Amortisation expense on intangible assets	\$ 21,123	\$ 19,469

Note: Including property, plant and equipment, right-of-use assets and depreciation expense of biological assets. Additionally, for the years ended December 31, 2020 and 2019, the amounts of depreciation expense on investment property that were recorded under other gains and losses were \$1,932 and \$2,045, respectively.

(29) Employee benefit expense

	Year ended December 31	
	2020	2019
Wages and salaries	\$ 2,232,075	\$ 2,032,414
Labour and health insurance fees	112,133	108,426
Pension costs (Note 1)	147,111	156,942
Directors' remuneration	23,917	23,141
Other personnel expenses (Note 2)	125,174	193,750
	<u>\$ 2,640,410</u>	<u>\$ 2,514,673</u>

Note 1: It included \$0 and \$150 of pension costs, recorded under non-operating expenses, arising from personnel transfer during the years ended December 31, 2020 and 2019, respectively.

Note 2: It included meal expenses, employee benefits/welfare, education training and work uniforms, etc.

- A. In accordance with the Articles of Incorporation of the Company, distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration in the form of cash. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration. The employees include the employees of the Company's subsidiaries who meet certain specific requirements. If the Company incurs accumulated deficit, earnings should be reserved to cover losses prior to the appropriation of profit as employees' compensation and directors' remuneration according to the aforementioned ratios.
- B. The employees' compensation and directors' remuneration are accrued based on the ratio of pre-tax profit of the year before deducting any employees' compensation and directors' remuneration. The accrued amounts are as follows:

	Year ended December 31	
	2020	2019
Employees' compensation	\$ 6,510	\$ 22,005
Directors' remuneration	\$ 6,300	\$ 6,812

The aforementioned employees' compensation and directors' remuneration were recorded under wages and salaries and directors' remuneration.

Employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors of the Company were in agreement with those amounts recognised in the 2019 parent company only financial statements. As the actual distributed amount of employees' compensation for 2019 was \$21,097, the difference of \$908 between the amounts resolved at the Board meeting and the actual distributed amount had been adjusted in the profit or loss of 2020. There was no difference between the amount resolved at the Board meeting and the actual distributed amount of directors' remuneration.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2020	2019
Current tax on profits for the year	\$ 117,930	\$ 217,644
Land value increment tax for the year	-	471,152
Prior year income tax overestimation	(25,525)	(7,953)
Tax on undistributed surplus earnings	9,880	8,596
Offshore income tax expense	2,757	3,787
Total current tax	<u>105,042</u>	<u>693,226</u>
Realised land value increment tax liabilities	<u>-</u>	<u>(323,488)</u>
Deferred tax:		
Origination and reversal of temporary differences	(96,315)	409
Total deferred tax	<u>(96,315)</u>	<u>409</u>
Others:		
Effect of exchange rate changes	(1,981)	8,571
Income tax expense	<u>\$ 6,746</u>	<u>\$ 378,718</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2020	2019
Currency translation differences	<u>\$ 881</u>	<u>(\$ 1,727)</u>

(c) For the years ended December 31, 2020 and 2019, the Company had no income tax charged/(credited) to equity during the year.

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 196,561	\$ 512,184
Effects from items disallowed by tax regulation	(34,290)	(275,103)
Change in assessment of realisation of deferred tax assets and liabilities	(142,637)	(10,457)
Prior year income tax under (over) estimation	(25,525)	(7,953)
Effects from land value increment tax	-	147,664
Tax on undistributed surplus earnings	9,880	8,596
Offshore income tax expense	2,757	3,787
Income tax expense	<u>\$ 6,746</u>	<u>\$ 378,718</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020				
	January 1	Recognised in profit or loss	Recognised in comprehensive income	Translation differences	December 31
Deferred tax assets:					
- Temporary differences:					
Unrealised losses on overseas investments	\$ 89,721	(\$ 749)	\$ -	\$ -	\$ 88,972
Unrealised accrued expenses	97,547	7,423	-	1,559	106,529
Unrealised loss for market value decline and obsolete and slow-moving inventories	11,555	(3,855)	-	-	7,700
Impairment loss on fixed assets	18,882	(1,944)	-	-	16,938
Accrued unused compensated absences	7,586	(366)	-	-	7,220
Unrealised loss on doubtful debts	15,070	(8,479)	-	68	6,659
Pensions	152	-	-	-	152
Unrealised foreign exchange loss	3,813	(272)	-	-	3,541
Others	42,039	(667)	-	670	42,042
- Tax losses	<u>1,121,003</u>	<u>(51,817)</u>	<u>-</u>	<u>55</u>	<u>1,069,241</u>
	<u>\$ 1,407,368</u>	<u>(\$ 60,726)</u>	<u>\$ -</u>	<u>\$ 2,352</u>	<u>\$ 1,348,994</u>
Deferred tax liabilities:					
- Temporary differences:					
Reserve for land value increment tax	(\$ 643,041)	\$ 81,141	\$ -	\$ -	(\$ 561,900)
Unrealised gains on overseas investments	(340,611)	75,900	-	-	(264,711)
Currency translation differences	(3,635)	-	(881)	-	(4,516)
Unrealised exchange gain	(97)	-	-	-	(97)
	<u>(\$ 987,384)</u>	<u>157,041</u>	<u>(881)</u>	<u>-</u>	<u>(\$ 831,224)</u>
	<u>\$ 419,984</u>	<u>\$ 96,315</u>	<u>(\$ 881)</u>	<u>\$ 2,352</u>	<u>\$ 517,770</u>

2019

	Recognised in other				December 31
	January 1	Recognised in profit or loss	comprehensive income	Translation differences	
Deferred tax assets:					
- Temporary differences:					
Unrealised losses on overseas investments	\$ 89,719	\$ 2	\$ -	\$ -	\$ 89,721
Unrealised accrued expenses	70,904	30,309	-	(3,666)	97,547
Unrealised loss for market value decline and obsolete and slow-moving inventories	9,553	326	-	-	9,879
Impairment loss on fixed assets	32,826	(13,967)	-	23	18,882
Accrued unused compensated absences	8,358	(772)	-	-	7,586
Unrealised loss on doubtful debts	3,274	12,212	-	(416)	15,070
Pensions	152	-	-	-	152
Unrealised exchange loss	347	3,466	-	-	3,813
Loss on decline in inventory market value	1,626	50	-	-	1,676
Others	15,987	27,847	-	(1,795)	42,039
- Tax losses	<u>1,070,847</u>	<u>50,156</u>	<u>-</u>	<u>-</u>	<u>1,121,003</u>
	<u>\$1,303,593</u>	<u>\$ 109,629</u>	<u>\$ -</u>	<u>(\$ 5,854)</u>	<u>\$ 1,407,368</u>
Deferred tax liabilities					
- Temporary differences:					
Reserve for land value increment tax	(\$ 643,041)	\$ -	\$ -	\$ -	(\$ 643,041)
Unrealised gains on overseas investments	(230,520)	(110,091)	-	-	(340,611)
Currency translation differences	(5,362)	-	1,727	-	(3,635)
Unrealised exchange gain	(150)	53	-	-	(97)
	<u>(\$ 879,073)</u>	<u>(\$ 110,038)</u>	<u>\$ 1,727</u>	<u>\$ -</u>	<u>(\$ 987,384)</u>
	<u>\$ 424,520</u>	<u>(\$ 409)</u>	<u>\$ 1,727</u>	<u>(\$ 5,854)</u>	<u>\$ 419,984</u>

D. Expiration dates of the Company's and its domestic subsidiaries' unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Deferred tax assets	Expiry year
2009 ~ 2020	<u>\$ 7,798,946</u>	<u>\$ 7,476,107</u>	<u>\$ 2,132,725</u>	2019 ~ 2030
December 31, 2019				
Year incurred	Amount filed/assessed	Unused amount	Deferred tax assets	Expiry year
2009 ~ 2019	<u>\$ 6,506,274</u>	<u>\$ 6,504,244</u>	<u>\$ 899,227</u>	2019 ~ 2029

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 24,125</u>	<u>\$ 24,125</u>

F. The status of the Company's and its domestic subsidiaries' income tax returns assessed and approved by the Tax Authority are as follows:

	<u>Status</u>
CHINA YOUTH CO., LTD. (Note)	Assessed and approved to 2016
The Company, CONCOURSE INTERNATIONAL INC. and KING CAN INDUSTRY CORPORATION	Assessed and approved to 2018
KANG CHUAN ENGINEERING CO., LTD.	Assessed and approved to 2019

Note: The subsidiary was dissolved as approved by its shareholders at their meeting in November 2016, and the dissolution was approved by the regulatory authority in January 2017. It is currently in the process of liquidation.

(31) Earnings per share

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Year ended December 31, 2020</u>			
<u>Basic/Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 535,196	506,063	\$ 1.06
		<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
	<u>Amount after tax</u>		
<u>Year ended December 31, 2019</u>			
<u>Basic/Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,349,985	506,063	\$ 2.67

(32) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment and biological assets	\$ 524,222	\$ 1,051,777
Add: Opening balance of payable on equipment	116,288	150,240
Less: Ending balance of payable on equipment	(80,245)	(116,288)
Write-off of other receivables	(3,825)	(5,760)
Cash paid during the year	<u>\$ 556,440</u>	<u>\$ 1,079,969</u>

(33) Changes in liabilities from financing activities

	2020			
	Short-term borrowings	Short-term notes and bills payable	Lease liability	Long-term borrowings (including current portion)
At January 1 activities	\$ 3,159,229	\$ 40,000	\$ 263,353	\$ 3,296,949
Impact of changes in foreign exchange rate	(1,388,800)	310,000	(149,891)	366,373
Changes in other non-cash items	-	-	-	5,319
At December 31	<u>\$ 1,770,429</u>	<u>\$ 349,939</u>	<u>\$ 239,371</u>	<u>\$ 3,668,754</u>
	2019			
	Short-term borrowings	Short-term notes and bills payable	Lease liability	Long-term borrowings (including current portion)
At January 1 activities	\$ 5,027,075	\$ 50,000	\$ 239,904	\$ 3,539,197
Impact of changes in foreign exchange rate	(1,067,846)	110,000	(155,269)	(1,152,447)
Changes in other non-cash items	-	-	-	(9,555)
At December 31	<u>(800,000)</u>	<u>(120,000)</u>	<u>178,718</u>	<u>919,754</u>
	<u>\$ 3,159,229</u>	<u>\$ 40,000</u>	<u>\$ 263,353</u>	<u>\$ 3,296,949</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (TING HSIN)	An investor with significant influence over the Company
THE BREAD CO., LTD.	An entity controlled by the investor with significant influence over the Company
SHANGHAI DINGSHI WAREHOUSE CO.,LTD (SHANGHAI DINGSHI)	An entity controlled by the investor with significant influence over the Company
Tianjin Tinglian FOODS Co., Ltd.	An entity controlled by the investor with significant influence over the Company
HANGZHOU TINGZHENG PACKING MATERIAL CO.,LTD.	An entity controlled by the investor with significant influence over the Company
SHANGHAI TING SHENG FOODS CO., LTD.	An entity controlled by the investor with significant influence over the Company
TAIWAN TING QIAO RESTAURANT MANAGEMENT CO. LTD.	An entity controlled by the investor with significant influence over the Company
Hangzhou Kenko&Ting Foods Co., Ltd.	An entity controlled by the investor with significant influence over the Company
Hangzhou Bingxin Green Packaging Co., Ltd.	An entity controlled by the investor with significant influence over the Company
Huaian Bingxin Green Packaging Co., Ltd.	An entity controlled by the investor with significant influence over the Company
Tianjin Bingxin Packaging Co., Ltd.	An entity controlled by the investor with significant influence over the Company
Shanghai Epurus Information Technologies Co., Ltd.	An entity controlled by the investor with significant influence over the Company
KANG CHENG CO., LTD.	An entity controlled by the investor with significant influence over the Company
ZHUMADIAN TINGSHENG FOODSTUFF CO.,LTD	An entity controlled by the investor with significant influence over the Company
FU TING FOODS CO., LTD.	An investee accounted for using the equity method by the Company
RIKKEI TRADING CORP.	A director of the Company is also the chairman of the entity

Names of related parties	Relationship with the Company
CHAMPION LINKER CORP.	A director of the Company is also the chairman of the entity
TAIWAN STAR TELECOM CORPORATION LIMITED	A director of the Company is also the chairman of the entity
HEILONGJIANG WEI CHUAN FOOD CO.	A subsidiary of the Company not included as a consolidated entity
HEILONGJIANG WEI CHUAN DAIRY CO.	A subsidiary of the Company not included as a consolidated entity
HEALTH CAN DEVELOPMENT LIMITED	A subsidiary of the Company not included as a consolidated entity
All directors, general managers and main management personnel	Key management personnel and governing bodies of the Company

(2) Significant related party transactions

A. Sales transactions

(a) Operating revenue

Details of operating revenue arising from goods sold by the Group to related parties are as follows:

	Year ended December 31	
	2020	2019
Other related parties	\$ 918,129	\$ 1,282,928

The Group's sales price, conditions and credit terms to related parties were approximately the same as those for third party customers. The credit terms for third party customers approximately ranged from 30 to 90 days after monthly billings.

(b) Accounts receivable

Details of accounts receivable arising from the aforementioned sales to related parties are as follows:

	December 31, 2020	December 31, 2019
SHANGHAI DINGSHI	\$ 197,319	\$ 270,569
Others	16,627	3,809
	\$ 213,946	\$ 274,378

B. Purchase transactions

(a) Costs of goods purchased

Details of goods purchased by the Group from related parties are as follows:

	Year ended December 31	
	2020	2019
Associates	\$ 50,703	\$ 178,317
Other related parties	309,280	149,649
	<u>\$ 359,983</u>	<u>\$ 327,966</u>

Goods purchased from related parties are based on the price lists in force and terms agreed upon by both parties. Payment terms have no major difference between related parties and third parties, which are 30 ~ 90 days end of month for general suppliers.

(b) Accounts payable

Details of accounts payable arising from the aforementioned goods purchased from related parties are as follows:

	December 31, 2020	December 31, 2019
Associates	\$ 9,425	\$ 23,745
Other related parties	56,291	36,363
	<u>\$ 65,716</u>	<u>\$ 60,108</u>

(c) Prepayments

Prepayments arising from goods purchased by the Group from related parties are as follows:

	December 31, 2020	December 31, 2019
Other related parties	\$ 10,029	\$ -

C. Lease transactions

(a) Rent income

The Group leased some offices and plants (shown as 'investment property') to related parties, the details of rental revenue were as follows:

Lessee	Leased object	Rent calculation and payment	Year ended December 31	
			2020	2019
- Associates	Offices	Monthly payment	\$ 55	\$ 60
- Other related parties	Offices, plant and others	Quarterly prepayment/ Monthly payment	6,192	5,873
			<u>\$ 6,247</u>	<u>\$ 5,933</u>

Other receivables arising from the aforementioned transactions as of December 31, 2020 and 2019 amounted to \$69 and \$5, respectively.

D. Other transactions

(a) Other income/ Other receivables

The amounts of other income and the related other receivables as of and for the years ended December 31, 2020 and 2019 between the Group and related parties were immaterial. Thus, details are not disclosed. In addition, the Group's other receivables from service transactions in previous years are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	\$ -	\$ 27,015
Less: Allowance for uncollectible accounts	-	(27,015)
	<u>\$ -</u>	<u>\$ -</u>

(b) Other ending balances

Receivables due from subsidiaries (shown as other receivables):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries - HEILONGJIANG WEI CHUAN FOOD and 2 others	\$ 4,308	\$ 25,348
Less: Allowance for receivables due from subsidiaries	(300)	(20,894)
	<u>\$ 4,008</u>	<u>\$ 4,454</u>

E. Endorsements and guarantees provided to related parties

The Group's other related party - TING HSIN acted as a joint guarantor for the loan agreement entered into by the Group with United Overseas Bank in 2017. Such joint guarantee liabilities were removed when the loan was repaid in full in May 2019.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 79,561	\$ 75,173
Post-employment benefits	201	294
	<u>\$ 79,762</u>	<u>\$ 75,467</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Restricted bank deposits (shown as other non-current assets)	\$ 8,000	\$ 10,000	Collateral for long-term material purchase
Land (shown as property, plant and equipment and investment property)	2,655,687	2,655,687	Collateral for short-term notes and bills as well as long-term and short-term borrowings
Buildings and structures (shown as property, plant and equipment and investment property)	972,650	1,038,883	Collateral for short-term notes and bills as well as long-term and short-term borrowings
	<u>\$ 3,636,337</u>	<u>\$ 3,704,570</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

Regarding the misuse of lard oil supplied by TING HSIN OIL & FAT INDUSTRIAL CO., LTD. and CHENG-I FOOD CO., LTD., the Company was sued by the Consumers' Foundation, Chinese Taipei to bear a joint and several liability for compensation. The case is currently pending with the High Court. As of December 31, 2020, the Company has accrued contingent compensation of \$1,000 (shown as other payables). Any subsequent impact arising from the incident will be assessed and recognised by the Company and disclosed in the financial statements.

(2) Commitments

- A. As of December 31, 2020 and 2019, the Group has a promissory note for the credit facility of banks in the amounts of \$10,207,400 and \$9,565,040,000, respectively.
- B. As of December 31, 2020 and 2019, the Group's total unused letters of credit issued for the import of material and merchandise were \$283,044 and \$221,361, respectively.
- C. As of December 31, 2020 and 2019, the total contract consideration, excluding the settled payment, arising from the contracts that the Group entered into for commissioning each construction project or purchasing of equipment, that it shall pay for the construction and equipment in future years amounted to \$421,312 and \$420,280, respectively.
- D. As of December 31, 2020 and 2019, the Group has drawn from the endorsements and guarantees for the entities in the Group in the amounts of \$981,122 and \$1,007,945, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Information on the appropriation of 2020 earnings proposed by the Board of Directors on March 29, 2021 but not yet resolved by the shareholders of the Company is provided in Note 6(21).

12. Other

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust to the optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total capital. Total liabilities are the total amount of liabilities as shown in the consolidated balance sheet. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus total liabilities.

During the year ended December 31, 2020, the Group's strategy was unchanged from 2019. As of December 31, 2020 and 2019, the gearing ratios were 62% and 64%, respectively.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Non-current financial assets mandatorily measured at fair value through profit or loss	\$ 33,452	\$ 33,443
Financial assets at amortised cost		
Cash and cash equivalents	1,905,431	2,221,758
Notes receivable, net	21,996	26,308
Accounts receivable, net	2,277,509	2,363,467
Accounts receivable due from related parties, net	213,946	274,378
Other receivables	82,476	101,985
Other non-current assets		
- Long-term notes and accounts receivable	156,516	156,516
- Guarantee deposits paid	49,740	52,672
- Restricted bank deposits	8,000	10,000

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,770,429	\$ 3,159,229
Short-term notes and bills payable	349,939	40,000
Notes payable	299	6,602
Accounts payable	1,485,952	1,507,668
Accounts payable to related parties	65,716	60,108
Other payables	2,076,044	1,998,678
Long-term borrowings (including current portion)	3,668,754	3,296,949
Other non-current liabilities		
- Guarantee deposits received	67,674	79,448
Current lease liabilities	78,278	108,922
Non-current lease liabilities	161,093	154,431

B. Financial risk management policies

- (a) The Group adopts a comprehensive risk management and control system to identify, evaluate and control all risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk, liquidity risk, in order for the management to control these risks effectively.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the managements. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The management provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

- (i) Some of the Group's sales and purchases are denominated in USD. The fair value changes according to the fluctuations in market exchange rates. As the Company offsets these market risks by matching the foreign currency assets and liabilities positions and their payment periods, it does not expect significant market risk.
- (ii) The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	7,056	28.48	\$ 200,955
USD:RMB	86	6.52	2,449
RMB:NTD	95,710	4.37	418,253
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	274	28.48	\$ 7,804
USD:RMB	4,000	6.52	113,920
RMB:NTD	1,031	4.37	4,505
December 31, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	11,117	29.98	\$ 333,288
USD:RMB	86	6.98	2,578
RMB:NTD	110,247	4.30	474,062
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	7,243	29.98	\$ 217,145
USD:RMB	4,394	6.98	131,732
RMB:NTD	159	4.30	684

The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$4,787 and (\$30,639), respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2020			
Sensitivity analysis			
Degree of variation	Effect on profit or loss	Effect on other comprehensive income or loss	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,010	\$ -
USD:RMB	1%	24	-
RMB:NTD	1%	4,183	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 78)	\$ -
USD:RMB	1%	(1,139)	-
RMB:NTD	1%	(45)	-
Year ended December 31, 2019			
Sensitivity analysis			
Degree of variation	Effect on profit or loss	Effect on other comprehensive income or loss	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,333	\$ -
USD:RMB	1%	26	-
RMB:NTD	1%	4,741	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 2,171)	\$ -
USD:RMB	1%	(1,317)	-
RMB:NTD	1%	(7)	-

B. Price risk

- (i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss.

- (ii) The Group has investments in equity securities. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$335 and \$334, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

C. Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term and short-term borrowings as well as short-term notes and bills payable. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's long-term and short-term borrowings as well as short-term notes and bills payable are with floating rates. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rates were denominated in NTD and RMB.

As of December 31, 2020 and 2019, if the borrowing interest rate had increased/decreased by 0.1% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by \$5,789 and \$6,496, respectively. The main factor is that floating-rate borrowings result in increase/decrease in interest expense.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the note and accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the managements. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customers' notes and accounts receivable in accordance with credit rating of customer, credit on trade and customer types. The Group applies the modified approach using a provision matrix based on the loss rate methodology to estimate the expected credit loss.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii. After the Group identifies customer risks on an individual basis, and it classifies them into groups according to different credit risk characteristics, assesses the historical default rates, and uses the forecastability to adjust historical and timely information to assess the default possibility. The Group considers that in the financial industry, the default rate should not be lower than 0.03% for numerous and unidentifiable individual investors. However, in accordance with the policy, the Group traces the credit risk of customers at any time, the Group refers to the reference rate set by the financial industry as a basis of forecast adjustment, and adjusts the expected loss rate referring to monitoring indicator and the nature of risk. The loss rate methodology is as follows:

		1~30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2020</u>	<u>Not past due</u>				
Expected loss rate	0.03%~0.78%	0.03%~1.33%	0.03%~1.88%	100.00%	
Total book value	\$ 2,472,184	\$ 32,368	\$ 12,488	\$ 43,147	\$ 2,560,187
Loss allowance	(\$ 6,778)	(\$ 11)	(\$ 216)	(\$ 39,731)	(\$ 46,736)
		1~30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2019</u>	<u>Not past due</u>				
Expected loss rate	0.03%~0.74%	0.03%~1.24%	0.03%~1.74%	100.00%	
Total book value	\$ 2,604,494	\$ 18,233	\$ 33,840	\$ 72,367	\$ 2,728,934
Loss allowance	(\$ 1,516)	\$ -	\$ -	(\$ 63,265)	(\$ 64,781)

The above ageing analysis was based on past due date.

- viii. Movements in relation to the Group's loss allowance for accounts and notes receivable and other receivables are as follows:

	2020			
	Accounts receivables	Notes receivables	Other receivables	Total
At January 1	\$ 64,777	\$ 4	\$ 145,493	\$ 210,274
Expected credit loss (gain)	3,811	(4)	(27,382)	(23,575)
Write-offs	(22,125)	-	(16,331)	(38,456)
Effect of exchange rate changes	273	-	(4,509)	(4,236)
At December 31	\$ 46,736	\$ -	\$ 97,271	\$ 144,007

	2019			
	Accounts receivables	Notes receivables	Other receivables	Total
At January 1	\$ 51,169	\$ 7	\$ 198,445	\$ 249,621
Expected credit loss (gain)	17,487	(3)	(53,298)	(35,814)
Reclassifications	(2,220)	-	2,220	-
Write-offs	(26)	-	-	(26)
Effect of exchange rate changes	(1,633)	-	(1,874)	(3,507)
At December 31	<u>\$ 64,777</u>	<u>\$ 4</u>	<u>\$ 145,493</u>	<u>\$ 210,274</u>

(c) Liquidity risk

- i. The Group chooses the equity instruments with sufficient liquidity when investing in the equity financial instruments. Group management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, so it does not expect significant liquidity risk.
- ii. Surplus cash held by the units over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. As of December 31, 2020 and 2019, the amounts of undrawn available borrowing facilities were \$10,861,311 and \$8,352,274, respectively.
- iv. The Group has no derivative financial liabilities. Except for the items disclosed in the following table, the Group's non-derivative financial liabilities, which were classified by its maturity date, were due within one year and approximates the amounts which were shown in the balance sheets. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 year(s)</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>					
Lease liability	\$ 87,300	\$ 57,433	\$ 46,729	\$ 56,759	\$ 248,221
Long-term borrowings (including current portion)	142,966	2,474,139	1,160,519	-	3,777,624
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 year(s)</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>					
Lease liability	\$ 120,840	\$ 62,135	\$ 46,734	\$ 64,881	\$ 294,590
Long-term borrowings (including current portion)	223,738	2,500,760	706,907	-	3,431,405

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other non-current assets - long-term notes and accounts receivable, other non-current assets - guarantee deposits paid, other non-current assets - restricted bank deposits, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables, lease liabilities, long-term borrowings (including current portion) and other non-current liabilities - guarantee deposits received, are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,452</u>	<u>\$ 33,452</u>
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,443</u>	<u>\$ 33,443</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- ii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	2020		
	Financial product	Non-derivative equity instrument	Total
At January 1	\$ -	\$ 33,443	\$ 33,443
Gains recognised in profit or loss	-	9	9
At December 31	<u>\$ -</u>	<u>\$ 33,452</u>	<u>\$ 33,452</u>

	2019		
	Financial product	Non-derivative equity instrument	Total
At January 1	\$ 29,089	\$ 33,443	\$ 62,532
Gains recognised in profit or loss	18	-	18
Sold in the year	(27,942)	-	(27,942)
Effect of exchange rate changes	(1,165)	-	(1,165)
At December 31	<u>\$ -</u>	<u>\$ 33,443</u>	<u>\$ 33,443</u>

G. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. In addition to Level 3 fair value measurements applicable to the above valuation models, the Group also directly refers to fair value information provided by the financial institutions.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares- LI JIA CONSTRUCTION	\$ 5,617	Market approach-price-to- book ratio	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares- CONNECTION INVESTMENT etc.	27,835	Net asset value	N/A	-	N/A

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares LI JIA CONSTRUCTION	\$ 11,947	Market approach-price-to- book ratio	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares- CONNECTION INVESTMENT, etc.	21,496	Net asset value	N/A	-	N/A

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. If net asset value from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, profit or loss would not have been significantly impacted as of December 31, 2020 and 2019.

(4) Others

A. The impact of oil incidents caused by the upstream suppliers on the Company since the fourth quarter of 2013 is as follows:

(a) The Company's oil OEM supplier was suspected of misusing the oil adulterated with copper chlorophyllin by CHANG CHI FOODSTUFF FACTORY CO., LTD. (CHANG CHI). The Company recognised losses associated with product returns, inventory loss and related expenses in the amount of \$179,337 as of 31 December, 2017 due to the impact of this incident.

The Company was sued for violating the Act Governing Food Safety and Sanitation as a result of the oil and food safety incident caused by CHANG CHI. On April 27, 2017, the Intellectual Property Court rendered a decision in favour of the Company, but some representatives were charged with fraud for mislabeling oil. The court also confiscated \$32,929 in revenue gained from the sales of these products. The Company has petitioned to the Council of Grand Justices for an interpretation on whether the confiscation was reasonable.

On November 27, 2019, the Taiwan Changhua District Court ruled that CHANG CHI, KAO, CHEN-LI, WEN, JUI-PIN and CHOU, KUN-MING are jointly liable to compensate the Company for \$66,595 and related interests, for which the Company has obtained a certificate of the obligatory claim.

- (b) Due to more problematic oil was announced by the government organisations between September 2014 and October 2014, the Company has taken countermeasures such as taking the initiative to remove the products from shelves as a precautionary measure, notifying the competent authorities and compensating customers for returned products. The Company recognised losses associated with returns of certain affected products and compensation in the amount of \$226,017 during the period from 2014 to 2015.
- (c) To safeguard the interests of the Company, the Company continually filed lawsuits for compensation against a number of suppliers supplying problematic oil depending upon each circumstance. The remaining cases, CHANG GUANN CO., LTD., TING HSIN OIL & FAT INDUSTRIAL CO., LTD. and CHENG-I FOOD CO., LTD are pending with the courts. In May 2019, the court advised LIHAO ENTERPRISE CO., LTD. a settlement to compensate the Company for \$1,276, which was recognised by the Company. The Company's management resolutely safeguards the rights and interests of the Company and shareholders and may take necessary legal actions in due course depending on the hearing process.
- B. The Group entered into a loan repayment agreement with WANG DE XING TEA COMPANY (an investee company whose 51% shares were originally held by the Group but sold in January 2016). The entity has been repaid the principal and interest in accordance with the agreement. However, in term of the last repayment of USD 2.965 million due on October 1, 2020, the Company agreed to amend the repayment schedule considering the impact of the COVID-19 pandemic on the entity's operation, the enhancement of collateral provided and the good credit of the entity on the past repayments. The remaining payments will be repaid in three instalments over three years.
- The Group has provided for a full loss allowance in accordance with generally accepted accounting principles for the aforementioned receivables in the previous year after considering the risk of default.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.

- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 11.

(4) Major shareholders information

Major shareholders information: Please refer to table 12.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4.

(2) Measurement of segment information

The accounting policies of operating segments are in agreement with the significant accounting policies summarised in Note 4. The post-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Segment Information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2020

	Food segment	Packaging segment	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 17,802,265	\$ 532,409	\$ 316,197	\$ -	\$ 18,650,871
Inter-segment revenue	<u>1,055,228</u>	<u>449,808</u>	<u>522,631</u>	(2,027,667)	<u>-</u>
Total segment revenue	<u>\$ 18,857,493</u>	<u>\$ 982,217</u>	<u>\$ 838,828</u>	<u>(\$ 2,027,667)</u>	<u>\$ 18,650,871</u>
Segment income (loss)	<u>\$ 716,016</u>	<u>\$ 79,590</u>	<u>\$ 291,073</u>	<u>(\$ 550,537)</u>	<u>\$ 536,142</u>
Segment income (loss), including:					
Depreciation expense	(\$ 1,031,437)	(\$ 51,432)	(\$ 1,086)	-	(\$ 1,083,955)
Interest income	29,950	8,316	7,100	(22,550)	22,816
Interest expense	(163,799)	(3,484)	(5,491)	22,550	(150,224)
Share of profit or loss of investments accounted for using the equity method	311,385	6,482	226,000	(544,487)	(620)
Segment assets	16,667,335	666,362	697,824	-	18,031,521

Year ended December 31, 2019

	Food segment	Packaging segment	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 19,422,917	\$ 515,688	\$ 289,514	\$ -	\$ 20,228,119
Inter-segment revenue	<u>1,030,156</u>	<u>434,961</u>	<u>577,406</u>	(2,042,523)	<u>-</u>
Total segment revenue	<u>\$ 20,453,073</u>	<u>\$ 950,649</u>	<u>\$ 866,920</u>	<u>(\$ 2,042,523)</u>	<u>\$ 20,228,119</u>
Segment income (loss)	<u>\$ 1,835,336</u>	<u>\$ 76,190</u>	<u>\$ 670,186</u>	<u>(\$ 1,230,833)</u>	<u>\$ 1,350,879</u>
Segment income (loss), including:					
Depreciation expense	(\$ 990,622)	(\$ 48,544)	(\$ 1,085)	-	(\$ 1,040,251)
Interest income	35,275	11,688	24,000	(26,243)	44,720
Interest expense	(204,835)	(3,899)	(9,588)	26,243	(192,079)
Share of profit or loss of investments accounted for using the equity method	665,015	13,263	553,493	(1,231,072)	699
Segment assets	17,004,764	657,200	1,434,979	-	19,096,943

(4) Reconciliation for segment income (loss)

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.
- B. The Company's Chief Operating Decision-Maker assesses performance of operating segments and allocates resources based on post-tax net income, thus, reconciliation is not needed.
- C. The amounts provided to the Chief Operating Decision Maker with respect to total assets are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Details of revenue are as follows:

	Year ended December 31	
	2020	2019
Revenue from food manufacturing sales	\$ 17,802,265	\$ 19,422,917
Revenue from trade of molds and other packaging	532,409	515,688
Others	316,197	289,514
	<u>\$ 18,650,871</u>	<u>\$ 20,228,119</u>

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 8,440,389	\$ 5,765,449	\$ 8,248,222	\$ 5,913,496
Mainland China and others	10,210,482	4,940,844	11,979,897	5,135,144
	<u>\$ 18,650,871</u>	<u>\$ 10,706,293</u>	<u>\$ 20,228,119</u>	<u>\$ 11,048,640</u>

Note: Non-current assets excluded financial instruments and deferred income tax assets.

(7) Major customer information

The Group's major customers with which the sales revenues from a single customer accounting for more than 10% of total net operating revenue in the consolidated statement of comprehensive income. Details are as follows:

	Year ended December 31			
	2020		2019	
	Revenue	Segment	Revenue	Segment
Taiwan	<u>\$ 2,856,118</u>	Food Segment	<u>\$ 2,618,644</u>	Food Segment

Wei Chuan Foods Corporation and subsidiaries

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	WEI-CHUAN(BVI) CO., LTD.	WANG DE XING TEA COMPANY	Other receivables	N	\$ 89,691	\$ 84,443	\$ 84,443	2.5000%~3.8379%	2	\$ -	Loan repayment and working capital needs	(\$ 84,443)	Property and tea leaf	\$ 88,910	\$ 745,573	\$ 1,491,145	Notes 3 and 6
2	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Other receivables	Y	87,582	87,320	43,660	3.8500%~4.7500%	2	-	Loan repayment and working capital needs	-	None	-	1,499,005	2,998,009	Note 4
2	HANGZHOU WEI-CHUAN FOOD CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Other receivables	Y	656,865	654,900	458,430	3.8500%~4.7500%	2	-	Loan repayment and working capital needs	-	None	-	1,499,005	2,998,009	Note 4
3	KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Other receivables	Y	35,066	34,928	34,928	3.8500%~4.3500%	2	-	Loan repayment and working capital needs	-	None	-	134,315	268,629	Note 5
3	KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Other receivables	Y	87,664	87,320	87,320	3.8500%~4.3500%	2	-	Loan repayment and working capital needs	-	None	-	134,315	268,629	Note 5
3	KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Other receivables	Y	122,730	122,248	122,248	3.8500%~4.3500%	2	-	Loan repayment and working capital needs	-	None	-	134,315	268,629	Note 5

Note 1: The Company is '0'; the subsidiaries are numbered in order starting from '1'. The same company shall have the same number.

Note 2: The numbers filled in for the nature of loans are as follows:

- (1) Business transaction: 1.
- (2) Short-term financing: 2.

Note 3: Ceiling on total loans granted and limit on loans granted to a single party as prescribed in WEI-CHUAN(BVI) CO., LTD.'s "Procedures for Provision of Loans" are as follows:

- (1) Ceiling on total loans granted by WEI-CHUAN(BVI) CO., LTD. is 40% of net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.
- (2) For short-term financing, limit on loans granted to a single party by WEI-CHUAN(BVI) CO., LTD. is 20% of net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.
- (3) For loans granted between overseas companies in which WEI-CHUAN(BVI) CO., LTD. or Wei Chuan Foods Corporation holds 100% of the voting shares directly or indirectly, ceiling on total loans granted is 100% of net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.

Limit on loans granted to a single party is 100% of WEI-CHUAN(BVI) CO., LTD.'s net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.

Note 4: Ceiling on total loans granted and limit on loans granted to a single party as prescribed in HANGZHOU WEI-CHUAN FOOD CO., LTD.'s "Procedures for Provision of Loans" are as follows:

- (1) Ceiling on total loans granted by HANGZHOU WEI-CHUAN FOOD CO., LTD. is 40% of net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.
- (2) For short-term financing, limit on loans granted to a single party by HANGZHOU WEI-CHUAN FOOD CO., LTD. is 20% of net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.
- (3) For loans granted between overseas companies in which HANGZHOU WEI-CHUAN FOOD CO., LTD. or Wei Chuan Foods Corporation holds 100% of the voting shares directly or indirectly, WEI-CHUAN(BVI) CO., LTD.'s ceiling on total loans granted is 100% of HANGZHOU WEI-CHUAN FOOD CO., LTD.'s net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.

Limit on loans granted to a single party is 50% of HANGZHOU WEI-CHUAN FOOD CO., LTD.'s net asset value based on the latest consolidated financial statements audited (reviewed) by independent auditors.

Note 5: Ceiling on total loans granted and limit on loans granted to a single party as prescribed in KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.'s "Procedures for Provision of Loans" are as follows:

- (1) Ceiling on total loans granted by KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD. is 40% of net asset value based on its latest financial statements.
- (2) For short-term financing, limit on loans granted to a single party by KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD. is 20% of net asset value based on its latest financial statements.
- (3) For loans granted between overseas companies in which KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD. or Wei Chuan Foods Corporation holds 100% of the voting shares directly or indirectly, ceiling on total loans granted is 100% of KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.'s net asset value based on its latest financial statements.

Limit on loans granted to a single party is 50% of KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.'s net asset value based on its latest financial statements.

Note 6: In order to focus on the core business, the Group transferred its entire equity interest of 51% in WANG DE XING TEA COMPANY and negotiated a repayment. However, the Group made full loss allowance in 2016 after considering the risk of default on the loan.

Wei Chuan Foods Corporation and subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 3)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 6)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Wei Chuan Foods Corporation	Cheng Shuen Nung Ranch Dairy Co., Ltd.	(2)	\$ 2,282,568	\$ 435,000	\$ 435,000	\$ 435,000	\$ 665,037	6.35	\$ 6,847,705	Y	N	N	
0	Wei Chuan Foods Corporation	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	(2)	2,282,568	219,160	218,300	135,346	-	3.19	6,847,705	Y	N	Y	
0	Wei Chuan Foods Corporation	CONCOURSE INTERNATIONAL INC.	(2)	2,282,568	998,250	854,400	70,228	-	12.48	6,847,705	Y	N	N	
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	(4)	2,998,009	43,832	43,660	43,660	-	1.46	2,998,009	N	N	Y	
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	(4)	2,998,009	438,320	-	-	-	-	2,998,009	N	N	Y	
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	SUZHOU WEI-CHUAN FOODS CO., LTD.	(4)	2,998,009	876,640	873,200	296,888	-	29.13	2,998,009	N	N	Y	

Note 1: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 2: 1. Provision of endorsements and guarantees by Wei Chuan Foods Corporation:

- (1) Ceiling on total amount of endorsements/guarantees provided is Wei Chuan Foods Corporation's net asset value.
- (2) Limit on endorsements/guarantees provided for a single party is a third of total amount of endorsements/guarantees provided by Wei Chuan Foods Corporation.
- (3) Ceiling on total amount of endorsements/guarantees provided by Wei Chuan Foods Corporation and its subsidiaries is 1.2 times of Wei Chuan Foods Corporation's net asset value. Limit on endorsements/guarantees provided by Wei Chuan Foods Corporation and its subsidiaries for a single party is a third of total amount of endorsements/guarantees provided.

2. Provision of endorsements and guarantees by HANGZHOU WEI-CHUAN FOOD CO., LTD.:

- (1) Ceiling on total amount of endorsements/guarantees provided is the net asset value based on its latest consolidated financial statements audited (reviewed) by independent auditors.
- (2) Limit on endorsements/guarantees provided for a single party is the total amount of endorsements/guarantees provided by HANGZHOU WEI-CHUAN FOOD CO., LTD.
- (3) Ceiling on total amount of endorsements/guarantees provided by HANGZHOU WEI-CHUAN FOOD CO., LTD. and its subsidiaries is 1.2 times of HANGZHOU WEI-CHUAN FOOD CO., LTD.'s net asset value based on its latest consolidated financial statements audited (reviewed) by independent auditors. Limit on endorsements/guarantees provided by HANGZHOU WEI-CHUAN FOOD CO., LTD. and its subsidiaries for a single party is the total amount of endorsements/guarantees provided.

Note 3: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 4: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies

Note 5: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 6: For endorsements/guarantees provided by the Company, the net asset value is based on the Company's latest financial statements.

For endorsements/guarantees provided by HANGZHOU WEI-CHUAN FOOD CO., LTD., the net asset value is based on the entity's consolidated financial statements audited (reviewed) by independent auditors.

Wei Chuan Foods Corporation and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Wei Chuan Foods Corporation	Stock of CONNECTION INVESTMENT CO., LTD.	None	Non-current financial assets at fair value through profit or loss	1,380,000	\$ 17,500	16.67	\$ 17,500	
Wei Chuan Foods Corporation	Stock of COCORD BUILDERS ENTERPRISE CO., LTD.	None	Non-current financial assets at fair value through profit or loss	22,340,197	-	10.75	-	
Wei Chuan Foods Corporation	Stock of AN LI INVESTMENT CO., LTD.	None	Non-current financial assets at fair value through profit or loss	3,329,500	-	18.50	-	
Wei Chuan Foods Corporation	Stock of RAINIER INVESTMENT CO., LTD.	None	Non-current financial assets at fair value through profit or loss	3,329,500	-	18.50	-	
Wei Chuan Foods Corporation	Stock certificate of LI JIA CONSTRUCTION LTD.	None	Non-current financial assets at fair value through profit or loss	Note	5,617	18.36	5,617	
Wei Chuan Foods Corporation	GUANG CHANG INVESTMENT & DEVELOPMENT CO., LTD.	None	Non-current financial assets at fair value through profit or loss	-	10,000	-	10,000	
		None			\$ 33,117		\$ 33,117	
KANG CHUAN ENGINEERING CO., LTD.	Stock of COCORD BUILDERS ENTERPRISE CO., LTD.	None	Non-current financial assets at fair value through profit or loss	545,431	\$ -	0.26	\$ -	
KANG CHUAN ENGINEERING CO., LTD.	Stock of CONNECTION INVESTMENT CO., LTD.	None	Non-current financial assets at fair value through profit or loss	41,400	335	0.50	335	
KANG CHUAN ENGINEERING CO., LTD.	Stock of RAINIER INVESTMENT CO., LTD.	None	Non-current financial assets at fair value through profit or loss	82,650	-	0.46	-	
KANG CHUAN ENGINEERING CO., LTD.	Stock of AN LI INVESTMENT CO., LTD.	None	Non-current financial assets at fair value through profit or loss	82,650	-	0.46	-	
WEI-CHUAN INTERNATIONAL LIMITED	Stock certificate of Shanghai Wei Chuan Foods Industrial Co., Ltd.	None	Non-current financial assets at fair value through profit or loss	Note	-	19.00	-	
WEI-CHUAN INTERNATIONAL LIMITED	Stock certificate of Kuiling Wei-Chuan Food Ltd.	None	Non-current financial assets at fair value through profit or loss	Note	-	10.77	-	
WEI-CHUAN ASIAN INVESTMENT LIMITED	Stock certificate of Kuiling Wei-Chuan Food Ltd.	None	Non-current financial assets at fair value through profit or loss	Note	-	5.10	-	
					\$ 335		\$ 335	

Note: The investee is a limited company without shares.

Wei Chuan Foods Corporation and subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor	Balance as at January 1, 2020		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2020		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Wei Chuan Foods Corporation	Cheng Shuen Nung Ranch Dairy Co., Ltd.- common stocks	Investments accounted for using the equity method	Cheng Shuen Nung Ranch Dairy Co., Ltd.	Subsidiary	-	\$ -	57,929,989	\$ 753,035	-	\$ -	-	-	57,929,989	\$ 753,035

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: In April 2020, the Company invested and established wholly owned subsidiary, Cheng Shuen Nung Ranch Dairy Co., Ltd. ("Cheng Shuen Nung"), in cash in the amount of \$30,000. Based on the resolutions of the Board of Directors on May 11, 2020 and of the shareholders on June 23, 2020, the Company spun-off ranch related business (including assets, liabilities and operation) to Cheng Shuen Nung. The effective date for the spin-off was set on December 31, 2020. Also, Cheng Shuen Nung increased its capital by issuing shares at a par value of NT\$ 10. Among the new issuance, 54,929,989 shares with voting rights were issued to the Company as a consideration to receiving the ranch business valued at \$723,035, the carrying amount of common stocks which were acquired was \$753,035.

Wei Chuan Foods Corporation
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
Year ended Decmeber 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gains (losses) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
WEI CHUAN FOODS CORPORATION	Property of ranch business	Note 4	1972 to 2017	\$ 663,533	\$ 663,533	Note 4	-	Cheng Shuen Nung Ranch Dairy Co., Ltd.	Subsidiaries	Fulfill specialisation to enhance competitiveness and management performance	Carrying amount on the effective date of spin-off	

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4: In April 2020, the Company invested and established wholly owned subsidiary, Cheng Shuen Nung Ranch Dairy Co., Ltd.(Cheng Shuen Nung), in cash in the amount of \$30,000. Based on the resolutions of the Board of Directors on May 11, 2020 and of the shareholders on June 23, 2020, the Company spun-off ranch related business (including assets, liabilities and operation) to Cheng Shuen Nung. The effective date for the spin-off was set on December 31, 2020. Also, Cheng Shuen Nung increased its capital by issuing shares at a par value of NT\$ 10. Among the new issuance, 54,929,989 shares with voting rights were issued to the Company as a consideration to receiving the ranch business valued at \$723,035, The carrying amount of the property which was spun off was \$663,533.

Wei Chuan Foods Corporation and subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term			
Wei Chuan Foods Corporation	KING CAN INDUSTRY CORPORATION	Parent company to subsidiary	Purchases	\$ 448,176	0.11	60 - 90 days	In accordance with agreement	No significant difference from general transactions	(\$ 84,278)	0.13	
Wei Chuan Foods Corporation	CONCOURSE INTERNATIONAL INC.	Parent company to subsidiary	Purchases	333,875	0.08	60 - 90 days	No significant difference from general transactions	No significant difference from general transactions	(72,147)	0.11	
CONCOURSE INTERNATIONAL INC.	Wei Chuan Foods Corporation	Subsidiary to parent company	Sales	(333,875)	0.56	60 - 90 days	No significant difference from general transactions	No significant difference from general transactions	72,147	0.48	
KING CAN INDUSTRY CORPORATION	Wei Chuan Foods Corporation	Subsidiary to parent company	Sales	(448,176)	0.46	60 - 90 days	In accordance with agreement	No significant difference from general transactions	84,278	0.40	
HANGZHOU WEI-CHUAN FOOD CO., LTD.	SHANGHAI DINGSHI WAREHOUSE CO.,LTD	Second-tier subsidiary to other related party	Sales	(843,545)	0.09	30 - 45 days	No significant difference from general transactions	No significant difference from general transactions	197,318	0.14	
HANGZHOU WEI-CHUAN FOOD CO., LTD.	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Second-tier subsidiary to second-tier subsidiary	Purchases	156,001	0.02	30 days	In accordance with agreement	No significant difference from general transactions	(30,807)	0.03	
Hangzhou Weichuan Biotechnology Foods Co., Ltd.	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Second-tier subsidiary to second-tier subsidiary	Sales	(156,001)	0.49	30 days	In accordance with agreement	No significant difference from general transactions	30,807	0.82	
HANGZHOU WEI-CHUAN FOOD CO., LTD.	CONCOURSE INTERNATIONAL INC.	Second-tier subsidiary to subsidiary	Purchases	363,118	0.07	30 days	In accordance with agreement	No significant difference from general transactions	(10,837)	0.01	
HANGZHOU CONCOURSE TRADING CO., LTD.	CONCOURSE INTERNATIONAL INC.	Second-tier subsidiary to subsidiary	Purchases	158,865	0.84	60 days	No significant difference from general transactions	No significant difference from general transactions	(5,554)	1.00	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions					Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
HANGZHOU WEI-CHUAN FOOD CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Second-tier subsidiary to second-tier subsidiary	Purchases	\$ 854,739	0.17	30 days	No significant difference from general transactions	No significant difference from general transactions	(\$ 126,337)	0.13		
LANGFANG WEI-CHUAN FOODS CO., LTD.	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Second-tier subsidiary to second-tier subsidiary	Sales	(854,739)	1.00	30 days	No significant difference from general transactions	No significant difference from general transactions	126,337	1.00		
HANGZHOU WEI-CHUAN FOOD CO., LTD.	CHAMPION LINKER CORP.	Second-tier subsidiary to other related party	Purchases	123,360	0.02	30 days	No significant difference from general transactions	No significant difference from general transactions	(3,087)	-		

Wei Chuan Foods Corporation and subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2020

Table 7

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for accounts
					Amount	Action taken		
LANGFANG WEI-CHUAN FOODS CO., LTD.	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Second-tier subsidiary to second-tier subsidiary	\$ 126,337	8.17	\$ -	None	\$ 126,337	\$ -
HANGZHOU WEI-CHUAN FOOD CO., LTD.	SHANGHAI DINGSHI WAREHOUSE CO.,LTD	Second-tier subsidiary to other related party	197,318	3.61	-	None	196,703	-
HANGZHOU WEI-CHUAN FOOD CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Second-tier subsidiary to second-tier subsidiary	458,430	N/A	-	None	-	-
KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Second-tier subsidiary to second-tier subsidiary	122,248	N/A	-	None	-	-

Wei Chuan Foods Corporation and subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount	Transaction terms	
0	Wei Chuan Foods Corporation	CONCOURSE INTERNATIONAL INC.	Parent company to subsidiary	Provision of endorsements and guarantees	\$ 854,400	Note 1	N/A
0	Wei Chuan Foods Corporation	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Parent company to second-tier subsidiary	Provision of endorsements and guarantees	435,000	Note 1	N/A
0	Wei Chuan Foods Corporation	Cheng Shuen Nung Ranch Dairy Co., Ltd.	Parent company to second-tier subsidiary	Provision of endorsements and guarantees	218,300	Note 1	N/A
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	SUZHOU WEI-CHUAN FOODS CO., LTD.	Second-tier subsidiary to second-tier subsidiary	Provision of endorsements and guarantees	873,200	Note 1	N/A
0	Wei Chuan Foods Corporation	KING CAN INDUSTRY CORPORATION	Parent company to subsidiary	Purchases	448,176	In accordance with agreement	2.40%
0	Wei Chuan Foods Corporation	CONCOURSE INTERNATIONAL INC.	Parent company to subsidiary	Purchases	333,875	Same as third parties	1.79%
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	CONCOURSE INTERNATIONAL INC.	Second-tier subsidiary to subsidiary	Purchases	363,118	In accordance with agreement	1.95%
3	HANGZHOU CONCOURSE TRADING CO., LTD.	CONCOURSE INTERNATIONAL INC.	Second-tier subsidiary to subsidiary	Purchases	158,865	Same as third parties	0.85%
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Second-tier subsidiary to second-tier subsidiary	Purchases	854,739	Same as third parties	4.58%
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Second-tier subsidiary to second-tier subsidiary	Purchases	156,001	Same as third parties	0.84%
2	KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Second-tier subsidiary to second-tier subsidiary	Other receivables	122,248	Note 3	0.68%
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	LANGFANG WEI-CHUAN FOODS CO., LTD.	Second-tier subsidiary to second-tier subsidiary	Other receivables	458,430	Note 3	2.54%
1	HANGZHOU WEI-CHUAN FOOD CO., LTD.	Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Second-tier subsidiary to second-tier subsidiary	Account payable	126,337	Same as third parties	0.70%

Note 1: The endorsements and guarantees were provided in accordance with Procedures for Provision of Endorsements and Guarantees to Others, and the transaction amount was the outstanding endorsement/guarantee amount at the end of the year.

Note 2: Individual transaction amounts less than \$100 million are not disclosed. In addition, the same transactions are not disclosed twice.

Note 3: The loans were granted in accordance with Procedures for Provision of Loans, and the transaction amount was the actual amount drawn down.

Wei Chuan Foods Corporation and subsidiaries
Information on investees
Year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Wei Chuan Foods Corporation	KING CAN INDUSTRY CORPORATION	Taiwan	Process, manufacture and trade of tinplate products such as tin cans, tin boxes and bottle caps	\$ -	\$ -	34,539,451	98.68	\$ 577,905	\$ 73,115	\$ 70,681	-
Wei Chuan Foods Corporation	CONCOURSE INTERNATIONAL INC.	Taiwan	General import and export trade business	1,959,112	1,959,112	14,034,753	99.99	220,537	56,645	52,083	-
Wei Chuan Foods Corporation	CHINA YOUTH CO., LTD.	Taiwan	Trade of vegetables and fruits as well as agricultural and fishery products	212,041	212,041	8,481,905	99.79	8,002	(27)	(27)	Note 3
Wei Chuan Foods Corporation	WEI-CHUAN INTERNATIONAL LIMITED	British Virgin Islands	General investment	787,549	787,549	-	100.00	56,321	3,744	3,744	Note 1
Wei Chuan Foods Corporation	WEI-CHUAN(BVI) CO., LTD.	British Virgin Islands	General investment	2,547,071	2,547,071	-	100.00	3,715,641	189,661	189,661	Notes 1 and 2
Wei Chuan Foods Corporation	FU TING FOODS CO., LTD.	Taiwan	Livestock farm management	75,000	75,000	7,500,000	37.50	17,686	(1,654)	(620)	-
Wei Chuan Foods Corporation	KANG CHUAN ENGINEERING CO., LTD.	Taiwan	Planning, design and implementation of construction projects	377,499	404,551	35,113,408	99.85	205,430	703	702	Note 4
Wei Chuan Foods Corporation	THAI WEI-CHUAN CO., LTD.	Thailand	Food processing	37,919	37,919	390,000	60.00	(7,829)	-	-	-
Wei Chuan Foods Corporation	WEI-CHUAN ASIAN INVESTMENT LIMITED	Hong Kong	General investment	-	-	-	1.00	(1)	(6,496)	(65)	Note 1
Wei Chuan Foods Corporation	Cheng Shuen Nung Ranch Dairy Co., Ltd.	Taiwan	Livestock farm management	753,035	-	57,929,989	100.00	752,831	(204)	(204)	-
KING CAN INDUSTRY CORPORATION	KingCan (BVI) Corporation	British Virgin Islands	General investment	123,213	123,213	-	100.00	275,616	6,482	6,482	Notes 1 and 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended Dcember 31, 2020	income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
CONCOURSE INTERNATIONAL INC.	CONCOURSE INTERNATIONAL LIMITED	Samoa	General investment	\$ 25,673	\$ 25,673	-	100.00	\$ 31,257	\$ 3,518	\$ 3,518	Notes 1 and 2
WEI-CHUAN INTERNATIONAL LIMITED	WEI-CHUAN ASIAN INVESTMENT LIMITED	Hong Kong	General investment	255	255	-	99.00	(182)	(6,496)	(6,431)	Note 1
WEI-CHUAN ASIAN INVESTMENT LIMITED	HEALTH CAN DEVELOPMENT LIMITED	Hong Kong	General investment	4	4	-	75.00	-	(168)	-	Note 1

Note 1: The investee is a limited company without shares.

Note 2: Information relating to the Company's investment in the investees in Mainland China through investee companies, WEI-CHUAN(BVI) CO., LTD., KingCan (BVI) Corporation and CONCOURSE INTERNATIONAL LIMITED is provided in table 8.

Note 3: The Company's 99.79% owned investee, CHINA YOUTH CO., LTD., was dissolved as approved by its shareholders in November 2016 and the dissolution was approved by the competent authority in January 2017.

Note 4: The Company's 99.85% owned investee, KANG CHUAN ENGINEERING CO., LTD., was dissolved as resolved by its Board of Directors in December 2016.

Wei Chuan Foods Corporation and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2020

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan		Accumulated	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of December 31, 2020	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2020	to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		amount of remittance from Taiwan to Mainland China as of December 31, 2020			(loss) recognised by the Group for the year ended December 31, 2020		amount of investment income remitted back to Taiwan as of December 31, 2020	
Fuzhou Kefu Convenient Food Co., Ltd.	Instant noodles	\$ 48,440	3	\$ 15,602	\$ -	\$ -	\$ 15,602	\$ -	37.50	\$ -	\$ -	\$ -	-
Kuiling Wei-Chuan Food Ltd.	Monosodium glutamate (MSG)	284,325	3	44,349	-	-	44,349	-	15.87	-	-	-	-
HEILONGJIANG WEI CHUAN FOOD CO.	Condiments and other products	72,633	2	19,896	-	-	19,896	-	67.00	-	-	-	Note 5
HEILONGJIANG WEI CHUAN DAIRY CO.	Dairy and other products	249,163	2	121,501	-	-	121,501	-	70.00	-	-	-	Note 5
Shanghai Wei Chuan Foods Industrial Co., Ltd.	Instant noodles and other products	136,238	2	22,278	-	-	22,278	-	19.00	-	-	-	Note 5
Hangzhou Weichuan Biotechnology Foods Co., Ltd.	Manufacture and sale of food products such as milk powder, rice and wheat powder and solid drinks	326,435	2	326,435	-	-	326,435	(114,083)	100.00	(114,083)	(37,739)	-	Note 6
HANGZHOU WEI-CHUAN FOOD CO., LTD.	Manufacture and brand marketing of refrigerated dairy beverages	1,268,366	2	1,268,366	-	-	1,268,366	266,131	100.00	266,131	3,049,100	513,959	Note 6
WEI CHUAN FOODS INVESTMENT CO., LTD.	General investment	450,319	2	450,319	-	-	450,319	33,328	100.00	33,328	568,348	-	Note 6
KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	Manufacture of food molds and injection molds	224,813	2	98,716	-	-	98,716	6,475	98.68	6,389	275,231	278,426	Notes 7
HANGZHOU CONCOURSE TRADING CO., LTD.	General import and export trade business	25,165	2	25,165	-	-	25,165	3,515	99.99	3,515	30,794	-	Notes 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan		Accumulated	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of December 31, 2020	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2020	to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020	Remitted to Mainland China	Remitted back to Taiwan			amount of remittance from Taiwan to Mainland China as of December 31, 2020		(loss) recognised by the Group for the year ended December 31, 2020	
LANGFANG WEI- CHUAN FOODS CO., LTD.	Manufacture and brand marketing of refrigerated dairy beverages	449,250	2	-	-	-	-	33,545	100.00	33,545	564,831	-	Notes 9
SUZHOU WEI-CHUAN FOODS CO., LTD.	Manufacture and brand marketing of refrigerated dairy beverages	386,361	2	-	-	-	-	(4,568)	100.00	(4,568)	366,767	-	Notes 10

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Wei Chuan Foods Corporation	\$ 3,194,141	\$ 2,525,369	\$ 4,113,473

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China..
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Investment income (loss) recognised by the Group for the current year was valued based on each investee's self-prepared financial statements of the same reporting period that were not audited or reviewed by independent auditors.

Note 3: The amounts shown in the table are expressed in New Taiwan dollars. Additionally, paid-in capital is translated using the exchange rates at the time of initial investment.

Note 4: The ceiling is 60% of consolidate net asset value in accordance with the regulations.

Note 5: The Company acquired 67%, 70% and 19% equity interest in HEILONGJIANG WEI CHUAN FOOD CO., HEILONGJIANG WEI CHUAN DAIRY CO. and Shanghai Wei Chuan Foods Industrial Co., Ltd., respectively, through its direct wholly-owned investee company, WEI-CHUAN INTERNATIONAL LIMITED.

Note 6: The Company acquired 100% equity interest in Hangzhou Weichuan Biotechnology Foods Co., Ltd., HANGZHOU WEI-CHUAN FOOD CO., LTD. and WEI CHUAN FOODS INVESTMENT CO., LTD. through its direct wholly-owned investee company, WEI-CHUAN(BVI) CO., LTD.

Note 7: The Company acquired 98.68% equity interest in KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD. through its indirect 98.68% owned investee company, KingCan (BVI) Corporation.

Note 8: The Company acquired 99.99% equity interest in HANGZHOU CONCOURSE TRADING CO., LTD. through its indirect 99.99% owned investee company, CONCOURSE INTERNATIONAL LIMITED.

Note 9: The Company acquired 100% equity interest in LANGFANG WEI-CHUAN FOODS CO., LTD. through its indirect wholly-owned investee company, WEI CHUAN FOODS INVESTMENT CO.

Note 10: The Company acquired 100% equity interest in SUZHOU WEI-CHUAN FOODS CO., LTD. through its indirect wholly-owned investee company, HANGZHOU WEI-CHUAN FOOD CO., LTD.

Wei Chuan Foods Corporation and subsidiaries
 Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
 Year ended December 31, 2020

Table 11

Expressed in thousands of NTD
 (Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals	Purpose	Financing			Others	
	Amount	%	Amount	%	December 31, 2020	%			Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate		Interest during the year ended December 31, 2020
Hangzhou Weichuan Biotechnology Foods Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ 218,300	Provision of endorsements and guarantees on loans	\$ -	\$ -	-	\$ -	-

Note: Individual transaction amounts less than \$100 million are not disclosed.

Wei Chuan Foods Corporation and subsidiaries

Major shareholders information

Year ended December 31, 2020

Table 12

Name of major shareholders	Shares		Ownership (%)
	Number of shares held (common shares)	Number of shares held (preference shares)	
KANG CHENG CO., LTD.	50,523,000	-	9.98%
KANG CHAU COMPANY LTD.	50,407,000	-	9.96%
KONG SHENG INVESTMENT CORP.	36,688,000	-	7.24%
KONG CHING CORP. LTD.	35,880,000	-	7.09%
KONG FA INVESTMENT CORP.	29,828,000	-	5.89%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

V. Parent Company Only Financial Reports for the Recent Years and Auditor's Report (Excluding Statements of Major Accounting Items)

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20000374

To the Board of Directors and Shareholders of Wei Chuan Foods Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Wei Chuan Foods Corporation (the "Company") as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only 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 of the parent company only financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and generally accepted auditing standards in the Republic of China for our audit of the parent company only financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

Estimation of sales incentives

Description

Refer to Note 4(27) for accounting policy on revenue, Note 5(2) for the uncertainty of accounting judgments, assumptions and estimates in relation to revenue recognition and Note 6(22) for details of revenue.

The Company enters into different sales incentive agreements with different sales customers due to the nature of the industry. The Company pays incentives to sales customers if they meet the sales targets at various reward and promotion activities that the Company launches over a number of periods for cooperating with customers and distributors to promote products. International Financial Reporting Standards require that if sales incentives are substantively linked to operating revenue, the Company shall combine the two transactions and record the sales incentives as a deduction item to operating revenue.

The Company calculates and estimates the sales incentive amounts based on the actual sales amounts and the contract terms negotiated with sales customers. Given that the aforementioned process to recognise sales incentives usually involves management judgment and the calculations are relatively complicated, we consider the estimation of sales incentives a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Company's internal control designed for sales incentives and tested the effectiveness of the control, such as ascertained whether the calculations and estimates of each main sales incentive were reviewed by an authorised supervisor.

2. Obtained the reports derived from the Company's system and the relevant proofs of delivery, and then sampled and verified the actual sales volumes and unit prices.
3. Obtained the sales agreements of the Company's main sales customers. Used the actual sales amounts to recalculate the incentives based on the terms specified in the agreement.
4. Performed tests of subsequent deductions and write-offs for the balances of incentives payable that are material on the balance sheet date.

Evaluation of inventories

Description

Refer to Note 4(11) for accounting policy on inventory evaluation, Note 5(2) for critical judgement in relation to inventory evaluation, and Note 6(4) for details of inventories.

The Company is primarily engaged in the manufacture and sale of dairy products, beverages and soy sauce. Due to the high competitiveness of similar products in the food market, the growing consumer awareness of food safety in recent years and the short shelf-life of most dairy products, there is a higher risk of inventories losing value or becoming obsolete if the products are not selling as expected.

The Company applies judgments and estimates in determining the net realisable value of inventories on balance sheet date and then writes down the inventory costs to the net realisable value. Given that the inventories are the main operating assets for the Company, the evaluation of inventories involves management judgments and evaluation amounts are material to the financial statements, we consider the evaluation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained the policies for inventory valuation and determined whether the policies applied in provision of allowance for inventory valuation losses in the different periods are in agreement.
2. Observed physical inventory count at the end of period to identify whether there are obsolete, damaged or unsalable inventories.
3. Obtained aging statements of each kind of inventory and tested the changes in ages of inventory. Selected samples with inventory number and verified the date of manufacture, checked the accuracy of classification range of inventory ages.

4. Obtained net realizable value statement of each kind of inventory and checked the applied calculation logic. Tested relevant parameters, including: sales or purchases data, reasonableness of marketing to sales ratio calculation, and relevant estimate document. Checked and compared allowance for valuation losses that the Group should provision at the lower of cost and net realizable value.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 generally accepted auditing standards 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 parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards 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 parent company only 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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only 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.

Wu, Yu-Lung

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 29, 2021

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WEI CHUAN FOODS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 704,926	5	\$ 556,706	4
1150	Notes receivable, net	6(3)	12,881	-	17,539	-
1170	Accounts receivable, net	6(3)	865,552	7	864,751	7
1180	Accounts receivable due from related parties, net	6(3) and 7(2)	7,522	-	5,994	-
1200	Other receivables	7(2)	108,098	1	143,311	1
1220	Current tax assets		659	-	659	-
130X	Inventories	6(4)	603,310	5	544,826	4
1410	Prepayments		10,847	-	27,226	-
1470	Other current assets		6,101	-	7,939	-
11XX	Total current assets		<u>2,319,896</u>	<u>18</u>	<u>2,168,951</u>	<u>16</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	33,117	-	33,108	-
1550	Investments accounted for using the equity method	6(5)	5,554,353	42	5,055,817	37
1600	Property, plant and equipment	6(6) and 8	3,687,645	28	4,891,241	35
1755	Right-of-use assets	6(7)	130,460	1	140,663	1
1760	Investment property, net	6(8) and 8	188,651	2	193,754	1
1830	Non-current biological assets	6(9)	-	-	104,519	1
1840	Deferred tax assets	6(28)	1,195,454	9	1,261,069	9
1900	Other non-current assets	6(10) and 8	17,730	-	21,151	-
15XX	Total non-current assets		<u>10,807,410</u>	<u>82</u>	<u>11,701,322</u>	<u>84</u>
1XXX	Total assets		<u>\$ 13,127,306</u>	<u>100</u>	<u>\$ 13,870,273</u>	<u>100</u>

(Continued)

WEI CHUAN FOODS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 600,000	5	\$ 1,220,000	9
2110	Short-term notes and bills payable	6(13)	249,939	2	-	-
2150	Notes payable		21	-	1,455	-
2170	Accounts payable		473,631	4	480,437	4
2180	Accounts payable to related parties	7(2)	167,313	1	181,820	1
2200	Other payables	6(14) and 9(1)	617,982	5	616,668	5
2230	Current tax liabilities		9,126	-	7,473	-
2280	Current lease liabilities	7(2)	22,495	-	21,964	-
2300	Other current liabilities	6(15)	42,481	-	42,146	-
21XX	Total current liabilities		<u>2,182,988</u>	<u>17</u>	<u>2,571,963</u>	<u>19</u>
Non-current liabilities						
2540	Long-term borrowings	6(15)	2,903,867	22	2,936,754	21
2570	Deferred tax liabilities	6(28)	795,942	6	966,736	7
2580	Non-current lease liabilities	7(2)	108,008	1	117,085	1
2600	Other non-current liabilities	6(5)(16)	288,796	2	341,867	2
25XX	Total non-current liabilities		<u>4,096,613</u>	<u>31</u>	<u>4,362,442</u>	<u>31</u>
2XXX	Total liabilities		<u>6,279,601</u>	<u>48</u>	<u>6,934,405</u>	<u>50</u>
Equity						
Share capital						
3110	Ordinary share	6(18)	5,060,629	39	5,060,629	37
Capital surplus						
3200	Capital surplus	6(19)	36,113	-	36,103	-
Retained earnings						
3310	Legal reserve	6(20)	682,715	5	551,470	4
3320	Special reserve		302,706	2	-	-
3350	Unappropriated retained earnings		1,018,043	8	1,590,372	11
Other equity interest						
3400	Other equity interest	6(21)	(252,501)	(2)	(302,706)	(2)
3XXX	Total equity		<u>6,847,705</u>	<u>52</u>	<u>6,935,868</u>	<u>50</u>
Significant contingent liabilities and unrecognised contract commitments						
		9				
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 13,127,306</u>	<u>100</u>	<u>\$ 13,870,273</u>	<u>100</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

WEI CHUAN FOODS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6(22) and 7(2)	\$ 7,802,514	100	\$ 7,638,740	100
5000 Operating costs	6(4)(26) and 7(2)	(6,048,630)	(77)	(6,214,061)	(81)
5950 Gross profit from operations		<u>1,753,884</u>	<u>23</u>	<u>1,424,679</u>	<u>19</u>
Operating expenses	6(26)				
6100 Selling expenses		(1,309,847)	(17)	(1,303,871)	(17)
6200 General and administrative expenses		(219,889)	(3)	(276,707)	(4)
6300 Research and development expenses		(100,668)	(1)	(104,668)	(1)
6450 Expected credit losses		(516)	-	74	-
6000 Total operating expenses		(1,630,920)	(21)	(1,685,172)	(22)
6900 Operating profit (loss)		<u>122,964</u>	<u>2</u>	(260,493)	(3)
Non-operating income and expenses					
7100 Interest income		8,056	-	11,805	-
7010 Other income	6(23) and 7(2)	79,434	1	82,091	1
7020 Other gains and losses	6(24)	(18,015)	-	1,128,098	15
7050 Finance costs	6(25) and 7(2)	(58,609)	(1)	(66,168)	(1)
7070 Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method, net	6(5)	<u>315,955</u>	<u>4</u>	<u>668,924</u>	<u>9</u>
7000 Total non-operating income and expense		<u>326,821</u>	<u>4</u>	<u>1,824,750</u>	<u>24</u>
7900 Profit before income tax		<u>449,785</u>	<u>6</u>	<u>1,564,257</u>	<u>21</u>
7950 Income tax (income) expense	6(28)	<u>85,411</u>	<u>1</u>	(214,272)	(3)
8000 Income from continuing operations		<u>535,196</u>	<u>7</u>	<u>1,349,985</u>	<u>18</u>
8200 Profit for the year		<u>\$ 535,196</u>	<u>7</u>	<u>\$ 1,349,985</u>	<u>18</u>
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Gains (losses) on remeasurements of defined benefit plans	6(17)	\$ 1,200	-	(\$ 37,813)	(1)
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(5)	<u>263</u>	-	<u>282</u>	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>1,463</u>	-	(37,531)	(1)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation	6(21)	<u>50,205</u>	<u>1</u>	(163,938)	(2)
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>50,205</u>	<u>1</u>	(163,938)	(2)
8300 Other comprehensive income (loss)		<u>\$ 51,668</u>	<u>1</u>	(\$ 201,469)	(3)
8500 Total comprehensive income		<u>\$ 586,864</u>	<u>8</u>	<u>\$ 1,148,516</u>	<u>15</u>
Basic earnings per share	6(29)				
9750 Profit for the year		<u>\$ 1.06</u>		<u>\$ 2.67</u>	
Diluted earnings per share	6(29)				
9850 Profit for the year		<u>\$ 1.06</u>		<u>\$ 2.67</u>	

The accompanying notes are an integral part of these non-consolidated financial statements.

WEI CHUAN FOODS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Ordinary share	Capital surplus	Legal reserve	Retained earnings		Other equity interest	Total equity
					Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
<u>Year ended December 31, 2019</u>								
Balance at January 1, 2019		\$ 5,060,629	\$ 31,936	\$ 475,607	\$ -	\$ 758,631	(\$ 138,768)	\$ 6,188,035
Profit for the year		-	-	-	-	1,349,985	-	1,349,985
Other comprehensive loss for the year	6(21)	-	-	-	-	(37,531)	(163,938)	(201,469)
Total comprehensive income (loss) for the year		-	-	-	-	1,312,454	(163,938)	1,148,516
Appropriation and distribution of 2018 retained earnings								
Legal reserve appropriated	6(20)	-	-	75,863	-	(75,863)	-	-
Cash dividends	6(20)	-	-	-	-	(404,850)	-	(404,850)
Capital surplus - dividends unclaimed by shareholders	6(19)	-	4,167	-	-	-	-	4,167
Balance at December 31, 2019		\$ 5,060,629	\$ 36,103	\$ 551,470	\$ -	\$ 1,590,372	(\$ 302,706)	\$ 6,935,868
<u>Year ended December 31, 2020</u>								
Balance at January 1, 2020		\$ 5,060,629	\$ 36,103	\$ 551,470	\$ -	\$ 1,590,372	(\$ 302,706)	\$ 6,935,868
Profit for the year		-	-	-	-	535,196	-	535,196
Other comprehensive income for the year	6(21)	-	-	-	-	1,463	50,205	51,668
Total comprehensive income for the year		-	-	-	-	536,659	50,205	586,864
Appropriation and distribution of 2019 retained earnings								
Legal reserve appropriated	6(20)	-	-	131,245	-	(131,245)	-	-
Special reserve appropriated	6(20)	-	-	-	302,706	(302,706)	-	-
Cash dividends	6(20)	-	-	-	-	(675,037)	-	(675,037)
Capital surplus - dividends unclaimed by shareholders	6(19)	-	10	-	-	-	-	10
Balance at December 31, 2020		\$ 5,060,629	\$ 36,113	\$ 682,715	\$ 302,706	\$ 1,018,043	-\$ 252,501	\$ 6,847,705

The accompanying notes are an integral part of these non-consolidated financial statements.

WEI CHUAN FOODS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax		\$ 449,785	\$ 1,564,257
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(26)	352,217	367,979
(Reversal of) impairment on expected credit loss	12(2)	(22,668)	10,926
Interest expense	6(25)	58,609	66,168
Interest income		(8,056)	(11,805)
Net gain on financial assets at fair value through profit or loss	6(24)	(9)	-
Proceeds from disposal of non-current assets classified as held for sale	6(24)	-	(1,269,341)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using the equity method	6(5)	(315,955)	(668,924)
Losses on disposal of property, plant and equipment and biological assets	6(24)	37,336	72,192
Reversal of impairment on property, plant and equipment	6(24)	(9,720)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4,662	16,559
Notes receivable due from related parties		-	3,378
Accounts receivable		(1,463)	131,264
Accounts receivable due from related parties		(1,528)	83
Other receivables		52,693	30,785
Inventories		(65,485)	(21,365)
Prepayments		15,705	33,408
Other current assets		1,838	1,532
Other non-current assets		-	21
Changes in operating liabilities			
Notes payable		(1,434)	(846)
Accounts payable		10,363	(16,186)
Accounts payable to related parties		(14,507)	(5,790)
Other payables		1,076	(33,837)
Other current liabilities		962	(2,049)
Other non-current liabilities		(52,638)	(61,749)
Cash inflow generated from operations		491,783	206,660
Interest received		8,056	11,805
Dividends received		597,514	156,651
Interest paid		(59,465)	(67,100)
Income taxes paid		(5,658)	(4,660)
Net cash provided by operating activities		<u>1,032,230</u>	<u>303,356</u>

(Continued)

WEI CHUAN FOODS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets classified as held for sale		\$ -	\$ 2,107,824
Acquisition of investments accounted for using the equity method		(30,000)	-
Proceeds from capital reduction of subsidiaries	6(5) and 7(2)	22,965	563,373
Proceeds from distribution of capital surplus by subsidiaries	6(5) and 7(2)	-	109,648
Acquisition of property, plant and equipment	6(30)	(140,878)	(208,938)
Proceeds from disposal of property, plant and equipment		5,845	3,759
Acquisition of biological assets	6(30)	(63,331)	(66,700)
Proceeds from disposal of biological assets		17,634	33,790
Increase in prepayments for business facilities		(850)	-
Decrease in guarantee deposits paid		1,421	-
Decrease (increase) in restricted financial assets	6(10)	2,000	(1,500)
Income taxes paid		-	(471,152)
Net cash flows from (used in) investing activities		(185,194)	2,070,104
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of investments accounted for using the equity method		(30,039)	-
Decrease in short-term borrowings	6(31)	(620,000)	(700,000)
Increase in short-term notes and bills payable	6(31)	250,000	120,000
Payments of lease liabilities	6(31)	(26,960)	(29,723)
Repayments of long-term borrowings	6(31)	(1,003,000)	(1,800,390)
Proceeds from long-term borrowings	6(31)	1,405,000	550,000
Increase (decrease) in guarantee deposits received	6(16)	1,210	(9,941)
Dividends paid	6(20)	(675,037)	(404,850)
Proceeds from dividends unclaimed by shareholders		10	4,167
Net cash flows used in financing activities		(698,816)	(2,270,737)
Net increase in cash and cash equivalents		148,220	102,723
Cash and cash equivalents at beginning of year	6(1)	556,706	453,983
Cash and cash equivalents at end of year	6(1)	\$ 704,926	\$ 556,706

The accompanying notes are an integral part of these non-consolidated financial statements.

WEI CHUAN FOODS CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

(1) Wei Chuan Foods Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations in September 1953. The Company is primarily engaged in manufacturing, processing and sale of dairy products, beverages and instant foods.

(2) The Company’s shares have been listed on Taiwan Stock Exchange since February 1962.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 29, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022

The Company continually evaluates the impact of the above standards and interpretations to the Company's financial condition and financial performance. The quantitative impact will be disclosed when the assessment is complete.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

The perpetual inventory system is adopted for inventory recognition. The cost is determined using the weighted-average method. The fixed production overheads are allocated based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods, taking into account the planned maintenance. The actual level of production may be used if it approximates normal capacity. Ending inventories are stated at the lower of cost and net realisable value. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(12) Investments accounted for using the equity method / subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, 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.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
- D. Upon loss of significant influence over a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. Pursuant to the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 60 years
Machinery and equipment	2 ~ 30 years
Office equipment	2 ~ 20 years
Transportation equipment	2 ~ 10 years
Others	2 ~ 30 years

(14) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.
The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured

and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 38 ~ 60 years.

(16) Biological assets

Biological assets are measured at fair value. However, biological assets may be measured at cost less accumulated depreciation if the fair value cannot be obtained from the active market, and the alternative estimation of the fair value is clearly not reliable. They are depreciated over the expected useful life using the straight-line method, which is primarily 5 years. In addition to acquisition cost, feeding costs are capitalised when incurred and are tested annually for impairment. Where there is objective evidence of impairment, an impairment loss is recognised.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

- A. The Company manufactures and sells food products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The products are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No significant financing component is deemed present as the sales are made with a credit term of 15 to 90 days, which is consistent with market practice.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year ; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Based on the Company's assessment, there is no significant uncertainty in the adoption of the accounting policies.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Company estimates the incentives relating to the sales revenue based on the agreements. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Company reassesses the reasonableness of estimates of incentives periodically.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the Company recognised inventories amounting to \$603,310.

C. Impairment loss on property, plant and equipment

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of group strategy might cause material impairment on assets in the future.

As of December 31, 2020, the Company recognised impairment loss on property, plant and equipment amounting to \$3,687,645.

D. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2020, the Company recognised deferred tax assets amounting to \$1,195,454.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 2,333	\$ 3,051
Checking accounts and demand deposits	371,805	200,912
Time deposits	330,788	352,743
	<u>\$ 704,926</u>	<u>\$ 556,706</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2020 and 2019, the Company's cash and cash equivalents amounting to \$8,000 and \$10,000, respectively, were restricted due to the guarantee deposit paid for the operational use and were reclassified as other non-current assets. Refer to Notes 6(10) and 8 for more details.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 383,592	\$ 383,592
Valuation adjustment	(350,475)	(350,484)
	<u>\$ 33,117</u>	<u>\$ 33,108</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ <u>9</u>	\$ <u>-</u>

B. Information relating to credit risk is provided in Note 12(2).

(3) Notes and accounts receivable (including related parties)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 12,881	\$ 17,543
Less: Allowance for uncollectible accounts	<u>-</u>	<u>(4)</u>
	<u>\$ 12,881</u>	<u>\$ 17,539</u>
Accounts receivable	\$ 866,338	\$ 865,003
Less: Allowance for uncollectible accounts	<u>(786)</u>	<u>(252)</u>
	<u>\$ 865,552</u>	<u>\$ 864,751</u>
Accounts receivable due from related parties	<u>\$ 7,522</u>	<u>\$ 5,994</u>

A. Information relating to ageing analysis and credit risk of accounts receivable and notes receivables (including related parties) is provided in Note 12(2).

B. As of December 31, 2020 and 2019, notes receivable and accounts receivable (including related parties) were all from contracts with customers. Also, as of January 1, 2019, the balance of receivables (including related parties) from contracts with customers amounted to \$1,039,824.

C. The Company has no notes receivable and accounts receivable pledged to others.

(4) Inventories

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 189,243	(\$ 12,529)	\$ 176,714
Work in progress	112,642	(2)	112,640
Finished goods	<u>332,064</u>	<u>(18,108)</u>	<u>313,956</u>
	<u>\$ 633,949</u>	<u>(\$ 30,639)</u>	<u>\$ 603,310</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 187,326	(\$ 12,021)	\$ 175,305
Work in progress	91,002	(14)	90,988
Finished goods	315,891	(37,358)	278,533
	<u>\$ 594,219</u>	<u>(\$ 49,393)</u>	<u>\$ 544,826</u>

A. The above inventories were not pledged as collateral.

B. The cost of inventories recognised as expense for the year.

	Year ended December 31	
	2020	2019
Cost of goods sold	\$ 5,862,488	\$ 5,984,274
(Gain on reversal of) loss on decline in market value	(18,754)	1,632
Scrap of inventories and gain or loss on physical inventory	180,501	197,413
Revenue from sales of scraps	(3,227)	(4,242)
Loss on excess capacity	<u>27,622</u>	<u>34,984</u>
	<u>\$ 6,048,630</u>	<u>\$ 6,214,061</u>

Gain on reversal of decline in market value was because of the sale of inventories previously written down which was charged to cost of goods sold.

(5) Investments accounted for using the equity method / Other non-current liabilities-others

	2020	2019
At January 1	\$ 5,047,544	\$ 5,371,948
Addition of investments accounted for using the equity method	753,035	-
Share of profit or loss of investments accounted for using the equity method	315,955	668,924
Cash dividends received	(597,514)	(156,651)
Proceeds from capital reduction	(22,965)	(563,373)
Proceeds from distribution of capital surplus	-	(109,648)
Currency translation differences	50,205	(163,938)
Others	<u>263</u>	<u>282</u>
At December 31	<u>\$ 5,546,523</u>	<u>\$ 5,047,544</u>

Note: To implement division of services and enhance competitiveness and operational performance, the Company invested \$30,000 to establish a wholly-owned subsidiary, Cheng Shuen Nung Ranch Dairy Co., Ltd. (Cheng Shuen Nung), in April 2020.

The Board of Directors and the shareholders at their meeting on May 11, 2020 and June 23, 2020 resolved to spin off its business relating to the Linfengying Ranch to Cheng Shuen Nung in exchange for 54,929,989 new shares issued by Cheng Shuen Nung at a price of \$10 (in

dollars) per share at a consideration of \$723,035. The ranch related business (including assets, liabilities and operation) was spun off from the Company to Cheng Shuen Nung. The effective date for the spin-off was set on December 31, 2020.

The nature of spin off was a group reorganisation, and based on IFRS and the letter of the Accounting Research And Development Foundation Interpretation 100-390, the accounting basis of Cheng Shuen Nung was the carrying amounts of assets and liabilities at the effective date for the spin-off.

Investee companies	Year ended December 31	
	2020	2019
	Carrying amount	Carrying amount
(a)Presented under assets-		
Investments accounted for using the equity method:		
Subsidiary :		
KING CAN INDUSTRY CORPORATION	\$ 577,905	\$ 563,837
CONCOURSE INTERNATIONAL INC.	220,537	191,175
CHINA YOUTH CO., LTD.	8,002	8,029
WEI-CHUAN INTERNATIONAL LIMITED	56,321	55,464
WEI-CHUAN(BVI) CO., LTD	3,715,641	3,991,249
KANG CHUAN ENGINEERING CO., LTD.	205,430	227,693
WEI-CHUAN ASIAN INVESTMENT LIMITED	-	64
CHENG SHUEN NUNG RANCH DAIRY CO., LTD.	752,831	-
	5,536,667	5,037,511
Associates :		
FU TING FOODS CO., LTD.	17,686	18,306
	<u>\$ 5,554,353</u>	<u>\$ 5,055,817</u>
Investee companies	Year ended December 31	
	2020	2019
	Carrying amount	Carrying amount
(b)Presented under liabilities-		
Other non-current liabilities-others:		
THAI WEI-CHUAN CO., LTD.	\$ 7,829	\$ 8,273
WEI-CHUAN ASIAN INVESTMENT LIMITED	1	-
	<u>\$ 7,830</u>	<u>\$ 8,273</u>

A. Subsidiaries

Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for other information about the Company's subsidiaries.

B. Associates

The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:

As of December 31, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$17,686 and \$18,306, respectively.

	Year ended December 31	
	2020	2019
(Loss) profit for the year from continuing operations	(\$ 620)	\$ 699
Other comprehensive income, net of tax	-	-
Total comprehensive (loss) income	<u>(\$ 620)</u>	<u>\$ 699</u>

(6) Property, plant and equipment

2020

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Unfinished construction and equipment under acceptance	Others	Total
At January 1								
Cost	\$ 2,686,532	\$ 2,077,345	\$ 2,225,132	\$ 616,509	\$ 367,120	\$ 24,197	\$ 3,004,399	\$ 11,001,234
Accumulated depreciation and impairment	(2,131)	(1,229,775)	(1,914,674)	(546,317)	(358,149)	-	(2,058,947)	(6,109,993)
	<u>\$ 2,684,401</u>	<u>\$ 847,570</u>	<u>\$ 310,458</u>	<u>\$ 70,192</u>	<u>\$ 8,971</u>	<u>\$ 24,197</u>	<u>\$ 945,452</u>	<u>\$ 4,891,241</u>
Opening net book amount as at January 1	\$ 2,684,401	\$ 847,570	\$ 310,458	\$ 70,192	\$ 8,971	\$ 24,197	\$ 945,452	\$ 4,891,241
Additions	-	1,105	12,937	15,157	2,481	96,683	26,349	154,712
Disposals	-	(922)	(2,537)	(34)	-	-	(14,582)	(18,075)
Reclassifications	-	-	35,031	2,339	-	(80,647)	44,127	850
Depreciation expense	-	(55,951)	(95,395)	(23,850)	(6,645)	-	(129,465)	(311,306)
Reversal of impairment loss	-	728	(2,431)	-	-	-	11,423	9,720
Effect of corporate spin-off	(395,218)	(268,315)	(16,178)	(8,913)	(1,170)	-	(349,703)	(1,039,497)
Closing net book amount as at December 31	<u>\$ 2,289,183</u>	<u>\$ 524,215</u>	<u>\$ 241,885</u>	<u>\$ 54,891</u>	<u>\$ 3,637</u>	<u>\$ 40,233</u>	<u>\$ 533,601</u>	<u>\$ 3,687,645</u>
At December 31								
Cost	\$ 2,291,314	\$ 1,642,262	\$ 2,083,046	\$ 593,471	\$ 338,504	\$ 40,233	\$ 2,358,723	\$ 9,347,553
Accumulated depreciation and impairment	(2,131)	(1,118,047)	(1,841,161)	(538,580)	(334,867)	-	(1,825,122)	(5,659,908)
	<u>\$ 2,289,183</u>	<u>\$ 524,215</u>	<u>\$ 241,885</u>	<u>\$ 54,891</u>	<u>\$ 3,637</u>	<u>\$ 40,233</u>	<u>\$ 533,601</u>	<u>\$ 3,687,645</u>

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Unfinished construction and equipment under acceptance	Others	Total
At January 1								
Cost	\$ 2,679,335	\$ 2,051,632	\$ 2,178,417	\$ 600,522	\$ 378,506	\$ 54,832	\$ 2,946,036	\$ 10,889,280
Accumulated depreciation and impairment	(2,131)	(1,158,000)	(1,858,758)	(541,159)	(358,328)	-	(1,979,193)	(5,897,569)
	<u>\$ 2,677,204</u>	<u>\$ 893,632</u>	<u>\$ 319,659</u>	<u>\$ 59,363</u>	<u>\$ 20,178</u>	<u>\$ 54,832</u>	<u>\$ 966,843</u>	<u>\$ 4,991,711</u>
Opening net book amount as at January 1	\$ 2,677,204	\$ 893,632	\$ 319,659	\$ 59,363	\$ 20,178	\$ 54,832	\$ 966,843	\$ 4,991,711
Additions	-	-	6,184	30,603	1,274	145,501	14,683	198,245
Disposals	-	-	-	-	(190)	-	-	(190)
Reclassifications	7,197	12,180	76,194	4,998	-	(176,136)	94,340	18,773
Depreciation expense	-	(58,242)	(91,579)	(24,772)	(12,291)	-	(130,414)	(317,298)
Closing net book amount as at December 31	<u>\$ 2,684,401</u>	<u>\$ 847,570</u>	<u>\$ 310,458</u>	<u>\$ 70,192</u>	<u>\$ 8,971</u>	<u>\$ 24,197</u>	<u>\$ 945,452</u>	<u>\$ 4,891,241</u>
At December 31								
Cost	\$ 2,686,532	\$ 2,077,345	\$ 2,225,132	\$ 616,509	\$ 367,120	\$ 24,197	\$ 3,004,399	\$ 11,001,234
Accumulated depreciation and impairment	(2,131)	(1,229,775)	(1,914,674)	(546,317)	(358,149)	-	(2,058,947)	(6,109,993)
	<u>\$ 2,684,401</u>	<u>\$ 847,570</u>	<u>\$ 310,458</u>	<u>\$ 70,192</u>	<u>\$ 8,971</u>	<u>\$ 24,197</u>	<u>\$ 945,452</u>	<u>\$ 4,891,241</u>

- A. The Company's property, plant and equipment are for its own use.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The above land items include \$382 and \$63,860 of farmland as of December 31, 2020 and 2019, respectively. The title to the farmland will be transferred to the Company following the change of land category. However, the land was pledged as collateral in the amounts of \$20,000 and \$86,300 to the Company in order to safeguard the interests of the Company.
- D. The amounts of interest capitalised, which were calculated based on monthly average interest rates, for the years ended December 31, 2020 and 2019 were \$223 and \$428, respectively.
- E. Information about the reversal of impairment loss on property, plant and equipment is provided in Note 6(11).

(7) Leasing arrangements - lessee

A. The Company leases various assets including offices, warehouses and business vehicles. Rental contracts are typically made for periods of 1 to 17 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets cannot be subleased, lent, sold or granted in any different form to third parties without the consent of the lessor.

B. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and structures	\$ 127,582	\$ 136,140
Transportation equipment	2,878	4,523
	<u>\$ 130,460</u>	<u>\$ 140,663</u>
	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Buildings and structures	\$ 26,973	\$ 27,287
Transportation equipment	1,644	822
	<u>\$ 28,617</u>	<u>\$ 28,109</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$18,414 and \$38,845, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,484	\$ 2,791
Expense on short-term lease contracts	<u>\$ 1,569</u>	<u>\$ 1,221</u>

E. Apart from the cash outflow for the interest expense on lease liabilities and expenses on short-term lease contracts as aforementioned in Note 6(7)D, the cash outflow resulting from payments of the principal portion of the lease liability amounted to \$26,960 and \$29,723 for the years ended December 31, 2020 and 2019, respectively.

(8) Investment property, net

	2020		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 49,998	\$ 211,637	\$ 261,635
Accumulated depreciation	-	(61,919)	(61,919)
Accumulated impairment	(4,433)	(1,529)	(5,962)
	<u>\$ 45,565</u>	<u>\$ 148,189</u>	<u>\$ 193,754</u>
Opening net book amount as at January 1	\$ 45,565	\$ 148,189	\$ 193,754
Depreciation expense	-	(5,103)	(5,103)
Closing net book amount as at December 31	<u>\$ 45,565</u>	<u>\$ 143,086</u>	<u>\$ 188,651</u>
<u>At December 31</u>			
Cost	\$ 49,998	\$ 211,637	\$ 261,635
Accumulated depreciation	-	(67,022)	(67,022)
Accumulated impairment	(4,433)	(1,529)	(5,962)
	<u>\$ 45,565</u>	<u>\$ 143,086</u>	<u>\$ 188,651</u>
	2019		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 57,195	\$ 236,477	\$ 293,672
Accumulated depreciation	-	(70,569)	(70,569)
Accumulated impairment	(4,433)	(1,529)	(5,962)
	<u>\$ 52,762</u>	<u>\$ 164,379</u>	<u>\$ 217,141</u>
Opening net book amount as at January 1	\$ 52,762	\$ 164,379	\$ 217,141
Reclassifications	(7,197)	(10,974)	(18,171)
Depreciation expense	-	(5,216)	(5,216)
Closing net book amount as at December 31	<u>\$ 45,565</u>	<u>\$ 148,189</u>	<u>\$ 193,754</u>
<u>At December 31</u>			
Cost	\$ 49,998	\$ 211,637	\$ 261,635
Accumulated depreciation	-	(61,919)	(61,919)
Accumulated impairment	(4,433)	(1,529)	(5,962)
	<u>\$ 45,565</u>	<u>\$ 148,189</u>	<u>\$ 193,754</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2020	2019
Rental income from investment property	\$ 31,887	\$ 32,462
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 5,103	\$ 5,216

B. The fair value of the investment property held by the Company as at December 31, 2020 and 2019 was \$1,366,050 and \$814,649, respectively, which was valued based on the transaction prices of similar property in the neighbouring areas. Valuations is categorised within Level 2 in the fair value hierarchy.

C. Information about the investment property that was pledged to others as collateral is provided in Note 8.

(9) Non-current biological assets

	2020		
	<u>Biological assets</u>	<u>Immature biological assets</u>	<u>Total</u>
At January 1			
Cost	\$ 44,123	\$ 72,304	\$ 116,427
Accumulated depreciation	(11,908)	-	(11,908)
	<u>\$ 32,215</u>	<u>\$ 72,304</u>	<u>\$ 104,519</u>
Opening net book amount as at January 1	\$ 32,215	\$ 72,304	\$ 104,519
Additions	-	67,156	67,156
Disposals	(26,506)	(16,234)	(42,740)
Reclassifications	49,385	(49,385)	-
Depreciation expense	(7,191)	-	(7,191)
Effect of corporate spin-off	(47,903)	(73,841)	(121,744)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At December 31			
Cost	\$ -	\$ -	\$ -
Accumulated depreciation	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	2019		
	Biological assets	Immature biological assets	Total
At January 1			
Cost	\$ 121,388	\$ 72,474	\$ 193,862
Accumulated depreciation	(34,896)	-	(34,896)
	<u>\$ 86,492</u>	<u>\$ 72,474</u>	<u>\$ 158,966</u>
Opening net book amount as at			
January 1	\$ 86,492	\$ 72,474	\$ 158,966
Additions	5,760	66,700	72,460
Disposals	(95,551)	(14,000)	(109,551)
Reclassifications	52,870	(52,870)	-
Depreciation expense	(17,356)	-	(17,356)
Closing net book amount as at			
December 31	<u>\$ 32,215</u>	<u>\$ 72,304</u>	<u>\$ 104,519</u>
At December 31			
Cost	\$ 44,123	\$ 72,304	\$ 116,427
Accumulated depreciation	(11,908)	-	(11,908)
	<u>\$ 32,215</u>	<u>\$ 72,304</u>	<u>\$ 104,519</u>

(10) Other non-current assets

	December 31, 2020	December 31, 2019
Guarantee deposits paid	\$ 9,010	\$ 10,431
Restricted bank deposits	8,000	10,000
Prepayments for business facilities	720	720
	<u>\$ 17,730</u>	<u>\$ 21,151</u>

(11) Impairment of non-financial assets

The Company takes into consideration the utilisation of assets to assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. The recoverable amounts are estimated based on value in use of those assets. Information on impairment loss recognised or reversed based on the value in use of aforementioned assets for the Company's food segment is as follows:

	Year ended December 31			
	2020		2019	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
(Impairment loss)/gain on reversal of impairment loss-buildings and structures	\$ 728	\$ -	\$ -	\$ -
(Impairment loss)/gain on reversal of impairment loss-machinery and equipment	(2,431)	-	-	-
(Impairment loss)/gain on reversal of impairment loss-other equipment	11,423	-	-	-
	<u>\$ 9,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(12) Short-term borrowings

	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 100,000	1.05%	None
Secured borrowings	500,000	1.15%~1.20%	Note 8
	<u>\$ 600,000</u>		
	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 500,000	1.45%	None
Secured borrowings	720,000	1.34%~1.45%	Note 8
	<u>\$ 1,220,000</u>		

Information on the interest expense recognised in profit or loss is provided in Note 6(25).

(13) Short-term notes and bills payable

	December 31, 2020	
	Amount	Interest rate range
Short-term notes and bills payable	\$ 250,000	1.08%~1.09%
Less: Unamortised discount	(61)	
	<u>\$ 249,939</u>	

December 31, 2019: None.

(14) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Wages and salaries and bonus payable	\$ 186,139	\$ 199,860
Sales commission payable	171,637	141,826
Freight payable	66,235	69,707
Advertisement expense payable	31,765	17,931
Machinery and equipment payable	30,968	26,872
Others	131,238	160,472
	<u>\$ 617,982</u>	<u>\$ 616,668</u>

(15) Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured borrowings	\$ 119,867	\$ 119,754
Secured borrowings	2,817,000	2,850,000
	<u>2,936,867</u>	<u>2,969,754</u>
Less: Current portion (shown as other current liabilities)	(33,000)	(33,000)
	<u>\$ 2,903,867</u>	<u>\$ 2,936,754</u>
Interest rate range	<u>1.19%~1.38%</u>	<u>1.34%~1.55%</u>

A. As of December 31, 2020, the Group has entered into the following loan facility agreements:

- (a) A \$1.7 billion loan facility agreement with United Overseas Bank that can be redrawn between May 9, 2020 and April 30, 2022.
- (b) A \$700 million loan facility agreement with Far Eastern International Bank that can be redrawn between September 9, 2020 and September 22, 2023.
- (c) A \$550 million loan facility agreement with Sunny Bank that was drawn once on December 30, 2019. The principal was repaid monthly and was settled on December 30, 2022.
- (d) A \$120 million loan facility agreement with China Bills Finance Corporation that can be redrawn between June 18, 2020 and June 17, 2022.
- (e) A RMB 200 million loan facility agreement with China Merchants Bank that can be redrawn between May 30, 2019 and May 30, 2024.

The above agreements entered into with United Overseas Bank and Far Eastern International Bank contain default clauses. The banks have the right to terminate the facility, cancel the undrawn facility or require the Company to make immediate repayment of the principal amount of loan facility withdrawn and outstanding and the relevant expenses if any events of default occur.

The events of default mainly include: Breach of commitments (including financial covenants) and restrictions or special agreements, etc.

As of December 31, 2020, the Company has no event of default.

B. Information on the pledged assets is provided in Note 8.

C. Information on the interest expense recognised in profit or loss is provided in Note 6(25).

(16) Other non-current liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued pension liabilities	\$ 262,604	\$ 316,442
Guarantee deposits received	18,362	17,152
Other liabilities-others	7,830	8,273
	<u>\$ 288,796</u>	<u>\$ 341,867</u>

(17) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 15% of the employees' monthly salaries and wages to the retirement fund deposited with Department of Trusts, Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 965,377)	(\$ 996,395)
Fair value of plan assets	<u>702,773</u>	<u>679,953</u>
Net defined benefit liability	<u>(\$ 262,604)</u>	<u>(\$ 316,442)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
2020			
Balance at January 1	(\$ 996,395)	\$ 679,953	(\$ 316,442)
Current service cost	(4,755)	-	(4,755)
Interest (expense) income	(7,656)	5,386	(2,270)
	<u>(1,008,806)</u>	<u>685,339</u>	<u>(323,467)</u>
Remeasurements:			
Return on plan assets (excluding net interest from net defined benefit liabilities (assets))	-	22,225	22,225
Change in financial assumptions	(25,835)	-	(25,835)
Demographic assumptions adjustments	4,810	-	4,810
	<u>(21,025)</u>	<u>22,225</u>	<u>1,200</u>
Pension fund contribution	-	59,663	59,663
Paid pension	64,454	(64,454)	-
Balance at December 31	<u>(\$ 965,377)</u>	<u>\$ 702,773</u>	<u>(\$ 262,604)</u>
	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
2019			
Balance at January 1	(\$ 1,012,320)	\$ 671,942	(\$ 340,378)
Current service cost	(7,264)	-	(7,264)
Interest (expense) income	(12,094)	8,255	(3,839)
	<u>(1,031,678)</u>	<u>680,197</u>	<u>(351,481)</u>
Remeasurements:			
Return on plan assets (excluding net interest from net defined benefit liabilities (assets))	-	22,052	22,052
Change in financial assumptions	(30,500)	-	(30,500)
Demographic assumptions adjustments	4,994	-	4,994
Experience adjustments	(34,359)	-	(34,359)
	<u>(59,865)</u>	<u>22,052</u>	<u>(37,813)</u>
Pension fund contribution	-	72,852	72,852
Paid pension	95,148	(95,148)	-
Balance at December 31	<u>(\$ 996,395)</u>	<u>\$ 679,953</u>	<u>(\$ 316,442)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits

with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2020	2019
Discount rate	<u>0.40%</u>	<u>0.80%</u>
Future salary increases	<u>1.00%</u>	<u>1.00%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 32,112)</u>	<u>\$ 34,011</u>	<u>\$ 33,642</u>	<u>(\$ 32,086)</u>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 33,792)</u>	<u>\$ 35,836</u>	<u>\$ 35,592</u>	<u>(\$ 33,896)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the following year amount to \$61,849.

(g) As of December 31, 2020, the Company's weighted average duration of the retirement plan is 6.7 years. The analysis of timing of the future pension payment was as follows:

	Amount
Within 1 year	\$ 76,921
1-2 year(s)	81,158
2-5 years	271,666
5-10 years	<u>334,239</u>
	<u>\$ 763,984</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019, were \$40,280 and \$37,740, respectively.

(18) Share capital

As of December 31, 2020, the Company’s authorised capital was \$8,000,000 and the share capital was \$5,060,629 with a par value of \$10 (in dollars) per share. All the shares issued by the company are ordinary shares. The number of shares issued and outstanding was 506,063 thousand shares. All proceeds from shares issued have been collected.

(19) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The dividends unclaimed by shareholders for over 5 years shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.

(20) Retained earnings

A. According to the Articles of Incorporation of the Company, the appropriation of the earnings was as follows:

(a) Under the Company’s Articles of Incorporation which was amended and resolved by the shareholders on June 27, 2019, every year’s earnings, if any, shall first be used to pay business income tax and offset prior years’ deficits and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any, the Board of Directors should propose the distribution or to retain the remaining earnings along with prior accumulated undistributed earnings for

the approval of the shareholders. The dividends shall be distributed in proportion to the number of shares held by each shareholder accordingly, and the dividends to shareholders every year shall account for at least 50% of net profit of the year. However, dividends are not distributed if the net profit of the year is lower than 5% of paid-in capital. Dividends can be distributed to shareholders in the forms of cash or stocks, provided the cash dividends shall not be less than 50% of the total dividends distributed.

The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the earnings in whole or in part distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders at the shareholders' meeting.

(b) Under the Company's Articles of Incorporation which was amended and resolved by the shareholders on June 27, 2019, every year's earnings, if any, shall first be used to pay business income tax and offset prior years' deficits and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, the remaining shall be appropriated as dividends which was set at annual rate of 6%, however, the dividends shall not be paid with the capital. If any, earnings can be distributed with accumulated retained earnings of last year as special reserve or to be retained after being resolved by the shareholders, and the remaining can be distributed according to the proportion of each shareholder. Shareholders' dividends and bonus can be distributed in cash or stocks. However, the ratio of cash dividend shall not be less than 20%.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of earnings by the Company

(a) The appropriation of 2018 earnings approved by the shareholders of the Company on June 27, 2019 is as follows:

	<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Earnings per share (in dollars)</u>
Legal reserve	<u>\$ 75,863</u>	
Cash dividends	<u>\$ 404,850</u>	0.80

(b) The appropriation of 2019 earnings approved by the shareholders of the Company on June 23, 2020 is as follows:

	<u>Year ended December 31, 2019</u>	
	<u>Amount</u>	<u>Earnings per share (in dollars)</u>
Legal reserve	<u>\$ 131,245</u>	
Special reserve	<u>\$ 302,706</u>	
Cash dividends	<u>\$ 675,037</u>	1.3339

(c) The appropriation of 2020 earnings proposed by the Board of Directors on March 29, 2021 but not yet resolved by the shareholders of the Company is as follows:

	<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Earnings per share (in dollars)</u>
Legal reserve	<u>\$ 53,666</u>	
Reversal of special reserve	<u>(\$ 50,205)</u>	
Cash dividends	<u>\$ 268,213</u>	0.53

(21) Other equity items

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
At January 1	(\$ 302,706)	(\$ 138,768)
Currency translation	50,205	(163,938)
At December 31	<u>(\$ 252,501)</u>	<u>(\$ 302,706)</u>

(22) Operating revenue

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product categories:

	Year ended December 31	
	2020	2019
Dairy products	\$ 4,857,611	\$ 4,865,906
Beverages	1,408,416	1,298,723
Instant foods	910,244	856,538
Others	626,243	617,573
	<u>\$ 7,802,514</u>	<u>\$ 7,638,740</u>

(23) Other income

	Year ended December 31	
	2020	2019
Rent income	\$ 46,266	\$ 46,959
Royalty income	21,052	19,039
Others	12,116	16,093
	<u>\$ 79,434</u>	<u>\$ 82,091</u>

(24) Other gains and losses

	Year ended December 31	
	2020	2019
Losses on disposal of property, plant and equipment and biological assets	(\$ 37,336)	(\$ 72,192)
Proceeds from disposal of non-current assets classified as held for sale	-	1,269,341
Gains on financial assets at fair value through profit or loss	9	-
Reversal of impairment loss on property, plant and equipment	9,720	-
Net foreign exchange (losses) gains	1,424	(14,339)
Reversal of (impairment on) expected credit loss	23,184	(11,000)
Others	(15,016)	(43,712)
	<u>(\$ 18,015)</u>	<u>\$ 1,128,098</u>

Note: The Group entered into an agreement with SANLIH CINEMAS CO., LTD. to sell its assets, such as land, above-ground buildings and their auxiliary equipment, in the Pushin Ranch for a consideration of \$2,663,000 following the approval of the Board of Directors on November 12, 2018. During the fourth quarter of 2018, the Group classified the aforementioned assets to 'non-current asset held for sale' and the related deferred tax liabilities to 'liabilities directly relating to non-current assets held for sale'. On January 7, 2019, the Group completed the transfer of title to the aforementioned assets and recognised gain on disposal of non-current assets held for sale.

(25) Finance costs

	Year ended December 31	
	2020	2019
Interest expense on bank borrowings	\$ 56,125	\$ 63,377
Interest expense on lease liabilities	2,484	2,791
	<u>\$ 58,609</u>	<u>\$ 66,168</u>

(26) Expenses by nature

	Year ended December 31	
	2020	2019
Employee benefit expense	<u>\$ 1,253,203</u>	<u>\$ 1,245,810</u>
Depreciation expenses (Note)	<u>\$ 347,114</u>	<u>\$ 362,763</u>

Note: Including property, plant and equipment, right-of-use assets and depreciation expense of biological assets. Additionally, for the years ended December 31, 2020 and 2019, the amounts of depreciation expenses on investment property that were recorded under other gains and losses were \$5,103 and \$5,216, respectively.

(27) Employee benefit expense

	Year ended December 31	
	2020	2019
Wages and salaries	\$ 1,039,320	\$ 1,024,428
Labour and health insurance fees	98,145	95,802
Pension costs (Note 1)	47,305	48,693
Directors' remuneration	21,577	21,601
Other personnel expenses (Note 2)	46,856	55,286
	<u>\$ 1,253,203</u>	<u>\$ 1,245,810</u>

Note 1: It included \$0 and \$150 of pension costs, recorded under non-operating expenses, arising from personnel transfer during the years ended December 31, 2020 and 2019, respectively.

Note 2: It included meal expenses, employee benefits/welfare, education training, severance pay and work uniforms, etc.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration in the form of cash. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration. The employees include the employees of the Company's subsidiaries who meet certain specific requirements. If the Company incurs accumulated deficit, earnings should be reserved to cover losses prior to the appropriation of profit as employees' compensation and directors' remuneration according to the aforementioned ratios.

B. The employees' compensation and directors' remuneration for the years ended December 31, 2020 and 2019 are accrued based on the ratio of pre-tax profit of the year before deducting any employees' compensation and directors' remuneration. The accrued amounts are as follows:

	Year ended December 31	
	2020	2019
Employees' compensation	\$ 6,510	\$ 22,005
Directors' remuneration	\$ 6,300	\$ 6,812

The aforementioned employees' compensation and directors' remuneration were recorded under wages and salaries and directors' remuneration.

Employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors of the Company were in agreement with those amounts recognised in the 2019 parent company only financial statements. As the actual distributed amount of employees' compensation for 2019 was \$21,097, the difference of \$908 between the amounts resolved at the Board meeting and the actual distributed amount had been adjusted in the profit or loss of 2020. There was no difference between the amount resolved at the Board meeting and the actual distributed amount of directors' remuneration.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax (benefit) expense:

	Year ended December 31	
	2020	2019
Current tax:		
Land value increment tax for the year	\$ -	\$ 471,152
Prior year income tax overestimation	(5,326)	-
Tax on undistributed surplus earnings	9,880	8,596
Offshore income tax expense	2,757	3,787
Total current tax	7,311	483,535
Realised land value increment tax liabilities	-	(323,488)
Deferred tax:		
Origination and reversal of temporary differences	(92,722)	54,225
Total deferred tax	(92,722)	54,225
Income tax (benefit) expense	(\$ 85,411)	\$ 214,272

(b) For the years ended December 31, 2020 and 2019, the Company had no income tax charged/(credited) to other comprehensive income and equity during the year.

B. Reconciliation between income tax (benefit) expense and accounting profit

	Year ended December 31	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 89,957	\$ 312,851
Items disallowed by tax regulation	(39,801)	(286,195)
Change in assessment of realisation of deferred tax assets and liabilities	(142,878)	27,569
Effects from land value increment tax	-	147,664
Prior year income tax overestimation	(5,326)	-
Tax on undistributed surplus earnings	9,880	8,596
Offshore income tax expense	2,757	3,787
Income tax (benefit) expense	<u>(\$ 85,411)</u>	<u>\$ 214,272</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020			
	January 1	Recognised in profit or loss	Effect of corporate spin-off	December 31
Deferred tax assets:				
- Temporary differences:				
Unrealised losses on overseas investments	\$ 89,721	(\$ 749)	\$ -	\$ 88,972
Unrealised accrued expenses	10,444	110	-	10,554
Unrealised impairment loss on assets	18,882	(1,944)	-	16,938
Unrealised loss on obsolete and slow-moving inventories	9,879	(3,751)	-	6,128
Estimated unused compensated absences	3,296	(367)	-	2,929
Unrealised foreign exchange loss	3,768	(254)	-	3,514
Unrealised loss on doubtful debts	4,076	(4,076)	-	-
-Tax losses	<u>1,121,003</u>	<u>(54,584)</u>	<u>-</u>	<u>1,066,419</u>
	<u>\$ 1,261,069</u>	<u>(\$ 65,615)</u>	<u>\$ -</u>	<u>\$ 1,195,454</u>
Deferred tax liabilities:				
- Temporary differences:				
Reserve for land value increment tax	(\$ 643,041)	\$ 81,141	\$ 12,457	(\$ 549,443)
Unrealised gains on overseas investments	(323,695)	77,196	-	(246,499)
	<u>(\$ 966,736)</u>	<u>\$ 158,337</u>	<u>\$ 12,457</u>	<u>(\$ 795,942)</u>
	<u>\$ 294,333</u>	<u>\$ 92,722</u>	<u>\$ 12,457</u>	<u>\$ 399,512</u>

	2019			
	January 1	Recognised in profit or loss	Effect of corporate spin-off	December 31
Deferred tax assets:				
- Temporary differences:				
Unrealised losses on overseas investments	\$ 89,719	\$ 2	\$ -	\$ 89,721
Unrealised accrued expenses	5,387	5,057	-	10,444
Unrealised impairment loss on assets	18,882	-	-	18,882
Unrealised loss on obsolete and slow-moving inventories	9,552	327	-	9,879
Estimated unused compensated absences	4,324	(1,028)	-	3,296
Unrealised foreign exchange loss	348	3,420	-	3,768
Unrealised loss on doubtful debts	1,876	2,200	-	4,076
-Tax losses	<u>1,070,847</u>	<u>50,156</u>	-	<u>1,121,003</u>
	<u>\$ 1,200,935</u>	<u>\$ 60,134</u>	<u>\$ -</u>	<u>\$ 1,261,069</u>
Deferred tax liabilities:				
- Temporary differences:				
Reserve for land value increment tax	(\$ 643,041)	\$ -	\$ -	(\$ 643,041)
Unrealised gains on overseas investments	(209,336)	(114,359)	-	(323,695)
	<u>(\$ 852,377)</u>	<u>(\$ 114,359)</u>	<u>\$ -</u>	<u>(\$ 966,736)</u>

D. Expiration dates of the Company's unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Deferred tax assets	Expiry year
2014 ~ 2019	<u>\$ 6,985,370</u>	<u>\$ 6,716,177</u>	<u>\$ 1,384,080</u>	2024 ~ 2029
December 31, 2019				
Year incurred	Amount filed/assessed	Unused amount	Deferred tax assets	Expiry year
2014 ~ 2019	<u>\$ 5,605,017</u>	<u>\$ 5,605,017</u>	<u>\$ -</u>	2024 ~ 2029

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Year ended December 31, 2020</u>			
<u>Basic/Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 535,196</u>	<u>506,063</u>	<u>\$ 1.06</u>

<u>Year ended December 31, 2019</u>	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic/Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,349,985	506,063	\$ 2.67

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment and biological assets	\$ 221,868	\$ 270,705
Add: Opening balance of payable on equipment	17,931	28,624
Less: Ending balance of payable on equipment	(31,765)	(17,931)
Write-off of other receivables	(3,825)	(5,760)
Cash paid during the year	<u>\$ 204,209</u>	<u>\$ 275,638</u>

(31) Changes in liabilities from financing activities

	2020			
	Short-term notes and bills payable	Short-term borrowings	Lease liability	Long-term borrowings (including current portion)
At January 1	\$ -	\$ 1,220,000	\$ 139,049	\$ 2,969,754
Changes in cash flow from financing activities	250,000	(620,000)	(26,960)	402,000
Changes in other non-cash items	(61)	-	18,414	(434,887)
At December 31	<u>\$ 249,939</u>	<u>\$ 600,000</u>	<u>\$ 130,503</u>	<u>\$ 2,936,867</u>
	2019			
	Short-term notes and bills payable	Short-term borrowings	Lease liability	Long-term borrowings (including current portion)
At January 1	\$ -	\$ 2,720,000	\$ 130,547	\$ 3,300,390
Changes in cash flow from financing activities	120,000	(700,000)	(29,723)	(1,250,390)
Changes in other non-cash items	(120,000)	(800,000)	38,225	919,754
At December 31	<u>\$ -</u>	<u>\$ 1,220,000</u>	<u>\$ 139,049</u>	<u>\$ 2,969,754</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
KING CAN INDUSTRY CORPORATION (KING CAN INDUSTRY)	A subsidiary of the Company
KANG CHUAN ENGINEERING CO., LTD. (KANG CHUAN ENGINEERING)	A subsidiary of the Company
CONCOURSE INTERNATIONAL INC. (CONCOURSE INTERNATIONAL)	A subsidiary of the Company
Cheng Shuen Nung Ranch Dairy Co., Ltd.	A subsidiary of the Company
WEI-CHUAN (BVI) CO., LTD. (WEI-CHUAN (BVI))	A subsidiary of the Company
LANGFANG WEI-CHUAN FOODS CO., LTD. (LANGFANG WEI-CHUAN)	A second-tier subsidiary of the Company
HANGZHOU WEI-CHUAN FOOD CO., LTD. (HANGZHOU WEI-CHUAN)	A second-tier subsidiary of the Company
Hangzhou Weichuan Biotechnology Foods Co., Ltd. (Hangzhou Weichuan Biotechnology)	A second-tier subsidiary of the Company
FU TING FOODS CO., LTD.	An investee accounted for using the equity method by the Company
TING HSIN (CAYMAN ISLANDS) HOLDING CORP.(TING HSIN (CAYMAN ISLANDS) HOLDING)	An investor with significant influence over the Company
TAIWAN TING QIAO RESTAURANT MANAGEMENT CO. LTD.	An entity controlled by the investor with significant influence over the Company
Hangzhou Kenko&Ting Foods Co., Ltd. (Hangzhou Kenko&Ting)	An entity controlled by the investor with significant influence over the Company
THE BREAD CO., LTD.	An entity controlled by the investor with significant influence over the Company
KANG CHENG CO., LTD.	An entity controlled by the investor with significant influence over the Company
RIKKEI TRADING CORP.	A director of the Company is also the chairman of the entity
TAIWAN STAR TELECOM CORPORATION LIMITED	A director of the Company is also the chairman of the entity

Names of related parties	Relationship with the Company
All directors, general managers and main management personnel	Key management personnel and governing bodies of the Company

(2) Significant related party transactions

A. Sales transactions

(a) Operating revenue

Details of operating revenue arising from goods sold by the Company to related parties are as follows:

	Year ended December 31	
	2020	2019
Subsidiaries	\$ 44,054	\$ 31,253
Other related parties	4,588	10,393
	<u>\$ 48,642</u>	<u>\$ 41,646</u>

The Company's sales price, conditions and credit terms to related parties was approximately the same as those for third party customers. The credit terms for third party customers approximately ranged from 30 to 90 days after monthly billings.

(b) Accounts receivable

Details of accounts receivable arising from the aforementioned sales transactions to related parties are as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 7,394	\$ 4,274
Other related parties	128	1,720
	<u>\$ 7,522</u>	<u>\$ 5,994</u>

B. Purchase transactions

(a) Costs of goods purchased

Details of goods purchased by the Company from related parties are as follows:

	Year ended December 31	
	2020	2019
Subsidiaries		
KING CAN INDUSTRY	\$ 448,176	\$ 434,617
Others	333,875	260,731
Associates	50,703	178,317
Other related parties	35,057	-
	<u>\$ 867,811</u>	<u>\$ 873,665</u>

Goods purchased from related parties are based on the price lists in force and terms agreed upon by both parties. Payment terms have no major difference between related parties and third parties, which are 30 ~ 90 days end of month for general suppliers.

(b) Accounts payable

Details of accounts payable arising from the aforementioned goods purchased from related parties are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
KING CAN INDUSTRY	\$ 84,278	\$ 86,363
CONCOURSE INTERNATIONAL	72,147	71,711
Associates	9,425	23,746
Other related parties	1,463	-
	<u>\$ 167,313</u>	<u>\$ 181,820</u>

C. Leasing arrangements

(a) Rent income

The Company leases certain plants and offices (shown as investment property) to related parties, details are as follows:

Lessee	Leased object	Rent calculation and payment	<u>Year ended December 31</u>	
			2020	2019
Subsidiaries				
KING CAN INDUSTRY	Plants and offices	Semi-annually prepayment / Monthly payment	\$ 17,128	\$ 17,128
Other	Offices	Monthly payment	217	228
Associates	Offices	Monthly payment	55	60
Other related parties	Plants and offices	Quarterly prepayment / Monthly payment	6,191	5,873
			<u>\$ 23,591</u>	<u>\$ 23,289</u>

As of December 31, 2020 and 2019, the balances of other receivables arising from aforementioned transactions were \$1,444 and \$1,386, respectively.

(b) Acquisition of right-of-use assets

On January 1, 2019 (the date of initial application of IFRS 16), the Company increased right-of-use assets acquired from related parties by \$27,591.

(c) Lease liabilities / Finance costs

i. Details of lease liabilities arising from leasing offices from related parties by the Company are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
KING CAN INDUSTRY	\$ 11,306	\$ 13,445
KANG CHUAN ENGINEERING	<u>8,392</u>	<u>10,236</u>
	<u>\$ 19,698</u>	<u>\$ 23,681</u>

ii. Details of interest expense arising from leasing offices from related parties by the Company are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
KING CAN INDUSTRY	\$ 232	\$ 271
KANG CHUAN ENGINEERING	<u>176</u>	<u>209</u>
	<u>\$ 408</u>	<u>\$ 480</u>

D. Other transactions

(a) Manufacturing and operating expense

The amounts of manufacturing and operating expenses as well as related other payables as of and for the years ended December 31, 2020 and 2019 between the Company and related parties were immaterial. Thus, details are not disclosed.

(b) Other income

The amounts of other income and the related other receivables as of and for the years ended December 31, 2020 and 2019 between the Company and related parties were immaterial. Thus, details are not disclosed. In addition, the Company's other receivables from service transactions in previous years are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
HANGZHOU WEI-CHUAN	\$ 82,595	\$ 86,801
Other related parties		
Hangzhou Kenko&Ting	-	22,770
Less: Allowance for uncollectible accounts	<u>-</u>	<u>(22,770)</u>
	<u>\$ 82,595</u>	<u>\$ 86,801</u>

(c) Investments accounted for using the equity method

- i. Reduction items to investments accounted for using the equity method arising due to proceeds received from capital reduction of the Company's subsidiaries are as follows:

	Year ended December 31	
	2020	2019
Subsidiaries:		
KANG CHUAN ENGINEERING	\$ 22,965	\$ -
KING CAN INDUSTRY	-	156,022
WEI-CHUAN (BVI)	-	407,351
	<u>\$ 22,965</u>	<u>\$ 563,373</u>

As of December 31, 2020 and 2019, the Company had no other receivables arising from the aforementioned transactions.

- ii. Distribution of capital surplus received by the Company due to the investment in subsidiaries (shown as a deduction to the investments accounted for using the equity method) are as follows:

	Year ended December 31	
	2020	2019
Subsidiaries:		
KING CAN INDUSTRY	\$ -	\$ 109,648

As of December 31, 2020 and 2019, the Company had no other receivables arising from the aforementioned transactions.

- iii. Cash dividends received by the Company due to the investment in subsidiaries are as follows:

	Year ended December 31	
	2020	2019
Subsidiaries		
WEI-CHUAN (BVI)	\$ 513,959	\$ -
KING CAN INDUSTRY	60,649	129,541
CONCOURSE INTERNATIONAL	22,906	27,110
	<u>\$ 597,514</u>	<u>\$ 156,651</u>

As of December 31, 2020 and 2019, the Company had no other receivables arising from the aforementioned transactions.

- iv. Financial assets acquired from spinning off the cash and ranch related business (including assets, liabilities and operating) to subsidiaries were as follows:

Counterparty	Accounts	No. of shares (shares)	Objects	Year ended December 31, 2020
Cheng Shuen Nung	Investments accounted for using equity method	54,929,989	Common shares of Cheng Shuen Nung	<u>\$ 723,050</u>

Year ended December 31, 2019: None.

E. Income from provision of endorsements and guarantees to related parties (shown as other income)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 1,928	\$ 2,631

As of December 31, 2020 and 2019, the amounts drawn down from the endorsements/guarantees provided by the Company to the above related parties were \$640,574 and \$502,987, respectively. The balance of receivables arising from these transactions were \$521 and \$846, respectively, (shown as other receivables).

F. Endorsements and guarantees provided to related parties

The Company's other related party-TING HSIN (CAYMAN ISLANDS) HOLDING acted as a joint guarantor for the loan agreement entered into by the Company with United Overseas Bank in 2017. Such joint guarantee liabilities were removed when the loan was repaid in full in May 2019.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 41,325	\$ 35,192
Post-employment benefits	117	116
	<u>\$ 41,442</u>	<u>\$ 35,308</u>

8. Pledged Assets

As of December 31, 2020 and 2019, the Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Pledged time deposits (shown as other non-current assets)	\$ 8,000	\$ 10,000	Collateral for long-term material purchase
Land (shown as property, plant and equipment and investment property)	2,202,077	2,597,295	Collateral for long-term and short-term borrowings
Buildings and structures (shown as property, plant and equipment and investment property)	<u>672,561</u>	<u>1,002,030</u>	Collateral for long-term and short-term borrowings
	<u>\$ 2,882,638</u>	<u>\$ 3,609,325</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

Regarding the misuse of lard oil supplied by TING HSIN OIL & FAT INDUSTRIAL CO., LTD. and CHENG-I FOOD CO., LTD., the Company was sued by the Consumers' Foundation, Chinese Taipei to bear a joint and several liability for compensation. The case is currently pending with the High Court. As of December 31, 2020, the Company has accrued contingent compensation of \$1,000 (shown as other payables). Any subsequent impact arising from the incident will be assessed and recognised by the Company and disclosed in the financial statements.

(2) Commitments

A. As of December 31, 2020 and 2019, the Company has a promissory note for credit facilities from banks in the amounts of \$8,251,000 and \$7,875,700, respectively

B. As of December 31, 2020 and 2019, the Company has entered into agreements to subcontract construction projects or purchase equipment. The future outstanding commitments for the construction and equipment payments, net of the prepayments, amounted to \$28,391 and \$28,339, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Information on the appropriation of 2020 earnings proposed by the Board of Directors on March 19, 2021 but not yet resolved by the shareholders of the Company is provided in Note 6(20).

12. Other

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust to the optimal capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total capital. Total liabilities are the total amount of liabilities as shown in the parent company only balance sheet. Total capital is calculated as 'equity' as shown in the parent company only balance sheet plus total liabilities.

During the year ended December 31, 2020, the Company's strategy was unchanged from 2019. As of December 31, 2020 and 2019, the gearing ratios were 48% and 50%, respectively.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Non-current financial assets mandatorily measured at fair value through profit or loss	\$ 33,117	\$ 33,108
Financial assets at amortised cost		
Cash and cash equivalents	704,926	556,706
Notes receivable, net	12,881	17,539
Accounts receivable, net	865,552	864,751
Accounts receivable due from related parties, net	7,522	5,994
Other receivables	108,098	143,311
Other non-current assets		
- Guarantee deposits paid	9,010	10,431
- Other financial assets	8,000	10,000
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 600,000	\$ 1,220,000
Short-term notes and bills payable	249,939	-
Notes payable	21	1,455
Accounts payable	473,631	480,437
Accounts payable to related parties	167,313	181,820
Other payables	617,982	616,668
Long-term borrowings (including current portion)	2,936,867	2,969,754
Other non-current liabilities-Guarantee deposits received	18,362	17,152
Current lease liabilities	22,495	21,964
Non-current lease liabilities	108,008	117,085

B. Financial risk management policies

- (a) The Company adopts a comprehensive risk management and control system to identify, evaluate and control all risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk, liquidity risk, in order for the management to control these risks effectively.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the managements. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The management provide written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

Some of the Company's sales and purchases are denominated in USD. The fair value changes according to the fluctuations in market exchange rates. As the Company offsets these market risks by matching the foreign currency assets and liabilities positions and their payment periods, it does not expect significant market risk.

The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	3,886	28	\$ 110,673
RMB:NTD	78,692	4.37	343,884
<u>Long-term equity investments accounted for using the equity method</u>			
USD:NTD	132,443	28.48	3,771,962
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	115	4.37	\$ 503

December 31, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	5,371	29.98	\$ 161,023
RMB:NTD	79,234	4.30	340,706
<u>Long-term equity investments accounted for using the equity method</u>			
USD:NTD	135,093	29.98	4,046,713
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	159	4.30	\$ 684

The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to \$1,424 and (\$14,339), respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income or loss
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,107	\$ -
RMB:NTD	1%	3,439	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	1%	(\$ 5)	\$ -

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income or loss
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,610	\$ -
RMB:NTD	1%	3,407	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	1%	(\$ 7)	\$ -

B. Price risk

- (i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss.
- (ii) The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$331 and \$331, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

C. Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term and short-term borrowings as well as short-term notes and bills payable. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's long-term and short-term borrowings as well as short-term notes and bills payable are with floating rates. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rates were denominated in NTD and RMB.

As of December 31, 2020 and 2019, if the borrowing interest rate had increased/decreased by 0.1% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by \$3,787 and \$4,190, respectively. The main factor is that floating-rate borrowings result in increase/decrease in interest expense.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the note and accounts receivable based on the agreed terms.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard credit terms and delivery conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the managements. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customers' notes and accounts receivable in accordance with credit rating of customer, credit on trade and customer types. The Company applies the modified approach using a provision matrix based on the loss rate methodology to estimate the expected credit loss.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As of December 31, 2020 and 2019, the Group had no written-off financial assets that are still under recourse procedures.
- vii. After the Company identifies customer risks on an individual basis, and it classifies them into Companies according to different credit risk characteristics, assesses the historical default rates, and uses the forecastability to adjust historical and timely information to assess the default possibility. The Company considers that in the financial industry, the default rate should not be lower than 0.03% for numerous and unidentifiable individual investors. However, in accordance with the policy, the Company traces the credit risk of customers at any time, the Company refers to the reference rate set by the financial industry as a basis of forecast adjustment, and adjusts

the expected loss rate referring to monitoring indicator and the nature of risk. The loss rate methodology is as follows:

	Not past due	1~30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2020</u>					
Expected loss rate	0.06%	0.10%	0.13%	100.00%	
Total book value	\$ 883,906	\$ 1,511	\$ 13	\$ 1,311	\$ 886,741
Loss allowance	\$ 786	\$ -	\$ -	\$ -	\$ 786
	Not past due	1~30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2019</u>					
Expected loss rate	0.07%	0.10%	0.13%	100.00%	
Total book value	\$ 886,478	\$ 661	\$ -	\$ 1,401	\$ 888,540
Loss allowance	\$ 256	\$ -	\$ -	\$ -	\$ 256

The above ageing analysis was based on past due date.

viii. Movements in relation to the Company's loss allowance for accounts and notes receivable and other receivables are as follows:

	2020			
	Accounts receivable	Notes receivable	Other receivables	Total
At January 1	\$ 252	\$ 4	\$ 52,357	\$ 52,613
Expected credit loss (gain)	534	(4)	(23,198)	(22,668)
Write-offs	-	-	(16,331)	(16,331)
Effect of corporate spin-off	-	-	(11,000)	(11,000)
At December 31	\$ 786	\$ -	\$ 1,828	\$ 2,614
	2019			
	Accounts receivable	Notes receivable	Other receivables	Total
At January 1	\$ 2,541	\$ 7	\$ 39,139	\$ 41,687
Expected credit loss (gain)	(69)	(3)	10,998	10,926
Reclassifications	(2,220)	-	2,220	-
At December 31	\$ 252	\$ 4	\$ 52,357	\$ 52,613

(c) Liquidity risk

- i. The Company chooses the equity instruments with sufficient liquidity when investing in the equity financial instruments. Company management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs, so it does not expect significant liquidity risk.
- ii. Surplus cash held by the units over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

- iii. As of December 31, 2020 and 2019, the amounts of undrawn available borrowing facilities were \$4,431,000 and \$3,685,700, respectively.
- iv. The Company has no derivative financial liabilities. Except for the items disclosed in the following table, the Company's non-derivative financial liabilities, which were classified by its maturity date, were due within one year and approximates the amounts which were shown in the balance sheets. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 year(s)</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>					
Lease liability	\$ 27,003	\$ 19,023	\$ 41,716	\$ 56,667	\$ 144,409
Long-term borrowings (including current portion)	38,892	2,359,225	605,403	-	3,003,520
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 year(s)</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>					
Lease liability	\$ 24,328	\$ 21,111	\$ 39,474	\$ 67,712	\$ 152,625
Long-term borrowings (including current portion)	76,434	2,491,669	491,056	-	3,059,159

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. The carrying amounts of the Company's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other non-current assets-guarantee deposits paid, other non-current assets-restricted bank deposits, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables (including related parties), lease liability-current/non-current, long-term borrowings (including current portion) and other non-current liabilities-guarantee deposits received, are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ -	\$ -	\$ 33,117	\$ 33,117
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ -	\$ -	\$ 33,108	\$ 33,108

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- ii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	2020	
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	\$ 33,108	\$ 33,108
Gains recognised in profit or loss	9	-
At December 31	\$ 33,117	\$ 33,108

G. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. In addition to Level 3 fair value measurements applicable to the above valuation models, the Company also directly refers to fair value information provided by the financial institutions. Investment property is valued regularly by the Company's treasury segment based on the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau or through outsourced appraisal performed by the external valuer.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares- LI JIA CONSTRUCTION	\$ 5,617	Market approach-price-to- book ratio	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares- CONNECTION INVESTMENT etc.	27,500	Net asset value	N/A	-	N/A

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares- LI JIA CONSTRUCTION	\$ 11,947	Market approach-price-to- book ratio	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares- CONNECTION INVESTMENT etc.	21,161	Net asset value	N/A	-	N/A

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. If net asset value from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, profit or loss would not have been significantly impacted as of December 31, 2020 and 2019.

(4) Others

A. The impact of oil incidents caused by the upstream suppliers on the Company since the fourth quarter of 2013 is as follows:

(a) The Company's oil OEM supplier was suspected of misusing the oil adulterated with copper chlorophyllin by CHANG CHI FOODSTUFF FACTORY CO., LTD. (CHANG CHI). The Company recognised losses associated with product returns, inventory loss and related expenses in the amount of \$179,337 as of 31 December, 2017 due to the impact of this incident.

The Company was sued for violating the Act Governing Food Safety and Sanitation as a result of the oil and food safety incident caused by CHANG CHI. On April 27, 2017, the Intellectual Property Court rendered a decision in favour of the Company, but some representatives were charged with fraud for mislabeling oil. The court also confiscated \$32,929 in revenue gained from the sales of these products. The Company has petitioned to the Council of Grand Justices for an interpretation on whether the confiscation was reasonable.

On November 27, 2019, the Taiwan Changhua District Court ruled that CHANG CHI, KAO, CHEN-LI, WEN, JUI-PIN and CHOU, KUN-MING are jointly liable to compensate the Company for \$66,595 and related interests, for which the Company has obtained a certificate of the obligatory claim.

- (b) Due to more problematic oil was announced by the government organisations between September 2014 and October 2014, the Company has taken countermeasures such as taking the initiative to remove the products from shelves as a precautionary measure, notifying the competent authorities and compensating customers for returned products. The Company recognised losses associated with returns of certain affected products and compensation in the amount of \$226,017 during the period from 2014 to 2015.
 - (c) To safeguard the interests of the Company, the Company continually filed lawsuits for compensation against a number of suppliers supplying problematic oil depending upon each circumstance. The remaining cases, CHANG GUANN CO., LTD., TING HSIN OIL & FAT INDUSTRIAL CO., LTD. and CHENG-I FOOD CO., LTD are pending with the courts. In May 2019, the court advised LIHAO ENTERPRISE CO., LTD. a settlement to compensate the Company for \$1,276, which was recognised by the Company. The Company's management resolutely safeguards the rights and interests of the Company and shareholders and may take necessary legal actions in due course depending on the hearing process.
- B. The Company's subsidiary, WEI-CHUAN(BVI) CO., LTD, entered into a loan repayment agreement with WANG DE XING TEA COMPANY (an investee company whose 51% shares were originally held by the Group but sold in January 2016). The entity has been repaid the principal and interest in accordance with the agreement. However, in term of the last repayment of USD 2.965 million due on October 1, 2020, the Company agreed to amend the repayment schedule considering the impact of the COVID-19 pandemic on the entity's operation, the enhancement of collateral provided and the good credit of the entity on the past repayments. The remaining payments will be repaid in three instalments over three years.

The Company has provided for a full loss allowance in accordance with generally accepted accounting principles for the aforementioned receivables in the previous year after considering the risk of default.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 11.

(4) Major shareholders information

Major shareholders information: Please refer to table 12.

VI. Effect on the Financial Position of Any Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and as of the Date of Publication of the Annual Report: None.

Chapter 7. Review and Analysis on Financial Position and Financial Performance, and Risks

I. Financial Status

1. Comparison analysis of the consolidated financial position

Unit: NT\$ thousands

Item	Year	2020	2019	Increase (decrease)	
				Amount	%
Current assets		5,875,356	6,536,514	(661,158)	(10.1)
Investments accounted for using the equity method		17,686	18,306	(620)	(3.4)
Property, plant and equipment		9,426,888	9,780,396	(353,508)	(3.6)
Other assets		2,711,591	2,761,727	(50,136)	(1.8)
Total assets		18,031,521	19,096,943	(1,065,422)	(5.6)
Current liabilities		6,105,443	7,290,451	(1,185,008)	(16.3)
Non-current liabilities		5,070,290	4,862,697	207,593	4.3
Total Liabilities		11,175,733	12,153,148	(977,415)	(8.0)
Share capital		5,060,629	5,060,629	0	0.0
Capital surplus		36,113	36,103	10	0.0
Retained earnings		2,003,464	2,141,842	(138,378)	(6.5)
Other equity interest		(252,501)	(302,706)	50,205	(16.6)
Equity attributable to owners of parent company		6,847,705	6,935,868	(88,163)	(1.3)
Non-controlling interest		8,083	7,927	156	2.0
Total equity		6,855,788	6,943,795	(88,007)	(1.3)

- (I) Main reasons for significant changes (more than 20%) in assets, liabilities and shareholders' equity during the most recent two years: None
- (II) Impact: no material impact
- (III) Responsive actions to be taken: N/A

2. Comparison and analysis of parent company only financial position

Unit: NT\$ thousands

Item \ Year	2020	2019	Increase (decrease)	
			Amount	%
Current assets	2,319,896	2,168,951	150,945	7.0
Investments accounted for using the equity method	5,554,353	5,055,817	498,536	9.9
Property, plant and equipment	3,687,645	4,891,241	(1,203,596)	(24.6)
Other assets	1,565,412	1,754,264	(188,852)	(10.8)
Total assets	13,127,306	13,870,273	(742,967)	(5.4)
Current liabilities	2,182,988	2,571,963	(388,975)	(15.1)
Non-current liabilities	4,096,613	4,362,442	(265,829)	(6.1)
Total Liabilities	6,279,601	6,934,405	(654,804)	(9.4)
Share capital	5,060,629	5,060,629	0	0.0
Capital surplus	36,113	36,103	10	0.0
Retained earnings	2,003,464	2,141,842	(138,378)	(6.5)
Other equity interest	(252,501)	(302,706)	50,205	(16.6)
Total equity	6,847,705	6,935,868	(88,163)	(1.3)
Total liabilities and equity	13,127,306	13,870,273	(742,967)	(5.4)

(I) Main reasons for significant changes (more than 20%) in assets, liabilities and shareholders' equity during the most recent two years: None

Property, plant and equipment: mainly caused by the classification of ranch business.

(II) Impact: no material impact

(III) Responsive actions to be taken: N/A

II. Financial Performance

1. Analysis on consolidated financial performance for the most recent two years

Unit: NT\$ thousands

Item	Year		Increase (decrease)	Change, by Percentage (%)
	2020	2019		
Net operating income	18,650,871	20,228,119	(1,577,248)	(7.8)
Operating costs	(13,206,608)	(14,105,933)	899,325	(6.4)
Gross profit	5,444,263	6,122,186	(677,923)	(11.1)
Operating expenses	(4,849,210)	(5,577,580)	728,370	(13.1)
Operating profits	595,053	544,606	50,447	9.3
Non-operating income and expenses	(52,165)	1,184,991	(1,237,156)	(104.4)
Profit before tax	542,888	1,729,597	(1,186,709)	(68.6)
Income tax expense	(6,746)	(378,718)	371,972	(98.2)
Profit for the period	536,142	1,350,879	(814,737)	(60.3)

(I) Main reasons for significant changes (more than 20% at an amount of over NT\$ 10 million) in operating income, net operating profits and net profits before tax during the most recent two years:

- (1) Non-operating income and expenses: Mainly due to disposal of Buxin's assets in 2019.
- (2) Income tax expenses: Mainly due to increase in land VAT and net profits before tax in 2019.

2. Analysis on parent company only financial performance for the more recent two years:

Unit: NT\$ thousands

Item	Year		Increase (decrease)	Change, by Percentage (%)
	2020	2019		
Net operating income	7,802,514	7,638,740	163,774	2.1
Operating costs	(6,048,630)	(6,214,061)	165,431	(2.7)
Gross profit	1,753,884	1,424,679	329,205	23.1
Operating expenses	(1,630,920)	(1,685,172)	54,252	(3.2)
Operating profits (losses)	122,964	(260,493)	383,457	147.2
Non-operating income and expenses	326,821	1,824,750	(1,497,929)	(82.1)
Profit before tax	449,785	1,564,257	(1,114,472)	(71.2)
Income tax gains (expenses)	85,411	(214,272)	299,683	(139.9)
Profit for the period	535,196	1,349,985	(814,789)	(60.4)

(I) Main reasons for significant changes (more than 20% at an amount of over NT\$ 10 million) in operating income, net operating profits and net profits before tax during the most recent two years:

- (1) Operating gross profits: Mainly due to performance growth and increase in gross profit rate of the food business in Taiwan.
- (2) Operating profits (losses): Mainly due to performance growth, increase in gross profits and expense control for the food business in Taiwan.
- (3) Non-operating income and expenses: Mainly due to disposal of Buxin's assets in 2019.
- (4) Income tax gains (expenses): Mainly due to increase in land VAT and net profits before tax in 2019.

(II) Sales volume forecast and basis:

We are committed to strengthening integration of the cross-strait resources, continue deepening brand operation, consolidate key core technology for category, and optimize and improve process benefit and efficiency of the supply chain and operation management system, to promote rapid development of the cross-strait markets in a more positive attitude.

(III) Possible impact on the Company's future financial business: no material impact.

(IV) Responsive actions to be taken: N/A

III. Review and Analysis of Cash Flows

(I) Analysis on changes to the cash flows in 2020:

Unit: NT\$ thousands

Beginning cash balance	Net cash flows from operating activities for the year	Other cash outflows of the year	Cash surplus	Remedies for deficit in cash	
				Investment plan	Financing plan
556,706	1,032,230	(884,010)	704,926	-	-

1. Analysis on changes to cash flows of the year:

Operating activities:

Net cash inflows from the operating activities in 2020 were increased compared with that in 2019, mainly due to increase in the operating profits and cash dividends received from the subsidiaries.

Investment activities:

Net cash outflows of the investment activities in 2020 were increased compared with that in 2019, mainly due to disposal of Buxin's assets.

Financing activities:

Net cash outflows of the financing activities in 2020 were decreased compared with that in 2019, mainly due to decrease in repayment for long-term and short-term loans for the current period.

(II) Analysis on remedies for deficit in cash and liquidity of the Company:

1. Remedies for deficit in cash: The Company did not have any deficit in cash this year.
2. Please refer to financial analysis for the last 5 years for the liquidity analysis.

(III) Analysis on cash liquidity for the coming year

Unit: NT\$ thousands

Beginning cash balance	Net estimated cash flows from operating activities of the year	Other estimated cash outflows of the year	Estimated cash surplus (deficit)	Remedies for deficit in cash	
				Investment plan	Financing plan
704,926	868,746	(1,173,672)	400,000	-	-

1. Analysis on cash flows in 2020:

It is estimated that there is cash surplus for the coming year as the Company makes profits and receives cash dividends from reinvestments in 2020.

2. Remedies for estimated deficit in cash:

It is estimated no deficit in cash.

- IV. Impact of Major Capital Expenditures for the Most Recent Year on Financial Business: None
- V. Reinvestment Policies, and Main Reasons for Profits or Losses for the Most Recent Year, Improvement Plan and Investment Plan for the Coming Year:
- (I) Reinvestment policy: focus on core food business and develop business that has comprehensive effect.
 - (II) Main reasons for profits or losses: Gains from reinvestments presented under equity method for 2020 were NT\$ 315,955 thousand. The profits were reduced due to impact of COVID-19 in 2020.
 - (III) Investment plan for the coming year: focus on core food business, continue to carefully review the reinvestment plans.
- VI. Risk Analysis and Evaluation:
- (I) Impact of changes to interest rate and exchange rate, and inflation on the Company's profits and losses, and future responsive actions are as follow:
The Company periodically reviews the interest rate on the banking loans, and frequently communicates with the banks to obtain more favorable loan interest rate by reference to the market interest rate level. With respect to exchange rate, the Company develops hedging foreign exchange strategies and operation control procedures to prevent risks from changes in exchange rate; the Company will take such responsive actions as price adjustment and cost control to eliminate the impact of inflation on the Company's business, profits and losses, so as to minimize the adverse effect.
 - (II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the profits or losses generated thereby, and responsive actions to be taken in the future are as follows:
The Company does not make any high-risk and highly-leveraged investments, and makes prudent evaluation before investment. The Company does not lend loans to others. In addition, any loans to others, endorsements and guarantees are targeted to the Company's subsidiaries or business partners. Derivative transactions are mainly designed to avoid the risks from exchange rate, and fix medium and long-term capital costs. The above business shall be subject to the "Operational Procedures for Loaning Funds to Others", the "Operational Procedures for Endorsements/Guarantees" and the "Handling Procedure to Engage in the Transaction of Derivative Products" formulated by the Company.
 - (III) The R&D plan of the recent year, the current progress of the unfinished R&D plan, the R&D expenses to be reinvested, the estimated completion time of production, and the main factors affecting the success of R&D in the future.
 - 1. R&D plan of the recent year:
 - (1) Diversified innovation/ development of simple and delicious products without addition:
Based on the category development trend and consumer's demands, the Company will develop innovative/ addition-free foods in the coming year, including Lin Feng Ying Yogurt/ Yoghurt, Famer Series- Mixed Fruit Juice, Wan Tan Series Milk Drinks (using local raw materials in Taiwan), and Healthy Kitchen Clean Badge Series new products.
 - (2) Development of food materials for eating out industry:
In line with development of eating out business, consumer products are extended to articles for services, so as to diversify the products, accelerate manufacturing, and create value-added services, such as deserts, seasoning sauce, salad sauce, and milk drinks, etc.

(3) Introduction and application of safe/ environmental-friendly packaging materials:

In line with the environmental protection appeal, we continue lighted packaging materials to reduce carbon, and comply with the international safe packaging material standards to provide safer packaging materials.

(4) Advanced core product technology:

The Company establishes the core technology for various categories, introduces technologies through external academic institutions and international major manufacturers, shares information of the raw materials with the suppliers, builds the cross-strait sharing technology platform, and advances the category technology so as to improve the product competitiveness.

2. Current progress of the unfinished R&D plan:

Product quality and safety control is being improved, including supplier management operation, raw material traceability management, formula simplification upgrading, and formula design hazard analysis evaluation, to continue improving the quality and safety of the products.

3. Reinvested R&D expenses:

As of March 31, 2021, the invested R&D expenses were NT\$ 25,135 thousand, and the estimated reinvested R&D expenses were NT\$ 74,778 thousand.

4. Main factors affecting the success of R&D in the future:

(1) Make overall trend analysis and benchmark learning based on collected data on consumer's demands, and domestic and foreign new product information, to continue improving the product quality and development process and efficiency, and shorten the development period.

(2) Deepen technology advance, and discuss new material development through cooperation with academic institutions and strategic suppliers. Cultivate professional food R&D talents through cooperation with international major manufacturers, and professional education and training.

(3) Advocate innovative ideas, and continue comprehensively encouraging new attempts, so as to provide consumers with high-quality innovative products, and create healthy and convenient life for consumers.

(IV) Impact of changes to important domestic and international policies and laws on the Company's financial position, and responsive actions: None

(V) Impact of changes to technology and business on the Company's financial position, and responsive actions:

In response to rapid development of current technology, and publishing of government regulations, the Company has shortened the cold chain logistics and accounting process and time through development and integration of system, and provides information necessary for operation decision making and analysis through data storage, business intelligence and dashboard; the Company integrates the interface platforms to collect the operation related data, information and knowledge, so as to share information and experience. With respect to information security, the Company has provided physical and network security and protection measures, continues organizing training on information security for the employees, entrusts third-party verification, knows the internal risks, and improves and enhances the information security to reduce the impact caused by network threat. Moreover, the Company also takes the initiative to effectively apply relevant information technology to reduce the operating

costs and improve the competitiveness.

(VI) Impact on crisis management of changes in the corporate image, and responsive actions to be taken:

The Company continues optimizing the food safety management in strict accordance with the corporate governance and other relevant laws and regulations, and takes the initiative to keep external communication so as to build up the positive corporate image. With respect to crisis management, the Company undertakes to enhance the brand recognition on the principles of transparency and openness, so as to reduce impact of various crisis events, and guarantee the interest of the shareholders and customers.

(VII) Expected benefits and possible risks associated with any mergers and acquisitions, and responsive actions: None

(VIII) Expected benefits and possible risks associated with any plant expansion, and responsive actions: None

(IX) Risks associated with any consolidation of sales or purchasing operations, and responsive actions:

1. Risks associated with any consolidation of purchasing operations and responsive actions:

In order to effectively reduce costs and control quality stability, the Company applies centralize purchasing, and strives to obtain favorable supply price from the suppliers through larger economic scale. However, the Company has made preparations in response to inadequate resources, changes to operation of the suppliers and other possible risks, such as developing standby supply source, and safe internal stocks, and pays a visit to the suppliers to guarantee normal supply of the goods.

2. Risks associated with any consolidation of sales and responsive actions:

In face with the risks for recovery of accounts associated with sales, the Company will strengthen setting of customer's claims and credit limit control, optimize conditions on payment for goods, continue developing new channel customers, and add new categories to increase sales.

(X) Impact on and risks to the Company in the event significant equity transfer or replacement of the directors, supervisors or major shareholders, and responsive actions: None

(XI) Impact on and risks to the Company of changes to the management risks in the recent year, and responsive actions: None

(XII) Litigation and non-litigation events:

Litigation Commencement Date	Party	Amount	Facts in contention	Status
2013.11.15	Ta Tung Chang Chi Food Factory Corp. Kao Chen Li Wen Jui Pin Chou Kun Ming	NT\$70,000,000	The Company entrusted Ting Hsin Oil Making Co., Ltd. (hereinafter referred to as "Ting Hsin") to produce 21 oil products. Ting Hsin purchased olive oil imported from Spain from Ta Tung Chang Chi Food Factory Corp. (hereinafter referred to as "Ta Tung Chang Chi") as the raw material. However, the Company's products are removed from shelves and returned due to oil mixing event of Ta Tung Chang Chi, resulting in losses to the Company.	Changhua District Court, Taiwan judged and ruled that Ta Tung Chang Chi, Kao Chen Li, Wen Jui Pin, and Chou Kun Ming jointly and severally pay NT\$ 66,595,008 and interest on November 27, 2019. On July 27, 2020, Changhua District Court issued the collateral debt obligation.
2015.01.05	Chiang Kuan Enterprise Co., Ltd. Yeh Wen Hsiang Tai Chi Chuan	NT\$300,000,000	In September 2014, the Company's lard oil supplier Chiang Kuan Enterprise Co., Ltd. (hereinafter referred to as "Chiang Kuan") purchased inferior oil from Kuo Ying Chih and Shih Min Yu to produce Chuan Tung Fragrant Lard Oil, caused the Company misusing it to produce the meat crisp and meat sauce products, and sustaining losses. In addition, it was found upon inspection of pork in the sauce bag for the Company's Bagged Noodle with Braised Ribs that the Company's supplier directly used the lard oil of Chiang Kuan. As a result, such instant noodle product was removed from shelves, causing losses to the Company. The Company initiated civil action for compensation.	Kaohsiung Branch of Taiwan High Court judged on November 13, 2018 that Chiang Kuan, Yeh Wen Hsiang and Tai Chi Chuan jointly and severally pay NT\$126,728,436 and interest. Chiang Kuan and Yeh Wen Hsiang appealed. On February 19, 2021, the Supreme Court rejected the original ruling, and sent it back to Kaohsiung Branch of Taiwan High Court for retrial.
2015.05.28	Consumer's Foundation, Chinese Taipei	NT\$2,085,712	The Foundation claimed against the Company for damages, and alleged that Ting Hsin imported non-edible butter that is inconsistent with the health standards from Vietnam Da Hue Company, and mixed with other butter products for resale. The Company misused such butter to produce convenient noodle foods, causing damages to the consumers.	On June 22, 2020, through mediation of Taiwan High Court, Ting Hsin made compensation of NT\$1.659 million, and the Foundation withdrawn other claims of the Defendants. The Company does not need to make compensation.
2015.06.02	Consumer's Foundation, Chinese Taipei	NT\$13,452,064	The Foundation claimed against the Company for damages, and alleged that Ting Hsin purchased feed lard from Vietnam Da Hue Company, and resold it to Cheng-I. Cheng-I also purchased feed lard or recycled oil from Hsin Hao to produce 117	Taipei District Court, Taiwan judged the Company is not liable for indemnity on August 11, 2017.

			lard oil products via refining equipment, and then sold such products to 691 channel merchants. The Company misused such lard oil product to produce meat crisp and meat sauce products, causing damage to the consumers.	The Foundation appealed. Taiwan High Court still ruled that the Company is not liable for indemnity on August 13, 2018. The Foundation appealed again (claiming the Company to pay NT\$1,236,140). At present, the Supreme Court is in trial of the case.
2016.04.12	Ting Hsin Oil Making Co., Ltd. Wei Ying Chung Vietnam Da Hue Company Yang Chen-I Cheng-I Corp. Ho Yu Jen Yu Fa Oil & Fat Co., Ltd Ho Wu Hui Chu Lin Ming Chung Chiu Feng Oil & Fat Co., Ltd Chiu Fei Lung Chiu Li Pin Yung Cheng Oil & Fat Co., Ltd Yung Cheng Material Co., Ltd. Tsai Chen Chou Tsai Yao Men Hsin Hao Enterprise Co., Ltd. Wu Jung Ho	NT\$1,132,828,939	From 2007 to 2013, Wei Chuan entrusted Ting Hsin to manufacture olive oil, grape seed oil and blending oil products. Ting Hsin purchased inferior oils from Ta Tung Chang Chi as raw materials to manufacture the above products for Wei Chuan. In October 2013, outbreak of oil product event of Ta Tung Chang Chi led to removal of Wei Chuan's products from shelves, causing losses to Wei Chuan. Ting Hsin also purchased inferior butter and lard oils from Vietnam Da Hue Company, and sold such products to Wei Chuan as raw materials, leading to Wei Chuan's meat crisp, cans, instant noodle and other products removed from shelves and indemnifying the consumers. Cheng-I purchased inferior lard oils from its upstream suppliers Yu Fa, Chiu Feng, Yung Cheng and Hsin Hao and resold the products to Wei Chuan as raw materials, leading to Wei Chuan's meat crisp, cans and other products removed from shelves and indemnifying the consumers. The criminal liabilities of the above companies and relevant individuals have been convicted by the court except for cases in appeal trial. The liabilities of the Company and the relevant personnel have been preliminarily determined. Thus, lawsuit was filed for compensation first, subsequent actions depend on litigation status.	In trial by Teipei District Court, Taiwan.

(XIII) Other material risks and responsive actions: None

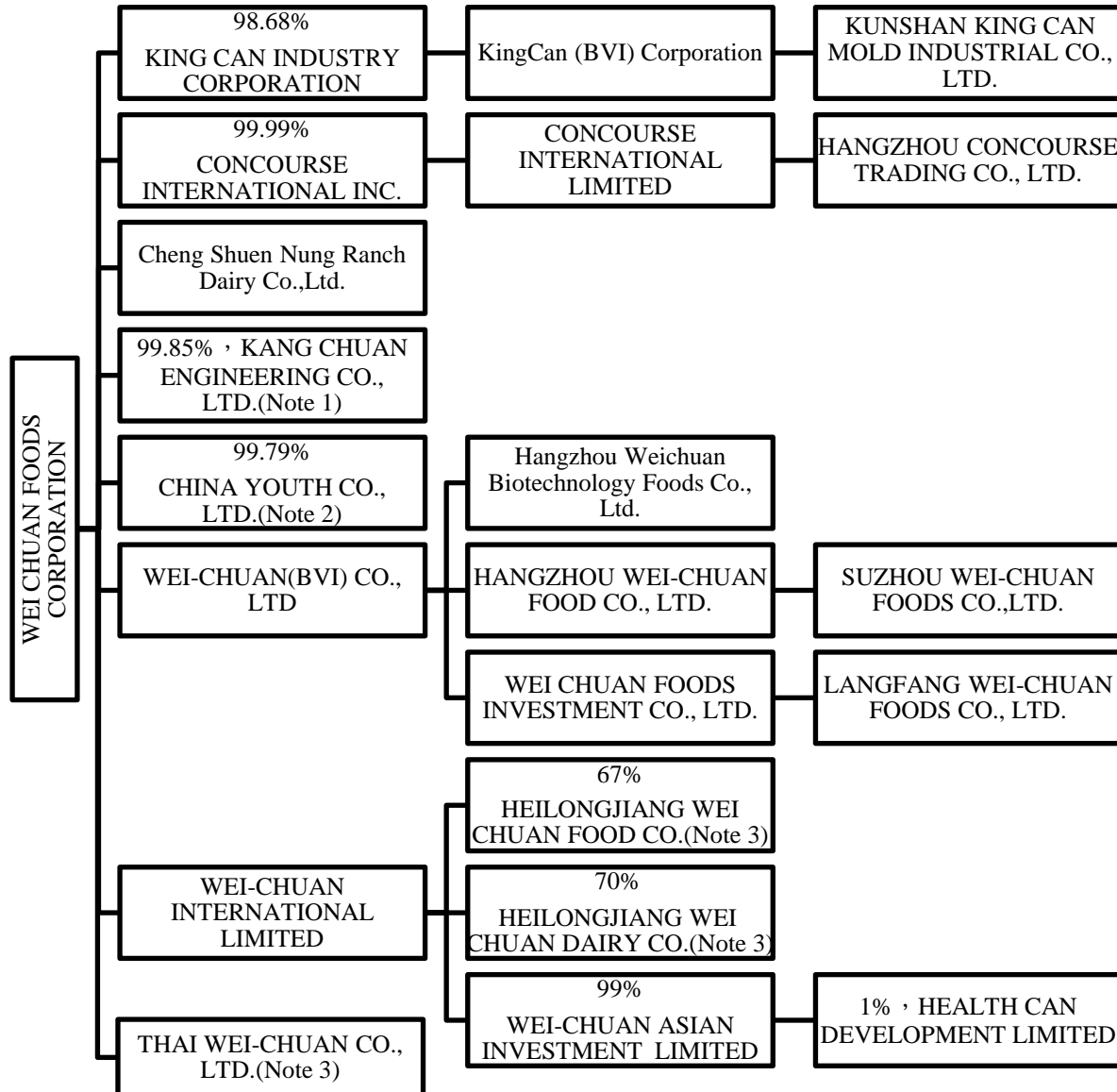
VII. Other Important Events: None

Chapter 8. Special Disclosure

I、Summary of Affiliated Companies

(I) Affiliated Companies Chart

(As of 12/31/2020, if not labeled: 100%)



Note 1 : The Company was dissolved as resolved by its Board of Directors in December 2016.

Note 2 : The Company was dissolved as approved by its shareholders in November 2016 and the dissolution was approved by the competent authority in January 2017.

Note 3 : The subsidiary is under liquidation procedures.

1. Pursuant to Article 369-2 of the R.O.C. Company Act, Paragraph 2, the subordinate company of which the company has a direct or indirect control over the management of the personnel, financial or business operation: None.
2. Pursuant to Article 369-3 of the R.O.C. Company Act, a company concluded as the existence of the controlling and subordinate relation: None.

(II) Affiliated Companies

Name of Corporation	Date of Establishment	Address	Paid-in Capital Unit: NT\$ thousands	Major Business/Production Items	Note
KING CAN INDUSTRY CORPORATION	1977.02.07	No. 561, Zhongzheng Rd., Wufeng Dist., Taichung City, Taiwan (R.O.C.)	350,000	Process, manufacture and trade of tins products such as tin cans, tin boxes and bottle caps	
CONCOURSE INTERNATIONAL INC.	1973.04.18	9F., No. 127, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	140,351	General import and export trade business	
CONCOURSE INTERNATIONAL LIMITED	2014.01.21	Maystar Chambers, P.O. Box 3269, Apia, Samoa	USD 850,000	General investment	
HANGZHOU CONCOURSE TRADING CO., LTD.	2014.08.22	Room 303, Floor 3, Building 2, No. 502, Dajie, No. 10, Qiantang New District, Hangzhou City, Zhejiang Province	RMB 5,000,000	General import and export trade business	
CHINA YOUTH CO., LTD.	1981.12.16	9F., No. 127, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	85,000	Trade of vegetables and fruits as well as agricultural and fishery products	Note 2
KANG CHUAN ENGINEERING CO., LTD.	1983.05.30	9F., No. 127, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	351,663	Planning, design and implementation of construction projects	Note 3
Cheng Shuen Nung Ranch Dairy Co., Ltd.	2020.04.24	No. 1, Linfengying, Liujia Dist., Tainan City, Taiwan (R.O.C.)	579,300	Livestock farm management	
WEI-CHUAN (BVI) CO., LTD.	2006.12.15	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	USD 82,710,950	General investment	
WEI-CHUAN INTERNATIONAL LIMITED	1992.11.11	2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands	USD 26,356,859	General investment	

Name of Corporation	Date of Establishment	Address	Paid-in Capital Unit: NT\$ thousands	Major Business/Production Items	Note
WEI-CHUAN ASIAN INVESTMENT LIMITED	1991.07.23	Suite C 21/F Lee & Man Commercial Center 169 Electric Road North Point HK	HKD 7,700,000	General investment	
HANGZHOU WEICHUAN FOOD CO., LTD.	2002.09.30	No. 468, Yin Hai Street, Qiantang New District, Hangzhou City, Zhejiang Province	USD 41,700,000	Manufacture and brand marketing of refrigerated dairy beverages	Note 1
Hangzhou Weichuan Biotechnology Foods Co., Ltd.	2005.05.16	No. 502, Dajie, No. 10, Qiantang New District, Hangzhou City, Zhejiang Province	USD 10,000,000	Manufacture and sale of food products such as milk powder, rice and wheat powder and solid drinks	
SUZHOU WEI-CHUAN FOODS CO., LTD.	2017.04.06	Junction Of Fenyue West Road And Wenchang Road, Lili Town, Wujiang District, Suzhou City, Jiangsu Province	RMB 86,000,000	Manufacture and brand marketing of refrigerated dairy beverages	
WEI CHUAN FOODS INVESTMENT CO., LTD.	2012.03.29	Room 301, Floor 3, Building 2, No. 502, Dajie, No. 10, Qiantang New District, Hangzhou City, Zhejiang Province	USD 15,100,000	General investment	
LANGFANG WEICHUAN FOODS CO., LTD.	2013.11.29	No. 759, Huaxia South Road, Xianian Town, Dachanghuizuzizhi County, Langfang City, Hebei Province	USD 15,000,000	Manufacture and brand marketing of refrigerated dairy beverages	Note 1
KingCan (BVI) Corporation	2001.11.29	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 3,350,000	General investment	
KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	2006.11.07	No. 99, Xincui Road, Huaqiao Town, Kunshan City, Jiangsu Province	USD 7,125,000	Manufacture of food molds and injection molds	
HEALTH CAN DEVELOPMENT LIMITED	1990.08.07	Suite C 21/F Lee & Man Commercial Center 169 Electric Road North Point HK	HKD 1,000	General investment	
THAI WEI-CHUAN CO., LTD.	1987.09.12	171 Moo 3 Khao Ngoo-Berkpai Rd. Tumbon Berkpai Aumper Banpong Rachaburi Province (70110) Thailand	THB 65,000,000	Food processing	Note 4

Name of Corporation	Date of Establishment	Address	Paid-in Capital Unit: NT\$ thousands	Major Business/Production Items	Note
HEILONGJIANG WEI CHUAN DAIRY CO.	1995.07.10	No. 8, Daqing Road, Anda City, Heilongjiang Province	RMB 51,800,000	Dairy and other products	Note 4
HEILONGJIANG WEI CHUAN FOOD CO.	1995.07.19	No. 1, Tangchang Street, Songpu Town, Waiqu, Haerbin City Road, Heilongjiang Province	RMB 15,100,000	Condiments and other products	Note 4

Note 1 : The operating revenue of the affiliated company which has factory exceeds 10% of the operating revenue of WEI CHUAN FOODS CORPORATION, the factory information are as followed :

Name of Factory	Date of Registration	Address	Major Business/Production Items
HANGZHOU WEICHUAN FOOD CO., LTD. HANGZHOU Factory	2002.09.30	No. 468, Yin Hai Street, Qiantang New District, Hangzhou City, Zhejiang Province	Manufacture and brand marketing of refrigerated dairy beverages
LANGFANG WEICHUAN FOODS CO., LTD. LANGFANG Factory	2013.11.29	No. 759, Huaxia South Road, Xianian Town, Dachanghuizuzizhi County, Langfang City, Hebei Province	Manufacture and brand marketing of refrigerated dairy beverages

Note 2 : The Company was dissolved as approved by its shareholders in November 2016 and the dissolution was approved by the competent authority in January 2017.

Note 3 : The Company was dissolved as resolved by its Board of Directors in December 2016.

Note 4 : The subsidiary is under liquidation procedures.

(III) The information of the common shareholders of the company and the company concluded as the existence of the controlling and subordinate relation : None.

(IV) The Business Scope of the Company and the Affiliated Enterprises

The business of the company and the affiliated enterprises includes : Manufacture and sale of food products 、 Process, manufacture and trade of tinplate products 、 General investment.

(V) Directors, Supervisors and Presidents of Affiliated Companies (As of Dec.31, 2020)

Company	Title	Name or Representative	Shareholding	
			Shares/Amount	%
KING CAN INDUSTRY CORPORATION	Chairman	LIU,TING-YU (Representative of Wei Chuan Foods Corporation)	34,539,451	98.68%
	Director	CHIU, TZU-CHUAN (Representative of Wei Chuan Foods Corporation) SHEN, TE-YU (Representative of Wei Chuan Foods Corporation)	34,539,451	98.68%
	Supervisor	HUANG,CHIH-YU	-	-
	President	SHEN, TE-YU	-	-
Cheng Shuen Nung Ranch Dairy Co., Ltd.	Chairman	CHIU, TZU-CHUAN (Representative of Wei Chuan Foods Corporation)	57,929,989	100.00%
	Director	TANG,WEI CHE (Representative of Wei Chuan Foods Corporation) HUANG,KUO CHEN (Representative of Wei Chuan Foods Corporation)	57,929,989	100.00%
	Supervisor	HUANG,CHIH-YU	-	-
KANG CHUAN ENGINEERING CO., LTD. (Note 2)	Chairman	CHEN WEI MING (Representative of Wei Chuan Foods Corporation)	35,113,408	99.85%
	Director	CHANG, CHIAO-HUA (Representative of Wei Chuan Foods Corporation) LIAO,SHU-SANG (Representative of Wei Chuan Foods Corporation)	35,113,408	99.85%
	Supervisor	HUANG,CHIH-YU	-	-
CONCOURSE INTERNATIONAL INC.	Chairman	HUANG,HUI-LING (Representative of Wei Chuan Foods Corporation)	14,034,753	99.99%
	Director	CHANG,CHEN-CHANG (Representative of Wei Chuan Foods Corporation) HUANG,KUO CHEN (Representative of Wei Chuan Foods Corporation)	14,034,753	99.99%
	Supervisor	HUANG,CHIH-YU	-	-
CONCOURSE INTERNATIONAL LIMITED	Director	HUANG,HUI-LING (Representative of CONCOURSE INTERNATIONAL INC.) CHANG,CHEN-CHANG (Representative of CONCOURSE INTERNATIONAL INC.) HUANG,CHIH-YU (Representative of CONCOURSE INTERNATIONAL INC.)	-	100.00%
HANGZHOU CONCOURSE TRADING CO., LTD.	Chairman	HUANG,HUI-LING (Representative of CONCOURSE INTERNATIONAL LIMITED)	-	100.00%
	Director	HUANG,HUI-LING · CHANG,CHEN-CHANG · HUANG,CHIH-YU (Representative of CONCOURSE INTERNATIONAL LIMITED)	-	100.00%
	Supervisor	LEE,WEN-HSUEH (Representative of CONCOURSE INTERNATIONAL LIMITED)	-	100.00%
	President	HUANG,HUI-LING	-	-

Company	Title	Name or Representative	Shareholding	
			Shares/Amount	%
WEI-CHUAN(BVI) CO., LTD.	Director	Wei Chuan Foods Corporation	-	100.00%
WEI-CHUAN INTERNATIONAL LIMITED	Director	LIAO,SHU-SANG (Representative of Wei Chuan Foods Corporation)	-	100.00%
WEI-CHUAN ASIAN INVESTMENT LIMITED	Director	CHANG, CHIAO-HUA (Representative of Wei Chuan Foods Corporation) HUANG,CHIH-YU (Representative of Wei Chuan Foods Corporation)	-	100.00%
Hangzhou Weichuan Biotechnology Foods Co.,Ltd.	Chairman	HSIEH,TSUNG-PENG (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	Director	WU,JUEI-HSUN (Representative of WEI-CHUAN(BVI) CO., LTD) CHANG, CHIAO-HUA (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	Supervisor	LEE,WEN-HSUEH (Representative of CONCOURSE INTERNATIONAL LIMITED)	-	100.00%
	President	WU,JUEI-HSUN	-	-
HANGZHOU WEICHUAN FOOD CO., LTD.	Chairman	HSIEH,TSUNG-PENG (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	Director	TENG,YI-YUNG (Representative of WEI-CHUAN(BVI) CO., LTD) CHANG, CHIAO-HUA (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	Supervisor	HUANG,CHIH-YU (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	President	LIN,YU-SHENG	-	-
SUZHOU WEI-CHUAN FOODS CO., LTD.	Chairman	HSIEH,TSUNG-PENG (Representative of HANGZHOU WEICHUAN FOOD CO., LTD.)	-	100.00%
	Director	TENG,YI-YUNG (Representative of HANGZHOU WEICHUAN FOOD CO., LTD.) CHANG, CHIAO-HUA (Representative of HANGZHOU WEICHUAN FOOD CO., LTD.)	-	100.00%
	Supervisor	HUANG,CHIH-YU (Representative of HANGZHOU WEICHUAN FOOD CO., LTD.)	-	100.00%
	President	TENG,YI-YUNG	-	-
WEI CHUAN FOODS INVESTMENT CO., LTD.	Chairman	HSIEH,TSUNG-PENG (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	Director	TENG,YI-YUNG (Representative of WEI-CHUAN(BVI) CO., LTD) CHANG, CHIAO-HUA (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	Supervisor	HUANG,CHIH-YU (Representative of WEI-CHUAN(BVI) CO., LTD)	-	100.00%
	President	TENG,YI-YUNG	-	-

Company	Title	Name or Representative	Shareholding	
			Shares/Amount	%
LANGFANG WEICHUAN FOODS CO., LTD.	Chairman	HSIEH,TSUNG-PENG (Representative of WEI CHUAN FOODS INVESTMENT CO., LTD.)	-	100.00%
	Director	TENG,YI-YUNG 、CHANG, CHIAO-HUA (Representative of WEI CHUAN FOODS INVESTMENT CO., LTD.)	-	100.00%
	Supervisor	HUANG,CHIH-YU (Representative of WEI CHUAN FOODS INVESTMENT CO., LTD.)	-	100.00%
	President	HUANG,CHIN-SEN	-	-
KingCan (BVI) Corporation	Director	LIU,TING-YU (Representative of KING CAN INDUSTRY CORPORATION.) HSU,SHU-MIN (Representative of KING CAN INDUSTRY CORPORATION.) HUANG,CHIH-YU (Representative of KING CAN INDUSTRY CORPORATION.)	-	100.00%
KUNSHAN KING CAN MOLD INDUSTRIAL CO., LTD.	Chairman	LIU,TING-YU (Representative of KingCan (BVI) Corporation)	-	100.00%
	Director	LEE,WEN-HSUEH (Representative of KingCan (BVI) Corporation) HUANG,CHIH-YU (Representative of KingCan (BVI) Corporation)	-	100.00%
	Supervisor	HSU,SHU-MIN (Representative of KingCan (BVI) Corporation)	-	100.00%
	President	LIU,TING-YU	-	-
HEALTH CAN DEVELOPMENT LIMITED	Director	CHANG, CHIAO-HUA (Representative of WEI-CHUAN ASIAN INVESTMENT LIMITED) HUANG,CHIH-YU (Representative of WEI-CHUAN ASIAN INVESTMENT LIMITED)	-	75.00%

Note 2 : The Company was dissolved as resolved by its Board of Directors in December 2016.

Note 3 : CHINA YOUTH CO., LTD. 、THAI WEI-CHUAN CO.,LTD. 、HEILONGJIANG WEI CHUAN FOOD CO. and HEILONGJIANG WEI CHUAN DAIRY CO. are under liquidation procedures.

II、Summarized Operation Results of Affiliated Enterprises

Year ended December 31, 2020 (NTD Thousand)

Company name	Stock capital	Total assets	Total liabilities	Total equity	Operating revenue	Operating profit (loss)	Net income (loss)	Earnings per share(after-tax)(Dollars)	Footnote
KING CAN INDUSTRY CORPORATION	350,000	1,089,097	500,450	588,647	980,633	87,668	73,115	2.09	
CHINA YOUTH CO.,LTD.	85,000	10,487	2,469	8,018	-	(30)	(27)	-	Note 2
KANG CHUAN ENGINEERING CO.,LTD.	351,663	208,079	2,341	205,738	-	(893)	703	0.02	Note 3
Cheng Shuen Nung Ranch Dairy Co.,Ltd.	579,300	1,230,773	477,942	752,831	-	(245)	(204)	-	
CONCOURSE INTERNATIONAL INC.	140,351	350,810	113,435	237,375	601,208	53,604	56,645	4.04	
CONCOURSE INTERNATIONAL LIMITED	24,208	31,257	-	31,257	-	-	3,518	-	
HANGZHOU CONCOURSE TRADING CO.,LTD.	21,830	36,344	5,549	30,795	237,621	3,480	3,515	-	
WEI-CHUAN(BVI)CO.,LTD.	2,355,608	3,765,720	37,857	3,727,863	-	(1,046)	189,661	-	
WEI-CHUAN INTERNATIONAL LIMITED	750,643	57,877	1,556	56,321	-	(363)	3,744	-	
WEI-CHUAN ASIAN INVESTMENT LIMITED	28,289	21	205	(184)	-	(212)	(6,496)	-	
Hangzhou Weichuan Biotechnology Foods Co.,Ltd.	341,495	330,036	367,774	(37,738)	319,828	(112,446)	(114,083)	-	
HANGZHOU WEI-CHUAN FOOD CO., LTD.	1,306,352	6,302,921	3,304,911	2,998,010	9,880,412	335,249	266,131	-	
SUZHOU WEI-CHUAN FOODS CO.,LTD.	375,475	674,877	308,110	366,767	-	(6,144)	(4,568)	-	
WEI CHUAN FOODS INVESTMENT CO.,LTD.	407,347	568,348	-	568,348	-	(57)	33,328	-	
LANGFANG WEI-CHUAN FOODS CO.,LTD.	400,070	1,687,704	1,122,874	564,830	854,739	69,139	33,545	-	
KingCan (BVI) Corporation.	95,408	275,615	-	275,615	-	-	6,482	-	
KUSHAN KING CAN MOLD INDUSTRIAL CO.,LTD.	220,431	277,895	2,665	275,230	1,584	337	6,475	-	
HEALTH CAN DEVELOPMENT LIMITED	4	21	5,339	(5,318)	-	(168)	(168)	-	
THAI WEI-CHUAN CO.,LTD.	62,114	-	7,829	(7,829)	-	-	-	-	Note 4

Note 1 : Translation of foreign operations : Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet; Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period , the exchange rates are as follows :

	<u>USD: NTD</u>	<u>HK: NTD</u>	<u>RMB: USD</u>	<u>RMB: NTD</u>	<u>THB : NTD</u>
2020.12.31	28.4800	3.6739	0.1533	4.3660	0.9556
Average exchange rates of 2021	29.5491	3.8089	0.1449	4.2817	0.9496

Note 2 : The Company was dissolved as approved by its shareholders in November 2016 and the dissolution was approved by the competent authority in January 2017.

Note 3 : The Company was dissolved as resolved by its Board of Directors in December 2016.

Note 4 : The subsidiary is under liquidation procedures.

(II) Consolidated financial statements of the related parties:

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to ‘Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises’, the entities that are required to be included in the consolidated financial statements of affiliates are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Wei Chuan Foods Corporation

March 29, 2021

(III) Affiliation report

The Company shall not be required to prepare.

II. Private subscription of marketable security in the most recent years and up to the printing of the annual report: None.

III. The stock shares of the Company held or disposed of by the subsidiary in the most recent years and up to the printing of the annual report: None.

IV. Other necessary supplements: None.

IX. Matters that materially affect shareholders' equity or the price of the company's securities as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities Exchange Act occurred in the most recent year and up to the date of publication of annual report: None.

(III) Affiliate Reports

The Company is not the affiliate as set out in the articles of incorporation of the affiliated company under the Company Act, and is not required to prepare the affiliate report according to regulations.

- II. Private Placement of Securities during the Most Recent Year and as of the Date of Publication of the Annual Report: None.
- III. Holding or Disposal of the Company's Shares during the Most Recent Year and as of the Date of Publication of the Annual Report: None.
- IV. Other Necessary Supplementary Information: None

Chapter 9. Any Events during the Most Recent Year and as of the Date of Publication of the Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Sub-paragraph 2, Paragraph 2 of Article 36 of Securities and Exchange Act: None

Wei Chuan Foods Corp.

Chairman CHEN, HUNG-YU