



# Namchow Holdings Co., Ltd

## 2021 Annual Report

Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

*Printed and Published on March 31, 2022*

*Annual report inquiry URL: <http://mops.twse.com.tw>*

*Company website: <http://www.namchow.com.tw>*

#### I. Spokesperson Information:

Name	Kan-Wen Lee	Ching-Hui Chiu (Representative)
Title	General Manager	Chief Financial Officer
Telephone	(02) 6619-3688	(02) 6619-3000
E-Mail	<a href="mailto:kevin@namchow.com.tw">kevin@namchow.com.tw</a>	<a href="mailto:daisy.chiu@namchow.com.tw">daisy.chiu@namchow.com.tw</a>

#### II. Addresses and Telephone Numbers of the Headquarter:

Address of Headquarter	No.100, Sec. 4, Yanping N. Rd., Taipei City 103, Taiwan (R.O.C.)
Telephone	(02) 6619-3000

#### III. Addresses and Telephone Numbers of the Main Subsidiaries:

Name of company	Namchow Food Group (Shanghai) Co., Ltd.
Address	12F, No. 1397, Yishan Road, Xuhui District, Shanghai
Telephone	+86-21-61955661

#### IV. Stock Transfer Information:

Name of Stock Transfer Agency	Agency Department of Chinatrust Commercial Bank
Address	5F, No. 83, Chongqing South Road Sec. 1, Taipei
Telephone	(02) 6636-5566
Website	<a href="http://www.ctcbank.com">http://www.ctcbank.com</a>

#### V. Certified Public Accountant for the Most Recent Year:

Name of Firm	KPMG Taiwan
Name of CPA	Po-Shu Huang, Chong-Shun Wu
Address	68F, No. 7, Section 5, Xinyi Road, Taipei City
Telephone	(02) 8101-6666
Website	<a href="http://www.kpmg.com.tw">http://www.kpmg.com.tw</a>

#### VI. Name of Trading Site for Listed Securities Overseas and Inquiry Information: None

#### VII. Company website: <http://www.namchow.com.tw>

# Table of Contents

<b>I. Letter to Shareholders</b>	1
<b>II. Company Profile</b>	
(I) Date of Establishment	4
(II) Company History	4
<b>III. Corporate Governance Report</b>	
(I) Organizational System	9
(II) Background Information on Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches	11
(III) Remunerations paid to directors, supervisors, general managers and vice general managers in recent years	20
(IV) Status of Corporate Governance	26
(V) Public Expenditure on CPAs	78
(VI) Information on Replacement of Accountants	78
(VII) Disclosure of Name, Position and Duration of Service at Firms or Their Associated Enterprises within the Past Year of Chairman, General Manager, and Managers in Charge of Financial or Accounting Affairs:	78
(VIII) Transfer of Stock Options and Changes in Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of Printing of the Annual Report	79
(IX) Information of Relationship among Top 10 Shareholders Who Are Related, Spouses, or Relatives within the Second Degree of Kinship	80
(X) Shares Held by the Company, Directors, Supervisors, Managers of the Company and Businesses Controlled Directly or Indirectly by the Company of the Same Re-investment Business and the Consolidated Calculation of the Comprehensive Shareholding Ratio	81
<b>IV. Fundraising</b>	
(I) Capital and Shares	82
(II) Corporate Bonds	86
(III) Special Stock, Special Shares, Global Depositary Receipts, Employee Stock Option Certificates, Restricted Employee Shares and M&A or Acceptance of Transferred Shares of Another Company for the Issuance of New Shares	86
(IV) Implementation of Capital Utilization Plan	86
<b>V. Operational Status</b>	
(I) Business Content	87
(II) Overview of Marketing and Production/Distribution	100
(III) Information of Employees	121
(IV) Information on Environmental Protection Expenditure	122
(V) Employer-employee Relations	125
(VI) Cyber Security Management	126
(VII) Important Contract	129

## **VI. Financial Status**

(I) Brief Balance Sheet and Income Statement for the Past Five Years -----	130
(II) Financial Analysis of the Past Five Years-----	134
(III) Audit Committee Review Report of the most recent annual financial report -----	137
(IV) Latest Financial Report-----	138
(V) Entity Financial Statement of the Latest Year Inspected and Authenticated by CPAs ---	216
(VI) Impact of the Latest Financial Difficulties Encountered by the Company and its Associated Enterprises on the Company's Financial Standing as of the Date of Printing of the Annual Report -----	270

## **VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks**

(I) Financial Standing -----	271
(II) Financial Performance-----	272
(III) Cash Flow -----	273
(IV) Impact of the Latest Major Capital Expenditures on Financial Business -----	274
(V) Main Reasons for Profits or Losses of the Latest Re-investment Policy, Improvement Plan and Investment Plan for the Coming Year-----	275
(VI) Analysis and Assessment of Risks -----	277
(VII) Other important matters -----	280

## **VIII. Special Notes**

(I) Information of associated enterprises -----	281
(II) Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report -----	294
(III) Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report-----	294
(IV) Other matters requiring supplementary information -----	294

※ Latest Matters with Important Impact on Shareholder Rights or Security Prices Indicated in Article 36 Paragraph 2 Sub-paragraph 2 of the Securities Exchange Act as of the Date of Printing of the Annual Report -----	294
--	-----

# I. Letter to Shareholders

## I. 2021 Operating Results Report

The Company's consolidated turnover for 2021 was NT\$19,861,770,000; which increased by NT\$2,240,007,000 (12.71%) compared to NT\$17,621,763,000 for 2020. The profit for 2021 was NT\$1,071,166,000; which increased by NT\$120,469,000 (12.67%) compared to the profit of NT\$950,697,000 for 2020. The Group's consolidated revenue hit a new high in 2021, and its profit also hit a new high in the past 5 years. Despite the impacts of COVID-19 and inflation, the Group has been able to grasp the business opportunities due to the concerted efforts of all employees. The revenue of numerous business units has continued to grow, among which the baking oil and frozen dough businesses showed higher growth rates.

In terms of financial income and expenditure, the consolidated total liabilities in 2021 reached NT\$17,578,210,000 (debt ratio of 59.76%), which decreased by NT\$806,885,000 (12.79%) compared to the consolidated total liabilities of NT\$18,385,095,000 (debt ratio of 72.55%) for 2020. In 2021, the cash inflow from operating activities was NT\$1,196,462,000; the amount of investment activities was NT\$375,219,000; and the current ratio was 244.03%. It has improved compared to the 97.76% in 2020, indicating a good financial status overall.

The Group has continued to invest in R&D for new products to meet consumer demands delicately. For example, R&Ds for crystal soap and probiotics were combined to develop high biodegradability and multi-functional clothing cleaning products; we have launched the "clean" and "additive-free" NEBOS series oils that meet international standards, and we have introduced innovative ice cream products and partnered with well-known brands to expand business models and opportunities. We have used healthy and trendy ingredients to make room-temperature rice and frozen cooked noodles and developed new products that have won numerous domestic and foreign certifications.

## II. 2022 Business Plan Outline:

Namchow will develop high value-added products according to consumer interests, partner with various types of enterprises to create and expand business opportunities, maximize benefits for consumers, and drive the industry's progress.

Namchow has operated its oil business in mainland China for 25 years, and its comprehensive services have become the community of life and the best business partner for clients. Namchow Food Group (Shanghai) Co., Ltd. was listed on the Shanghai A Index (SHAI) in May 2021 to become the first food company listed in China. The funds raised will expand the production capacity for baking oil and frozen dough, expand the cold chain storage and R&D center, and strengthen Namchow's competitiveness in mainland China's market.

Namchow has operated for 31 years in Thailand. Its baby rice cracker, prepared cooked rice, and prepared porridge products have been sold to the global market and are well received. With the foresight to cultivate Southeast Asia, European, and American markets, Namchow has acquired 20,000 square meters of land next to Namchow's existing factory in Thailand. The factory construction commenced in October 2018. We have invested approximately 1.37 billion Thai baht to build a smart factory and install one baby rice cracker line and one bread bakery snack line. The rice cracker line has been completed in the 2nd quarter of 2020 and put into production. The bread bakery snack line is expected to be put into production in the 2nd half of 2022, which is expected to increase revenue and profit.

### **III. Future Development Strategies and Impact on the External Environment**

**Future development strategy:** Namchow will focus on operating the global niche market and continue to invest in R&D for baking oil, rice, flour, and dairy products. Currently, revenue from food products has exceeded 97% of the entire Group's revenue. In the future, the business unit aims to invest more intensively to meet the food safety and health trends while developing more refined and precise functional biotech products.

**Competitive environment:** Take the oil business as an example. We will continue to invest in R&D and services to meet international trends. Recently, we have adopted the bakery desert and catering concept for Chinese cakes cultivating the professional field of oils and fats to set the position and status in the hearts of consumers.

**Legal environment:** As time progresses, the public has paid more attention to product quality, safety, and hygiene. Namchow has introduced the consumer protection concept since the 1980s to actively implement comprehensive quality management, which is considered a pioneer at that time. As the social changes become more rapid, enterprises today must conform to the general concept of environmental protection and loving the earth to survive. Namchow has always strived to become a green competitive enterprise and conform to the environmental, social, and governance (ESG) guidelines so we can become a public enterprise. Our goal is to become a people-oriented, open, transparent, and sustainable enterprise that exists in symbiotic harmony with the earth.

**Overall environment:** COVID-19 has obstructed globalization development since January 2020, and enterprises have faced unprecedented challenges. Under the impacts of COVID-19, central banks worldwide have adopted loose monetary policies, which continued to push up commodity raw material prices. As the epidemic continues to spread, raw material shortages and supply chain disruptions will continue to make the commodity raw material prices soar. However, under the pressure of inflation in 2022, central banks are facing the urgency to raise interest rates. The monetary policy is expected to be tightened. The foreign exchange market and commodity raw material prices will become more volatile and unpredictable due to the rapidly rising geopolitical tensions in Europe.

Namchow will use its past experience to gain insight and foresight into the raw material market, and maintain stability and calm in dealing with the treacherous and fickle environment.

The oil, noodle, rice, ice cream, catering, and cleaning product-related industries operated by Namchow will continue to focus on providing R&D, production, and services to clients and consumers as we look forward to the post-COVID-19 digital era. We will continue to observe lifestyle changes and provide multi-faceted solutions to meet the demands of daily life. Our trade-based organization will combine its various business resources. Our production bases have spread across Taiwan, Thailand, and mainland China, and we will also expand to Japan shortly. Our products are sold in over 80 countries worldwide, and we will develop our business network into a fleet to jointly develop and achieve business synergy. Master the rapid changes in consumer consumption and economy, and use delicate and precision executions to generate new opportunities for the enterprise.

Namchow has a 70-year history. We have developed into a people-oriented learning organization that knows when to change, when to adapt by changing, when to seek change, and when to remain unchanged. Our goal is to strictly maintain integrity, care about the social and economic environment, and create better investment benefits for all stakeholders and shareholders.

**To  
Namchow General Shareholders Meeting**

**Chairman** *Fei-Lung Chen*



## II. Company Profile

### I. Date of Establishment: March 29, 1952

(The registered name was changed to Namchow Holdings Co., Ltd. on August 25, 2017.)

### II. Company History:

Namchow was established in 1952 by Mr. Qizhi Chen, an overseas Chinese in the Philippines. He took over Namchow Industrial Co., Ltd. and reorganized it. The diversified developments of Namchow had to do with “raw materials, the technology, the distribution channel, and the culture”. Pulses and trends in the industrial setting have been kept track of following the principles of "Knowing changes, Seeking to change, Responding to change, Remaining unchanged." We are taking root in seven major fields, namely, "oils and fats/dairy products, flour, rice, dining, daily cleaners, biotechnology, and complex hotels" and we have production sites in Taiwan, Thailand, Mainland and Japan, with products sold all over the world. We shall make strategic deployments in the global niche market based on sustainability.

In 2017, Namchow became a investment holding company and by the end of the year, its Shanghai subsidiary launched an initial public offering (IPO) in China. The IPO approved by China Securities Regulatory Commission in January 2021, and Namchow Food Group (Shanghai) Co went public on the Shanghai Stock Exchange on May 18 as A shares - the first Taiwanese food firm to achieve this feat in China.

#### (I) Businesses of Namchow in Taiwan

1.Cleaners -- We started to produce soap in 1952 and glycerol in 1956. The most advanced equipment at the time Mazzoni in Italy was introduced in 1963 and then Namchow Crystal Soap was developed with the intention to create differentiation from similar products in the market. Till this day, Namchow remains a leading brand. Focusing on creating natural and eco-friendly products, the company has endeavored to flesh out its product lines by developing and launching the product line of Natural Washing Crystal Liquid Soap and Crystal Soap Dispenser Washing Liquid.

In 2021, Namchow launched a number of new products. Collaborating with TCI Co Ltd., we launched and distributed our “Probiotics Crystal Laundry Soap” on ETMall. It is the first laundry detergent in Taiwan with anti-bacterial protection that lasts up to 168 hours. The “Succinic Acid Laundry Soap for Babies” is the fruit of our collaboration with Great Tree Pharmacy and it features four major selling points - natural ingredients, anti-bacterial, anti-mold and anti-mite. Last but not least, we also launched our 5-in-1 “Namchow Liquid Soap Detergent”, which is exclusively sold at PX Mart.

Namchow’s lotion quality has stood the test and won numerous product certifications and awards. For example, it won the triple honors in the 16th "National Brand Yushan Award" in the cleaning category in 2019 by winning the Top Enterprise Award, Most Popular Brand and Best Product.

2.Biotechnology-based daily necessities -- Through years of research and development, Nanchow launched the "Antrodia Bath Soap" in 2014 which uses antrodia essence extracted by legacy exquisite soap manufacturing processes. It is the first product of Namchow introduced into the skin care products market. In 2018, Namchow launched the six series of

products of "Repairwear Antrodia Cinnamomea Essence Soap" which was researched and developed for different skin types of men and women.

- All series of products passed have the AMA laboratory certification of the US FDA as well as American dermatologist reviews of the body application test to ensure no irritation or allergens
- The "Repairwear Antrodia Cinnamomea Essence Soap" obtained the 15th "National Brand Yushan Award"

3.Oil & Fat Business -- Namchow started technical collaboration with Miyoshi Corporation, one of the Top 10 oils and fats enterprises in Japan in 1971 in the production of baking oils and fats to supply bread, pastry, cookies, ice cream, and instant noodles manufacturers. Namchow butter oil substitute, Yufeng Brand, and Weijia series of edible oils and fats have been deeply trusted and supported by customers over the years. In recent years, Namchow has been focusing on the promotion of Chinese pastry and successfully developed dedicated oil for Chinese pastry. In 2019, Namchow's "NEBOS baking oil series" products were introduced. They are fully compliant with pertinent international regulations, having obtained Clean Label certification. This will assist customers in further expanding their export markets.

Namchow insists on becoming "the most trustworthy partner of the baking industry" and carefully practice consultation-based marketing and one-stop service to create more values for our customers. As consumers' awareness for food related safety continues to grow, Namchow has established and launched a comprehensive tracing system for oil and fat raw material source information to ensure thorough supervision of food safety.

4.Ice Cream Business -- International Royal Dairy Products Company was established in 1988. (In December 1997, Royal and Lucky merged to be Lucky Royal Co. Ltd., ) using "Duroyal" as its brand to develop unique and high value-added products and became one of the largest ice cream production and distribution companies with comprehensive product offerings across Taiwan. In 2004, we created a line of premium ice cream under the brand of "Kabisuo", which was introduced to the Chinese market in 2013. In the same year, Namchow opened a convenient store franchise that offer quality ice creams. In 2016, we collaborated with renowned local and international brand names and distribution channels to facilitate in-depth collaboration in product development. Examples include the "Fresh Japanese Cream Puff" (sold exclusively at Family Mart stores in 2021), which features ingredients imported directly from Yamanashi Prefecture in Japan. We have also attempted inter-brand collaborations such as the "Taro Ice Cream with Black Glutinous Rice Cake" (with Dian Shui Lou) and such creative products have helped to open up new potential markets and new collaboration platforms.

5.Frozen Dough Business -- Namchow set up the frozen dough factory at the Zhongli site in 1991. Namchow is known for its powerful capability in the research and development of frozen dough. Featuring desirable quality, safety, health, time-effectiveness, cost-effectiveness, manpower-saving, low-material consumption and easy-operations in addition to constant research and development of new products, Namchow has created more than 300 products across 8 major categories for Chinese and Western styled pastries, thus becoming an indispensable best partner of the baking industry. It has been sold in Japan, Hong Kong, Shanghai, the US, Canada, Australia, and Dubai.

6.Frozen Noodles Business -- The frozen noodles technical collaborative contract was signed with Katoji Co., Ltd. in Japan in 1998. Namchow became the first enterprise producing frozen noodles in Taiwan. Ever since the launch of Namchow's Sanuki Frozen Noodles in January 1999, the company has successfully developed Japanese Noodles, Pasta and Chinese Noodles

three major category and with dozens of products. Frozen Noodles is yummy, convenient, fast, safe and healthy; making it an optimum choice for dining businesses seeking to enhance their operational performance. The company has exported relevant products to international markets including U.S., Canada, Hong Kong, Australia, Switzerland, Austria, Indonesia and so forth.

Namchow adopts stringent quality control for its frozen noodle products and has been acknowledged by renowned international organizations around the world. For example, our frozen noodle products participated in the Monde Selection World Quality Appraisal Awards hosted by the European Union. (This is one of the most representative and recognized food evaluation organizations in the international market.) In 2021, our products received two gold awards and eight silver awards; for the A.A. TASTE AWARDS, five our products received the highest 3-star award in 2021 and we also received the 2-star award for six other products. As for the event held by International Taste Institute, we received one 3-star award, seven 2-star awards and two 1-star award.

7. Cooked Rice Business -- NTD 300 million was invested in 2004 in the Zhongli site for the production of ambient temperature ready-to-serve rice. The company made cooked rice and cooked rice made of dietary fiber takes health and wellness as its demand, and has the effect of regulating blood sugar and blood lipids. It is the first domestic product that has been awarded a health food certification and our rice products have been distributed to regions including U.S., Australia, Norway, England and so forth.

The ambient temperature ready-to-serve rice is with the advantage of functional, excellent quality, delicious and safe. It is awarded by the various food certifications. Launched in 2020, our “Organic Quinoa - Inca’s Gold” had received various certifications such as Tse-Xin Organic TOC, TIC’s Clean Label and so forth. Not only that, it was nominated in the 6th “Top 10 GOOD Products” organized by Taiwan Grain Industry Association and the 2021 FUN FOOD TAIWAN Awards and won the FUN FOOD Award. In addition, our Cooked Rice with Barley and Oat also won the prize of “Top 10 Innovative Product of the Year” in the 2021 Food Innovation Award.

#### 8. Gastronomy Business Division

(1) Chow Ho Honbaryu Professional Noodles Stores --- Chow Ho Enterprise was established in 1999 and the demonstrative noodles store Honbaryu was opened to be the antenna for collecting market information on frozen noodles and serve as the platform for exchange with customers. The store is located in the tourism factory in Taoyuan

(2) Dian Shui Lou Restaurant -- opening the Taipei Nanjing flagship store in 2005, currently there are 6 restaurants in Taiwan and 2 restaurant in Japan. Dian Shui Lou, delivering the Chinese cuisines culture as its mission, known for its pursuit of advancement at all times, sufficient utilization of local food ingredients, and attentive services, has won repeated awards over the years. In fact, it has been selected for the Bib Gourmand recommendation list of "Michelin Guide Taipei" consecutive times in recent years.

(3) Taipei Paulaner Restaurant - Paulaner Catering is renown in Shanghai and we came back to Taiwan to open a branch at Taipei National University of the Arts, Guandu, and Brewery in Taoyuan Tourism Factory in 2009. Due the expiration of rent contract in 2020, we relocated to a new location close to Guandu MRT Station and became the first Paulaner restaurant that serves freshly baked pastry and a community demonstration store for baking customers.

(4) Le vol du petit prince French Restaurant -- The establishment opened at National Taipei University of the Arts in December, 2020. The restaurant provides safe and delicious French cuisine, providing custom-made meal, and giving more options to consumers and teachers and students of the university.

9. Taoyuan Tourism Factory of Namchow -- Certified by the Government to be a tourism factory, the Taoyuan facility of Namchow opened in 2012 and it covers seven major areas: (1) Namchow Founder Memorial Park; (2) Oil & Fat Visitor Hallway; (3) Crystal Soap Experience; (4) Dian Shui Lou Cultural Dining; (5) Honbaryu Demonstrative Noodles Store, Paulaner Brewery, and Dining Demonstrative Center; (6) Thailand Erawan Shrine Worship Area; and (7) Thailand Cultural House & Thai Food Restaurant.

Namchow Tourism Factory has developed a new look for it is closely related to tourism, education, people-to-people diplomacy and local clusters to showcase our commitment to corporate social responsibility and our intention to promote the development of local industries.

## (II) Overseas Businesses of Namchow

1. Namchow (Thailand) -- Established in 1989, Namchow Thailand is the first overseas base of Namchow. The Ban Pong Factory became operational in 1990 to produce instant noodles, rice crackers, among other products. With settlement-oriented management and focus on sustainable development, we have received multiple food certificates and awards over the years to be the most powerful cornerstone for exports to Europe and America. Namchow Thailand has even been recognized as a benchmark enterprise by the Thai government. In light of the steady growth in the ASEAN market and the company's global deployment strategies, apart from expanding our existing product lines, Namchow has also been actively developing new packaged food products that promise great potential. Our phase I investment plan began in 2019 with the construction of a smart factory/warehouse that runs on green energy along with the expansion of new production lines that manufacture baby rice crackers and French toast crisps.

Namchow Thailand focuses on various rice products as its core business and has established its Rice Cracker Research Center to specialize in the development of rice crackers and different rice-based products in the hopes of becoming a world-renowned manufacturer of rice products and preferred partner of collaboration for other major brand names.

After 30 years of hard work and commitment, the company established its cross border e-commerce sales team in 2020, with the goal of promoting products in the Mainland Chinese market and other regions in the world through e-commerce.

In 2015, Namchow Thailand's "Little Cook" series was introduced to the domestic market in Taiwan as a "slow cook" product, promoted as a new choice for dinner with exquisite cuisine for consumers. Over the years, the company has launched new products of special flavors to appeal to consumers. Examples include the "Instant Soup Noodle with Four Spirits" in 2020 and "Noodles with Buddha Jumps Over the Wall" in 2021.

2. Oils, fats and bakery businesses in Mainland-- Tianjin Namchow Oils and Fats Company was established in 1996 as a supplier of baking oil, whipped cream, frozen dough, ice cream, baked goods fillings, and other products. The company has diligently cultivated the market over the years and is committed to developing new, quality products and to provide one-stop services for customers.

The oil and fats manufacturing facility of Namchow in Guangzhou was completed in 2007. The Jinshan Plant 1 in Shanghai was inaugurated and became operational in 2016 as the first Oil & Fat and food processing factory with traceability, food safety, environmental protection and energy saving features. The construction of Jinshan Plant 2 in Shanghai and collaboration with Shanghai Jinshan agricultural production followed in the same year. The western operation center was established in Chongqing, Sichuan, in 2017. The company established the Big Wuhan operation center on the Yangtze River Economic Belt, with the core in Wuhan and established Guangdong-Hong Kong-Macao Greater Bay Area operation center in

Guangzhou in 2020.

Namchow Food Group (Shanghai) Co went public on the Shanghai Stock Exchange on May 18, 2021 as A shares - the first Taiwanese food firm to achieve this feat in China. "As we take from the market, so we shall give back to it" - it is a philosophy we believe in and as we look forward to the future, the company shall continue to focus on its core operations and further cultivate the baking market so that we can become a leading name as a "all-rounded consultant service provider" in the Chinese market.

3. BLN Restaurants & Caterings - BLN Restaurants & Caterings was established in 1996 with technical authorization from the Germany Paulaner Group. The first BLN Restaurants & Caterings was opened on Fenyang Road, Shanghai, in 1997. Touting its unique charms as an exotic restaurant, we work hard to highlight and promote our beliefs and ideals for fine cuisine. We currently operate 5 Paulaner Restaurants and 1 Kaefer Binjiang One. Ever since 2020, the world has been severely impacted by the COVID pandemic as new variants of it emerged. Consequently, food and beverage service industries around the world have suffered a major hit. In response, apart from continuing to focus on its unique strengths and values, Paulaner also developed and launched quality prepackaged products in order to increase its profit and boost its performance.

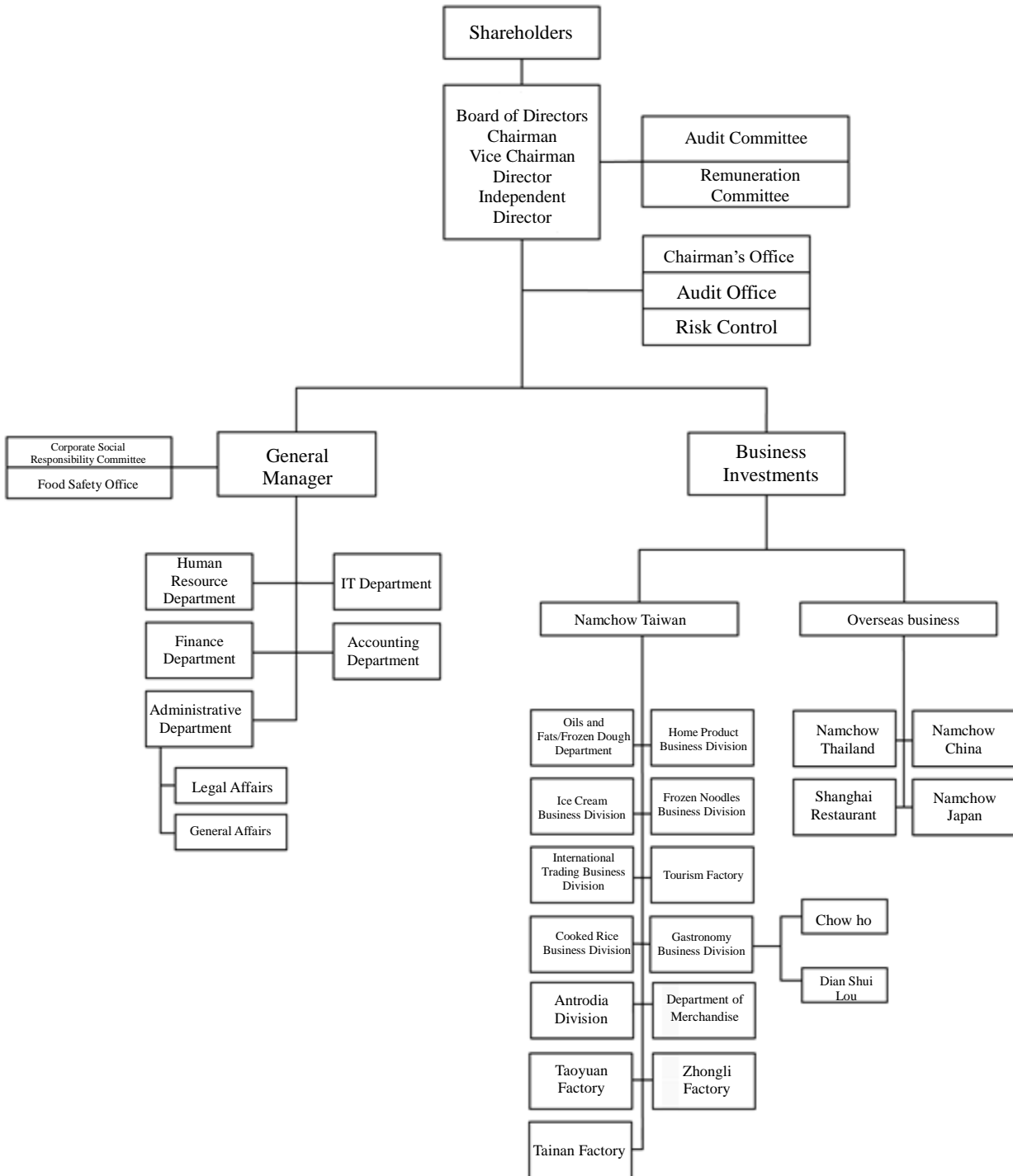
In light of rapid changes in current trends, businesses today must adopt and go with the predominant concept of environmental protection and eco-friendliness in order to stay competitive. And as such, the fulfillment of ESG (Environment, Social Responsibilities and Governance) has become a vital mission for Namchow so that we may evolve into an enterprise that looks out for the interests of the general public. Namchow strives to stay ahead of pertinent regulations and legislations and in order to respond and adapt quickly to changes in corporate environment and relevant laws, we have established our "Food Safety Committee" along with inspection facility and research laboratory that are compliant with relevant international standards. Starting from 2015, the company began its preparation and publication of "Corporate Social Responsibility Report" (now retitled as "Sustainability Report"). The endeavor involves the appointment of designated personnel and committee responsible for the promotion and implementation of relevant policies. In the face of various challenges including corporate governance, food safety, environmental sustainability and so forth, Namchow shall be more prudent in its management and take steps to fortify all business groups under its corporate umbrella to ensure that relevant company operations are compliant with corresponding policies so that we can fulfill our corporate citizen responsibilities.

Namchow Group was established 70 years ago, and since then it has adhered to concepts of "integrity" and "sustainable management" while promoting the spirit of "as nature's movement is ever vigorous , so must a gentleman ceaselessly strive along." With continuous innovation and research, it creates value for customers, cares about consumer rights, and brings maximum operating benefits and rewards to all stakeholders, shareholders, and employees.

# III. Corporate Governance Report

## I. Organizational System

### (I) Organizational structure



## (II) Major Departments and Their Scope of Operations

Department	Scope of Operations
Oil & Fat /Frozen Dough Business Division	Research and development, production, and distribution of professional oils and fats and frozen dough products
Home Product Business Division	Research and development, production, and distribution of daily cleaners
International Trading Business Division	Importation and exportation of goods, exportation affairs and procurement of raw materials, packing materials and equipment
Frozen Noodles Business Division	Research and development, production and distribution of frozen noodles
Cooked Rice Business Division	Research and development, production and distribution of aseptic cooked rice
Antrodia Division	Research and development, production and distribution of Antrodia cinnamomea soaps and related products
Department of Merchandise	Research and development, production and distribution of "Little Cook" instant noodles
Joint Logistics Office for the Dining Business	Planning, implementation, and service windows for Namchow and reinvested dining businesses
Administrative function	Management of legal affairs and general affairs
Information	Development, construction, and management of the information system
Financial Affairs	Financial management and capital utilization plan
Accounting	Bookkeeping and taxes processing and management
Human Resources	Management of human resources and organizational development

## II. Background Information on Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches

### Director and Supervisor Information (I)

April 4, 2022

Title (Note 1)	Nationality	Name	Gender Age (Note 2)	Date of Election/ Inauguration Date	Tenure	Initial date of inauguration (Note 3)	Number of shares held at the time of election		Number of shares currently held		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/educati on (Note 4)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within second degree of kinship			Remarks (Note 5)
							Quantity of shares	Shareholdin g ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	R.O.C.	Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen	Male Age 81-90	2021/7/15	3 years	06/09/2006 04/04/1959	864,884 33,814,934	0.29% 11.50%	864,884 33,814,934	0.29% 11.50%	0 3,577,413	0.00% 1.22%	0 0.00%	0.00%	Masters of Public Administration, University of San Francisco	Chairman of Chow Ho Enterprise Co., Ltd. Chairman of Qizhi Culture Co., Ltd. Chairman of Hwa Zhin Co., Ltd. Chairman of Namchow BV Ltd. Chairman of Nacia International Corporation Chairman of Namchow (Cayman Islands) Holding Corp. Director of Mostro (Thailand) Ltd. Director of Dian Shui Lou Restaurant Business Co., Ltd.	Director Director Director	Hwa Zhin Co., Ltd. Representative Fei-Peng Chen Namchow Holdings CO.,Ltd. Employee Welfare Committee Representative Yi-Wen Chen Hwa Zhin Co., Ltd. Representative Cheng-Wen Chen Cheng-Wen Chen	Brother Father and Daughter Father and Son Father and Son	None
Vice Chairman	R.O.C.	Hwa Zhin Co., Ltd. Representative: Fei-Peng Chen	Male Age 71-80	2021/7/15	3 years	06/09/2006 03/25/1966	864,884 37,537,995	0.29% 12.76%	864,884 19,537,995	6.64%	0	0.00%	0	0.00%	Department of Economics, Soochow University	Director of Chow Ho Enterprise Co., Ltd. Director of Qizhi Culture Co., Ltd. Director of Hwa Zhin Co., Ltd. Director of Namchow BV Ltd. Director of Namchow (Cayman Islands) Holding Corp. Director of Nacia International Corporation Director of Mostro (Thailand) Ltd. Director of Dian Shui Lou Restaurant Business Co., Ltd.	Chairman	Hwa Zhin Co., Ltd. Representative Fei-Lung Chen	Brother	None
Director	R.O.C.	Lucky Royal Co., Ltd. Representative: Kan-Wen Lee	Male Age 61-70	2021/7/15	3 years	06/09/2006 06/09/2006	46,041,259 26,583	15.65% 0.01%	46,041,259 26,583	15.65% 0.01%	0	0.00%	0	0.00%	Masters of Business Administration, National Chung Hsing University	Director of Nacia International Corporation Director of Namchow (Cayman Islands) Holding Corp. Director of Tianjin Yoshi Yoshi Co., Ltd. Director of Tianjin Namchow Food Co., Ltd. Director of Guangzhou Namchow Food Co., Ltd. Chairman of Namchow (Thailand) Ltd. Director of Mostro (Thailand) Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Director of Namchow Oil and Fat Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender Age (Note 2)	Date of Election/ Inauguration Date	Tenure	Initial date of inauguration (Note 3)	Number of shares held at the time of election		Number of shares currently held		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/educati on (Note 4)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within second degree of kinship			Remarks (Note 5)
							Quantity of shares	Shareholdin g ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relationship	
Director	R.O.C.	Lucky Royal Co., Ltd. Representative: Ming-Fen Zhou	Female Age 61-70	2021/7/15	3 years	06/09/2006  05/30/2018	46,041,259  9,000	15.65%  0.00	46,041,259  9,000	15.65%  0.00	0  0	0.00%  0.00%	0  0	0.00%  0.00%	Master of Educational Technology, Texas A&M University Entrepreneurship Class of National Chengchi University	Chairman of Lucky Royal Co., Ltd. Director/General Manager of Chow Ho Enterprise Co., Ltd. Director of Namchow (Thailand) Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd. Director/General Manager of Huciang Industry Co., Ltd. General Manager of Dian Shui Lou Restaurant Business Co., Ltd. Supervisor of Namchow Gastronomy Group Consulting Co., Ltd. Director of Namchow Oil and Fat Co., Ltd.	None	None	None	None
Director	R.O.C.	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen	Male Age 51-60	2021/7/15	3 years	06/09/2006  06/10/2015	864,884  0	0.29%  0.00%	864,884  0	0.29%  0.00%	0  1,495,000	0.00%  0.51%	0  0	0.00%  0.00%	Masters, Graduate Institute of Financial Affairs, Golden Gate University	Director of Lucky Royal Co., Ltd. Director of Qizhi Culture Co., Ltd. Director of Namchow BV Ltd. Director of Nacia International Corporation Director of Namchow (Cayman Islands) Holding Corp. Director of Tianjin Namchow Food Co., Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. Chairman of BLN Restaurants & Caterings Director of Namchow (Thailand) Ltd. Chairman of Shanghai Qiaohao Trading Co., Ltd. Director of Guangzhou Namchow Food Co., Ltd. Executive Director of Shanghai Qizhi Business Consultation Co. Ltd. Chairman of Namchow Food Group (Shanghai) Co., Ltd. Executive Director of Shanghai Qiaohao Business Administration Co., Ltd. Executive Director of Shanghai Qiaohao Food Co., Ltd. Director of Shanghai Namchow Food Co., Ltd. Director of Tianjin Qiaohao Food Co., Ltd. Executive Director of Chongqing Qiaoxing Co., Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd. Chairman of Namchow Oil and Fat Co., Ltd. Executive Director of Wuhan Qiaoxing Co., Ltd. Director of Hwa Zhin Co., Ltd. Director of Namchow Trading Singapore Pte. Ltd.	Chairman  Director	Hwa Zhin Co., Ltd. Representative Fei-Lung Chen  Namchow Holdings CO.,Ltd. Employee Welfare Committee Representative Yi-Wen Chen	Father and Son  Sister and Brother	None

Title (Note 1)	Nationality	Name	Gender Age (Note 2)	Date of Election/ Inauguration Date	Tenure	Initial date of inauguration (Note 3)	Number of shares held at the time of election		Number of shares currently held		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 4)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within second degree of kinship			Remarks (Note 5)
							Quantity of shares	Shareholdin g ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relationship	
Director	R.O.C.	Namchow Holdings CO.,Ltd. Employee Welfare Committee Representative Yi-Wen Chen	Female Age 51-60	2021/7/15	3 years	05/30/2019	4,908,960	1.67%	4,908,960	1.67%	0	0	0	0.00%	Master of Arts, University of San Francisco	Director of Lucky Royal Co., Ltd. Supervisor of Chow Ho Enterprise Co., Ltd. Supervisor of Qizhi Culture Co., Ltd. Director of Namchow BV Ltd. Director of Nacia International Corporation Director of Namchow (Cayman Islands) Holding Corp. Chairman of Tianjin Namchow Food Co., Ltd. Chairman of Tianjin Yoshi Yoshi Co., Ltd. Vice Chairman of BLN Restaurants & Caterings Director of Namchow (Thailand) Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Chairman of Dian Shui Lou Restaurant Business Co., Ltd. Chairman of Guangzhou Namchow Food Co., Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Supervisor of Shanghai Qiaohao Business Administration Co., Ltd. Chairman of Shanghai Qiaohao Food Co., Ltd. Vice Chairman of Namchow Restaurant Consultancy Co., Ltd. Chairman of Shanghai Namchow Food Co., Ltd. Chairman of Namchow Japan Co., Ltd. Supervisor of Namchow Consultancy Co., Ltd. Chairman of Tianjin Qiaohao Food Co., Ltd. Supervisor of Chongqing Qiaoxing Co., Ltd. Chairman of Guangzhou Yoshi Yoshi Co., Ltd. Director of Namchow Oil and Fat Co., Ltd. Chairman of Huciang Industry Co., Ltd. Director of Chow Food Biotechnology Co., Ltd. Director of Hwa Zhin Co., Ltd.	Chairman Hwa Zhin Co., Ltd. Representative Fei-Lung Chen	Representative of Hwa Zhin Co., Ltd. Cheng-Wen Chen	Father and Daughter  Sister and Brother  Sister and Brother	None
Independent Director	R.O.C.	Ting-Kuo Chen	Male Age 81-90	2021/7/15	3 years	06/10/2015	0	0	0	0	0	0	0	0	PhD in Business Administration, University of Michigan	Charity Chairman of the Chinese Academy of Business Independent Director, Member of Remuneration Committee and Audit Committee of Shiny/Forward Electronics Co Ltd./Tatung System Technologies Inc.	None	None	None	None
Independent Director	R.O.C.	Chin-Shih Lin	Male Age 61-70	2021/7/15	3 years	06/10/2015	0	0	0	0	0	0	0	Department of Accounting, Tamkang University	CPA at Chin-Shih Lin Accounting Firm Director of Prolific Technology Inc. Independent director, member of Audit Committee and member of Remuneration Committee, WIN Semiconductors Corp.	None	None	None	None	
Independent Director	R.O.C.	Chun-Hsueh Chen	Male Age 71-80	2021/7/15	3 years	05/30/2019	2,000	0.00%	2,000	0.00%	2,000	0.00%	0	0.00%	Ph.D. Candidate of EDBA, School of Management, National Taiwan University of Science and Technology	Representative of Eni Chemicals (Italy) Taiwan Office General Manager of Taiwan Branch of SAB Asia Pacific General Manager of Pulong Enterprise Co., Ltd.	None	None	None	None

Note 1: Corporate shareholders shall list the names and representatives of corporate shareholders separately (if it is a representative of a juristic person shareholder, the name of the juristic person shareholder should be indicated); and the following Table 1 should be filled in.

Note 2: Please state the actual age of shareholders in specific age range (i.e. 41~50 or 51~60).

Note 3: Fill in the time of first serving as director or supervisor of the company. If there is any interruption, it should be noted.

Note 4: For the experience relevant to the current position, such as employment at an audit and certification accounting firm or an associated enterprise during the said period, the title and responsibilities shall be specified.

Note 5: When the company's chairman and general manager or equivalent (top manager) are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

Table 1: Major shareholders of institutional shareholders

April 4, 2022

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)
Lucky Royal Co., Ltd.	Namchow Holding Co., Ltd.(99.65%)
Hwa Zhin Co., Ltd.	Fei-Lung Chen (45%), Fei-Peng Chen (45%)
Namchow Holdings CO.,Ltd . Employee Welfare Committee	Not applicable

Note 1: If the directors and supervisors are representatives of juristic person shareholders, the name of the juristic person shareholders should be filled in.

Note 2: Fill in the name of the main shareholder of the juristic person shareholder (whose shareholding ratio falls in the top ten) and its shareholding ratio. If its major shareholder is a juristic person, it should be disclosed in Table 2 below.

Note 3: When the juristic person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed beforehand are the names of the funders or donors (refer to Judicial Yuan Announcement Query) and their contributions or contribution ratios. If a donor had passed away, please denote said donor as “deceased”.

Table 2: Major shareholders of major shareholders who are institutions

April 4, 2022

Name of institution	Serial No.	Name of major shareholder of the institution	Shareholding ratio
Namchow Holdings Co., Ltd.	1	Lucky Royal Co., Ltd.	15.65%
	2	Fei-Lung Chen	11.50%
	3	Fei-Peng Chen	6.64%
	4	Taishin International Bank Fei-Peng Chen Trust Account	4.93%
	5	Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	4.23%
	6	Bank SinoPac as Custodian for Ever Cosmos Ltd. Investment Account	3.65%
	7	Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	2.84%
	8	Namchow Holdings CO.,Ltd . Employee Welfare Committee	1.67%
	9	Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	1.25%
	10	Hsiao-Chuan Chen-Huang	1.22%

Note 1: If the main shareholder is a juristic person as shown in Table 1 above, the name of the juristic person should be filled in.

Note 2: Fill in the name of the main shareholder of the juristic person (whose shareholding ratio falls in the top ten) and its shareholding ratio.

Note 3: When the juristic person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed beforehand are the names of the funders or donors (refer to Judicial Yuan Announcement Query) and their contributions or contribution ratios. If a donor had passed away, please denote said donor as “deceased”.

## Director and Supervisor Information (II)

### I. Director and Supervisor Professional Qualifications and Independent Director Independence Disclosure:

Name	Requirement	Professional qualifications and experience (Note 1)	Compliance with the independence requirement (Note 2)	Number of other public offering companies where the position of part-time independent director is held
Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen		With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.	Not an independent director and thus not applicable (For more information on the Board's independence, please refer to (II) Board of Directors' Independence on page 18 in this Report).	0
Hwa Zhin Co., Ltd. Representative: Fei-Peng Chen		With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Lucky Royal Co., Ltd. Representative: Kan-Wen Lee		With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Lucky Royal Co., Ltd. Representative: Ming-Fen Chou		With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen		With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen		With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Ting-Kuo Chen		With no less than five years of work experience in a business, financial, accounting or corporate entity; served as the Dean of College of		1. Not an employee of the Company or its affiliates. (2) Not a director or supervisor of the Company or its associated enterprise.

	Management, Tamkang University. He is currently serving as the Charity Chairman of the Chinese Academy of Business and he has no prior violation of offenses described in Article 30 of the Company Act.	3. Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.	
Chin-Shih Lin	With no less than five years of work experience in a business, financial, accounting or corporate entity; he has passed the CPA National Examination and is currently serving as a certified public served as the Dean of College of Management, Tamkang University. He is currently serving as a CPA at Chin-Shih Lin Accounting Firm and has no prior violation of offenses described in Article 30 of the Company Act.	4. Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship. 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 five in shareholdings, or that designates its a representative to serve as a director or supervisor of the company under Article 27, Paragraph 1 or 2 of the Company Act.	1
Chun-Hsueh Chen	With no less than five years of work experience in a business, financial, accounting or corporate entity. He has previously served as the General Manager of Pulong Enterprise Co., Ltd. and has no prior violation of offenses described in Article 30 of the Company Act.	6. The majority of the company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor or employee of that other company. 7. The chairperson, general manager or person holding an equivalent position of the company and a person in any of those positions at another company or institution are not the same person or spouses: a director (or governor), supervisor, or employee of that other company or institution. 8. Not a director, supervisor, manager or a shareholder holding more than 5% of the shares of a specific company or institution with financial or business activities with the company. 9. Not a partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, financial, accounting services or consultation to the company or any affiliate of the Company for amounts exceeding NTD 500,000 in the past two years. 10. Not the spouse or a relative within the second degree of kinship to any other director of the Company. 11. Not a government agency, juristic person or its representative set forth in Article 27 of the Company Act.	0

Note 1: Professional qualifications and experience: State the professional qualifications and experience for each director and supervisor. If he/she is acting as a member of the Audit Committee with backgrounds/credentials in

accounting or finance, be sure to include his/her relevant backgrounds/prior experiences in accounting and finance, as well as prior violation of Article 30 of the Company Act.

Note 2: Independent directors are required to declare their status of independence, (i.e. whether he/she, his/her spouse or relative within 2nd degree of kinship is also serving as a director, supervisor or employee of Namchow or its subsidiaries; the number of shares and percentage of the company’s shares in their possession or the possession of their spouse or relative within 2nd degree of kinship; whether he/she is serving as a director/supervisor/employee at specific companies with financial/business relationship with Namchow and so forth. Refer to Article 3, Section 1 Clauses 5~8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). Independent directors must also declare the amount of compensation they have received in the past 2 years for their auditing/comercial/legal/financial/accounting or related services.

## II. Board Diversity and Independence:

### (I) Board Diversity:

In addition to the company’s Articles of Incorporation, Namchow has also established its Procedure of Directors Appointment, which explicitly requires that candidates must be nominated and reviewed to verify their eligibility before the Board of Directors resolve their nomination for election and appointment at the Shareholders’ Meeting. Pursuant to Article 3 of “Board of Directors Appointment Procedure”, composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company’s business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

- I. The ability to make judgments about operations.
- II. accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Leadership ability.
- VIII. Decision-making ability.

Namchow’s incumbent Board of Directors consists of 9 directors. A summary of our board composition diversity policy and status of achievement for specific management goal is provided as below:

Management Goal	Status of Achievement
The Board of Directors shall has at least 2 female member	Achieved
No independent director shall serve as a member of the Board for more than three terms	Achieved
Board members shall contribute diverse professional knowledge and skills that are relevant and applicable	Achieved

The implementation status of our Board Diversity policy is as follows:

Item of diversification	Basic composition			Professional background			Professional knowledge and skills				
	Nationality	Gender	Also serving as an employee at the company	Business	Financial	Industry	Business Management	Knowledge of the industry.	Finance and Accounting	Perspective of international market	Risk management
Name of director											
Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen	R.O.C.	Male	√	√	√	√	√	√	√	√	√
Hwa Zhin Co., Ltd. Representative: Fei-Peng Chen		Male	√	√	√	√	√	√	√	√	√
Lucky Royal Co., Ltd. Representative: Kan-Wen Lee		Male	√	√	√	√	√	√	√	√	√
Lucky Royal Co., Ltd. Representative: Ming-Fen Chou		Female	√	√	√	√	√	√	√	√	√
Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen		Male	√	√	√	√	√	√	√	√	√
Namchow Holdings CO.,Ltd. Employee Welfare Committee Representative: Yi-Wen Chen		Female	√	√	√	√	√	√	√	√	√
Ting-Kuo Chen		Male		√	√	√	√	√	√	√	√
Chin-Shih Lin		Male		√	√	√	√	√	√	√	√
Chun-Hsueh Chen		Male		√	√	√	√	√	√	√	√

(II) Board Independence: There are 9 incumbent members in the current term of the Board of Directors. Among them, 2 are female directors and 3 are independent directors. 33% of the members are independent directors. None of the 3 independent directors have violated Clauses 3 and 4 of Article 26-3 of the Securities and Exchange Act. Among the board members, 4 directors have spouses and relative of 2nd degree of kinship serving at the company or its affiliated businesses. For more information on each director's academic credentials and work experience, please refer to Page 11~13 - Directors' Profile in this Report.

(II) Background Information of General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches.

Title (Note 1)	Nationality	Name	Gender	Date of Election/Inauguration Date	Quantity of shares		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 2)	Positions at other companies held at present	Managers who are a spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relationship	
General Manager	R.O.C.	Kan-Wen Lee	Male	09/09/1997	26,583	0.01%	0	0.00%	0	0.00%	Master of Business Administration, National Chung Tsing University	Director of Tianjin Namchow Food Co.,Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. Director of Guangzhou Namchow Food Co.,Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd Chairman of Namchow (Thailand) Ltd. Director of Mstro (Thailand) Ltd. Director of Namchow (Cayman Islands) Holding Corp. Director of Nacia International Corporation Director of Namchow Oil and Fat Co., Ltd.	None	None	None	None
Chief Operation Officer	R.O.C.	Ming-Fen Chou	Female	05/24/2016	9,000	0.00%	0	0.00%	0	0.00%	Texas A&M University Educational Technology Master Entrepreneurship Class of National Chengchi University	Chairman of Lucky Royal Co., Ltd. Director/General Manager of Huaciang Industry Director of Namchow Oil and Fat Co., Ltd. Director/General Manager of Chow Ho Enterprise Co., Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. General Manager of Dian Shui Lou Restaurant Business Co., Ltd. Supervisor of Namchow Restaurant Consultancy Co., Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Director of Namchow (Thailand) Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd	None	None	None	None
Chief Financial Officer	R.O.C.	Ching-Hui Chiu	Female	08/13/2018	0	0.00%	0	0.00%	0	0.00%	B.Sc. Department of Risk Management and Insurance, Feng Chia University	Supervisor of Namchow Oil and Fat Co., Ltd. Supervisor of Chow Food Biotechnology Co., Ltd. Supervisor of Namchow Japan Co., Ltd.	None	None	None	None
Assistant Manager	R.O.C.	Zhou-Jing Chen	Male	05/01/1996	0	0.00%	0	0.00%	0	0.00%	Bachelor in Law, Soochow University	Director of Tianjin Namchow Food Co.,Ltd. Director of Shanghai Namchow Food Co., Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. Director of Namchow Restaurant Consultancy Co., Ltd. Director of Namchow Consultancy Co., Ltd. Director of Guangzhou Namchow Food Co.,Ltd. Executive Director of Shanghai Qiaohao Food Co., Ltd. Director of Tianjin Qiaohao Food Co., Ltd. Supervisor of Huciang Industry Co., Ltd.	None	None	None	None
Assistant Manager	R.O.C.	Jui-Tzu Chu	Female	01/01/2015	0	0.00%	0	0.00%	0	0.00%	Department of Food and Nutrition, Providence University Master	None	None	None	None	
Assistant Manager	R.O.C.	Shih-Wei Wang	Male	10/09/2018	6,000	0.00%	0	0.00%	0	0.00%	National Chengchi University EMBA Business Management Group Master	Supervisor of Tianjin Namchow Food Co.,Ltd. Supervisor of Guangzhou Namchow Food Co.,Ltd. Supervisor of Shanghai Qizhi Business Consulting Co., Ltd. Supervisor of Namchow Food Group (Shanghai) Co., Ltd. Supervisor of Shanghai Qiaohao Food Co., Ltd. Supervisor of Shanghai Namchow Food Co., Ltd. Supervisor of Tianjin Qiaohao Food Co., Ltd.	None	None	None	None
Assistant Manager	R.O.C.	Yu-Hung Tan	Female	08/16/2021	0	0.00%	0	0.00%	0	0.00%	BA, Department of Theatre Arts, Chinese Culture University	None	None	None	None	

\*Chief Operations Officer Shu-Wen Tai was dismissed on February 28, 2022

\*Vice General Manager of Business Department Ming-Chuan Lin was dismissed on August 5, 2021

Note 1: It shall include the information of general managers, vice general managers, assistant managers, and heads of respective departments and branches; regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager, vice general manager, or assistant manager.

Note 2: For the experience relevant to the current position, such as employment at an audit and certification accounting firm or an associated enterprise during the said period, the title and responsibilities shall be specified.

Note 3: When the general manager or equivalent (top manager) and the chairman are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

### III. Remunerations paid to directors, supervisors, general managers and vice general managers in recent years

(I)

(1-1) Remuneration of general directors and independent directors

Title	Name	Remuneration for directors								After-tax earnings ratio of the sum of A, B, C, and D (%) (Note 10)		Remunerations for part-time employees								After-tax earnings ratio of the sum of A, B, C, D, E, F, and G (%) (Note 10)		Remuneration received from investee companies outside of subsidiaries or from the parent company. (Note 11)
		Remunerations (A) (Note 2)		Retirement and pension (B)		Remunerations for directors (C) (Note 3)		Operational expenditure (D) (Note 4)				Salary, bonus, and special expenditure (E) (Note 5)		Retirement and pension (F)		Remunerations for employees (G) (Note 6)						
		The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company		All companies within the Financial Report (Note 7)		The Company	All companies within the Financial Report (Note 7)	
																Current value	Stock value	Current value	Stock value			
Chairman	Representative of Hwa Zhin Co., Ltd. Fei-Lung Chen	0	0	0	0	28,553,975	28,553,975	115,200	1,797,100	2.68%	2.83%	35,496,468	37,599,402	385,524	419,388	0	0	0	0	6.03%	6.38%	None
Vice Chairman	Representative of Hwa Zhin Co., Ltd. Fei-Peng Chen	0	0	0	0	12,809,260	12,809,260	90,000	90,000	1.20%	1.20%	11,905,584	12,893,304	335,844	355,596	0	0	0	0	2.35%	2.44%	None
Director	Representative of Lucky Royal Co., Ltd. Kan-Wen Lee																					
Director	Representative of Lucky Royal Co., Ltd. Ming-Fen Chou																					
Director	Representative of Hwa Zhin Co., Ltd. Cheng-Wen Chen	0	0	0	0	12,008,682	12,008,682	0	662,796	1.12%	1.18%	18,020,816	75,154,375	364,680	652,404	195,850	0	761,870	0	2.86%	8.33%	None
Director	Yi-Wen Chen, Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee																					
Independent Director	Ting-Kuo Chen																					
Independent Director	Chin-Shih Lin	0	0	0	0	0	0	2,340,000	2,340,000	0.22%	0.22%	0	0	0	0	0	0	0	0	0.22%	0.22%	None
Independent Director	Chun-Hsueh Chen																					

1. Please state the policies, systems, standards and structure of independent directors' remuneration, and, according to the responsibilities, risks, time invested and other factors, describe the relevance to the remuneration amount: Independent directors of the Company are paid travel expenses, and are paid monthly regardless of profit or loss including business execution related expenses, and they do not participate in the Company's annual profit distribution. No other compensation, remuneration or expenses shall be paid.

2. Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the Financial Report (such as working as a consultant at the parent company/all companies covered in this Report/spin-off companies who is not an employee): None

Remuneration bracket table

Remuneration level of each director of the company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies within the Financial Report (Note 9) H	The Company (Note 8)	All companies within the Financial Report (Note 9) I
Less than NTD 1,000,000	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)	Yi-Wen Chen, Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee	Yi-Wen Chen, Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee	Yi-Wen Chen, Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee	
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)	Kan-Wen Lee, Representative of Lucky Royal Co., Ltd. Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	Kan-Wen Lee, Representative of Lucky Royal Co., Ltd. Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)				
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)	Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.	Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.	Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.	
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)	Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd.	Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd.		Yi-Wen Chen, Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee, Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.		Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd. Kan-Wen Lee, Representative of Lucky Royal Co., Ltd.	Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd. Kan-Wen Lee, Representative of Lucky Royal Co., Ltd.
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)		Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.		Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)			Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.	Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.
Over NTD 100,000,000				
Total	9 people	9 people	9 people	9 people

Note 1: Names of directors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder), and listing general directors and independent directors separately, and individual payments made shall be disclosed through a summary. If the director is also a general manager or vice general manager, this table and the following table shall be completed (Remuneration of general manager and deputy general manager).

Note 2: The remunerations paid to directors in the latest year (including salaries, additional pay, service pay, various prizes, rewards, among others)

Note 3: The value of remunerations approved to be assigned to directors by the Board of Directors in the most recent year

Note 4: Related expenses for carrying our tasks incurred by directors in the latest year (including transportation, special expenditure, various allowances, dormitory, and car, among other actual items provided) For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations.

Note 5: Salaries, additional pay, service pay, various prizes, rewards, transportation, special expenditure, various allowances, dormitory, cars and other actual items that are claimed by directors and employees (including part-time general managers, vice general managers, other managers and employees) in the latest year. For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations. In addition, salaries recognized in accordance with IFRS 2: "stock-based payment transaction", including employee stock option certificates, restricted employee shares, and participation in subscribing shares in cash capital increase, shall also be included as

part of the remunerations.

Note 6: This means that directors and employees (including part-time general managers, vice general managers, other managers, and employees) having claimed employee remunerations (including shares and cash) shall disclose employee remunerations distributed through the Board of Directors in the most recent year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculated proportionally and Exhibit 1-3 shall be completed.

Note 7: The total value of remunerations paid to directors of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 8: For the total value of various remunerations paid to each director by the Company, disclose the name of the director in the respective bracket.

Note 9: For the total value of various remunerations paid to each director of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the director in the respective bracket.

Note 10: Net profit after tax refers to the net profit after tax in the most recent year's individual or separate entity financial reports.

Note 11: a. The value of related remunerations claimed by directors of the Company from reinvested businesses other than subsidiaries or the parent company shall be specified in this column. (If there is none, please fill in "None")

b. In the event that directors of the Company claim related remunerations from reinvested businesses other than subsidiaries or the parent company, the said remunerations shall be combined in Column I of the remuneration bracket table and the name of the column shall be changed to "parent company and all reinvested businesses."

c. Remunerations are the compensation, rewards (including rewards for employees, directors, supervisors) and operational expenditures claimed by supervisors of the Company who serve as the director, supervisor, or manager at a reinvested business other than the subsidiary or at the parent company.

\* The content of the remunerations disclosed in this table differs from the idea of income indicated in the Income Tax Act. As such, the purpose of this table is for disclosure of information only, not for taxation.

### Remunerations for general managers and vice general managers

Title	Name	Salaries (A) (Note 2)		Retirement and pension (B)		Bonuses, special expenditure and etc. (C) (Note 3)		Employee remunerations (D) (Note 4)				After-tax earnings ratio of the sum of A, B, C, and D (Note 8)		Remuneration received from investee companies outside of subsidiaries or from the parent company. (Note 9)
		The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)	The Company		All companies within the Financial Report (Note 5)		The Company	All companies within the Financial Report (Note 5)	
								Current value	Stock value	Current value	Stock value			
General Manager	Kan-Wen Lee	4,558,572	10,504,860	364,680	496,164	13,462,244	23,053,317	195,850	0	366,086	0	1.73%	3.21%	None
Chief Operation Officer	Ming-Fen Chou													

\* Regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager or vice general manager (e.g. president, chief executive officer, general director, etc.).

Remuneration bracket table

Bracket by which remunerations are paid to respective general managers and vice general managers of the Company	Name of General Manager/Vice General Manager	
	The Company (Note 6)	All companies within the Financial Report (Note 7) E
Less than NTD 1,000,000		
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)		
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)		
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)		
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)		
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)		Ming-Fen Chou
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	Kan-Wen Lee	Kan-Wen Lee
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)		
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)		
Over NTD 100,000,000		
Total	1 person	2 people

Note 1: Names of general managers and vice general managers shall be listed separately and individual payments made shall be disclosed through a summary. If the director is also a general manager or vice general manager, this table and the above table (1-1) shall be completed.

Note 2: Salaries, additional pay, and service pay for general managers and vice general managers in the latest year.

Note 3: Various prizes, awards, transportation, special expenditure, various allowances, dormitory, cars, and other actual items provided and other compensations for general managers and vice general managers in the latest year. For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations. In addition, salaries recognized in accordance with IFRS 2: "stock-based payment transaction", including employee stock option certificates, restricted employee shares, and participation in subscribing shares in cash capital increase, shall also be included as part of the remunerations

Note 4: Employee remunerations (including stock and cash) distributed to general managers and vice general managers as approved by the Board of Directors in the latest year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. In addition, the attached Table 1-3 shall be completed.

Note 5: The total value of remunerations paid to general managers and vice general managers of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 6: For the total value of various remunerations paid to each general manager and vice general manager by the Company, disclose the name of the general manager and the vice general manager in the respective bracket.

Note 7: For the total value of various remunerations paid to each general manager and vice general manager of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the general manager and vice general manager in the respective bracket.

Note 8: Net profit after tax refers to the net profit after tax in the most recent year's individual or separate entity financial reports.

Note 9: a. The value of related remunerations claimed by General Manager and Vice General Manager of the Company from reinvested businesses other than subsidiaries or the parent company shall be specified in this column. (If there is none, please fill in "None")

b. In the event that general managers and vice general managers of the Company claim related remunerations from reinvested businesses other than subsidiaries or the parent company, the said remunerations shall be combined in Column E of the remuneration bracket table and the name of the column shall be changed to "the parent company and all re-invested businesses."

c. Remunerations are the compensation, rewards (including rewards for employees, directors, and supervisors) and operational expenses, among others, claimed by general managers and vice general managers of the parent company who serve as the director, supervisor, or manager at a reinvested business other than the subsidiary.

\* The content of the remunerations disclosed in this table differs from the idea of income indicated in the Income Tax Act. As such, the purpose of this table is for disclosure of information only, not for taxation.

(II) Names and distribution of managers assigned with employee rewards

	Title (Note 1)	Name (Note 1)	Stock value	Current value	Total	After-tax earnings ratio (%)
Manager	General Manager	Kan-Wen Lee	0	926,147	926,147	0.09%
	Chief Operation Officer	Ming-Fen Chou				
	Chief Financial Officer	Ching-Hui Chiu				
	Assistant Manager	Zhou-Jing Chen				
	Assistant Manager	Shih-Wei Wang				
	Assistant Manager	Jui-Tzu Chu				
	Assistant Manager	Yu-Hung Tan				

Note 1: The name and title of the individual shall be disclosed but distribution of profits may be disclosed through a summary.

Note 2: Employee remunerations (including stock and cash) distributed to managers through the Board of Directors in recent years. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. After-tax pure earnings are those in the latest year. When the International Financial Reporting Standards are adopted, after-tax pure earnings are those indicated in the entity or individual financial report from the most recent year.

Note 3: For the applicability of managers, follow the Tai-Cai-Zheng-San No. 0920001301 letter dated March 27, 2003.

- (1) General Managers and people of equivalent ranking
- (2) Vice general managers and people of equivalent ranking
- (3) Assistant managers and people of equivalent ranking
- (4) Head of Department of Finance
- (5) Head of Accounting Department
- (6) Other people handling corporate affairs and signature rights

Note 4: If directors, general managers, and vice general managers receive employee remunerations (including stock and cash), this table needs to be completed in addition to Exhibit 1-1.

(III) Compare and describe separately the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two years by the Company and all companies in the Consolidated Report in after-tax earnings indicated in the entity or individual financial reports. In addition, describe correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future.

1. Ratios of remunerations paid in the past two years in after-tax earnings indicated in the entity financial report:

Year	The Company		All companies in the Consolidated Report	
	2020	2021	2020	2021
Total remunerations for directors	106,174,302	122,621,883	154,064,187	186,098,151
Ratio of total remunerations for directors in after-tax earnings indicated in the entity financial report	11.17%	11.45%	16.21%	17.37%
Total value of remunerations for general managers and vice general managers	16,556,872	18,581,346	44,433,472	34,420,427
Ratio of total remunerations for General Manager and vice General Manager in after-tax earnings indicated in the entity financial report	1.74%	1.73%	4.62%	3.21%

Note: The after-tax earnings were NTD 950,697,245 in the 2020 Entity Financial Report and those were NTD 1,071,166,053 in the 2021 Entity Financial Report.

2. Correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future:

- (1) The Company set up the Compensation Committee in compliance with the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. The Committee evaluates and decides on the remuneration payment policy according to the company's management strategy, manpower utilization policy, and payment capability and establishes and periodically reviews the remuneration levels for directors, supervisors, and managers of the Company and provides the Board of Directors with suggestions in accordance with the latter's reference while making decisions by referring to the findings obtained by the Company through the compensation survey conducted by a professional compensation survey institution.
- (2) Criteria for paying remunerations to directors and supervisors of the Company are defined in the Articles of Incorporation of the Company.
- (3) Salaries for general managers and vice general managers of the Company are paid according to their personal performance and their contribution to the overall operation of the Company and taking into account of the market salary level found out in the survey conducted by the professional institution. The distribution of bonus is to be based on the performance management guidelines of the Company with reference to the annual management performance of the Company and the individual.
- (4) Risk in the future: Liability insurance has been purchased for directors and supervisors as required by the Articles of Incorporation of the Company.

## IV. Status of Corporate Governance

### (I) Board of Directors

The Board of Directors met 9 times (A) in the latest year. Attendance of directors in the meetings is as follows:

Title	Name (Note 1)	Actual frequency of attendance (being seated) in meetings B	Frequency of attendance through proxy	Actual attendance (seated) rate (%) [B/A] (Note 2)	Remarks
Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen	8	1	89%	Shareholders' Meeting of July 15, 2021 Newly appointed by co-option
Vice Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Peng Chen	0	9	0%	Shareholders' Meeting of July 15, 2021 Newly appointed by co-option
Director	Lucky Royal Co., Ltd. Representative: Kan-Wen Lee	9	0	100%	Shareholders' Meeting of July 15, 2021 Re-election
Director	Lucky Royal Co., Ltd. Representative: Ming-Fen Zhou	9	0	100%	Shareholders' Meeting of July 15, 2021 Re-election
Director	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen	1	8	11%	Shareholders' Meeting of July 15, 2021 Re-election
Director	Representative of Namchow Holdings CO.,Ltd. Employee Welfare Committee Yi-Wen Chen	0	9	0%	Shareholders' Meeting of July 15, 2021 Re-election
Independent Director	Ting-Kuo Chen	8	1	89%	Shareholders' Meeting of July 15, 2021 Re-election
Independent Director	Chin-Shih Lin	9	0	100%	Shareholders' Meeting of July 15, 2021 Re-election
Independent Director	Chun-Hsueh Chen	9	0	100%	Shareholders' Meeting of July 15, 2021 Re-election

Other details to be documented:

I. The items included in Article 14-3 of the Securities and Exchange Act and other comments objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement should indicate the date, period, content of the motion, opinions of all Independent Directors and how the company handles the opinion of the Independent Directors.

A total of 9 Board of Directors meetings were held by the company throughout 2021. There are no items included in Article 14-3 of the Securities Exchange Act and comments objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement.

II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described.

1. Article 31 of the Company's Corporate Governance Best-Practice Principles stipulates that: Directors of the Company shall be highly self-disciplined. For proposals brought forth by the Board of Directors that will undermine the interests of directors themselves and the

Company's interests, the directors shall recuse themselves and may not take part in the discussion and voting process. They may not exercise voting rights on behalf of other directors in this case, either. Self-discipline shall be expected among directors, too. No inadequate mutual support is allowed.

For spontaneous recusals of directors, they shall be specified in the meeting agenda of the Board of Directors.

2. Article 15 of the Board of Directors Meeting Rules of the Company stipulates:

For matters to be discussed in the meeting that concern the interests of participating directors or the institutions they represent, there should be descriptions of important contents concerning conflicts of interest in the current meeting. In cases of undermining interests of the Company, the directors may not take part in the discussion and voting process and shall recuse themselves during discussion and voting and they may not exercise voting rights on behalf of other directors.

For a resolution, the votes that directors are not allowed to exercise as voting rights as indicated in the foregoing paragraph are entitled to will not be counted in the overall number of voting rights.

3. Proposals relating to the Company's Board of Directors and concerning directors in the latest year up to the date of printing of Annual Report:

(1)The Board of Directors discussed the proposal detailing individual values of year-end bonus of 2020 for 5 directors and 5 managers of the Company submitted by the Remuneration Committee on January 28, 2021. The five directors of the Company, namely Chairman Fei-Lung Chen, Vice Chairman Fei-Peng Chen, and Director (Representative of LUCKY ROYAL CO., LTD.) Kan-Wen Lee, Ming-Fen Chou, and Representative of Employees' Welfare Committee Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

(2)On April 28, 2021, the Board of Directors discussed the proposal for individual payment of 6 directors' remuneration for 2020 as submitted by the Remuneration Committee. The six directors of the Company, namely Chairman Fei-Lung Chen, Vice Chairman Fei-Peng Chen, and Director (Representative of LUCKY ROYAL CO., LTD.) Kan-Wen Lee, Ming-Fen Chou, Director (Representative of Hwa Zhin Co., Ltd.) Cheng-Wen Chen, and Representative of Employees' Welfare Committee Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

(3)On April 28, 2021, the Board of Directors discussed the proposal for individual payment of managers' remuneration for 2020 as submitted by the Remuneration Committee. The two directors and concurrent as managers of Lucky Royal, namely Kan-Wen Lee, and Ming-Fen Chou were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors Kan-Wen Lee, and Ming-Fen Chou who recused themselves from discussion and voting.

(4)The Board of Directors discussed the proposal detailing individual values of year-end bonus of 2021 for 5 directors and 4 managers of the Company submitted by the Remuneration Committee on August 12, 2021. The five directors of the Company, namely Chairman Fei-Lung Chen (Representative of Hwa Zhin Co., Ltd.), Vice Chairman Fei-Peng Chen (Representative of Hwa Zhin Co., Ltd.), Director Kan-Wen Lee (Representative of LUCKY ROYAL CO., LTD.), Director Ming-Fen Chou (Representative of LUCKY ROYAL CO., LTD.) and Representative of Employees' Welfare Committee Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

(5) The Board of Directors discussed the proposal detailing individual values of year-end bonus of 2021 for 5 directors and 6 managers of the Company submitted by the Remuneration Committee on December 29, 2021. The five directors of the Company, namely Chairman Fei-Lung Chen (Representative of Hwa Zhin Co., Ltd.), Vice Chairman Fei-Peng Chen (Representative of Hwa Zhin Co., Ltd.), Director Kan-Wen Lee (Representative of LUCKY ROYAL CO., LTD.), Director Ming-Fen Chou (Representative of LUCKY ROYAL CO., LTD.) and Representative of Employees' Welfare Committee Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

III. Information on the period, duration, range, method, content of evaluation and etc. of the self-evaluation of board of directors of the company: The execution of evaluation as follows:

Period of Evaluation	Duration of Evaluation	Range of Evaluation	Method of Evaluation	Content of Evaluation
Conducted annually	Evaluating the performance of January 1, 2021 to December 31, 2021.	The Board of Directors, individual member of the board of directors and functional committee(Audit Committee and Remuneration Committee)	Internal self-evaluation of the Board of Directors, individual member of the board of directors and functional committee(Audit Committee and Remuneration Committee)	1. Overall Evaluation of the Board of Director: Including participation in the operation of the company; quality of board of directors' decision making; composition and structure of the board of directors; election and continuing education of the director; and internal control. Total of 10 questions in five major aspects. 2. Individual Evaluation of the Board of Directors: Including alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control. Total of 18 questions in six major aspects.

				<p>3. Evaluation of the Audit Committee: participation in the operation of the company; awareness of the duties of the functional committee; quality of decisions made by the functional committee; make up of the functional committee and election of its member; and internal control. Total of 22 questions in six major aspects.</p> <p>4. Evaluation of the Remuneration Committee: participation in the operation of the company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; make up of the functional committee and election of its member; and internal control. Total of 19 questions in five major aspects.</p>
--	--	--	--	--

IV. Reinforced assessments of functional objectives of the Board of Directors (e.g. to set up the Audit Committee and to enhance information transparency, among others) and implementation status of the objectives of the immediate year and the latest year.

1. It was decided in the general shareholders' meeting of 2014 that independent directors will be added according to law under Article 18 of the Company's "Articles of Incorporation".
2. In response to the addition of independent directors, the "Guidelines for Electing Board Directors and Supervisors" and the "Procedures for the Acquisition or Disposal of Assets of the Company" were amended through the general shareholders' meeting in 2014.
3. December 11, 2014 The Board of Directors decided to revise the Company's "Corporate Governance Best-Practice Principles" and "Ethical Corporate Management Best Practice Principles".
4. June 10, 2015 Ding-Guo Chen and Chin-Shih Lin were elected independent directors through the general shareholders' meeting.
5. December 29, 2015 the Board of Directors decided to establish the Company's "CSR Practical Principles".
6. March 13, 2017 The Board of Directors decided to establish the "Code of Conduct", the "Operating Procedure for Handling Major Internal Information", the "Merger and Acquisition Information Disclosure Self-discipline Regulations", and the "Regulations Governing Controlling Legal Person Shareholders Exercising Rights and Participating in Decision-making".
7. March 28, 2017 The Board of Directors decided to formulate the "Honest Management Operating Procedure" and "Self-Evaluations or Peer Evaluation of the Board of Directors".
8. January 16, 2019, The Board of Directors decided to establish the "Organic Rules for Audit Committee" and to set up an audit committee.
9. The board of directors approved the revision of the "Self-Evaluations or Peer Evaluation of the Board of Directors" and the "Organizational Rules of Audit Committee" on August 13, 2019.
10. June 17, 2019 An audit committee was formally established, consisting of three independent directors.

11. The Board of Directors approved the revision of amendment to “Remuneration Committee Charter”, “Audit Committee Charter” and “Corporate Social Responsibility Best Practice Principles” on May 14, 2020.
12. The Board of Directors approved the revision of amendment to “Articles of Association of Special Committee on mergers and Acquisition” and “Audit Committee Charter” on August 13, 2020.
13. The board of directors approved the revision of the “Guidelines of self-assessment or peer-assessment of the Board of directors” and the “Organizational Rules of Remuneration Committee” on November 12, 2020.
14. Report on the self-evaluation of the board of director (including all of the functional committee) on January 28, 2021. Score for Overall Board of Directors is 86(out of 100); Score for Individual Board of Directors is 3.88; Score for Audit Committee is 3.7; Score for Remuneration Committee is 4(Out of 4); Therefore, the operating of Board of Directors, Audit Committee and Remuneration Committee were good.
15. The Board of Director approved the revision of amendment of “Rules and Procedures for Shareholders Meetings”, “Procedures for Election of Directors” and “Rules of Procedure for Board of Directors Meetings” on January 28, 2021.
16. The Board of Directors approved the revision of amendment of “Rules and Procedures for Shareholders Meetings” on March 12, 2021.
17. The Company appointed its Head of Corporate Governance on May 13, 2021.
18. Nomination of director Ding-Guo Chen, independent directors Jin-Shih Lin and Professor Hai-Ming Chen to be the members of the 5th Intake of Compensation Committee on July 21, 2021.
19. The Board of Directors approved the revision of amendment of “Articles of Incorporation” to enable shareholders’ meetings to be held via video conference on March 15, 2022.
20. Report on the self-evaluation of the board of director (including all of the functional committee) on March 15, 2022. Score for Overall Board of Directors came to 92 (out of 100); Score for Individual Board of Directors came to 3.94; Score for Audit Committee was 4; Score for Remuneration Committee came to 3.94 (Out of 4); Therefore, the operating of Board of Directors, Audit Committee and Remuneration Committee were good.

Note 1: If directors and supervisors are institutions, names of shareholders and the representative of the institutions shall be disclosed.

Note 2:(1)In the event that directors or supervisors leave before a year is completed, the date when they leave should be indicated in the memo column. The actual attendance (seated) rate (%), on the other hand, shall be calculated by the number of Board of Directors meetings held during service and the frequency number of attendance (being seated) in the meetings.

(2)Before a year is completed, upon any re-election of the directors or supervisors, names of the said directors/supervisors, new and old, shall be listed and it shall be specified in the remarks column that a specific director or supervisor is old, new, or re-elected and the date of re-election. The actual attendance (seated) rate (%), on the other hand, is to be calculated by the number of Board of Directors meetings held during service and the frequency number of attendance (being seated) in the meetings.

## (II) State of operations of the Audit Committee

The Audit Committee of the Company comprises 3 independent directors. The Audit Committee assists the Board of Directors in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

The Audit Committee convened 9 meetings from 2021 to March, 2022. The Audit Committee is responsible to review the following major matters: Auditing Financial Statements, Accounting Policies and Procedures; Internal Control Systems and Related Policies and Procedures; Material Assets or Derivatives Transactions; Material Lending Funds and Endorsements or Guarantees; Offering or issuance of any Equity-type Securities; Investment of Derivatives and Cash; Law Compliance; Related-party Transactions and Potential Conflicts of Interests involving Managers and Directors; Evaluating Qualification, Independence and Performance of CPAs; Hiring or Dismissal of an attesting CPA, or the Compensation Given thereto; Assessment of Committee Charter and Fulfillment of Audit Committee duties; and Assessment of the Committee's Performance, etc.

### ● Reviewing Financial Statements

The Board of Director has prepared the 2021 Business Report, Financial Statement, Proposal of Earnings Distribution and etc. The CPA firm of KPMG was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The above-stated Business Report, Financial Statement and Proposal of Earning Distribution have been reviewed by the Audit Committee and found no discrepancy.

### ● Evaluating the effectiveness of internal control system

The Audit Committee evaluating the effectiveness of the policies and procedures of internal control system (including finance, operating, risk management, information safety, law compliance and other control measures); and Examining the audit department of the company, the CPAs and the regular report of management, including risk management and law compliance. The Audit Committee considered that the risk management and internal control system of the company is effective, the company takes the required control systems to monitoring and correct its irregularities.

### ● Engagement of CPAs

The Audit Committee's duty is to monitoring the CPAs executing their duties with independency and to ensure the fairness of the Financial Statements. In general, the CPAs' were not allowed to provide other services to the company except the services related to tax and the special approved items. The standards for assessing the accountability of accountants have been determined by reference to Article 47 of the Certified Public Accountant Act and Article 10 of the Norm of Professional Ethics for Certified Public Accountants. They also evaluate related items such as the independence of accountants, the number of years of auditing services, the interests of the company and its related companies that are not involved, and the management level that does not involve the decision-making of the company and its related companies, obtaining related documents and statements from the CPAs and firm and propose the result to Audit Committee and the Board of Directors. The latest report date was completed on December 29, 2021 by the approval of 4th Meetings of 2nd Audit Committee and the Board of Directors.

The Audit Committee met 9 times (A) in 2021. Attendance of independent directors in the meetings is as follows:

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note 1. Note 2)	Remarks
Independent Director	Ting-Kuo Chen	8	1	88.9%	
Independent Director	Chin-Shih Lin	9	0	100%	
Independent Director	Chun-Hsueh Chen	9	0	100%	

Other details to be documented:

I. If there any of the following situations arise the operation of the Audit Committee, the date of the board meeting should be stated, as well as the period, and motion content, oppositions from independent directors, their qualified opinions or contents of material suggestions, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's comments.

(I) Items of Article 14-5 of the Securities and Exchange Act and other important resolution matters  
The operation conditions as until 2021 and the date of published and printed of this annual report.

Audit Committee Date	Period	Content of the matters	Contents of suggestions/oppositions from Independent Director	Result of Audit Committee Resolution	The Company's handling of the opinions of the audit committee
2021.01.28	1st Board 9th Meeting	1. Amendment of 1 related internal regulation. 2. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
2021.03.12	1st Board 10th Meeting	1. Review the Company's 2020 annual business report and parent only and consolidated financial statements. 2. The Company's 2020 earnings distributions. 3. Design of internal control system in 2020 and implementation of valid "Statement of Internal Control System".	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
2021.04.28	1st Board 11th Meeting	1. Reduction of cumulative comprehensive shareholding ratio of main subsidiaries by over 10%. 2. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
2021.05.13	1st Board 12th Meeting	1. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
2021.06.16	1st Board 13th Meeting	1. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
2021.08.12	2nd Board 1st Meeting	1. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
2021.11.11	2nd Board 2nd Meeting	1. Public Expenditure on CPAs in 2021. 2. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
2021.12.29	2nd Board 3rd Meeting	1. For the requirements of operating capital in 2022, it was requested to authorize the chairman to represent the Company in finance related matters such as contracting of loan cases with financial institutions. 2. In respect to working capital requirements of subsidiaries and other companies with business dealings with Namchow in 2022 (subsidiaries including reinvestments by subsidiaries), when the Company intends to act as an endorsement guarantor, it authorizes the chairman to represent the Company to handle	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None

		<p>matters connected with financial institutions.</p> <p>3. Periodic assessment of the CPA's independence and fitness .</p> <p>4. Stipulation of the Company's 2022 annual Audit Plan.</p>			
2022.03.15	2nd Board 4th Meeting	<p>1. Review the Company's 2021 annual business report and parent only and consolidated financial statements.</p> <p>2. The Company's 2020 earnings distributions.</p> <p>3. Formulated the increase of capital invested by subsidiary Namchow (Cayman Islands) Holding Corp. in Shanghai Qiaohao Co., Ltd.</p> <p>4. Design of internal control system in 2021 and implementation of valid "Statement of Internal Control System".</p> <p>5. Amendment of 1 related internal regulation.</p> <p>6. Endorsement guarantees of the Company acting as a subsidiary</p>	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None

(II) Except for above-stated matters, other resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors: No such situation.

II. For the enforcement of recusal upon conflicts of interest among independent directors, the name of the independent director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described: No such situation.

III. Communication between independent directors and the internal audit head and the CPA (Should include major matters, methods and results of communication on the company's financial and business conditions).

1. In accordance with the 2021 audit plan approved by the board of directors, the Company prepares an "Audit Report" every month and submits it to the Audit Committee for inspection. It is been completed on schedule on a monthly basis, and follows the guidelines of public issuing companies to establish an internal control system. The audit report and follow-up report will be delivered or notified to independent directors for inspection, providing audit conclusions and various reporting materials for future reference.

2. Each audit report must track the improvement of its internal control deficiencies and abnormal events, and make a tracking report quarterly to submit to the Audit Committee.

3. The internal audit supervisor attends the Audit Committee and the board of directors to report audit business quarterly in accordance with regulations, and communicates with independent directors through the Audit Committee.

4. The summary of the communication between independent directors and internal audit supervisors in 2021 is summarized as follows:

Date	Communication meeting	Communication items	Communication results
2021/01/28	Audit Committee	Internal audit results report of November, 2020	No comments at this meeting
2021/03/12	Audit Committee	Internal audit results report from December 2020 to January 2021	No comments at this meeting
2021/04/28	Audit Committee	Internal audit results report of February, 2021	No comments at this meeting
2021/05/13	Audit Committee	Internal audit results report of March, 2021	No comments at this meeting
2021/06/16	Audit Committee	Internal audit results report of April, 2021	No comments at this meeting
2021/08/12	Audit Committee	Internal audit results report of June, 2021	No comments at this meeting
2021/11/11	Audit Committee	Internal audit results report from July to September 2021	No comments at this meeting
2021/12/29	Audit Committee	Internal audit results report of October, 2021	No comments at this meeting
2022/03/15	Audit Committee	Internal audit results report from November 2021 to January 2022	No comments at this meeting

5. The Company submits the results of the annual financial statement check of the CPAs to the audit committee meeting, and regularly arranges accountants to brief and explain to the audit committee before the committee meeting. The audit committee of the Company has good communication with CPAs.

Communication between independent directors and accountants is summarized as follows:

Date	Communication items	Communication results
2021/03/12	1.Explanations on audit matters and key audit matters of Annual Financial Statements, and communication on the newly revised laws and regulations related to the Securities and Exchange.	No comments at this meeting
2021/05/13	1. Q1 Interim consolidated financial report review scope, responsibilities, content (accounts receivable, inventory), legal compliance, and internal controls and other matters. 2. Communicated relevant regulations, schedule and performance disclosed in self-closing financial report. 3. Communicated new regulations on the appropriation of special reserve.	No comments at this meeting
2021/08/12	1. Q2 Interim consolidated financial report review scope, responsibilities, content (accounts receivable, inventory), legal compliance, and internal controls and other matters. 2. Communicated new operating procedures for Corporate Governance 3.0.	No comments at this meeting
2021/11/11	1. Q3 Interim consolidated financial report review scope, responsibilities, content (accounts receivable, inventory), legal compliance, and internal controls and other matters. 2. Estimation on the key audit matters (Evaluating on investments accounted for using equity method, impairment of accounts receivable, inventories after the reporting period and the recognition of incomes - customer loyalty plan).	No comments at this meeting
2022/03/15	1.Explanations on audit matters and key audit matters of Annual Financial Statements, and communication on relevant legal compliance and internal control items. 2. Communicated the impact of Auditing Standards Bulletin No. 75. 3. Communicated pertinent regulations on the video conference of Namchow's Shareholders' Meeting	No comments at this meeting

Note 1: In the event that independent directors resign before a year is completed, the date of resignation should be indicated in the remark column. The actual attendance rate (%), on the other hand, shall be calculated by the number of Audit Committee meetings held during service and the frequency number of attendance in the meetings.

Note 2: Before a year is completed, upon any re-election of independent directors, names of the said independent directors, new and old, shall be listed and it shall be specified in the remarks column that a specific independent director is old, new, or re-elected and the date of re-election. The actual attendance rate (%), on the other hand, is to be calculated by the number of Audit Committee meetings held during service and the frequency number of attendance in the meetings.

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

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The company enacted the “Corporate Governance Best Practice” to ensure by ruling the shareholders' benefits and interest; strengthen the functions of the Board of Directors; respects the stakeholders’ benefits and interest; promoting transparency of information; and etc. The corporate governance best practice and the related internal regulation and its implementation disclose for reference on the company’s website and MOPS.	None
II. Shareholding structure and shareholders' rights				
(I) Does the Company have internal operating procedures in place to deal with shareholder recommendations, doubts, disputes and litigation matters according to the procedures?	V		(I) (I) The company based on the compliance of laws, regulations and the article of incorporation, we respect our shareholders’ suggestions handled and made adjustment in the attitude of carefulness and to practice the benefits and interests of our shareholders. The company established the spokesperson and deputy spokesperson system to responding the communication to our shareholders and to ensure the benefits and interests of our shareholders. Investors contact panel is available on the company’s website, handling shareholders’ suggestions, doubts, disputes and inquiries joint with the above-stated channels.	None
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		(II) The Information of changes were offered by the directors, managers and major shareholders of the company, and declared in accordance to the rules. The company appointed the Share Affairs Agency Department of the China-trust Commercial Bank to in charge of shareholders’ service, actual control of the distribution of major shareholders’ shareholding and the change in equity of ultimate controlling party of major shareholders.	None
(III) Has the company established and implemented risk management and firewall systems within its affiliated enterprises?	V		(III) The assets, liabilities, responsibilities and authorities of finance management and others between the company and the affiliated corporate were hold under the related laws and regulations; the company’s internal control systems; and etc.	None
(IV) Has the company established internal rules against insiders trading with undisclosed information?	V		(IV) 1.The Company has stipulated “Management Control Operation Measures to Prevent Insider Transactions,” which governs all employees, managers and directors of the Company, and anyone who knows the news of the Company based on occupation or control relationships, It prohibits any conduct that may involve	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>insider trading, and is publicized to directors and managers at appropriate times every year.</p> <p>2. Relevant awareness training had been held on December 17 and December 28 of 2021 for our incumbent directors, managers and employees. Content of the training include insider shareholding management and stock transaction-related legal issues (including insider trading), along with various corporate sustainability accelerators (i.e. CSR.ESG.SDGs).</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors established policies of diversification with specific management goals and made relevant implementations?</p>	V		<p>(I) 1. In order to ensure that the Board of Directors will be adequately equipped to achieve the goal of sound corporate governance, diversification of expertise shall be taken into account with regards to board composition so that members will be competent in the required knowledge, skill and trainings.</p> <p>Article 20 of the Company's Corporate Governance Best-Practice Principles stipulate that members of the Board of Directors shall be competent in the following abilities:</p> <p>I. To make sound judgments about operations.</p> <p>II. To perform accounting and financial analysis.</p> <p>III. To perform administrative and operational management.</p> <p>IV. To handle and manage risks.</p> <p>V. Knowledge of the industry.</p> <p>VI. International market perspective.</p> <p>VII. Leadership skills.</p> <p>VIII. Decision-making skills.</p> <p>2. The Company pays attention to gender equality in the composition of the Board, and we have at least two female directors on the Board as the Company has two female directors and three independent directors among the nine directors; eight of whom are from business and financial backgrounds. One director comes from accounting background.</p> <p>3. In terms of board diversification and relevant implementations, the company has duly adhered to the standards described in Article 20 of the Company's Corporate Governance Best-Principles. In the future, the company shall revise its board diversification policy based on various</p>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Does the Company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?		V	<p>factors such as the board's operation, the status of the company's operation and relevant developmental needs to ensure that all board members are adequately equipped with the knowledge, skills and training that are needed for them to perform their duties.</p> <p>4. The implementation of the diversity policy of the Board of Directors in 2021, along with specific management objectives and status of implementation have been disclosed on the company's website.</p> <p>(II) The company established the Remuneration Committee and Audit Committee in accordance of Laws. Currently, no other functional committees were established.</p>	Continuously evaluating the need of establishment
(III) Does the company formulate the board's performance assessment and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the board of directors, and apply it to individual directors' remuneration and nomination renewal?	V		<p>(III) 1. The company enacted the Self-Evaluation or Peer Evaluation of the Board of Directors on March 28, 2017. According to the guideline, the company conducted internal evaluation once per year and external evaluation once every three years and conducted before the end of first quarter of the next fiscal year.</p> <p>2. The company conducted the internal evaluation of 2021 (including the entire Board of Directors, individual member of the Board of Directors and functional committee) and reported to the result of evaluation to the Board of Directors on March 15, 2022. (Note 2)</p> <p>3. In addition to the annual Board of Directors' Internal Performance Evaluation to be carried out in 2022, the company shall also conduct external performance evaluation once every three years. Relevant status of implementation and outcome of board performance evaluation shall be disclosed on the company's website and in our annual reports.</p>	None
(IV) Does the Company assess the independence of CPAs on an annual basis?	V		<p>(IV) 1. According to Article 29 of the Company's "Corporate Governance Best-Practice Principles," the Company should regularly (at least once a year) evaluate the independence and suitability of the appointed accountant.</p> <p>2. The standards for assessing the accountability of accountants have been determined by reference to Article 47 of the Certified Public Accountant Act and Article 10 of the Norm of Professional Ethics for</p>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			Certified Public Accountants. They also evaluate related items such as the independence of accountants, the number of years of auditing services, the interests of the company and its related companies that are not involved, and the management level that does not involve the decision-making of the company and its related companies, obtaining related documents and statements from the CPAs and firm and propose the result to the Board of Directors. The latest report date was completed on December 29, 2021. (Note 3)	
IV .For a TWSE/TPEX listed company, is it equipped with qualified and an appropriate number of corporate governance personnel, and does it appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings)?	V		<p>1. The company set up the concurrent unit for corporate governance by the executive secretary of the Board of Director and in charge of the documents required for directors to executing their duties, holding board of directors' meeting and shareholders' meeting in accordance of law, preparing agenda for board of directors' meeting and shareholders' meeting, assisting the company to comply with the related laws and regulations of the board of directors' meeting and the shareholders meeting and others. Currently the associate of the accounting department concurrently as the executive secretary of the Board of Directors. The related matters of Corporate Governance were handling by the finance department, accounting department, administration department(legal affairs), human resources department, sourcing and purchasing department, audit office and other units.</p> <p>2. The company established the head of corporate governance by the approval of board of directors on May 13, 2021, and the Head of Accounting, Associate Shih-Wei Wang would serve as the Head of Corporate Governance. He shall be in charge of holding board of directors' meeting and shareholders' meeting in accordance of law, preparing agenda for board of directors' meeting and shareholders' meeting, assisting the appointment and continuous studies of the directors, providing documents for directors to executing their duties, assisting directors to comply with the laws and regulations and other corporate governance related matters.</p> <p><u>Major executions for affairs pertaining to corporate governance are summarized as below:</u></p> <p>(1) In 2021, a total of nine Board of Directors' Meetings and eight Audit Committee Meetings were held.</p> <p>(2) The Shareholders' Meeting was held once in 2021.</p> <p>(3) All members of the Board of Directors have completed no fewer than 6 credits for further education courses.</p> <p>(4) The company has provided liability coverage for its directors and key personnel and relevant reports</p>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			<p>have been submitted to the Board of Directors.</p> <p>(5) The company has conducted performance evaluations for its Board of Directors and functional committees. The results of performance evaluation for the Board of Directors, the Audit Committee and Remuneration Committee were all “surpassed the standard”.</p> <p>(6) Ranked among 36% to 50% in the 7th Corporate Governance Evaluation.</p> <p>(7) In 2021, the Head of Corporate Governance had completed a total of 18 hours of training and completed the registration on the Market Observation Post System website.</p> <p>(8) The company has already disclosed the information regarding to execution of the head of corporate governance in 2021 on the company’s website.</p>	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, and suppliers, etc.) and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		The public website of the company set the Stakeholders’ Zone for Customers/consumers, Suppliers, Employees, Investors and other Stakeholders and indicated the contact person and ways of contact separately. The company were well responding to the concern of significant corporate social responsibility issues by the stakeholders (Note 4). The communication of different categories of stakeholders in each year were disclosed on the Sustainability report and the company’s CSR webpage.	None
VI Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?	V		The company appointed China-trust Commercial Bank for their professions of share affairs to hold the matters of Shareholders’ Meeting.	None
VII Disclosure of Information (I) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?	V		(I) The specific zone on the company’s website disclosure of the company’s financial information, annual report and information on corporate governance, product sales and etc.	None
(II) Does the company have other information disclosure channels (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		(II) The company maintained the English website; established the spokesperson and deputy spokesperson system; appointing the Accounting Department to be responsible to handle information collection; update the information on the company’s website regularly in accordance of the laws and regulations; disclosure Irregularly disclosed significant information and connects to MOPS of TWSE in order to put information disclosure in practice.	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(III) Does the Company announce and declare its annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?		V	(III) The Parent Only and Consolidated Financial Statement of 2020 were announced and declared on March 12, 2021. The Financial Statement of 2021 First, Second and Third Quarter and Monthly Revenue were announced and declared on the MOPS before the required date, and uploaded on the company's website .	The company complete with announcement and declaration before the date required by the competence authority.
VIII. Is there any other important information available 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, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<ol style="list-style-type: none"> <li>1. Employees' benefit and interest and caring of employees: The company takes the concord of employer-employees relations very well and focusing on the employees' welfare, benefits and interest. We established diverse communication channels to promoting the companies policy, system, measures of welfare and all kinds of activities.</li> <li>2. Investors Relations: The company keeps well interaction with our investors, including: disclosure of financial information, communicate with our investors regularly through different activities(for example, institutional investor conference, investors meeting hold by the securities trader). The company takes the feedback and opinion as the company's reference and makes improvements and adjustments. The company will continue to strengthen the relationship with investors in the future, and maintain well communication and interaction between our investors.</li> <li>3. Supplier Relationship: Maintain good supplier relationship. By comparing prices, it ensures the legitimacy of raw materials pricing and compliance with health laws and regulations such as FGMP, HACCP, ISO9001, ISO22000, FSC22000, CNS mark, certification criteria for health foods and recommendation requirements for disease preventive products to help control quality of raw materials and equipment and to ask suppliers to provide with corresponding product laboratory test certificates.</li> <li>4. The rights of stakeholders: The company provide diverse communication channels and information disclosure. The company maintain good dialogue and communication with our stakeholders and collect the issues of their concern to review the business activities were responding to our stakeholders. For related information, please refer to the company's website and Sustainability Report.</li> <li>5. The condition of directors' advanced studies: The duration of directors' and independent directors' advanced studies in 2021 exceeded the legal requirements. The condition of directors' advanced studies were disclosed on the MOPS and the annual</li> </ol>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>report(Note 5), and the company arranged the liabilities insurance to our directors in accordance of the Article 19-1 of the article of incorporate and the Article 39 of Corporate Governance Best Practice Principles.</p> <p>6. Implementation of risk management policies and risk measurement standards: The Company's major operational policies, investment cases, endorsement guarantees, capital loans, bank financing and other major proposals have been evaluated and analyzed by appropriate authorities and implemented in accordance with the resolution of audit committee and the board of directors. The audit office has also drafted its annual audit plan based on the results of the risk assessment and implements it exactly. This is done to implement the supervision mechanism and control the implementation of various risk management functions.</p> <p>7. Implementation of customer policies:</p> <p>(1) Protection of consumer rights of end customers: It is the Company's policy to provide consumers with healthy, safe, and desirable quality products so that they can eat healthily and safely. Related certifications on the manufacture and the sanitary, safe, and healthy benefits of products have been obtained; products of optimum quality are provided to consumers. The liability insurance has been purchased for products. In addition, there is the 0800 hotline for customer service.</p> <p>(2) Competitive advantages of clients: It is the Company's policy to create a Win-Win situation that contributes to co-prosperity and co-sharing of maximum benefits among downstream customers. Downstream clients are provided with the Company's information through the Company's website, the Outlook feature, and the ERP system. In addition, quality, health, and safety of products are maintained to seek various certifications, to promote brand publicity, and to provide clients and employees with information on how to enhance their technical and marketing/management capabilities by means of the bi-monthly professional journal entitled "Namchow Frozen Dough and Baking Oils and Fats" that is issued by an associated enterprise.</p>	
<p>IX. Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement.</p> <p>1. The company has established the Head of Corporate Governance in accordance of the rules of competent authorities in 2021, and in charge of matters related to the holding of board of directors' meeting and shareholders' meeting; preparing agenda for board of directors' meeting and shareholders' meeting; assisting the appointment and advanced studies of directors; providing documents for directors' to executing their duties; assisting the directors to comply to the laws and regulations; and other matters of corporate governance.</p>				

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>2. All of our production facilities have prioritized investment in energy saving or green energy related facilities for environment protection and sustainability. Not only that, the company shall continue to maintain the benefits and interests of our shareholders and treat our shareholders equally; put corporate social responsibility in practice; and increased in information transparency. To build up the culture of corporate governance, motivate our shareholders to do on action and strengthen the quality in disclosure of the company's information on corporate governance and non-financial information.</p>				

Note 1: Regardless of the answer, "Yes" or "No", descriptions need to be provided in the summary column.

Note 2: The execution of Self-Evaluation and Peer-Evaluation of the Board of Directors in 2021, as follows:

	Index of Self-Evaluation	Items	Score and Result of Evaluation
Board of Directors	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Improvement of the quality of the board of directors' decision making</li> <li>3. Composition and structure of the board of directors</li> <li>4. Election and continuing education of the directors</li> <li>5. Internal control</li> </ol>	10	The score of internal self-evaluation of the Board of Directors was 92 (out of 100).
Member of Directors	<ol style="list-style-type: none"> <li>1. Alignment of the goals and mission of the company</li> <li>2. Awareness of the duties of a director</li> <li>3. Participation in the operation of the company</li> <li>4. Management of internal relationship and communication</li> <li>5. The director's professionalism and continuing education</li> <li>6. Internal control</li> </ol>	18	The score of self-evaluation of the Board members was 3.94 (out of 4), the result of evaluation was "surpassed the standard"
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Awareness of the duties of the functional committee</li> <li>3. Improvement of quality of decisions made by the functional committee</li> <li>4. Makeup of the functional committee and election of its member</li> </ol>	19	The score of self-evaluation of the Remuneration Committee members was 3.97 (out of 4), the result of evaluation was "surpassed the standard"
Audit Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Awareness of the duties of the functional committee</li> <li>3. Improvement of quality of decisions made by the functional committee</li> <li>4. Makeup of the functional committee and election of its member</li> <li>5. Internal control</li> </ol>	22	The score of self-evaluation of the Audit Committee members was 4 (out of 4), the result of evaluation was "surpassed the standard significantly"

Note 3: The criteria for CPA independence and fitness evaluation are as follows:

CPA Independence Evaluation:

Item	Result	Independent
1. Does the CPA have direct or significant indirect financial relationship with the Company?	No	Yes
2. Does the CPA have financing or guarantees with the Company or its directors?	No	Yes
3. Does the CPA have close business relationship and potential client and commission relationship with the Company?	No	Yes
4. Had the CPA and their audit team members served as directors, managers or taken up positions that have significant influence on audit work at the Company at present or in the last two years?	No	Yes
5. Does the CPA provide non-audit service items that may directly affect the audit work provided to the Company?	No	Yes
6. Does the CPA possess stocks or securities issued by the Company?	No	Yes
7. Had the primary/secondary attesting CPA served for more than seven consecutive years?	No	Yes
8. Has the CPA acted as agent for stocks or securities issued by the Company?	No	Yes
9. Had the CPA acted as the defender of the Company or mediated conflicts with third parties on behalf of the Company?	No	Yes
10. Is the CPA related to the Company's directors, managers or personnel with significant influence on the audit case?	No	Yes

CPA Accountability Evaluation:

Item	Accountable
1. The CPA had not served as the attesting auditor for the Company more than seven years (until the most recent attestation).	Yes
2. The CPA has no significant financial relationship with the client.	Yes
3. The CPA has taken steps to refrain from engaging in any inappropriate relationship with the client.	Yes
4. The CPA has taken steps to ensure that his assistants adhere to pertinent guidelines and standards on honesty, impartiality and independence.	Yes
5. The CPA had not performed attestation for financial reports published by the company they served two years prior to obtaining their CPA qualification.	Yes
6. The CPA may not authorize any other individual to perform relevant services in their name.	Yes
7. The CPA does not possess stocks or securities issued by the Company or its affiliated businesses.	Yes
8. The CPA had not borrowed money from the Company or its affiliated businesses.	Yes
9. The CPA is not involved in a joint-investment or mutually beneficial relationship with the Company or its affiliated businesses.	Yes
10. The CPA is not also serving as an employee, performing day-to-day work and collecting fixed wage at the Company or its affiliated businesses.	Yes
11. The CPA is not involved in the decision-making management functions of the Company or its affiliated businesses.	Yes
12. The CPA is not managing other businesses that may compromise their independence.	Yes
13. The CPA is not the spouse, a relative within the second degree of kinship or a direct blood relative to any managers at the Company.	Yes
14. The CPA has not collected any business related commission.	Yes
15. The CPA has not been penalized or involved in any incident thus far that would compromise their independence.	Yes

Note 4: Status, issue of pay attention, communication channel and way of replying of the stakeholders.

Stakeholders	Concerned issues	Communication channel and frequency	Actions and ways of response
Shareholders/investors	<ul style="list-style-type: none"> <li>* Corporate Governance</li> <li>* Business performance</li> <li>* Risk control</li> <li>* Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>* Regular shareholder meetings</li> <li>* Regularly announce the annual report, financial statement, and monthly revenue report</li> <li>* Announce significant information (ad hoc)</li> <li>* Accept intermittent interviews</li> </ul>	<ul style="list-style-type: none"> <li>* Convene Internal Management Meeting of the Group Monthly, the Consolidated Revenue were NTD 19.871 Billion.</li> <li>* Held the Shareholders Meeting as required by law; organized two investor conferences.</li> <li>* Ranked among 36% to 50% in the 6th Corporate Governance Evaluation.</li> <li>* Published 77 significant information on MOPS and immediate disclose the financial information on the Company's website.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>* Occupational health and safety</li> <li>* Anti-corruption</li> <li>* Labor/management relations</li> <li>* Training and Education</li> </ul>	<ul style="list-style-type: none"> <li>* Regular and ad-hoc labor-management meetings</li> <li>* Ad hoc publication of internal reports and establishment of grievance hotlines and mailboxes</li> <li>* Ongoing education and training</li> </ul>	<ul style="list-style-type: none"> <li>* Each factory holds regular or ad hoc labor and management meetings 2-4 times a year.</li> <li>* Complete annual health examination and provide allowances to the employees in Taiwan for influenza vaccination.</li> <li>* The total training hours of the year exceeded 35,170 hours (including Ethical Management, Law Compliance, Food Safety, Occupational Health and Safety, Management Business, etc.).</li> </ul>
Consumers	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Product innovation</li> <li>* Product information and application</li> <li>* Service and consumer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>* Setup of 0800 customer service hotline</li> <li>* Public announcement and interaction over the Company's website</li> <li>* Media coverage</li> <li>* Marketing campaigns</li> </ul>	<ul style="list-style-type: none"> <li>* BLN Restaurants &amp; Caterings received 775 questionnaires of Customer Satisfaction Feedback and Questionnaire in 2021.</li> <li>* Press conferences and advertising.</li> <li>* Exhibitions and various marketing activities.</li> <li>* Guangzhou Factory and Tianjin Factory made a total of 1,188 submissions of raw materials and product samples for inspection.</li> <li>* Guangzhou Factory completed a total of 159 customer orders.</li> <li>* Guangzhou Factory had made no product recalls but conducted two mock recall simulations.</li> <li>* There were 6 valid customer complaints in Guangzhou Factory and all cases were handled properly.</li> <li>* We were able to receive customer feedback through our 0800 customer service center at</li> </ul>

Stakeholders	Concerned issues	Communication channel and frequency	Actions and ways of response
			our Chungli Factory so that we could better understand consumers' needs and implement continual improvement. In 2021, Chungli Factory completed a total of 8 cases of customer service.
Corporate customers/ Distributors	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Product traceability</li> <li>* Service and consumer satisfaction</li> <li>* Product information and application</li> </ul>	<ul style="list-style-type: none"> <li>* Ongoing product seminar/conference</li> <li>* Regular business visits</li> <li>* Annual contract review and communication</li> <li>* Telephone and email communication</li> </ul>	<ul style="list-style-type: none"> <li>* Organized a total of 19 factory visits by customers (internal/external) and training; we submitted a total of 57 samples to our customers and had 15 new product development projects.</li> <li>* Made 22 in-store product proposals at customers' establishments and new product trainings.</li> <li>* Established the "Procedures of handling customers complaint" to fulfill the need of our customer, build up their faith and continuously improving.</li> <li>* Organized 1 press conference/baking workshop for pastry.</li> <li>* Namchow Oils &amp; Fats hosts the professional exhibitions with total of 135 exhibitors and 248 participants.</li> </ul>
Government agencies and associations	<ul style="list-style-type: none"> <li>* Compliance</li> <li>* Food quality, safety and certification</li> <li>* Product information and application</li> <li>* Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>* Participation or hosting of forums</li> <li>* Issued official statements in line with government announcements</li> <li>* Issued official statements in line with regulatory announcements</li> </ul>	<ul style="list-style-type: none"> <li>* Participated in total of 23 conferences hold by Taiwan Government or associations.</li> <li>* The Food Safety Office and the Food Technician irregularly organized the regulations and announcements from the TFDA and the Department of Health to ensure the products complied with the requirements from the laws and regulations.</li> <li>* Abide by the Food Tracing System by the Ministry of Health and Welfare, upload the product information regularly for transparency and connect the upstream and downstream. Product QR Code label management system was also introduced to track product distribution, strengthen management, and enable the rapid recall of problem goods.</li> <li>* Shanghai Factory sporadically participated in 7 unscheduled conferences and seminars.</li> <li>* The Tianjin Factory sporadically participated in the 12 seminars as well as 31</li> </ul>

Stakeholders	Concerned issues	Communication channel and frequency	Actions and ways of response
			<p>official government agency letters and regulation announcements.</p> <ul style="list-style-type: none"> <li>* Guangzhou Factory participated four times in the quarterly Food Safety Seminar and Food Safety Supervisor Training organized by the State Administration for Market Regulation and conducted 10 self-inspection/audits and 13 product inspections as required by official statements.</li> </ul>
Media/Social Network	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Marketing communication</li> <li>* Product innovation</li> <li>* Greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>* Product launches (ad hoc)</li> <li>* Media coverage (ad hoc)</li> <li>* Press conferences (ad hoc)</li> <li>* Press releases (ad hoc)</li> </ul>	<ul style="list-style-type: none"> <li>* Regional business divisions actively engage with stakeholders through FB fan pages, regular trade shows, seminars, and promotional events.</li> <li>* Drawn more than 147,911 fans on Namchow (Thailand)'s FaceBook page.</li> <li>* New product launch by Little Cook - Noodles with Buddha Jumps Over the Wall.</li> <li>* The three restaurants operated by BLN Restaurants &amp; Caterings received Riesling Week's Best Restaurant and Wine Bar Award; while KÅ FER Binjiang No. 1 received the Star of Verandah Restaurant Award in China Restaurant Week (Autumn).</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Supply chain management</li> <li>* Product traceability</li> </ul>	<ul style="list-style-type: none"> <li>* Annual contract review and communication</li> <li>* Annual audit and source inspection</li> <li>* Routine meetings</li> <li>* Telephone and email communication</li> </ul>	<ul style="list-style-type: none"> <li>* The company has followed its factory audit plans and kept in touch with suppliers via mail and conducted a total of 53 on-site audits at our suppliers' facilities to ensure the safety and traceability of food ingredients.</li> <li>* Unscheduled meetings or video conferences have been conducted with our suppliers to verify quality specifications.</li> <li>* Pursuant to the company's Procurement Management Procedure, our auditors have attended a total of 284 Supplier Evaluation and Price Negotiation Meetings.</li> <li>* BLN Restaurants &amp; Caterings signed the "Supplier's Main Code of Conduct Commitment" with 42 suppliers.</li> <li>* Confirm the supply of the seasonal ingredients in every season and special ingredients.</li> </ul>

Stakeholders	Concerned issues	Communication channel and frequency	Actions and ways of response
Community and others (NGOs, academia)	<ul style="list-style-type: none"> <li>* Compliance</li> <li>* Food quality, safety and certification</li> <li>* Greenhouse gas emissions</li> <li>* Waste management</li> <li>* Water Resource Management</li> </ul>	<ul style="list-style-type: none"> <li>* Organize discussion and coordination meetings at Service Center of the industrial zone</li> <li>* Implementation of service number and grievance mailbox</li> <li>* Participation or hosting of forums</li> <li>* Participation or hosting of conferences</li> <li>* Media coverage</li> <li>* Hosting of special cultural activities</li> </ul>	<ul style="list-style-type: none"> <li>* Participated in external Halal system training (once)</li> <li>* Sponsor and participate in community activities.</li> <li>* Our businesses in China continue to take part in poverty alleviation projects.</li> <li>* Our businesses in Thailand hold the activities of planting trees and cleaning of forest road continuously.</li> </ul>

Note 5: The condition of directors' s advanced studies of 2021, as follows:

Title	Name	Date of Advanced Studies	Main organizer	Name of the Course	Duration of Advanced Studies	Total Duration of Advanced Studies in 2021
Legal Person Directors Representatives	Fei-Lung Chen	2021/12/17	Taiwan Corporate Governance Association	Insider Shareholding Management and Legal Issues to Watch for in Stock Transaction (Including insider trading)	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	
Legal Person Directors Representatives	Fei-Peng Chen	2021/12/17	Taiwan Corporate Governance Association	Insider Shareholding Management and Legal Issues to Watch for in Stock Transaction (Including insider trading)	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	
Legal Person Directors Representatives	Kan-Wen Lee	2021/12/17	Taiwan Corporate Governance Association	Insider Shareholding Management and Legal Issues to Watch for in Stock Transaction (Including insider trading)	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	
Legal Person Directors Representatives	Cheng-Wen Chen	2021/12/17	Taiwan Corporate Governance Association	Insider Shareholding Management and Legal Issues to Watch for in Stock Transaction (Including insider trading)	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	
Legal Person Directors Representatives	Ming-Fen Chou	2021/12/17	Taiwan Corporate Governance Association	Insider Shareholding Management and Legal Issues to Watch for in Stock Transaction (Including insider trading)	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	

Title	Name	Date of Advanced Studies	Main organizer	Name of the Course	Duration of Advanced Studies	Total Duration of Advanced Studies in 2021
Legal Person Directors Representatives	Yi-Wen Chen	2021/12/17	Taiwan Corporate Governance Association	Insider Shareholding Management and Legal Issues to Watch for in Stock Transaction (Including insider trading)	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	
Independent Director	Ting-Kuo Chen	2021/12/17	Taiwan Corporate Governance Association	Insider Shareholding Management and Legal Issues to Watch for in Stock Transaction (Including insider trading)	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	
Independent Director	Chun-Hsueh Chen	2021/05/07	Taiwan Corporate Governance Association	Advanced practices for Audit Committee - Merger reviews and director liabilities	3	6.0
		2021/12/28	Taiwan Corporate Governance Association	CSR.ESG.SDGs - The accelerators of Corporate Sustainability	3	
Independent Director	Chin-Shih Lin	2021/03/25	National Federation of Certified Public Accountant Associations of the Republic of China	Practical analytics of close company	3	27.0
		2021/03/29	National Federation of Certified Public Accountant Associations of the Republic of China	Corporate Governance 3.0 - Roadmap to Sustainable Development	3	
		2021/04/06	National Federation of Certified Public Accountant Associations of the Republic of China	Non-cash payment for capital increase	3	
		2021/08/05	National Federation of Certified Public Accountant Associations of the Republic of China	Anti-money laundering mechanism and CFT system	3	
		2021/08/19	National Federation of Certified Public Accountant Associations of the Republic of China	Responsibilities of CPAs in light of shareholder disputes and responses	3	
		2021/08/26	National Federation of Certified Public Accountant Associations of the Republic of China	Handling of investment related corporate accounting	3	

Title	Name	Date of Advanced Studies	Main organizer	Name of the Course	Duration of Advanced Studies	Total Duration of Advanced Studies in 2021
		2021/09/01	National Federation of Certified Public Accountant Associations of the Republic of China	The influence of Commercial Court on the operation of the Board of Directors and directors' performance of duties	3	
		2021/09/15	National Federation of Certified Public Accountant Associations of the Republic of China	Accounting of income tax	3	
		2021/10/27	National Federation of Certified Public Accountant Associations of the Republic of China	Legal issues of right of management dispute	3	

4. If the Company has a Compensation Committee, the composition, responsibilities, and operations of the Committee shall be disclosed.

(1) Membership of Compensation Committee

Status	Requirement Name	Professional qualifications and experience	Compliance with the independence requirement	Number of other public offering companies with part-time membership of their Remuneration Committee
Independent Director	Ting-Kuo Chen	Refer to page 13 for Director and Supervisor professional qualifications and experience:	<ol style="list-style-type: none"> <li>1. Not an employee of the Company or its affiliates.</li> <li>2. Not a director or supervisor of the Company or its associated enterprise.</li> <li>3. Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.</li> <li>4. Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship.</li> <li>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 five in shareholdings, or that designates its a representative to serve as a director or supervisor of the company under Article 27, Paragraph 1 or 2 of the Company Act.</li> <li>6. The majority of the company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor or employee of that other company.</li> <li>7. The chairperson, general manager or person holding an equivalent position of the company and a person in any of those positions at another company or institution are not the same person or spouses: a director (or governor), supervisor, or employee of that other company or institution.</li> <li>8. Not a director, supervisor, manager or a shareholder holding more than 5% of the shares of a specific company or institution with financial or business activities with the company.</li> <li>9. Not a partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, financial, accounting services or consultation to the company or any affiliate of the Company for amounts exceeding NTD 500,000 in the past two years.</li> <li>10. Not the spouse or a relative within the second degree of kinship to any other director of the Company.</li> </ol>	3
Independent Director	Chin-Shih Lin			1
Others	Hai-Ming Chen	<p>■ Academic credentials: PhD, College of Management Science, National Chiao Tung University</p> <p>■ Present positions held: Professor emeritus, Department of Management Sciences, Tamkang University</p> <p>Convener and member of Remuneration Committee at Tecom Co., Ltd.(2012/01/01~up to now)</p> <p>Member of Remuneration Committee at WIN Semiconductors Corp. (2011/09/01~up to now)</p>		2

(2) State of operations of the compensation committee

I. The Company's Remuneration Committee has 3 members in total.

II. Current members will serve from July 21, 2021 to July 14, 2024. The Remuneration Committee met 6 times (A) in the latest year. Qualification and attendance of members are as follows:

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Ting-Kuo Chen	5	1	83%	Re-elected
Member	Chin-Shih Lin	6	0	100%	Re-elected
Member	Hai-Ming Chen	6	0	100%	Re-elected

Other details to be documented:

I. If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors meeting, the session number, contents of the proposal, decisions made by the Board of Directors, and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered).

II. For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described: None.

III. The date of meeting, the session number, contents of the proposal, resolution and the company handled the opinions from the remuneration Committee, as follows:

Remuneration Committee	Content of the matters	Resolution	The Company's handling of the opinions of the Remuneration Committee
4th Remuneration Committee 11th Meeting 2021/01/28	1. Evaluate and Formulate the individual amounts of year-end bonuses in 2020 for the directors and managers of Namchow Holdings.	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
4th Remuneration Committee 12th Meeting 2021/03/12	1. Evaluate and formulate the individual amounts of compensation in 2020 for the directors of Namchow Holdings. 2. Evaluate and formulate the individual amounts of compensation in 2020 for employees (including the managerial personnel) of Namchow Holdings.	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
4th Remuneration Committee 13th Meeting 2021/04/28	1. Evaluate and formulate the detailing individual values of allocating the remuneration for the directors of Namchow Holdings in 2020. 2. Evaluate and formulate the detailing individual values of allocating the compensation for the employees (including the managerial personnel) in 2020.	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
5th Remuneration Committee 1st Meeting 2021/08/12	1. Evaluate and Formulate the individual amounts of mid-year bonuses in 2021 for the directors and managers of	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.

	Namchow Holdings.		
5th Remuneration Committee 2nd Meeting 2021/11/11	<p>1.Evaluating and formulating the suggestions to the compensation to individual employees of Namchow Finance Department CFO Ching-Hui Chui.</p> <p>2.Evaluating and formulating the suggestions to the compensation to individual employees of Namchow Special Assistant to Namchow Executive Vice President Kan-Wen Lee, Shu-Wen Tai.</p> <p>3.Evaluating and formulating the suggestions to the compensation to individual employees of Namchow Administration Office Assistant Manager Zhou-Jing Chen.</p> <p>4.Evaluating and formulating the suggestions to the compensation to individual employees of Namchow Human Resource Department Assistant Manager Yu-Hung Tan.</p>	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
5th Remuneration Committee 3rd Meeting 2021/12/29	1.Evaluate and Formulate the individual amounts of year-end bonuses in 2021 for the directors and managers of Namchow Holdings.	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
IV. Membership of Nominating Committee and state of its operation: Not applicable			

Note:

- (1) In the event that members of the Remuneration Committee resign before a year is completed, the date of resignation should be indicated in the remark column. The actual attendance rate (%), on the other hand, shall be calculated by the number of Remuneration Committee meetings held during service and the frequency number of attendance in the meetings.
- (2) Before a year is completed, upon any re-election of Remuneration Committee members, new and old, shall be listed and it shall be specified in the remark column that a specific member is old, new, or re-elected, and the date of re-election. The actual attendance rate (%), on the other hand, is to be calculated by the number of Remuneration Committee meetings held during service and the frequency number of attendance in the meetings.

(V) Promotion of sustainable development and discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
I. Has the Company established and promoted its governance structure for sustainable development and established a department that is fully (or partially) committed to the promotion of sustainable development by senior management with authorization from the Board of Directors perform relevant tasks, under the supervision of the Board of Directors?	V		<ol style="list-style-type: none"> <li>1. In March 2015, the Company held its Corporate Social Responsibility Kick Off Meeting and later established its CSR Committee in April of the same year. The convener of the committee is the President of the Namchow Group. There are Management Governance, Product responsibility, environmental sustainability and social relations four division, the members of each divisions are served by the associate or higher to be in charge of planning in policies and executing strategies.</li> <li>2. The Board of Directors serves as the ultimate monitoring unit to the committee, and the Secretariat reports to the Board of Directors regularly with the implementation and the future plans of CSR. The Board of Directors reported the outcome of ESG execution and future plans to the directors in December 2021 (Note 3).</li> <li>3. The Board of Directors is informed by the Secretariat each year on the company's implementations in ESG. Meanwhile, the management team is expected to pay attention to the development of local and foreign ESG-related standards at all times in order to review relevant ESG mechanisms and systems that the company has established and make adjustments as needed in order to boost the effectiveness of the company's corporate social responsibilities.</li> </ol>	None
II. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies? (Note 2)	V		<ol style="list-style-type: none"> <li>1. The information herein covers the company's performance in sustainability development at major locations between January 2021 and December 2021. The company has been identified as the boundary of risk assessment, covering regions including Taiwan, Mainland China and Thailand as our material aspects of consideration so that the boundary of disclosure will encompass all of Namchow's production facilities and major business locations.</li> <li>2. Analyses have been made in accordance with the materiality principles of the Sustainability Report after our communication with internal and external stakeholders. Not only that, we have also reviewed relevant local and foreign studies and reports, relevant information and compiled applicable data from different departments to identify ESG issues of materiality, along with relevant risks and potential impacts. With careful assessment, we formulated corresponding management guidelines, policies for supervision and risk management and adopted concrete action plans to alleviate the potential impact of relevant risks.</li> <li>3. After the assessment of relevant risks, the following risk-management policies/strategies have been established:</li> </ol>	None

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies									
	Yes	No	Summary										
			<table border="1"> <thead> <tr> <th>Material Issue</th> <th>Items of Risk Assessment</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td>Environmental Dimension</td> <td>Environmental Impact and Management</td> <td> <p>1. As climate change has resulted in frequent extreme weather, government agencies have strengthened supervision of energy. The Company's various categories of consumption of water, electricity, gas, and other energy resources are one of the main components included in daily operating costs. A reasonable layout of energy facilities and management and control functions can improve the utilization efficiency of the facilities and energy significantly and reduce costs.</p> <p>2. Implement scientific planning, organization, inspection, control and supervision on the production, distribution, conversion and consumption of energy; improve the measuring system, strengthen the management of energy consumption, reduce consumption, reduce losses, and avoid waste.</p> <p>3. Using the framework developed by TCFD for climate related financial disclosure, we identified material risks of climate change that the company may face potentially and formulated corresponding climate change strategies and risk matrix. The results and the matrix have been disclosed in our Sustainability Report for 2021.</p> </td> </tr> <tr> <td>Social Aspect</td> <td>Supply chain management</td> <td> <p>1. Supplier review and risk assessment were strengthened, non-compliant suppliers removed, frequency of on-site audits increased, and suppliers required to provide their sustainability report as a reference for audits.</p> </td> </tr> </tbody> </table>	Material Issue	Items of Risk Assessment	Explanation	Environmental Dimension	Environmental Impact and Management	<p>1. As climate change has resulted in frequent extreme weather, government agencies have strengthened supervision of energy. The Company's various categories of consumption of water, electricity, gas, and other energy resources are one of the main components included in daily operating costs. A reasonable layout of energy facilities and management and control functions can improve the utilization efficiency of the facilities and energy significantly and reduce costs.</p> <p>2. Implement scientific planning, organization, inspection, control and supervision on the production, distribution, conversion and consumption of energy; improve the measuring system, strengthen the management of energy consumption, reduce consumption, reduce losses, and avoid waste.</p> <p>3. Using the framework developed by TCFD for climate related financial disclosure, we identified material risks of climate change that the company may face potentially and formulated corresponding climate change strategies and risk matrix. The results and the matrix have been disclosed in our Sustainability Report for 2021.</p>	Social Aspect	Supply chain management	<p>1. Supplier review and risk assessment were strengthened, non-compliant suppliers removed, frequency of on-site audits increased, and suppliers required to provide their sustainability report as a reference for audits.</p>	
Material Issue	Items of Risk Assessment	Explanation											
Environmental Dimension	Environmental Impact and Management	<p>1. As climate change has resulted in frequent extreme weather, government agencies have strengthened supervision of energy. The Company's various categories of consumption of water, electricity, gas, and other energy resources are one of the main components included in daily operating costs. A reasonable layout of energy facilities and management and control functions can improve the utilization efficiency of the facilities and energy significantly and reduce costs.</p> <p>2. Implement scientific planning, organization, inspection, control and supervision on the production, distribution, conversion and consumption of energy; improve the measuring system, strengthen the management of energy consumption, reduce consumption, reduce losses, and avoid waste.</p> <p>3. Using the framework developed by TCFD for climate related financial disclosure, we identified material risks of climate change that the company may face potentially and formulated corresponding climate change strategies and risk matrix. The results and the matrix have been disclosed in our Sustainability Report for 2021.</p>											
Social Aspect	Supply chain management	<p>1. Supplier review and risk assessment were strengthened, non-compliant suppliers removed, frequency of on-site audits increased, and suppliers required to provide their sustainability report as a reference for audits.</p>											

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
			<p>2. Ensured the steady supply and quality of all raw materials to reduce food safety risks and to grow together with suppliers.</p> <p>Product safety</p> <p>1. The survival and development of an enterprise as well as market acceptance depend on the assurance of product quality and safety. Only products that hold up to safety and quality inspections can minimize business risks.</p> <p>2. Establish a comprehensive product tracing system for the entire process from the raw materials to the product and its user.</p> <p>3. Simulate product tracing every year and ensure that the product is 100% traceable</p> <p>Customer Privacy</p> <p>1. Establish an authorization mechanism for the collection of customers. Customer data is to be stored in highly secure and reliable data storage systems. All data access and use require proper authorization.</p> <p>2. With regards to the the collection, processing and use of customer data, the company has adhered and complied with pertinent privacy protection laws and regulations in the place of operation.</p> <p>Corporate Governance Aspect</p> <p>Corporate Governance Business performance</p> <p>1. By establishing and enforcing relevant schemes and systems for governance structure and internal control, the company ensures that all personnel and operations are compliant with pertinent laws and regulations.</p> <p>2. Execute external corporate governance evaluations and internal control assessments to provide a clear picture of risk management.</p>	

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies		
	Yes	No	Summary			
			<table border="1"> <tr> <td>Risk management Compliance</td> <td> <p>1. With climate change, the risks faced by enterprises are becoming more diverse and difficult to predict. We must perform comprehensive risk management, implement regulatory compliance, and respond to threats and challenges instantly to gain the trust of the stakeholders.</p> <p>2. Comply with various local laws, regulations, and policies, and abide by each department's standard operating procedure strictly</p> <p>3. Establish multiple management mechanisms and guidelines to implement compliance.</p> </td> </tr> </table> <p>4. For relevant risk management policies the company has established, refer to our Sustainability Report.</p>	Risk management Compliance	<p>1. With climate change, the risks faced by enterprises are becoming more diverse and difficult to predict. We must perform comprehensive risk management, implement regulatory compliance, and respond to threats and challenges instantly to gain the trust of the stakeholders.</p> <p>2. Comply with various local laws, regulations, and policies, and abide by each department's standard operating procedure strictly</p> <p>3. Establish multiple management mechanisms and guidelines to implement compliance.</p>	
Risk management Compliance	<p>1. With climate change, the risks faced by enterprises are becoming more diverse and difficult to predict. We must perform comprehensive risk management, implement regulatory compliance, and respond to threats and challenges instantly to gain the trust of the stakeholders.</p> <p>2. Comply with various local laws, regulations, and policies, and abide by each department's standard operating procedure strictly</p> <p>3. Establish multiple management mechanisms and guidelines to implement compliance.</p>					
<p>III. Environmental Issues</p> <p>(I) Has the Company established a suitable environmental management system based on its industrial characteristics?</p>	V		<p>(I) 1. Factories in mainland China and Thailand have received ISO14001 certification and established environmental management system through third-party verification. In addition, the factories have complied with pertinent laws and regulations and other environmental requirements to continuously improve their environmental performance. (The ISO 14001 certifications for these factories are valid till 2023.12.3 and 2024.1.5 respectively)</p> <p>2. Although the Company has not established a comprehensive environmental management system based on industry characteristics, nonetheless, the working environment and the natural environment have been maintained and reported in accordance with public safety building regulations, fire protection regulations, labor hygiene and safety regulations, and waste cleanup laws.</p>	None		
<p>(II) Has the Company endeavored to improve the efficiency of energy utilization and used recycled materials which have a low impact on the environment?</p>	V		<p>(II) 1. The company has actively promoted various energy usage reduction measures, adopted highly energy-efficient equipment with energy-saving designs to reduce our corporate and product energy consumption. Not only that, the company has also expanded its use of renewable energies to optimize energy efficiency.</p> <p>2. The company is primarily involved in food production, and as such, all of our materials must be compliant with pertinent food-grade</p>	None		

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
(III) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to deal with climate-related issues?	V		<p>regulations. Not only that, we also source from EPA certified suppliers of corrugated boxes as the external packaging for our products. For distribution in the Mainland Chinese market, we have also endeavored to prioritize our sourcing of paper packaging from FSC certified suppliers. In 2021, our purchase of FSC certified boxes reached 100% and for Namchow Thailand, the percentage of eco-friendly paper boxes purchased came to 24%.</p> <p>(III) 1. In response to the latest international sustainability trends that call for the disclosure of climate-change related financial information, the company has referred to the framework presented in the TCFD guide published by the Financial Stability Board for the identification of its material climate-change risks and opportunities and leveraged the framework to refine the company's management of climate change.</p> <p>2. The company will review the status of its implementation and discuss future plans for its climate change strategies and goals on a yearly basis and report to the Board of Directors.</p> <p>3. After identifying and ranking the factors of relevant climate risks through the TCFD framework, the company would assess viable opportunities and formulate specific response measures. With regards to the alleviation of climate changes, the company will focus on relevant developments in energy management and green building; as for climate change adaptation, the company will take steps to fortify its basic infrastructures and bolster its capacity for sustainable operations. Detailed descriptions of Namchow's climate change risk and opportunity analysis have been disclosed in our Sustainability Report.</p>	None
(IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management?	V		<p>(IV) 1. The company gathered the statistics of carbon emissions, use of water and total weight of waste over the past two years; the status of achieving the goals of environment; and the related data. The company shall disclose and explain relevant information in our Sustainability Report every year.</p> <p><u>Greenhouse gas emission volume and intensity in the last two years:</u></p> <p>(Data in Scope 1 and 2 cover our manufacturing operations in Taiwan, Mainland China and Thailand and our gastronomy business operations in Taiwan and Mainland China)</p>	None

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies																					
	Yes	No	Summary																						
			<p style="text-align: right;">Unit : tons CO<sub>2</sub>e</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Total emission</th> </tr> </thead> <tbody> <tr> <td>109</td> <td>73,504.62</td> <td>91,695.24</td> <td>148,025.52</td> </tr> <tr> <td>110</td> <td>74,520.90</td> <td>105,527.38</td> <td>197,222.62</td> </tr> </tbody> </table> <p>In 2021, our total Scope 1 and Scop3 2 greenhouse gas emission came to 197,222.62 tons, and our GHG emission intensity for Scope 1 and 2 came to 3.75 and 5.31 ton CO<sub>2</sub>e /NT\$ million of revenue. The increase in our GHG emission in 2021 is mainly attributed to the adjustment of emission factor in Mainland China and increase in our production volume by 17.66%.</p> <p>At our Shanghai Factory, we have established a dedicated department responsible for energy conservation and management. In addition, the factory has also appointed personnel dedicated to energy conservation and management, in addition to establishing specific energy conservation objectives and energy-saving measures. In 2021, the factory was able to achieve the “Dual Control” energy-saving goal set by Shanghai Jinshan Industrial Park. In addition, after the replacement of broilers with low NOx burner, the factory’s NOx compounds fell to approximately 381.83kg/year</p> <p>2. The company remains attentive to issues of environmental protection and water resource conservation. In terms of water conservation, the company has introduced a number of improvement measures, such as incorporation of recycling system in our effluent system and improvement of relevant processes and so forth. By introducing comprehensive water-conservation measures and mechanisms in our day-to-day activities, we would be able to achieve greater success in improving water efficiency.</p> <p><u>Water consumption in the last two years:</u> (Data in Scope 1 and 2 cover our manufacturing operations in Taiwan, Mainland China and Thailand and our gastronomy business operations in Taiwan and Mainland China)</p> <p style="text-align: right;">Unit: Cubic meters</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption</th> <th>Water intensity</th> </tr> </thead> <tbody> <tr> <td>109</td> <td>1,381,045</td> <td>0.0786</td> </tr> <tr> <td>110</td> <td>1,628,537</td> <td>0.0825</td> </tr> </tbody> </table>	Year	Scope 1	Scope 2	Total emission	109	73,504.62	91,695.24	148,025.52	110	74,520.90	105,527.38	197,222.62	Year	Total water consumption	Water intensity	109	1,381,045	0.0786	110	1,628,537	0.0825	
Year	Scope 1	Scope 2	Total emission																						
109	73,504.62	91,695.24	148,025.52																						
110	74,520.90	105,527.38	197,222.62																						
Year	Total water consumption	Water intensity																							
109	1,381,045	0.0786																							
110	1,628,537	0.0825																							

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies									
	Yes	No	Summary										
			<p>Taoyuan Factory conducted its “Water Treatment Plant Softening Tank Resin Regeneration” in 2021 in order to recycle a portion of the process wastewater. In 2021, the factory recycled a total of 314,000 liters of water and the company will continue to explore other feasible means of water recycling and reuse.</p> <p>3. Our factories and facilities in different regions have adhered local regulations in their disposal, treatment or reuse of wastewater and have completed routine online registrations and declarations. The company has also been querying and verifying the disposal, treatment and recycling of industrial wastes online before the given deadlines.</p> <p><u>Waste generation in the last two years:</u> (Data in Scope 1 and 2 cover our manufacturing operations in Taiwan, Mainland China and Thailand and our gastronomy business operations in Taiwan and Mainland China) Unit: tons</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hazardous waste</th> <th>Non-hazardous waste</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>37</td> <td>14,720</td> </tr> <tr> <td>2021</td> <td>30</td> <td>13,912</td> </tr> </tbody> </table> <p>The “Solid Waste Management Regulations” and “Hazardous Waste Management Regulations” have been implemented in China. Factories have designated storage locations for sorted waste to avoid cross-contamination. Thailand Factory continues to adhere to 3R (Reduce, Recycle, Reuse) to teach employees about waste reduction and how to create value from waste. Production attrition targets were also set to reduce waste.</p> <p>4. To cope with the climate change, the company keep reviewing the progression and the effectiveness of the reduction project in each factory and evaluate the trend by gathering the related information internationally and domestically. The company will gradually planning on the policies of energy saving, carbon reduction, reduction in greenhouse gases, reducing in water usage or other management of waste and related management goals.</p>	Year	Hazardous waste	Non-hazardous waste	2020	37	14,720	2021	30	13,912	
Year	Hazardous waste	Non-hazardous waste											
2020	37	14,720											
2021	30	13,912											
<p>IV. Social Issues</p> <p>(I) Has the Company developed the relevant management policies and procedures in accordance with relevant regulations</p>	V		<p>(I) 1. To fulfill our corporate social responsibility as well as protect the basic human rights of all employees, customers and stakeholders, Namchow Group acknowledges and adheres to the spirit and basic principles of human</p>	None									

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies						
	Yes	No	Summary							
and international human rights conventions?			<p>rights protection defined under the “UN Declaration of Human Rights,” “UN Global Compact,” “International Labor Organization Conventions,” and other international conventions. All employees are treated equally and with respect. No human rights abuses or violations in any form are tolerated.</p> <p>2. All the operating branches of the company in compliance of the labour laws, regulations and administrative orders to enacted the internal rules and procedures, to protect the human rights within the occupational environment, respect the basic rights to our regular employees, contract personnel, temporary personnel and interns. The company requested that the contracts between the Company and its major suppliers include termination or dismissal clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society.</p> <p>Namchow’s management policy on human rights is as follows:</p> <table border="1"> <thead> <tr> <th>Policy</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td>Compliance with pertinent labor laws</td> <td>We pledge to comply with all pertinent laws and regulations in the countries/regions where our businesses are located. Child labor is strictly forbidden, as well as any form of forced labor.</td> </tr> <tr> <td>Safeguarding human rights in the workplace</td> <td>We are committed to creating friendly workplaces of equality, and this means all of our employees, regardless of their race, rank, language, ideologies, religious beliefs, political affiliation, place of ancestry, birthplace, sexual orientation, age, marital status, physical appearance, physical/mental handicap or previous membership in labor union, shall be protected against all forms of unequal treatment or discrimination to ensure equality in employment.</td> </tr> </tbody> </table>	Policy	Explanation	Compliance with pertinent labor laws	We pledge to comply with all pertinent laws and regulations in the countries/regions where our businesses are located. Child labor is strictly forbidden, as well as any form of forced labor.	Safeguarding human rights in the workplace	We are committed to creating friendly workplaces of equality, and this means all of our employees, regardless of their race, rank, language, ideologies, religious beliefs, political affiliation, place of ancestry, birthplace, sexual orientation, age, marital status, physical appearance, physical/mental handicap or previous membership in labor union, shall be protected against all forms of unequal treatment or discrimination to ensure equality in employment.	
Policy	Explanation									
Compliance with pertinent labor laws	We pledge to comply with all pertinent laws and regulations in the countries/regions where our businesses are located. Child labor is strictly forbidden, as well as any form of forced labor.									
Safeguarding human rights in the workplace	We are committed to creating friendly workplaces of equality, and this means all of our employees, regardless of their race, rank, language, ideologies, religious beliefs, political affiliation, place of ancestry, birthplace, sexual orientation, age, marital status, physical appearance, physical/mental handicap or previous membership in labor union, shall be protected against all forms of unequal treatment or discrimination to ensure equality in employment.									

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
(II) Has the Company formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflected business performance or results in employee compensation?	V		<p>Building a healthy and safe workplace</p> <p>Pursuant to pertinent occupational safety and health regulations, the company implements routine health checkups for employees and assessment of safety hazards in the workplace so as to create a healthy, safe and comfortable working environment.</p>	None
			<p>Harmonious labor/management relations</p> <p>The company has established diverse channels of communication to disseminate company policies, systems, benefits and relevant activities on top of organizing scheduled labor-management meetings in order to ensure harmonious, “win-win” labor/management relations.</p>	
			<p>(II) 1. Employee wage: We determine each employee’s salary based on his/her academic background, work experience, abilities, and job requirements, support gender equality in the salary system, and our salaries provided do not differ between men and women. To encourage employees to attach importance to the Company’s business goals, we determine the amount of year-end bonus or performance bonus based on the profitability of each business unit, the strategic targets, and the nature of each business while with a reference to each employee’s personal performance, to motivate them to perform well. Pursuant to the Articles of Incorporation, employees’ remuneration shall be no less than 1% of the company’s profit for the current fiscal year.</p> <p>2. Employee benefits: the company has established its Employee Welfare Committee and all employees are entitled to a basic employee benefit of approximately NT\$ 11,000 per year, along with various perks including: educational subsidies for employee’s children, club/event expense subsidies, gifts for three holidays/birthday, insurance coverage, pension, medical care services and so forth.</p>	

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy work environment as well as	V		<p>3. Workplace diversification and equality: Namchow Group adheres to a corporate culture that creates diversity and inclusiveness, values work and life, and provides gender equality development opportunities. The male and female workers are evenly distributed, and over 40% of the female workers are in the management level. The average salary ratio of male and female employees at all ranks and the average salary of male and female employees at each operating base are almost 1:1, which the difference is not gender based. This an important indicator of a gender-friendly business.</p> <p>The company takes the right and benefits of employees very seriously and has always shared its profit with employees. In fact, the company has made a conscious effort to provide total care of employees of different circumstances. In 2021, the company has employed a total of 38 employees with physical/mental handicap/of aboriginal origins and this exceeds the legally required number of disadvantaged employees.</p> <p>4. Reflection of the company's operational performance in employees' remuneration: Pursuant to Article 31 of the Articles of Incorporation: In cases of profits for the year, the company shall set aside no less than 1% to be the remunerations for employees and no more than 5% to be those for board directors and supervisors. If there are accumulated losses, however, the value to make up for the losses should be set aside first. The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment. In terms of our overall remuneration policy, the company regularly participated in the International Market Salary Survey to adjusted in the level of salaries and providing compensation with market competitiveness. The company made salary adjustment in accordance of the company operation, price index, economic growth rate, personal performances and etc. In 2021, the company adjusted the salaries based on the personal performance.</p>	None
			(III) 1. Occupational safety and health policy: all of our production factories have established their respective Occupational Safety and Health Committees to be responsible for the	

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
periodic safety and health education?			<p>management and tracking of occupational hazards/illness incidents. In the event of an occupational safety incident, relevant personnel ought to report said incident during the occupational safety and health committee meeting and announce the incident publicly to improve the company's occupational safety and health performance and ensure effective risk control.</p> <p>By compiling different occupational safety and health issues from different plants, the company endeavors to propose effective counter-measures and continue promoting our culture of occupational safety. Not only that, the company has also taken steps to strengthen personnel protection for employees and invested more resources towards the prevention of occupational illnesses in the hopes of creating a hazard free environment. In 2021, the injury rates (IR) for our factories were 2.47 (Taiwan), 1.88 (China) and 1.07 (Thailand), all of which have improved compared to that of 2020. In addition, no fatal incidents had taken place across all regions. The company has reviewed the incidents of injuries and improved its existing counter-measures in order to revise relevant items of inspection. Not only that, our supervisors have taken the initiative to care for the physical/mental well-being of employees to ensure their safety whilst at work.</p> <ol style="list-style-type: none"> <li>2. Workplace monitoring: Workplace inspection is conducted at least twice per year at each of our production factories to ensure the workplace safety for employees.</li> <li>3. Work safety audit: all factories are required to perform routine audits and organize corresponding departments to conduct specific safety inspections. In addition, responsible units would follow-up on the outcomes of safety audits and inspections and implement relevant planning, promotion and closing of response to anomalies or projects on a monthly basis.</li> <li>4. Equipment safety management: for specialized equipment, the company commissions collaborating partners each year to perform full safety inspection and obtain inspection reports to ensure safe operation of relevant equipment for employees.</li> <li>5. The company strives to provide a safe and healthy workplace environment, routinely perform the education to safety and health, promoting management measures to for</li> </ol>	

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies												
	Yes	No	Summary													
(IV) Has the Company implemented an effective training program that helps employees develop skills over the course of their career?	V		<p>health, simple emergency first-aid facilities in the area, providing annual health examination for the entire staff and given related guides and health education.</p> <p>Below are statistics of occupational safety and health training conducted in the last three years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>No. of trainees</th> <th>No. of training hours completed</th> </tr> </thead> <tbody> <tr> <td>108</td> <td>4,080</td> <td>23,246</td> </tr> <tr> <td>109</td> <td>4,092</td> <td>16,029</td> </tr> <tr> <td>110</td> <td>5,403</td> <td>20,946</td> </tr> </tbody> </table> <p>6.Status of company verifications:Shanghai Factory, Qiaohao Factory, Tianjin Factory and Guangzhou Factory have all been accredited to ISO 45001 certification for occupational safety and health management system. (The certifications for these factories are valid till October 2022 and December 2023)</p> <p>(IV) The company enacted the related training plans for the employees career development systematically and with different job levels. Building up the profession ability for different staff and providing diverse educational training to build up the essential skills for employees to be in service and gaining abilities for future development and promotion. In 2021, a total of 1,380 employees have completed their annual career planning, which is equivalent to 8,073 hours of training. During the scheduled annual performance interview, employees would discuss their personal competence development plan for the year with their supervisors. Through periodic review and feedback, we strive to assist employees to develop optimal career planning.</p>	Year	No. of trainees	No. of training hours completed	108	4,080	23,246	109	4,092	16,029	110	5,403	20,946	None
Year	No. of trainees	No. of training hours completed														
108	4,080	23,246														
109	4,092	16,029														
110	5,403	20,946														
(V) Regarding the issues of customer health and safety, customer privacy, marketing and labeling of products and services, whether the company complies with relevant regulations and international standards, and formulates relevant consumer protection policies and appeal	V		<p>(V) 1. The company has set up a food safety office to strictly control the safety of products to protect the health of customers. Through transparent and legal compliance marketing and labeling, it lets customers feel at ease.</p> <p>2. Respecting customer privacy, the collection, processing and use of customer data are subject to the regulations of the relevant privacy protection laws and regulations in the place of operation.</p> <p>3. For the policy of consumers' benefits and interests, we set up service center(0800) to</p>	None												

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
<p>procedures?</p> <p>(VI) Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?</p>		V	<p>respond to consumers' inquiries and concerns immediately.</p> <p>(VI) 1. The contract signed between the company and the suppliers with the basic condition of comply the local laws and regulations. All of the company's suppliers shall comply with local laws and regulations of corporate governance, environmental protections, labour and human rights.</p> <p>2. The Company has not yet formulated a policy on environmental and social assessment of suppliers. However, the contract signed by the main supplier has specified that if the supplier is involved in violation of its corporate social responsibility policy and it has a significant impact on the environment and society, the terms of the contract may be terminated or cancelled at any time.</p> <p>3. Hoping the supplier may accept, executing and assisting the regulations related to environmental, social and corporate governance(ESG), and managed deeply by regular or irregular evaluating and on-site inspection.</p>	Evaluating, planning and formulating the related policies of suppliers management
<p>V. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?</p>	V		<p>1. The company has prepared the "2020 Namchow Group Sustainability Report" based on the guidelines described in GRI Standards published by Global Reporting Initiative. More specifically, the Report has been prepared based on GRI Standard Core and for disclosure standards for food processing industry.</p> <p>2. The independent limited assurance process was implemented according to the Assurance Standards Bulletin No. 1 "Assurance Cases for Audits or Reviews of Non-historical Financial Information" issued by the Accounting Research and Development Foundation, and the assurance report is attached to the appendix of this report.</p>	None
<p>VI. If the Company has its own Sustainable Development Best Practice Principles established according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its implementation and the principles:</p> <p>In December 2015, the Board of Directors approved the proposal to revise the company's "Corporate Social Responsibility Best Practice Guidelines", and the revision of which was subsequently approved by the Board of Directors in May 2020 in an effort to bolster the company's fulfillment of its corporate social responsibilities. Pursuant to the guidelines, the company has conducted periodic review of relevant implementations and made corresponding improvements. There has been no discrepancy thus far.</p>				
<p>VII. Other vital information that would facilitate greater awareness of Namchow's sustainability promotion include: "Community Management and grow locally" is the company's core concept of society caring. The company bearing the original intention of "taken from society and give back to society" proactively plan and participate various charity event with the combination of the government policy and the resources from platforms. The company take the social participation as part of corporate culture with the activities of "Charity-helping the</p>				

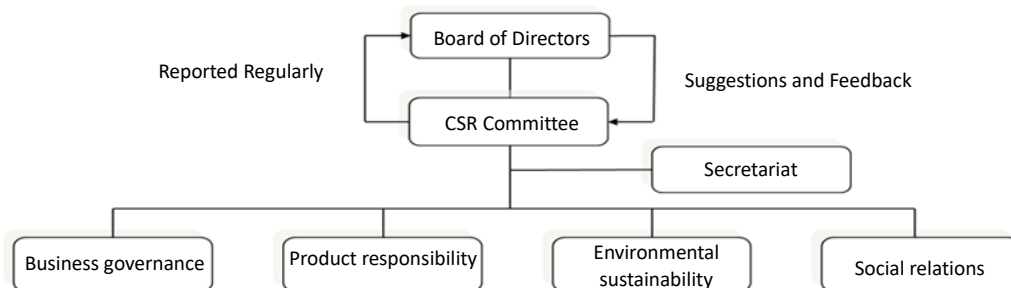
Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
<p>difficulties and poverty”, “Industry-improve together with the industry”, “Cross-strait-promoting in interaction between Taiwan and Mainland China” and others, for more information please refer to the sustainability report prepared by the company.</p> <p>The main content and summary of different kinds or society activities in 2021, as follows:</p> <p><u>Taiwan:</u></p> <ol style="list-style-type: none"> <li>1. Namchow Oils and Fats sponsored charitable events including the “2021 Sending Warmth in Winter Charity Donation”, “2021 Working Hand in Hand - Chinese Reunion Dinner for New Immigrant Families in Need of Assistance” and took part in “Tainan City’s Trip of Love” event organized by the Chinese National Federation of Industries by donating sugar and snacks.</li> <li>2. Namchow Oils &amp; Fats also donated relevant resources to the integrated screening stations at Taipei City Hospital Zhongxing Branch in an effort to bolster disease prevention services.</li> <li>3. Namchow Holdings donated 5,000 servings of Imperial Rice to the Red Cross Society in an effort to lend a helping hand to the victims of the 2021 Haiti earthquake.</li> </ol> <p><u>China:</u></p> <ol style="list-style-type: none"> <li>1. Namchow launched an initiative to combat COVID-19 in Tianjin City by donating 200,000 RMB to Tianjin Red Cross Foundation as a way to encourage like-minded organizations to contribute to the cause. The initiative was met with overwhelming support from other Taiwanese corporations and collected approximately 1.5 million RMB in donations.</li> <li>2. Through Tianjin Association of Taiwan Investment Enterprises, Namchow launched the “Henan Flood Prevention and Post Discovery Recovery Donation”. The initiative was met with enthusiastic response and raised a total of 1.04 million RMB in a short time. Tianjin Red Cross Foundation issued a certificate of gratitude and a commemorative medal to Namchow as a gesture of appreciation.</li> <li>3. Shanghai Namchow and Shanghai Jinshan Gaolou Village Committee signed the “Village &amp; Enterprise Collaboration to Boost Agricultural Production” collaborative framework in an effort to support the mission to strengthen the economy of rural township.</li> <li>4. BLN Restaurants &amp; Caterings Shanghai sponsored the Heart to Heart Shanghai funding to take part in Christmas Market and the fund raising will be use to helping a child from China to undergo a heart surgery.</li> <li>5. BLN Restaurants &amp; Caterings Shanghai sponsored the Furry Stray Animal Organization to participate in Christmas Market and helping the stray dogs to get adoption.</li> </ol> <p><u>Thailand:</u></p> <p>In 2021, Namchow Thailand donated a total of 396 boxes of our various products to local quarantine organizations in May and November.</p>				

Note 1: If “Yes” is checked, please specify in detail the vital policy/strategy/measure/status of implementation; If “No” is checked instead, please explain the nature of the discrepancy from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reason for the discrepancy, along with the planning of relevant policies/strategies/measures that will be taken in the future.

Note 2: The principle of materiality refers to those who have significant environmental, social and corporate governance issues that have a significant impact on the company's investors and other stakeholders.

Note 3:

#### CSR Committee Organizational Structure of Namchow Group



Relevant Issues Concerned by Each Divisions, as follows:

Divisions	Relevant Issues Concerned
Corporate Governance Division	Information of Shareholders' Meeting and Board of Directors' Meeting; Compensations and Bonuses; Business Operation; Organization of Corporate Governance; Law Compliance; and etc.
Product Responsibility Division	Food Safety and Health; Traceability and Tracking of Products; Quality of Products/Food; Certification of Products/Food; and etc.
Environmental Sustainability Division	Use of Energy Sources; Energy Saving and Carbon Reduction; Pollution Control; Biodiversity; Issues on Genetic Modification; and etc.
Social Relations Division	Supply Chain Management; Allocation of Human Resources; Human Rights; Complaints; Interaction with Customers; Charity Event; and etc.

The effectiveness of ESG done by the Namchow Group in 2021

<u>The execution of the year</u>	<u>Working Plan of Next Year</u>
<ul style="list-style-type: none"> <li>✓Promoting various charity events to care for the society.</li> <li>✓Maintain diverse channel to communicate with stakeholders smoothly.</li> <li>✓Completion of 2020 Corporate Social Responsibility Report</li> </ul>	<ul style="list-style-type: none"> <li>✓The company plans to gradually introduce the two international standards of TCFD and SASB over two phases to describe the company's approach to connect climate risks to corporate governance. In addition, the company will also disclose its financially material and ESG related information that would help investors in their decision making in accordance with the company's sector in its Sustainability Report in order to comply with the competent authority's requirement for disclosure.</li> <li>✓Continuously promoting CSR charity event to caring the society.</li> <li>✓Maintain diverse channel to communicate with stakeholders smoothly.</li> </ul>

The effectiveness of ESG done by the Namchow Group in 2021

**Environmental**

- ◎The wastewater treatment plant at Chungli Factory has completed its construction of flotation facility and biological treatment tank, which are designed primarily to reduce effluent discharge, thereby protecting the environment but also help the company save costs on wastewater treatment.
- ◎Tainan Factory obtained the Certificate of Registration for Renewable Energy General Equipment from MOEA's Bureau of Energy and the installation is expected to generate approximately 115,816 kwh of power each year, in addition to an additional income of approximately NT\$ 61,102 for the company through rent each year.
- ◎Tianjin Factory replaced three units of external heaters for base oil tanks and the replacement is expected to save 114,000 RMB in steam generation costs per year.
- ◎Guangzhou Factory improved the capacity of its self-monitoring for wastewater discharge control and has met the government's requirements for inspection of eight specific indicators. In addition, the strange odor found in the 1st phase refining vacuum system has been addressed, along with the replacement of air compressor and improvement of dryer efficiency. These measures are expected to help the factory save up to 140,000 RMB/year.
- ◎Namchow Thailand received the NCT Green Industry Certification from the Ministry of Industry on August 28 2021. The certification is separated into five levels (from low to high, the highest being level 5), and Namchow Thailand received the level 4 certification of "Green Culture".

**Social**

- ◎Donated Paulaner's interior decoration and facilities to National Taipei University of the Arts.
- ◎Assisted women in community empowerment programs seeking for second career.
- ◎Engaged in strategic alliance with Taipei City Vocational Innovation Center for Seniors to help seniors in retirement to return to the field of employment.

©In an effort to ensure the health of migrant workers and safety of our work environments, both Taoyuan Factory and Chungli Factory arranged for migrant workers to take PCR tests.

**Corporate Governance**

©Introduced DDI data protection mechanism that implement protection and prevention prior to data security, post-incident coordination, recovery and data regression.

©Taoyuan Factory's Oil & Fat collaborated with Industrial Research Institute in a digital smart production project that enables preventive diagnostics of equipment and supervision to prevent unexpected malfunctions.

©The Board of Directors Performance Assessment (self-assessment) for 2020 has been declared and registered in Q1 2021.

©In the 7th Corporate Governance Evaluation, Namchow ranked in the 36%-50% percentile.

**【Please refer to the Relevant Information on the Company's website and our Sustainability Report】**

(VI) Ethical business performance conditions, as well as differences and reasons for differences with Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies

Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and proposal				
(I) Has the Company formulated the ethical management policy approved by the board of directors, and in the regulations and external documents expressed the policies and practices of operating in good faith, and the commitment of the board of directors and senior management to actively implement business policies?	V		(I) In March 2017, the board of directors of the Company formally adopted the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct." And then, the "Ethical Corporate Management Best Practice Principle and Guide" was formulated. In addition to disclosing the Company's ethical management policy in its internal regulations, company websites or other promotional channels, it shall also declare this on occasions such as product conferences and external events such as corporate briefings, so that suppliers, customers, and related institutions and personnel can clearly understand the philosophy and regulation of the Company in the pursuit of business integrity, establishing a corporate culture of ethical management.	None
(II) Has the company established an assessment mechanism for the risk of dishonesty, regularly analyzing and evaluating business activities with a high risk of dishonesty in the business scope, and formulated a plan to prevent dishonesty, and cover at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?"	V		(II) In its "Ethical Corporate Management Best Practice Principles," the Company respectively adopts the precautionary measures for the conduct of the second paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies,." This includes the prohibition of giving and receiving bribes, prohibition of illegal political contributions, improper charitable donations or sponsorships, unreasonable gifts, hospitality or other improper benefits.	None
(III) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V		(III) The company prohibits dishonest behaviors in the "Ethical Corporate Management Best Practice Principles." It also has operating procedures and conduct guidelines for honest operations, and clearly sets out preventive measures to prevent dishonesty.	None
II. Consolidation of ethical corporate management				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		(I) The Company conducts business activities in a fair manner, and before business correspondence begins, it considers the legitimacy and presence of dishonest behavior records or not of the agents, suppliers, customers, or other counterparts in business	None

Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(II) Has the Company set up a special unit under the board of directors to promote corporate ethical management, and regularly reports (at least once a year) to the board of directors on its ethical management policies and plans to prevent dishonesty and supervision and implementation?	V		<p>transactions and avoid doing business with those with prior records of dishonest behavior. In addition, the Prohibition of Bribery Clause has been added to the procurement contract and the engineering contract draft. It also specifies the terms of good faith in each important transaction contract.</p> <p>(II) The Company's Human Resource Department has been assigned to devise and execute integrity policies along with related preventive measures. It reports its progress regularly to the board of directors.</p>	None
(III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		<p>(III) The Company has established its "Ethical Corporate Management Best Practice Principles" and "Code of Moral Conduct" to make sure that the staff of the Company act in compliance with its moral standards and to let stakeholders know the moral standards that should be followed by the Company's staff while carrying out tasks. In case of any violation of regulatory requirements or the Code of Moral Conduct found with the Company's staff, it shall be reported to the manager, the internal audit head, the human resources department or other appropriate supervisors and sufficient information shall be provided so that the Company can handle it properly. The Company shall keep the identity of the informants and the content of report in strict confidence and spare no efforts to protect the personal safety of the informants.</p>	None
(IV) Has the Company established an effective accounting system for the implementation of ethical management, internal control system, and the evaluation result of the risk of dishonesty by the internal audit unit, to formulate relevant audit plans, and check the compliance with the plan to prevent dishonesty, or entrusted an accountant to perform the audit?	V		<p>(IV) The Company has established effective accounting and internal control systems for business activities at higher risk of dishonest behavior. There is no outstanding account or secretly retained account. The systems are discussed from time to time as well to make sure that their design and implementation continue to be valid. The internal audit staff of the Company shall periodically inspect compliance with the system indicated in the preceding paragraph and produce the Audit Report to be submitted to the Board of Directors.</p> <p>The internal audit unit evaluates the risk of dishonesty at the end of each year, draws up the related audit plan every other year and uses it to check compliance with the plan to prevent dishonesty.</p>	None

Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(V) Does the Company hold internal and external educational training on operational integrity regularly?	V		(V) In the management meeting, it promotes the ethical management policy and does not regularly conducts internal ethical management education and training. It invites well-known experts and scholars in the industry to teach topics related to ethical management. And, if necessary, it sends supervisors and related personnel to participate in external training on ethical management organized by the competent authorities and relevant agencies.	None
III. Reporting System of the Company				
(I) Does the Company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate reported malpractices?	V		(I) The Company has set up an email inbox and encourages employees to report on unethical practice or wrongdoing. The informants will be awarded in accordance with the regulation of the Company governing reward and punishment depending on the severity of the incident. If there is false accusation or malicious personal attack, the person involved shall be subject to disciplinary action and may be dismissed for severe violation.	None
(II) Has the Company established standard operating procedures for accepting complaints, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?	V		(II) The Company is staffed by the Human Resources Department as the designated unit, and if necessary, the legal unit or other relevant departments provide assistance. If the persons involved in the report are regular employees, report to the division/function head. If the persons involved are Directors or senior executives, report to an Independent Director or Audit Committee.	None
(III) Does the Company assure employees who reported on malpractices that they will not be prosecuted for making such reports?	V		(III) The personnel of the Company responsible for handling reports and complaints will keep the identity of the informants and the content of report in strict confidence and promise to protect the informants against improper treatment due to the report.	None
IV. Reinforced Information Disclosure Has the Company, on its website and on the market observation post system, disclosed the content and promotion effectiveness of its Ethical Corporate Management Best Practice Principles?	V		(一) Disclosure of the company's Ethical Corporate Management Best Practice Principles through the company's website ( <a href="http://www.namchow.com.tw/IR/15.html">http://www.namchow.com.tw/IR/15.html</a> ) (二) Disclose the Company's Ethical Corporate Management Best Practice Principles through the Market Observation Post System ( <a href="http://mops.twse.com.tw/mops/web/t100sb04_1">http://mops.twse.com.tw/mops/web/t100sb04_1</a> )	None
V. If the Company has its own Ethical Corporate Management Best Practice Principles established according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between its implementation and the principles: The Company established the new Ethical Corporate Management Best Practice Principles on December 11, 2014. Review of the Rules did not reveal differences between actual implementation and the established guidelines.				
VI. Other important information that helps understand the implementation of ethical corporate management of the Company: (e.g. discussion and correction of the Ethical Corporate Management Best Practice Principles established by the Company) The Company established the new Ethical Corporate Management Best Practice Principles on December 11, 2014.				

Note: Regardless of the answer, "Yes" or "No," descriptions need to be provided in the summary column.

(VII) How they may be found shall be disclosed if the Company has established Corporate Governance Principles and related regulations:

Website of Namchow Group: [www.namchow.com.tw](http://www.namchow.com.tw)

MOPS: <http://mops.twse.com.tw/mops/web/index>

(VIII) Other important information that is sufficient to boost knowledge of corporate governance shall be disclosed as well:

Website of Namchow Group: [www.namchow.com.tw](http://www.namchow.com.tw)

MOPS: <http://mops.twse.com.tw/mops/web/index>

(IX) Matters that should be disclosed regarding the implementation of the internal control system:

1. Internal Control Statement:

Namchow Holdings Co., Ltd.  
Internal Control System Statement

Date: March 16, 2022

For the Company's internal control system of 2021, we would like to declare as follows according to the results of spontaneous inspections:

- I. The Company knows that establishing, enforcing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability of financial reports, and compliance with applicable laws and regulations, among other goals.
- II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism; however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter referred to as "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the "Governing Regulations" for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the abovementioned determining items and conducted inspection of the design and effectiveness of its internal control system.
- V. Pursuant to the results of the abovementioned inspections, the Company is of the view that the design and implementation of its internal control system as of December 31, 2021 (including its supervision and management of subsidiaries), including its awareness the extent by which the operating effects and efficiency goals are fulfilled, reliability of financial reporting, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
- VI. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.
- VII. This Statement was approved at the meeting of the Company's Board of Directors on March 15, 2022 with no Directors expressing dissent out of the 9 Directors in attendance.

Namchow Holdings Co., Ltd.

Chairman: Fei-Lung Chen

General Manager: Kan-Wen Lee

2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: None.

(X) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements (if such sanction could potentially result in major impact on shareholders' rights or securities pricing, state the content of such sanction if applicable), in the latest year or during the current fiscal year up to the printing of the Annual Report; and a description of the main shortcomings in the company's internal control system as well as an indication of measures for improvement: None

(XI) Important decision reached in shareholders' meetings and made by the Board of Directors in the latest year as of the date of printing of Annual Report.

### **Shareholders' Meeting:**

1. The following were approved in the general shareholders' meeting on July 15, 2021.

(1) The 2020 Business Report and Financial Statement were recognized.

Implementation: Announcement and declaration of financial reports, among others, were completed on March 25, 2021.

(2) Ratifying the Table of 2020 Earn Distributions of the Company, the total amount of distributing cash dividends of NTD 588,256,924 and with NTD 2 per share.

Implementation: According to the Board of Directors' Meeting on March 12, 2021, authorized the chairman to decide the Ex-dividends date and Payment Date. The company set June 7 as the ex-dividends date and the payment date on June 30, and the cash dividends were distributed.

(3) New revisions to the Company's "Rules and Procedures for Shareholders Meetings"

(4) Amendment of the Company's "Procedures for the Election of Directors"

(5) Re-election of the directors, with tenure from July 15, 2021 to July 14, 2024. Election outcome: the new directors are Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd., Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd., Kan-Wan Lee, Representative of Lucky Royal Co., Ltd., Cheng-Wen Chen, Representative of Hwa Zhin Co. Ltd., Ming-Fen Chou, Representative of Lucky Royal Co., Ltd., Yi-Wen Chen, Representative of Namchow Holdings CO., Ltd. Employee Welfare Committee. The new independent directors are Ting-Kuo Chen, Jin-Shih Lin and Chin-Hsueh Chen.

### **Board of Directors:**

1. Approved by January 28, 2021.

(1) Proposal detailing individual values of year-end bonus of 2021 for directors and managers of the Company submitted by the Remuneration Committee.

(2) New revisions to the Company's "Rules and Procedures for Shareholders Meetings".

(3) Amendment of the Company's "Procedures for the Election of Directors".

(4) Amendment of the Company's "Rules and Procedures for Board of Directors' Meetings."

(5) Amendment to the company's "Management Guidelines of Procedures on Preparing Financial Statements".

(6) Subsidiary Namchow Japan applied to Chang Hwa Commercial Bank for a short-term loan amount of 500 million yen, and the Company as a guarantor.

2. Approved by March 12, 2021.

(1) The 2021 general shareholders' meeting will be held at 9:00 am on May 31 (Monday), 2021, in the Vision Room of Taipei Foundation of Finance on 6F-6 at No. 51, Hengyang Road, Taipei City.

(2) The Remuneration Committee submitted the ratios of remunerations for directors and supervisors and those for employees of the Company for 2020.

(3) Review the Company's 2020 annual business report and individual and consolidated financial statements and submit to the shareholders' meeting for approval.

- (4) The Company's 2020 surplus distribution is submitted to the shareholders' meeting for approval.
  - (5) Shareholders' dividends to be distributed by the Company in 2020 will be paid out in cash dividends of NTD 2 per share.
  - (6) Election of Board of Directors
  - (7) The Duration, Number of Openings, and Processing Sites for the Nomination of Candidates for Directors (Including Independent Directors)
  - (8) Approved the list of Candidates of the Board of Directors nominated by the Board of Directors.
  - (9) To stipulate the acceptance of shareholders' proposals related to the 2021 regular shareholders' meeting.
  - (10) The offering of the 1st issue of secured corporate bond in 2021
  - (11) "The Internal Control System Statement" that both the design and implementation of the 2020 internal control system of the Company submitted by the Audit Office were valid was approved.
  - (12) New revisions to the Company's "Rules and Procedures for Shareholders Meetings."
  - (13) The 2020 Shareholders Meeting Agenda of the Company was stipulated.
3. Approved by April 28, 2021.
    - (1) Proposal for individual payment of directors' remuneration for 2020 as submitted by the Remuneration Committee.
    - (2) The Remuneration Committee submitted employee compensation to be paid individually for the company's managers in 2020.
    - (3) Discussion of reduction of cumulative comprehensive shareholding ratio of main subsidiary Namchow Food Group (Shanghai) by over 10%
    - (4) Subsidiary Namchow Japan applied to First Commercial Bank (Tokyo Branch) for a short-term loan amount of 500 million yen, and the Company as a guarantor.
  4. Approved by May 13, 2021.
    - (1) The Company appointed its Head of Corporate Governance.
    - (2) Subsidiary Namchow Japan continued to apply for a short-term loan amount of USD 10 million from DBS Bank, and was signed by the chairman of the company as the guarantor's follow-up approval case.
    - (3) Subsidiary Namchow Japan applied to Taishin International Bank for a short-term loan amount of 1 billion yen, and the Company as a guarantor.
  5. Approved by June 16, 2021.
    - (1) Postponement of the 2021 general shareholders' meeting and designation of a new date, time and venue for the 2021 general shareholder's meeting.
    - (2) Subsidiary Namchow Japan continued to sign a two-year loan amount of 500 million yen to E.Sun Bank, and the company signed a guarantor's follow-up approval case.
  6. Approved by July 21, 2021.
    - (1) Election of Fei-Lung Chen as the Chairman and Fei-Peng Chen as the Vice Chairman.
    - (2) Appointment of independent director Ding-Guo Chen, independent director Jin-Shih Lin and Professor Hai-Ming Chen to be the members of the 5th Intake of Remuneration Committee.
  7. Approved by August 12, 2021.
    - (1) Proposal detailing individual values of mid-year bonus of 2021 for directors and managers of the Company submitted by the Remuneration Committee.
    - (2) Subsidiary Namchow Japan applied to Chinatrust Commercial Bank for a short-term loan amount of 500 million yen, and the Company as a guarantor.
  8. Approved by November 11, 2021.
    - (1) Capital increase/decrease for subsidiary Namchow Japan.
    - (2) Capital increase/decrease for subsidiary Chow Ho Enterprise.
    - (3) The public fees of CPAs in 2021.

- (4) Subsidiary Namchow Japan applied to Mega International Commercial Bank for a short-term loan amount of 500 million yen, and the Company as a guarantor.
  - (5) Subsidiary Namchow Japan continued to sign a short-term loan amount of 100 million yen to Mizuho Bank, and the company signed a guarantor's follow-up approval case.
9. Approved by December 29, 2021.
- (1) When the company needs working capital in 2022, the chairman of the board of directors is authorized to represent the Company with financial institutions in contracting loans and other financial matters.
  - (2) In respect to working capital requirements of subsidiaries and other companies with business dealings with Namchow in 2022 (subsidiaries including reinvestments by subsidiaries), when the Company intends to act as an endorsement guarantor, it authorizes the chairman to represent the Company to handle matters connected with financial institutions.
  - (3) Periodic assessment of the CPA's independence and fitness.
  - (4) Capital increase/decrease for subsidiary Namchow Consultancy.
  - (5) The proposal on the adjustment of individual values of four managers by the Remuneration Committee.
  - (6) Appointment of Kan-Wen Lee as President and Cheng-Wen Chen as Executive Vice President.
  - (7) Proposal detailing individual values of year-end bonus of 2021 for directors and managers of the Company submitted by the Remuneration Committee.
  - (8) The Audit Office stipulated the Company's 2022 Audit Plan.
10. Approved by March 15, 2022.
- (1) The 2021 general shareholders' meeting (physical) will be held at 9:00 am on June 2 (Thursday), 2022, in the Vision Room of Taipei Foundation of Finance on 6F-6 at No. 51, Hengyang Road, Taipei City.
  - (2) The Company's 2021 directors' compensation and employee's compensation distribution ratio.
  - (3) Review the Company's 2021 business report and individual and consolidated financial statements and submit to the shareholders' meeting for approval.
  - (4) The Company's 2021 surplus distribution is submitted to the shareholders' meeting for approval.
  - (5) Shareholders' dividends to be distributed by the Company in 2021 will be paid out in cash dividends of NTD 2.2 per share.
  - (6) To stipulate the acceptance of shareholders' proposals related to the 2022 regular shareholders' meeting.
  - (7) Increase of capital invested by subsidiary Namchow (Cayman Islands) Holding Corp. in Shanghai Qiaohao Co., Ltd.
  - (8) "The Internal Control System Statement" that both the design and implementation of the 2021 internal control system of the Company submitted by the Audit Office were valid was approved.
  - (9) Amendment of the Company's "Articles of Incorporation".
  - (10) Amendment of the Company's "The Procedures for the Acquisition or Disposal of Assets".
  - (11) The 2022 Shareholders Meeting Agenda of the Company was stipulated.
  - (12) Subsidiary Namchow Japan continued to sign a short-term loan amount of 500 million yen to Changhua Bank, and the chairman of the company signed a guarantor's follow-up approval case.

(XII) Main contents of different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors in the latest year and as of the date of printing of Annual Report: None.

(XIII) Summary of resignations and dismissals of the Company's Chairman, general managers, accounting heads, financial heads, internal audit heads, and R&D heads in the latest year as of the date of printing of Annual Report:

It was approved during the Board of Directors meeting held on August 13, 2018 that Ching-Hui Chiu would be appointed as the financial head.

It was approved during the Board of Directors meeting held on August 13, 2018 that Jung-Chang Lien, the accounting assistant manager, would retire on September 1, 2018.

It was approved during the Board of Directors meeting held on October 9, 2018 that Shih-Wei Wang, a senior manager, would be the accounting head.

It was approved during the Board of Directors meeting held on May 13, 2021 that Shih-Wei Wang, an assistant manager, would be the head of corporate governance.

## V. Public Expenditure on CPAs

- (I) When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed: None.
- (II) When the audit public expenditure is reduced by more than 10% from the preceding year, the value reduced and its ratio and cause shall be disclosed: None.

### Public Expenditure on Certifying CPAs

Value: NTD Thousand

Name of accounting firm	Name of CPA	CPA inspection period	Audit public expenditure	Non-audit public expenditure	Total	Remark
KPMG	Po-Shu Huang	2021.01~2021.12	3,430	1,240	4,670	Non-audit public expenditure: Public Fees including CSR report Assurance by the CPAs.
	Chong-Shun Wu	2021.01~2021.12				

Note: If any CPA or the accounting firm is replaced for the Company this year, the inspection periods shall be listed separately. In addition, the reason for the replacement shall be indicated in the remark column and information on audit and non-audit public expenditure shall be disclosed. For non-audit public expenditure, state the content of services rendered.

## VI. Information on the Replacement of CPAs: No CPAs were replaced in the past two years and thereafter for the Company.

## VII. Disclosure of Name, Position and Duration of Service at Firms or Their Associated Enterprises within the Past Year of Chairman, General Manager, and Managers in Charge of Financial or Accounting Affairs: None.

## VIII. Transfer of Stock Options and Changes in Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of Printing of the Annual Report

(I) Changes in the stock options of directors, supervisors, managers, and heavyweight shareholders:

Title (Note 1)	Name	2021		As of April 4 of the current year	
		Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen				
Vice Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Peng Chen	0	0	0	0
Director	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen				
Director	Lucky Royal Co., Ltd. Representative: Kan-Wen Lee				
Director	Lucky Royal Co., Ltd. Representative: Ming-Fen Chou	0	0	0	0
Shareholder holding more than 10% of shares	Lucky Royal Co., Ltd.				
Director	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	0	0	0	0
Independent Director	Ting-Kuo Chen	0	0	0	0
Independent Director	Chin-Shih Lin	0	0	0	0
Independent Director	Chun-Hsueh Chen	0	0	0	0
General Manager / President	Kan-Wen Lee	0	0	0	0
Vice General Manager/Executive Vice President	Cheng-Wen Chen	0	0	0	0
Chief Financial Officer	Ching-Hui Chiu	0	0	0	0
Assistant manager and head of the Accounting Department and Head of Corporate Governance	Shih-Wei Wang	0	0	0	0
Assistant Manager	Jui-Tzu Chu	0	0	0	0
Assistant Manager	Yu-Hung Tan (Date of inauguration: August 16, 2021)	0	0	0	0
Assistant Manager	Zhou-Jing Chen (Date of inauguration: October 15, 2021)	0	0	0	0
Shareholder holding more than 10% of shares	Fei-Lung Chen	0	0	0	0
Shareholder holding more than 10% of shares	Fei-Peng Chen	0 (18,000,000)	0	0	0
Chief Operation Officer	Shu-Wen Tai (Date of dismissal: February 28, 2022)	0	0	0	0
Vice General Manager of Business Department	Ming-Chuan Lin (Date of dismissal: August 5, 2022)	0	0	0	0

Note 1: Shareholders in possession of more than 10% of the company's shares shall be identified as major shareholder and listed separately.

Note 2: Shareholders whose counterparty for the transfer or pledge of stock options is a related party shall be listed in the table below.

(II) The counterparty for the transfer or pledge of stock options is a related party:

Name (Note 1)	Reason for stock option transfer (Note 2)	Date of Transaction	Trading counterpart	Relationship between the trading counterpart and the company/director/supervisor/manager and shareholder with more than 10% of the company's shares	Quantity of shares	Transaction price
Fei-Peng Chen	Gift	2021.09.16	Yu-Wen Chen	Father and Son	3,500,000	50.50

Note 1: Shareholders in possession of more than 10% of the company's shares shall be identified as major shareholder and listed separately.

Note 2: Specify acquisition or disposal.

## IX. Information of Relationship among Top 10 Shareholders Who Are Related, Spouses, or Relatives within the Second Degree of Kinship

As until April 4, 2022.

No.	Name (Note 1)	Oneself		Current shares held by spouse and minors		Total shares held in someone else's name		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Remarks
		Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Name	Relationship	
1	Lucky Royal Co., Ltd. Representative: Ming-Fen Chou	46,041,259	15.65%	0	0	0	0	None	None	None
		9,000	0.00%	0	0.00%	0	0			
2	Fei-Lung Chen	33,814,934	11.50%	3,577,413	1.22%	0	0	Hsiao-Chuan Chen-Huang	Spouse	None
								Fei-Peng Chen	Brother	None
								Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	Father and Daughter	None
3	Fei-Peng Chen	19,537,995	6.64%	0	0	0	0	Fei-Lung Chen	Brother	None
4	Taishin International Bank Fei-Peng Chen Trust Account	14,500,000	4.93%	0	0	0	0	None	None	None
5	Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	12,456,165	4.23%	0	0	0	0	None	None	None
6	Bank SinoPac as Custodian for Ever Cosmos Ltd. Investment Account	10,744,992	3.65%	0	0	0	0	None	None	None
7	Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	8,359,000	2.84%	0	0	0	0	None	None	None
8	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	4,908,960	1.67%	0	0	0	0	Fei-Lung Chen	Father and Daughter	None
		0	0	686,635	0.23%	0	0	Hsiao-Chuan Chen-Huang	Mother and Daughter	None
9	Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	3,676,000	1.25%	0	0	0	0	None	None	None
10	Hsiao-Chuan Chen-Huang	3,577,413	1.22%	33,814,934	11.50%	0	0	Fei-Lung Chen	Spouse	None
								Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	Mother and Daughter	None

Note 1: The top ten shareholders shall be duly listed and institutional shareholders shall be listed together with the name of their representative.

Note 2: The calculation of shareholding ratio shall reflect the percentage of shares owned under the shareholder's name or under the name of his/her spouse or children (minor) or another individual.

Note 3: The relationship between the shareholders (both legal and natural person) disclosed previously shall also be disclosed in accordance with the security issuer's standards governing the preparation of financial reports.

**X. Shares Held by Company, Directors, Supervisors, Managers of Company, and Businesses Controlled Directly or Indirectly by Company of Same Reinvestment Business and Consolidated Calculation of Comprehensive Shareholding Ratio**

Unit: Share; %

Re-invested business (Note)	Company		Directors, supervisors, managers, and directly or indirectly controlled businesses		Comprehensive investment	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Namchow (Thailand) Ltd.	9,244,995	100.00	4	0.00	9,244,999	100.00
Yongju (Thailand) Ltd.	100,000	100.00	-	-	100,000	100.00
Nacia International Corporation	1,250	100.00	-	-	1,250	100.00
Lucky Royal Co., Ltd.	95,337,885	99.65	330,486	0.35	95,668,371	100.00
Chow Ho Enterprise	2,899,994	100.00	4	0.00	2,899,998	100.00
Qizhi Co., Ltd.	80,000	80.00	20,000	20.00	100,000	100.00
Namchow Japan Co., Ltd.	6	100.00	-	-	6	100.00
Namchow Consultancy Co., Ltd.	500,000	100.00	-	-	500,000	100.00
Namchow Oils and Fats	41,173,127	100.00	-	-	41,173,127	100.00
Huciang Industry	30,000,000	100.00	-	-	30,000,000	100.00
Chow Food Biotechnology Co., Ltd.	1,300,000	100.00	-	-	1,300,000	100.00

Note: The long-term investments of the Company adopting the equity method

## IV. Fundraising

### I. Capital and Shares

#### (I) Source of capital stock

Year/ Month	Issuing price	Approved capital stock		Paid-in capital stock		Remarks		
		Quantity of shares	Value	Quantity of shares	Value	Source of capital stock	Share value written off by assets other than cash	Others
August, 1998	10	400,000,000 shares	NTD 4 billion	294,132,962 shares	NTD 2,941,329,620	Capital increase with capital reserve	-	Date of approval for capital increase and document number and document number FSC (I) No. 0930131932 on July 19, 2004

Type of share	Approved capital stock			Remarks
	Circulating shares	Shares yet to be issued	Total	
Common stock	294,132,962 shares	105,867,038 shares	400,000,000 shares	Listed stock

Related information of the general declaration system: Not applicable

#### (II) Shareholder structure

April 4, 2022

Shareholder structure Quantity	Government agency	Financial institution	Other corporate entity	Individual	Foreign institution and foreigner	Treasury stock	Total
Headcount	0	12	234	62,276	172	0	62,694
Shares held	0	29,034,000	59,222,316	162,105,841	43,770,805	0	294,132,962
Shareholding ratio	0.00%	9.87%	20.13%	55.12%	14.88%	0.00%	100.00%

Note: Primary exchange (or OTC) listed companies are required to disclose their percentage of shares held by a Mainland China investor; pursuant to Article 3 of the Measures Governing Investment Permit to the People of Mainland Area, any person, legal person, organization, institutions or investment firms in other region based in Mainland China shall be defined as a Mainland China investor.

#### (III) Diversification of share options

April 4, 2022

Shareholding classification	No. of shareholders	Shares held	Shareholding ratio (%)
1 - 999	41,416	2,530,895	0.86%
1,000 - 5,000	17,887	34,011,201	11.57%
5,001 - 10,000	1,903	15,010,537	5.10%
10,001 - 15,000	526	6,714,751	2.28%
15,001 - 20,000	304	5,671,983	1.93%
20,001 - 30,000	240	6,175,029	2.10%
30,001 - 40,000	103	3,686,612	1.25%
40,001 - 50,000	68	3,141,705	1.07%
50,001 - 100,000	115	8,073,233	2.74%
100,001 - 200,000	61	8,390,704	2.85%
200,001 - 400,000	28	7,419,643	2.52%
400,001 - 600,000	12	6,077,372	2.07%
600,001 - 800,000	6	3,972,400	1.35%
800,001 - 1,000,000	1	864,884	0.29%
More than 1,000,001 shares	24	182,392,013	62.02%
Total	62,694	294,132,962	100.00%

Special stock: Not applicable

(IV) Names of major shareholders: Shareholders holding 5% or more of total shares or in the Top 10 stock option holding ratio list

Name of major shareholder/shares held	Shares held	Shareholding ratio
Lucky Royal Co., Ltd.	46,041,259	15.65%
Fei-Lung Chen	33,814,934	11.50%
Fei-Peng Chen	19,537,995	6.64%
Taishin International Bank Fei-Peng Chen Trust Account	14,500,000	4.93%
Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	12,456,165	4.23%
Bank SinoPac as Custodian for Ever Cosmos Ltd. Investment Account	10,744,992	3.65%
Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	8,359,000	2.84%
Namchow Holdings CO.,Ltd . Employee Welfare Committee	4,908,960	1.67%
Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	3,676,000	1.25%
Hsiao-Chuan Chen-Huang	3,577,413	1.22%

(V) Related information of market price per share, net value, earnings and dividends for the past two years

Item		Year	2020	2021	As of April 1, 2022
Market Value per Share (Note 1)	Highest		55.70	60.10	50.50
	Lowest		34.85	43.90	47.90
	Average		44.76	51.76	49.29
Net Value per Share (Note 2)	Before distribution		26.68	36.71	–
	After distribution		24.31	34.10	–
Earnings per share	Weighted average number of shares		294,132,962	294,132,962	294,132,962
	Earnings per share (Note 3)		3.84	4.32	–
Dividends per Share	Cash dividend		2.0	2.2	–
	Free share distribution	Earnings-based share assignment	0	0	–
		Capital reserve-based share assignment	0	0	–
	Accumulated unpaid dividends (Note 4)		0	0	–
Analysis of Investment Return	Price-earnings ratio (Note 5)		12	12	–
	Cost-benefit ratio (Note 6)		22	24	–
	Cash dividend yield (Note 7)		4.49%	4.25%	–

\* If there are shares assigned with earnings or upon capital increase with capital reserve, information of the market price and cash dividends adjusted retroactively according to the number of shares issued shall also be disclosed.

Note 1: The highest and lowest market prices of common stock each year are shown and the annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: Please fill in distributions decided in the shareholders' meeting (or directors' meeting) of the following year according to the number of shares that were already issued for the specific year.

Note 3: If retroactive adjustments are required because of free share distribution, earnings per share before and after adjustments shall be shown.

Note 4: For the equity shares issuance criteria, if there are requirements that dividends not distributed for a specific year can be carried over to the year with earnings, the dividends that have not been paid up to the said year with earnings shall be disclosed separately.

Note 5: Price-earnings ratio = Average closing price per share for the year/earnings per share.

Note 6: Cost-benefit ratio = Average closing price per share for the year/cash dividends per share.

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

Note 8: For the net value per share and earnings per share, data inspected (reviewed) by CPAs from the latest quarter up to the date of printing of the Annual Report shall be provided. For the other columns, data of the immediate year up to the date of printing of the Annual Report shall be provided.

(VI) Company's dividend policy and implementation status

(1) Dividend policy

The Company's dividend policy is based on its current and future development plans, taking into consideration the investment environment, demand for capital, and domestic and international competition as well as shareholders' benefits. Each year, no less than 30% of earnings available for distribution are appropriated to be the dividend bonus for shareholders. While dividend bonus is to be distributed to shareholders, they may be done in cash and (or) stock. Cash dividends may not be below 10% of the total value of dividends.

(2) Intended distribution of dividends through the current shareholders meeting: Cash dividends are intended to be distributed as per the decision made by the Board of Directors on March 15, 2022; that is, NTD 2.2 per share will be distributed.

(VII) Impacts of free share assignment intended through the current shareholders meeting on the Company's operational performance and earnings per share: None.

(VIII) Remunerations for employees, directors, and supervisors:

1. Percentages or ranges of remunerations for employees, directors, and supervisors under the Articles of Incorporation:

Article 31 of the Articles of Incorporation: In cases of profits for the year, the company shall set aside no less than 1% to be the remunerations for employees and no more than 5% to be those for board directors. If there are accumulated losses, however, the value to make up for the losses should be set aside first. The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment.

Article 31-1 of the Articles of Incorporation: In the event that the annual audit renders earnings, the company shall pay taxes according to law and cover accumulated losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder, the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholders' meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

2. Basis for estimating the amount of remunerations for employees and directors, basis for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The Company based its estimation of remunerations for employees and directors for 2021 on the pre-tax income before remunerations for employees, directors, and supervisors are calculated for the year and estimated as advised by the Articles of Incorporation and the Compensation Committee and according to the ratio approved as a decision of the Board of Directors. If the actually distributed value differs from the estimated value, it is considered as changes in accounting estimates and will be listed as gains or losses of the year where the value is actually distributed.

3. Remuneration proposals passed by the Board of Directors:

(1) Remunerations distributed to employees or directors in cash or in stock:

For 2021, the Company decided according to the Company's Articles of Incorporation and by the Board of Directors that 4% of the pre-tax income before the remuneration of directors and supervisors and employees is to be set aside as directors' compensation and 1% as employee's compensation. The value of remunerations for directors set aside this year totals NTD 53,372 thousand and that for employees amounts to NTD 13,343 thousand. If the actually distributed value differs from the original estimated value, the difference will be listed as losses for the current term of 2022.

(2) Employee remunerations distributed in stock and their ratio in the after-tax income indicated in the Entity Financial Statement of the current term and their ratio in the overall remunerations assigned to employees: Not applicable.

4. Actual distribution of remunerations for employees and directors for the previous year:

(1) Remunerations for employees: NTD 11,065 thousand.

(2) Remunerations for directors and supervisors: NTD 44,261 thousand.

There is no difference from the original intended distribution decided by the Board of Directors.

(IX) Buyback of the Company stock: None.

## II. Corporate Bonds:

Type of corporate bond		First secured corporate bonds of 2021
Date issued		August 11, 2021
Denomination		NTD 10 million
Location of issuance and transaction		Taipei Exchange
Issuing price		At full denomination
Total		NTD 5 billion only
Interest rate		5-year annual interest rate 0.47% 7-year annual interest rate 0.53%
Duration		5 years Maturity: August 11, 2026 7 years Maturity: August 11, 2028
Guarantor		First Commercial Bank
Trustee		E. Sun Commercial Bank Trust Division
Underwriter		E. Sun Commercial Bank
Attorney		Hui-Chi Kuo
CPA		Po-Shu Huang
Payback method		Lump-sum repayment of principal at maturity
No re-payment of principal (as of March 31, 2022)		NTD 5 billion
Redemption or early payoff clause		None
Restrictions		None
Name of credit rating institution, date of rating and corporate bond rating outcome		Taiwan Ratings Date rated: September 21, 2020 Rating outcome: First Commercial Bank twAA+
Additional rights	Value of common stock, global depositary receipts or other securities already converted (exchanged or subscribed) as of the date the Annual Report is printed	None
	Issuance and conversion (exchange or subscription) guidelines	None
Possible impacts of guidelines and criteria for the issuance and conversion, exchange, or subscription of shares and possible dilution of stock options and impacts on existing shareholder rights		None
Name of the custodian for the exchange object		None

## III. Special Shares, Global Depositary Receipt, Employee Stock Option Certificate, Restricted Employee Shares and M&A or Acceptance of Transferred Shares of Another Company for Issuance of New Shares: None

## IV. Implementation of Capital Utilization Plan:

All the previous issuance or private placement securities plans of the Company have been completed and benefits of none of those already completed in the past 3 years are yet to be shown.

## V. Operational Status

### I. Business Content

#### (I) Scope of activity

##### 1. Main activities and their ratios in operations

Business activities	Main products	Proportion of the Group's consolidated revenues (%)
A. Manufacturing and sale of detergents	Crystal Soap series , personal hygiene series	3
B. Manufacturing and distribution of bakery products	Baking oil, frozen dough	71
C. Manufacturing and sale of flour-based foods	Frozen Noodles, instant noodle	5
D. Manufacturing and sale of ice products	Duroyal ice cream, Kabisuo ice cream	6
E. Manufacturing and sale of rice-based foods	Cooked Rice Division and leisure foods such as rice cracker	11
F. Dining business	Catering Service of Paulaner, Dian Shui Lou, Honbaryu, Le vol du petit prince French Restaurant, The Binjiang One and etc.	4

##### 2. New products planned to be developed

(1) Cleaners: Ever since the eruption of COVID-19 around the world, average consumers have become much more aware and conscious of their individual and home hygiene and sanitation. Apart from the protection of washing their hands regularly and wearing facial masks, thorough cleaning of their apparels has also become a key contributing factor to their personal protection. Especially when seasons change. Influenza, enteroviruses, norovirus and other diverse bacteria are active around, threatening our health. This is especially true of newborns, young children, and elderly individuals with poor resistance, as they are particularly vulnerable to infection. To protect consumers from bacteria and viruses, we plan to develop multi-functional antibacterial cleaning products to protect the health of the public in all aspects.

##### (2) Bakery products

###### ① Baking oil

###### A. Baking oil in Taiwan

We will continue to improve our self-management management system, bolster plant product development and production technology, and expand differentiation with competing products. We will consolidate the leading brand position of Taiwan's Oil & Fat and provide peace of mind for suppliers (customers), and provide safe and high-quality oil and fat products to help domestic marketers increase the added value of baked goods. We will assist exporters in selling high-quality baked goods that comply with local food regulations and standards, while expanding business opportunities for export. This in turn will continue to drive the vigorous development of the overall baking industry.

###### B. Baking oil in Mainland China

**New oil and fats products:** Efforts have been made to convert existing products into different series, with clearly defined purposes and functionalities. Examples include the development of SFI oil and fat products, Sheet Sweet Margarine (for products such as layered cake, breakfast loaf and so forth).

**Milk form products:** Using our existing Joy Q milk form products as the base, we have developed related offerings with milk based cream, "butter on butter", vegetable protein drinks, vegetable protein cream and so forth.

**New filling products:** By turning our Flour Paste and Bakers' products into corresponding product series, we are able to enrich our current offerings of fillings and develop new, creative products such as black sugar sweet potato filling and so forth.

###### ② Frozen dough: Assuring, tasty, and unique products are being developed.

(3) Flour-based foods: Tasty, nutritional, and quality foods are being developed.

(4) Ice Cream: In light of the decreased number of children in a household, the recreational foods growing exquisite, quality-textured and differential sweets-like ice products are the goals in the development of new products.

(5) Rice food: Healthy and quality products

(6) Dining: Ingredient traceability is valued and seasonal cuisines are introduced with the best use of local quality ingredients and sufficient utilization of food ingredients so that new cuisines and handy gifts may be constantly innovated. Driven by its mission to promote the culture of fine traditional Chinese cuisine, Dian Shui Lou makes an effort to capitalize each and every festive occasion for promotional purposes. For example, on Lantern Festival, the restaurant would offer live demonstration of sweet dumpling rolling by its chefs and signature dish for the festival such as fried sweet dumpling, meat rice dumpling soup and so forth to help consumers learn more about the essence of Chinese cuisine and thereby passing down knowledge, awareness and skills of traditional Chinese cuisine to younger generations. A special area of the restaurant has been set up to promote take-out dishes and in order to accommodate the need of consumers at different business districts, Dian Shui Lou offers precooked meal boxes and dishes in special bins to provide convenient and easy shopping experience for office workers. These delicious dishes only require simple reheating and can be enjoyed at anytime. In order to ensure the quality of food delivery, the restaurant insists on having its own employees to make the deliveries and to have professional, five-star chefs to prepare cuisines for home catering services. By involving designated personnel to plan the luncheon with customized menus, the restaurant endeavors to enable customers to enjoy the classic dishes prepared on-spot by professional chefs and restaurant-quality services in the comfort of their own homes. In addition, Dian Shui Lou also offers mini-catering for businesses and organizations hosting events and conferences, thereby enabling participants to enjoy the delectable refreshments during breaks and stay energized. The service effectively reduces the time that participants would otherwise spend on going elsewhere to eat and thus makes the meeting/conference more efficient. Dian Shui Lou takes the tracing and management of all food ingredients very seriously. The restaurant strives to prepare seasonal dishes that use local quality produce and ingredients while constantly working on the development of new dishes and souvenirs. On top of that, restaurant staffs have also been adequately trained to provide various table-side services and description of dishes in order to convey and present the beauty of traditional Chinese cuisine to all guests. The catering business can realize good quality and sustainable operations only by sticking to the concept of consumer protection, implementing a good quality management system and focusing on food safety.

## (II) Industrial Overview

### 1. Current status and developments of the industry

#### (1) Cleaners

The constantly improving living standards and rising awareness of environmental protection have made consumers constantly pay attention to cleaning products that are highly biodegradable and will not hurt the ecological environment. The Namchow crystal soap series is made of natural oils and fats, with simple composition and free of additives; it is highly recognized by general consumers.

#### (2) Bakery products

##### ① Baking oil

##### A. Baking oil in Taiwan

Oils and fats have been a core business for the Namchow Group. Featuring one-stop professional service, outstanding technology and tailored product specifications. Putting effort and time in baking industry in Taiwan for half century and co-prosperity with the development of the industry. The COVID-19 pandemic in 2020 brought the significant changes in global supplier chain and consuming market. Delays in imported and exported trading; fluctuation in raw material supply and market quotes; changes in consuming habits and concept of our citizens; and etc bring the new look to the domestic market and impacted on the catering related livelihood industry. Under the post-pandemic era, the industry and consumer market develop the new normal of “Healthy”, “Delicious” and “Convenient” as the key factor for catering.

As a leading brand of baking products in Taiwan, the company hosted the “Namchow Oils & Fats Special Summer Show” in April 2021, with “Creating New Value for F&B and Baking Industry with New Elements & Energy” as its slogan. By integrating the sectors of baking and food and beverage services, the company brought new ideas and momentum to the table in this post-pandemic era. With profound experience and solid R&D capabilities to achieve product differentiation, Namchow creates value for the industry and has received overwhelming acknowledgement for the difference that the company has made. Although the global pandemic brings the challenges that never experienced before, the company still introducing new elements to the industry. The company creating the differences in our products to increase the competitiveness and the additional value, assisting the baking practitioners to respond to the difficulties, to insight the opportunities, be stable in the industry with our customer and increase the profit and sales of the company.

##### B. Baking oil in Mainland China

As of 2021, the GDP of China has officially broken the 80,000 RMB mark. With this new record, we have witnessed significant growth in the level of Chinese consumers’ consumption and the changes in their food and beverage sectors. As Chinese consumers become more westernized in their consumption habits, one could expect such change to promote further growth in the overall baking industry. According to the statistics from Euromonitor, market scale for the Chinese baking industry sector has grown rapidly from

81.4 billion in 2010 to 235.8 billion in 2020, which translates to a compound annual growth rate at 10.2%. As of 2020, the average consumption of baking products per person in China came to 7.7kg. In contrast, in western countries where baked products are staple foods, the figure is anywhere between 5-10 times as much. Even when compared to other Asian countries such as Japan and Singapore where food preferences are similar, China's average consumption of baking products per person remains relatively lower. Under such circumstances, the baking industry in China still leaves plenty of room for optimism, given its vast potentials for further growth.

## ②Frozen Dough

### A.Frozen dough in Taiwan

The frozen dough as the semi-finished products of the bread. With the designed bread made into frozen dough, customers (store owners) only have to thaw, ferment, and bake it and fresh-roast bread or desserts are ready to serve to their consumers. Consumers looking for food and beverage with freshness, convenience, tastiness, safety, and health. Based on this management belief, we providing solutions to our customers. The Company is promoting frozen dough to customers that it is a product designed to address consumers' demand and falling in line with the consumption trend featuring freshness, convenience, tastiness, safety, and health.

Two years have gone by since COVID-19 ravaged the world and the pandemic has led to significant changes in global supplier chain and consuming market. Examples of such changes include delays in imported and exported trading; fluctuation in raw material supply and market quotes; changes in consuming habits and concept of our citizens; and etc bring the new look to the domestic market, and the baking industry still has many challenges to overcome.

Frozen dough products: convenience, fast, safety and delicious. And by achieving product differentiation and creating value for the industry, Namchow has received overwhelming acknowledgement for the difference that it brought.

### B.Frozen dough in Mainland China

As the world continues to cope with the feelings of uncertainty and unease due to the pandemic in 2021, several countries around the world have tightened their disease control policies and this led to further fluctuations in the international market. As new disease prevention slogans and policies began to emerge, market transactions in different sectors also witnessed substantial changes. Proprietors of bakeries, beverage stores and restaurants found themselves having to provide online services and deliveries on top of managing their physical stores. The speed, accessibility and convenience of online purchases have perfectly matched consumers' new preferences and habits for one-stop shopping due to various limiting factors and circumstances such as social distancing and work-from-home arrangements. Consequently, many businesses have turned their attention to the new opportunities of online operations, with examples being food deliveries, e-commerce, WeChat mini programs, social networking sites and so forth. At the same time, as consumers' awareness for food safety continues to grow, frozen dough products have become effective and viable solutions for proprietors and consumers alike. Consequently, baked products become a day-to-day commodity that consumers can eat at anytime they prefer, and this new demand has unleashed incredible potential of the baking market.

With years of development in Mainland China, Namchow has accumulated abundant experience and resources in terms of frozen dough. We continue to research and develop and create unique bakery products that make consumers feel secure. We are committed to provide products that satisfying the current market demands. Today, a business venues offering baked products exist in many different forms, such as franchise bakeries, coffee shops, restaurants, convenience stores and even supermarkets. Consequently, consumers' demand for freshly baked goods is also slanting towards development in sophistication, diversification and quality refinement. With market competition in this sector growing more intense, such momentum has also driven the sector towards improvement.

## (3) Flour-based foods

### ①Frozen Noodles

#### A.Frozen noodles in Taiwan

Frozen noodles are popular among the advanced countries in Europe, the United States and Japan and driving food industry technology to become more sophisticated and innovative. With Taiwanese people's emphasis on leisure and health awareness, our frozen cooked noodles can fully meet the needs of the market. Namchow foresaw the trend to introduce frozen cooked noodles first, utilizing R&D, production, sales, one-step service, standardized professional factories, and the world's most advanced fast-frozen noodle making equipment. The company boasts top-tier technology, and has passed a number of international high-level food safety verifications and won the global food star awards. These include: Safe Quality Food (SQF), International Food Safety Verification Standard Level 3 highest level verification, MUI halal verification, Ciyue International's highest standard double clean mark-Cixin organic processing verification, Asia Pacific Anti Additive (AA) Development Promotion Association's highest level 100% non-additive verification, Monde Selection World Quality Award Silver Award, and iTQi International Flavor and Quality

Evaluation Award-Two Star Award. As we strictly monitor food safety, world-class high-quality taste noodles raise the level of the pasta industry, set up benchmarks, and open up new opportunities.

#### B. Frozen noodles in Mainland China

As the domestic economy quickly grows, people's living standards are rapidly improving as well and the pace in life is much faster than before to accordingly increase their demand for foods. Consumers no longer just want their food to be tasty; they are also aware of and pursuing higher-standard food sanitation and safety. Health, tastiness and high quality become basic dietary requirements. For dining service providers, they must not only satisfy consumers' requirements for food safety but also further enhance the operation efficiency in order to satisfy consumers' needs. QiaoHao adequately began its current management pattern to address the demand on the dining market. With its abundant experience accumulated in producing professional noodles and the solid resources available, it is committed to providing consumers with unique, tasty and assuring noodles required in the market and to continue developing together with its partners in the dining industry.

##### ② Instant Noodles

Namchow Thailand produces instant noodles that have taken root in the ASEAN market over the long term. The "ASEAN Operation Center" is being pro-actively developed to help expand the ASEAN market and peripheral markets. Given the 600-million population of ASEAN and the nearly 1-billion population of the adjacent country, China, the potential is huge. Presence was established in 2014 in Myanmar instant noodles are now available at respective supermarkets in the country. Efforts are being made now to sell instant noodles to other local markets through Namchow Taiwan and Namchow China as well.

#### (4) Ice Cream

There are mainly two segments on the market for ice products in Taiwan: One is for premium ice cream where products are mostly imported high-end ice cream and the other one is for popular ice products, which is further divided to the medium-priced and low-priced segments. The medium-priced segment features mainly good texture differential ice cream, creamy popsicles, and cones while the low-priced one features mainly crispy popsicles from small plants.

Trends in the development of Ice Cream: The rise in the awareness about food safety has made consumers place increased emphasis on legal labeling, traceability of food ingredients, and sanitation and safety. The decreasing number of children in each household and the recreational foods growing exquisite are making consumers more willing to spend more money in purchasing differential, unique, and value-added products. In light of the nearly saturated franchised distribution channels and the fierce competition, we are purchasing unique products from overseas and developing self-brands in order to reinforce the differentiation and to create values that are attractive to customers. Lucky Royal Co., Ltd. is known for its unique products and targets imported ice while working with distributors or well-known dessert stores and brands in order to develop widely talked-about seasonal limited offer products.

#### (5) Rice-based foods

##### ① Aseptic cooked rice

To go with the trends in society and taking into consideration the consumers' demand for healthy, safe, tasty and convenient products, the Company continues to develop healthy, sanitary, safe, tasty and delicious aseptic cooked rice products with nutrient, fiber and phytochemical-rich grains with bran so that consumers can eat healthily and safely.

##### ② Rice crackers

Rice-based recreational foods are gluten free and non-GMO to make them able to meet modern consumers' demand for staying healthy. They have started to gain prominence and become more and more acceptable as a mainstream product in the western markets. This part of the market is full of development potential as suitable products can be developed for babies, women, men and old people. The potential is infinite.

#### (6) Catering

A dining business needs to be able to provide tasty cuisines that satisfy the needs of the taste buds of customers while at the same time constantly developing new options so that the restaurant can keep its customers interested at all times. The dining business of Namchow has always been searching for local and in season ingredients for its development of new dishes. Besides introducing new options by the season, there are theme cuisines and gifts from time to time, not to mention Chairman Chen's private kitchen series that have proven to be widely popular among gourmets.

The "Stay-at-home economic" grow rapidly in take away and delivery service due to the impact of COVID-19 pandemic all over the world in 2020. Dian Shui Lou insisted to deliver the food by our restaurant personnel to ensure our diverse meal stay in the perfect quality when it is delivered to the customers and letting the customers understand our special attention to the meal and ingredient by explaining of our meal clearly faced-to-faced. Expansion in take away service, the form turns from in shop take away, to stands in the department store; the products with variety of freshly baked refreshment, cooked food to the popular frozen glutinous rice-ball (Yuanxiao) of the Lantern Festival, catering service tailor designed in according to the place available and others. For modern people lifestyle, It is quite common to have a coffee with

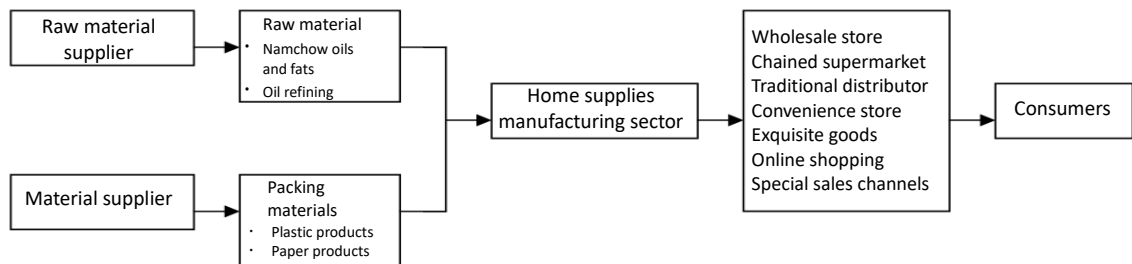
desserts or fruits after a meal, but very rare of Chinese restaurant providing services like this. Dian Shui Lou aiming to fulfill the customers' need in all ways. The restaurant offering the option of serving cup of coffee for free to our customers after the meal to allowing our customer to finish a meal with relaxed and pleasant feelings, which won the enourmous praises from our customers. The continuous development of business mode and products to fulfilling the demand of consumers and to satisfy them to the maximum.

The food safety office at the headquarters has responsible people to supervise and provide assistance in spontaneous health and safety management, hold food safety meeting every month to communicate to the chefs of each store the highlights of the latest food safety news and government examinations, and also educate the personnel of each store on the importance of food safety. Each store independently examine its kitchen every month to maintain the kitchen clean and all food materials and stocks. In addition, the logistics office has designated special personnel for food safety who visit every store weekly for examination and assistance with confirmation of various checklist to make sure all food safety tasks can be completely performed so as to safeguard consumers' health. Not only that, the designated personnel will also review orientation training for new employees.

Although Dian Shui Lou Restaurant declined Michelin's evaluation, it has been recognized as an official "Bib Gourmand" restaurant by Michelin for four consecutive years. The most important element to support the team's continuous progress is the culture of learning. Every one regards learning as an integral part of daily life and regards sharing as necessary. Everyone in the organization never stops learning and developing and acquiring a sense of accomplishment. Nearly all chefs, stop managers and major leaders of every branch store are trained personnel from the basic level. Highly stable team members and learning organizations are the foundation for sustainable operation of Namchow Group.

## 2. Correlation between the upstream and the downstream of the industry

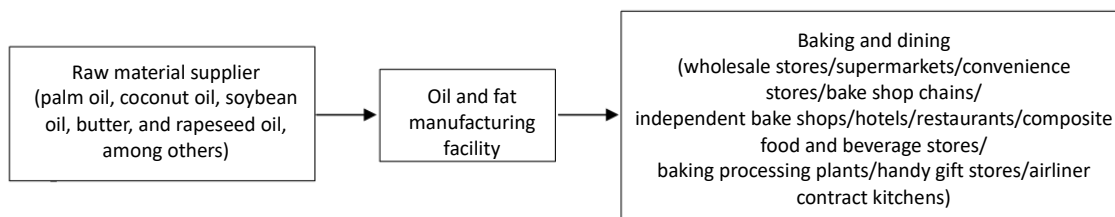
### (1) Cleaners



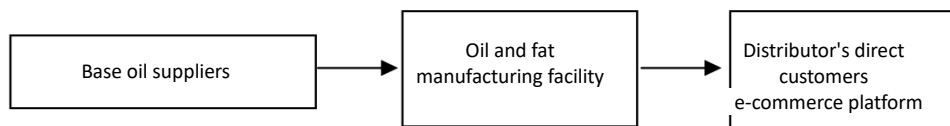
### (2) Bakery products

#### ① Baking oil

##### A. Baking oil in Taiwan

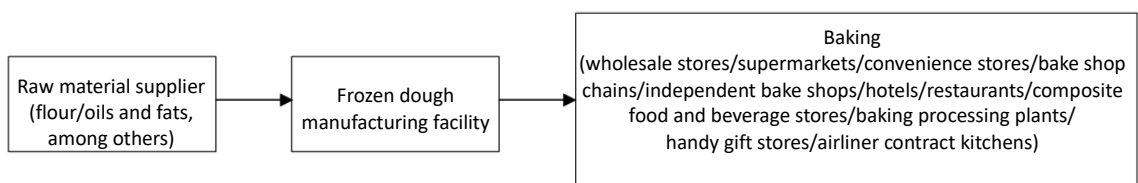


##### B. Baking oil in Mainland China

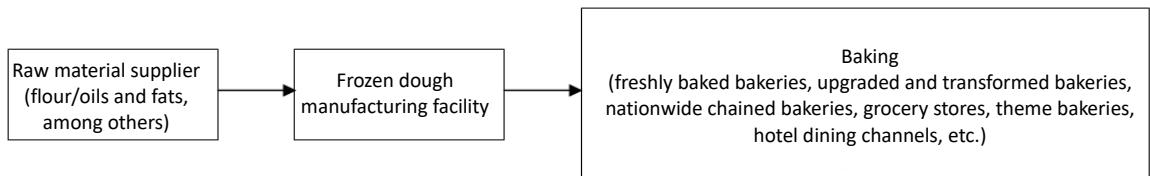


#### ② Frozen Dough

##### A. Frozen dough in Taiwan



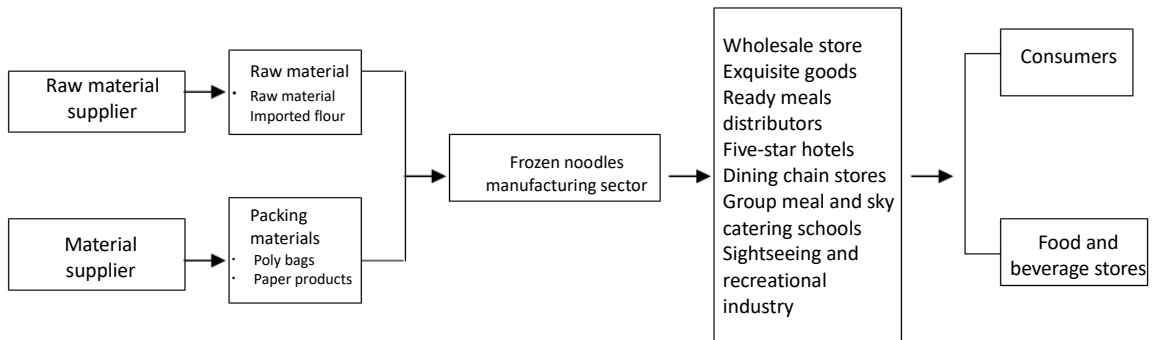
B.Frozen dough in Mainland China



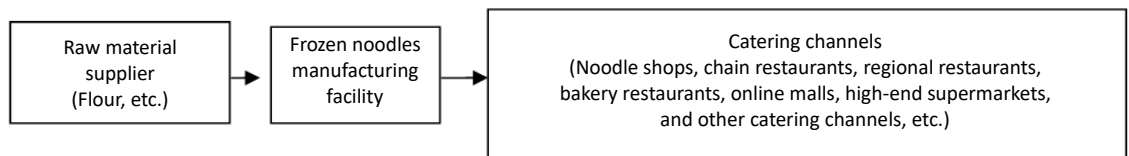
(3) Flour-based foods

①Frozen Noodles

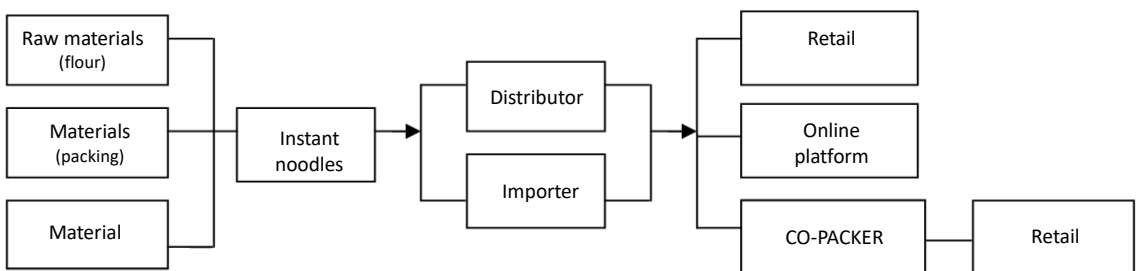
A.Frozen noodles in Taiwan



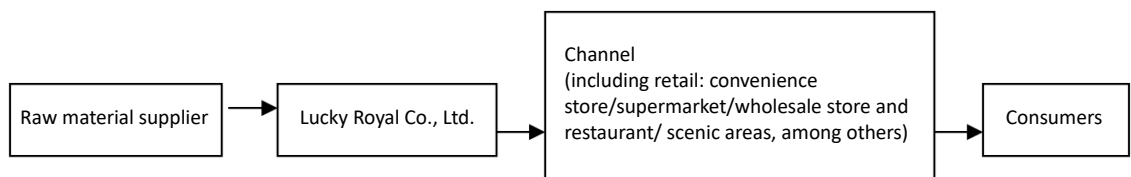
B.Frozen noodles in Mainland China



②Instant Noodles

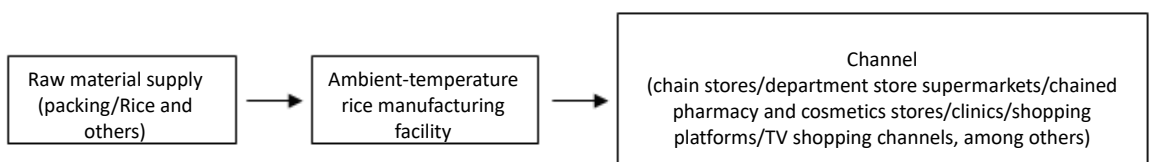


(4) Ice Cream

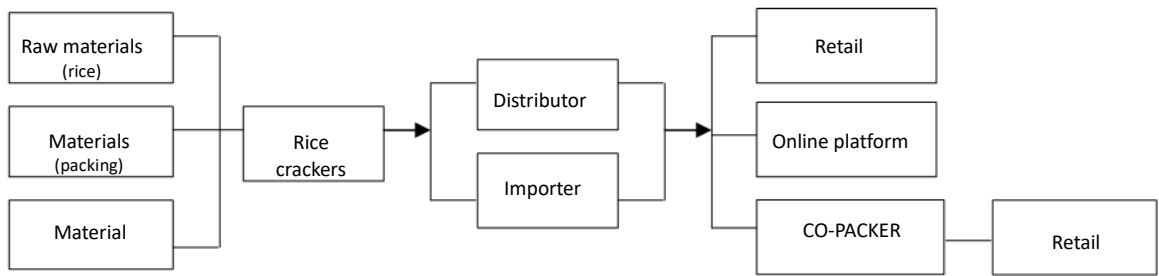


(5) Rice-based foods

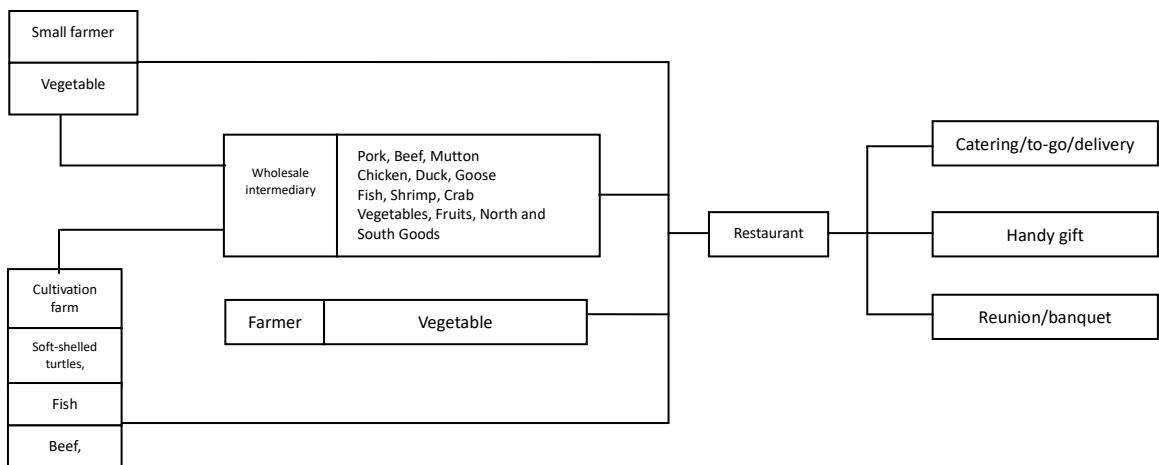
①Aseptic cooked rice



② B. Rice crackers



(6) Catering



### 3. Product trends and competition

#### (1) Cleaners

- The rise of natural and environmentally-friendly cleaners: The constantly improving living standards and rising awareness of environmental protection have made consumers constantly pay attention to cleaning products that are highly biodegradable and will not hurt the ecological environment.
- Multi-purpose products gaining prominence: Besides the existing cleaning feature, consumers also care about whether a cleaner has other additional features, such as anti-bacterial, mildew, mite, soft fiber protection, deodorizing, low sensitizing and removal of stains, among others; these are also popular among consumers.
- Safety and assurance first for cleaners : Many cleaners come into contact with people's skin. As such, their ingredients, safety, certification by professional testing organizations and brand credibility are becoming priority concerns for consumers before they make a purchase.
- Popular in selling the anti-bacteria products: due to the impact of pandemic, people were paying highly attention to the importance of personal clean and hygiene and the cleaning in home environment, therefore products with anti-bacteria, anti-virus, gentle to our skin and other functional products as best-selling products.

#### (2) Bakery products

##### ① Baking oil

##### A. Baking oil in Taiwan

Oils and fats products are competitive in that they meet customers' demands and form an interdependent relationship with one being the upstream and the other downstream. The Company, however, is supported by its huge customer base for its management belief in providing customers with products of the highest safety standards that are healthy and of optimal quality. In response to domestic and international market trends, the latest R&D and production technologies have been applied in recent years. We have launched various series of Baking oil that meet customer needs and successfully introduced them to the market.

- Global cream prices surged in 2017. As such, the series of composite Baking oil of Namchow, known for their flavor and maneuverability, are the best solution for bakery businesses. In 2017, we also led the industry with the launch of Namchow's special oil series for New Han Cake Korean hanbok cakes. We introduced modern scientific concepts to the traditional Hanbok field, and held activities related to the revival of Han pastry. Committed to the inheritance and innovation of Han pastry, these efforts won a broad response from the market.
- In 2018, flavored oil spreads were launched, to integrate with the international bakery fashion trends, assist the hotel and restaurant industries to create creative changes in bakery products, and give higher quality and value.
- In 2019, in response to the international food industry and consumer market's emphasis on "Clean Label," Namchow drew on its nearly 50 years of professional research in the field of roasted fats and oils to spearhead the launch of a new generation of Namchow NEBOS Oil & Fat series. The Namchow NEBOS Oil & Fat series is developed with NEBOS as the core. It features application of exclusive natural emulsifying material technology to develop professional Oil & Fat with simple ingredients, reducing or avoiding food additives. It can be used together with natural cream or can replace it altogether. We are assisting domestic marketers to increase the added value of baked goods, while also helping exporters meet high-quality bakery products that comply with local food regulations and standards, and expand export opportunities. At the same time, it is the best solution for natural cream international price fluctuations and unstable supply. The Namchow NEBOS Oil & Fat series has obtained clean label and no food additives certifications. This is a major breakthrough in the R&D and manufacturing technology of Namchow Oil & Fat and oil, and it is also an important development milestone in Taiwan's Oil & Fat industry!
- The instability and the crisis of broken supply chain in the raw material due to the pandemic in 2020. The company show the strength of manufacturing locally and the stable supply of Baking oil to the industry. The company still expanding the product of Clean Label NEBOS series and launched the new soya milk flavoured Baking oil to fulfill the demand of vegetarian and healthy diet, the company continuously act as the back supporter of the baking industry.

## B. Baking oil in Mainland China

Baking oil, light cream and fillings are the most fundamental materials of production for baking products. Since Namchow operates as an upstream supplier, the company mainly deals with baking product processing businesses and bakeries that produce products on site. The sustained growth in downstream baking businesses in recent years has ignited greater demand for raw materials on the upper end of the supply chain. Looking at the sector as a whole, apart from raw material suppliers that have already achieved economy of scale, the sector is also populated with a significant number of small and medium enterprises. As a result, competition in this sector remains fairly scattered, homogenized and intense. With the growth in consumption, downstream baking businesses have gotten less sensitive towards product pricing from upstream suppliers. Consequently, leading brands that enjoy significant renown with solid R&D capabilities and provide thoughtful and customized services will no doubt benefit from greater room for revenue growth. Given the growth in their income levels and change in their perspective towards consumption, consumers have evolved to emphasize more on the quality and texture of baking products. As a result, their preferences have affected bakeries' selection and choice of raw materials, thereby influencing the change in demand for downstream bakeries while driving the proportion of baking oils and fats in the mid to high-end market. Naturally, quality and dedicated businesses with greater capacity for cost control, raw material control, market adaptiveness and ability to make constant adjustments to production channels and product strategies while being able to leverage different strengths and end-user services will be better positioned to earn the trust of customers and gradually increase their market shares.

### ② Frozen Dough

#### A. Frozen dough in Taiwan

After investigation, we find that government agencies and associations do not have related data on the market scale of frozen dough products. The following only describes related matters about the status of peers and channels: There are around 10 small-scale producers of frozen dough in Taiwan. Their technicality, equipment and manpower restrict the items and quality of products they can supply and the level of customers they reach as well as the scope of business operations covered. The distinction from the level of operations of the Company is significant. There are less than 5 frozen dough suppliers that are relatively of a given scale including the Company. Among our counterparts, some focus on baking-related raw materials in bulk and some on the bread needed for their own distribution channels and the frozen dough business is secondary. Channel operators also import frozen dough themselves or set up frozen dough processing plants. Foreign frozen dough manufacturers import frozen dough for sale through agents or set up branches in Taiwan. This shows that market demand for frozen dough is increasing.

The COVID-19 pandemic raised the awareness of safety and health of the consumers and the business with large-scale and high management ability can be solid their status in the market. Food with health care, health preserving and interesting were favoured by the consumers. Different kinds of Frozen Dough characteristic in fast to prepare, reducing pressures of human resources and time costs soon became the best solution for the practitioners and benefiting the Namchow Frozen Dough to expand in width and depth.

#### B. Frozen dough in Mainland China

Namchow has been insisting on providing customers with quality products over the long term through a series of measures from careful selection of raw materials and food materials to continuous innovation and modification of production technologies, and has till now developed hundreds of frozen dough products. Be it basic dough or shaped dough produced through complicated processes, Namchow has been always tried its best to invest research and development resources and carry out production from the perspective of market and customer demands. To meet the need of different types of customers, it provides them with diversified products. Together with customers in all walks of life, we purchase all necessary products at one time and are creating a complete series of bakery products.

### (3) Flour-based foods

#### ① Frozen Noodles

##### A. Frozen noodles in Taiwan

Thanks to the pursuit of health, high quality and delicious food, with Sanuki Frozen Noodles that feature unique commodity advantages and professional frozen noodles core production technology, Namchow has been able to become the first professional manufacturer and supplier in the industry of frozen noodles for 20 years. Sales in the market have doubled and all production lines are full-loaded because there is more demand than supply. Sales on the market have doubled and all production lines are fully-loaded because there is more demand than supply. Professional and advanced production lines for frozen noodles to better enrich the production volume and diversify product options, providing more abundant output and more diversified items and offering the best choice for consumers and customers all over the world.

##### B. Frozen noodles in Mainland China

As consumers have increased dietary requirements, dining businesses have also come to realize that only fresh, delicious, and quick food is the most satisfying for consumers. As such, the traditional hand noodles are gradually dying out and being replaced by refrigerated or frozen noodles that are as fresh as they are

made on the spot. In order to meet the needs on the current dining market, many noodle brands are proactively transforming to produce cooked noodles, too. They are trying to break away from the traditional framework. The simple, convenient, and easy-to-handle cooked noodles hence came into being. QiaoHao is also constantly researching and developing various options of frozen noodles; there are more than 20 products now to better satisfy the needs of businesses applying different distribution channels and the various dining patterns.

② Instant Noodles

Since January 1, 2016, the "0" tariff policy has been enforced in the ASEAN 10 + 3 countries. There is no barrier posed by tariffs any more between China and Thailand. Namchow Thailand and Namchow China hence jointly planned to introduce instant noodles of self-brands to China and start to grow this part of the business in China.

(4) Ice Cream

Duroyal and Kabisuo, the royal Russian ice products, have been the focus of product innovation and brand investment over the long term. Unique products are being researched and developed to fulfill consumers' expectations for novelty and variation and to create differential competitive advantages for customers. In 2021, responding to the trends in the development of the ice product industry, new products under Duroyal for retailers were introduced, namely:

- Duroyal Super Premium Milk Cookie
- Duroyal Milk Foam Earl Black Tea Ice Cream, Milk Foam Wulong Ice Cream, Milk Foam Roasted Coffee Ice Cream
- Duroyal Fresh Ice Cream Puff
- Crossover Co-branding products: Duroyal x Lipton Tea Ice Bubble Milk Tea Ice Cream Bar, Duroyal x Lipton Tea Ice Pearl... and so forth

(5) Rice-based foods

① Aseptic cooked rice

Modern people are busy at work; they eat well yet exercise little. This is why disease of civilization is getting more and more common. The Company will continue to pro-actively develop a series of healthy and tasty ready-to-serve rice and porridge in the future to satisfy the needs of modern people for staying healthy.

② Rice crackers

Rice crackers for babies are the best selling product for Namchow Thailand. To develop this product further, Namchow Thailand will establish the "R&D Center for Baby Rice Crackers" where tremendous manpower and resources will be devoted to help develop more advantageous products and to offer consumers more options.

(6) Catering

Innovation, differentiation, pursuit of excellence and doing it right the first time are the Company's unchanged beliefs and practice towards creating a comfortable dining environment. In terms of cuisines, fresh and unique local ingredients are used to prepare each intriguing and affectionate entree in a skilled and experienced way.

Dian Shui Lou has always defined itself as a restaurant that serves authentic Zhejiang cuisine and dishes. That said, as Dazhi Store is fortunate to have resources in different areas (i.e. with chefs and staffs who are knowledgeable in Teochew and Canton cuisine), the store also offers classic and popular Teochew/Canton dishes/snacks apart from authentic Zhejiang dishes/snacks. As for Huaining store, apart from the popular Zhejiang dishes/snacks, the restaurant also serves classic Taiwanese dishes in order to cater to more patrons who are passionate about food. Each store has developed exclusive cuisines with common characteristics according to the internal and external environmental conditions and respectively offers unique food to make sure visitors can enjoy different features in each store. We are very particularly about cleanness and hygiene in the kitchen. Each store tries its best to have an open transparent kitchen where the food preparing process is self-explanatory with assuring quality.

(III) Technical and research and development status

1. Amount spent in research and development in the latest year by the Company

Year	2020	2021	2022 (estimated)
Total (NTD thousand)	445,267	422,670	256,992

2. Technologies or products successfully developed

(1) Cleaners

In light of COVID-19 and the threat it brought to the society, Namchow had focused on consumers' needs for improved disease protection by collaborating with TCI Living and launching "Probiotics Crystal

Laundry Soap” in 2021 under TCI’s “The Probiotic Revolution” brand name. It is the first product of its type in Taiwan that features all natural laundry soap and exclusively patented probiotic TCI633 anti-bacterial technology. The product has been tested at a P3-level laboratory in the U.S. (certified by U.S. CDC) and has been proven to provide extremely effective protection against COVID-19 variant strains (>99.9%) for up to 168 hours. It is also the very first probiotic anti-bacterial liquid soap that is made in Taiwan.

Targeting consumers’ preference for natural and eco-friendly soaps and “multi-purpose” laundry detergents, Namchow launched its Namchow Liquid Soap Detergent” in 2021, featuring exclusively developed all natural, anti-bacterial, anti-mold and anti-mite formula to achieve 5-in-1 cleaning results. The product has been vigorously tested in Panasonic’s automatic laundry machines and even recommended by Panasonic as a recommended cleaning agent.

## (2) Bakery products

### ① Baking oil

#### A. Baking oil in Taiwan

The Company now has around 200 options of oil and fat products available, which, by their application, include mixing, wrap, stuffing, pastry, mother’s cakes, deep-fry, special purpose, and functional ones. Besides those produced by Namchow, we also import butter from Europe and continue to maximize service aspects and consolidate operations.

#### B. Baking oil in Mainland China

Distribution and production of premium baking oils and fats and related products, along with light cream, imported dairy products, fillings and so forth. Offerings in our baking oils and fats include: Namchow Classic Series, Namchow Vege Bake Margarine Series, Namchow Aussie Compound Better Series, Namchow Euroesque Compound Butter, Hi-Up Shortening Series and Qiaobingjia Chinese Pastry Oil Series and so forth. For light creams, we offer: Enjoy Whipping Cream, Joy Q Milk Foam, Pleasing Soft Serve Milk Beverage and so forth. For imported dairy products, we distribute: Millac Dairy Whipping Cream, Kiri Cream Cheese, Jiadelan Butter, Fubiwei Butter Series. For fillings, we offer Flour Paste and Bakers’ Series.

### ② Frozen Dough

#### A. Frozen dough in Taiwan

Frozen dough products that are available at present are divided into 8 categories: toast, hard, sweet bread, puff, Danish, bakery, Chinese and artisan. In light of the changes in market demand and consumers’ dietary habits in the post-epidemic era, the company has launched a variety of product series including our “health and longevity” series, “additive free” series, “community baking” series, “premium toast” series, “lite baking” series and an assortment of frozen dough products for home consumption so that Namchow can stand together with baking business proprietors and overcome the challenges and impacts that COVID-19 has brought with it.

#### B. Frozen dough in Mainland China

There are nearly a hundred frozen dough products available at present. They are divided into the following based on the market and from the perspective of consumers: pineapple bun, Danish, croissant, puff, boiled, dim sum, artisan, toast, donut (frozen dough and pre-deep-fried dough), Western dessert series, and fundamental products. Responding to different customer requirements, the frozen dough products have been developed from basic frozen dough to pre-fermented and pre-baked frozen dough. Frozen dough required for different processes can be offered depending on the baking environment, equipment and human resources of end customers.

## (3) Flour-based foods

### ① Frozen Noodles

Japanese Udon, Ramen, Soba, Red Quinoa Noodles, Yuzu Noodles, Pasta, Braised Noodles, Wide Noodles, Pink Cherry Noodles, Northern China Knife-sliced Noodles, Northern China LaMian Noodles, Northern China Homemade Noodles, Henan Stewed Noodles and other products.

### ② Instant Noodles

Observing the busy life of modern people, Namchow’s chefs advocate the concept of “slow food noodles” to create a new attitude to life. In 2021, we launched new products such as : Noodle with Buddha Jumps over the Wall, Noodle with Buddha Jumps over the Wall for Vegetarians and so forth to provide new choices for dinner with exquisite cuisine.

## (4) Ice Cream

Products we have developed thus far: Duroyal Crunch Pie Strawberry and Cheese Flavor, Duroyal Strawberry Cone, Apple Milk Ice Cream Cone, Duroyal Super Ice Cream Brown Sugar Pearl Milk Tea, Duroyal Brown Sugar Pearl Milk Tea Cone.

Crossover Co-Branding Products: Duroyal x Hershey’s Premium Cocoa Feast Ice Cream, Duroyal x Li-Ji Taichung Pastry Salted Duck Egg Pineapple Cake Mochi Ice Cream, Duroyal x Aquagen Deep Ocean Sparkling Water Blueberry Milk Ice Cream Bar, Duroyal x Lipton Tea Ice Bubble Milk Tea Ice Cream Bar,

Duroyal x Lipton Tea Ice Pearl and Jelly Black Tea Ice Cream Bar, Duroyal x Kuang Chuan Jasmine Tea Series Ice Cream Bar, Duroyal x Kuang Chuan Soy Milk and Rice Milk Series Ice Cream Bar, Duroyal x KONIG Nagasaki Castella Ice Cream, Duroyal x Jiu Zhen Nan Mung Bean Mochi Ice Cream, Duroyal x Len Jen Mashed Taro Chewy Ice Cream.

(5) Rice-based foods

① Aseptic cooked rice

The Company already offers aseptic cooked rice from fiber-rich ambient temperature cooked rice series now; it is certified as health food that can effectively regulate blood sugar and blood lipids. There is also the organic quinoa rice and aseptic cooked rice from the imperial series in 2020. In 2022, the company will launch rice product featuring locally grown unhusked pearl barley (with bran).

② Rice crackers

Healthy rice crackers are introduced.

3. Future research and development plans

(1) Cleaners

To respond to the changes in the market demand and developing more diverse core products, the company extend and innovate them from the existing production line. For example, products connects to the local agricultural characteristic, with the professions and technics from other field, fulfilling the demand of changing rapid customer demand by the collaboration of different industries.

(2) Bakery products

① Baking oil

A. Baking oil in Taiwan

As standards followed in the baking industry continue to improve, practitioners (customers) have a more advanced understanding of the standards applicable to Baking oil and their functional definitions. Efforts will continue in the future to be devoted to improving raw materials, processes, and technologies and emphasis will be placed on the research and development of functionally exclusive oils and fats. In recent years, with the international fashion trend, the rising awareness of domestic consumers about diet consumption and higher understanding of and attention towards food safety and additives, the Clean Label and absence of food additives have become the new trend in the food industry. Namchow took the lead in the industry and took the lead in the development of Clean Label Oil & Fat and oils, and developed the Namchow NEBOS Oil & Fat series. Especially under the impact of the new coronavirus epidemic, global transportation and quarantine management will be stricter and more complicated. The increase in various uncertain factors affecting international shipping is more likely to cause delays in the import of raw materials. The Namchow NEBOS Oil & Fat series can replace or be used together with natural cream in a comprehensive manner, to improve the opportunities and solutions of the international price fluctuations and unstable supply of imported natural cream, and to help the baking industry to continue to improve. This creates value and makes it the first choice for bakers to promote Clean Label bakery products. The company will continued to expand the products of NEBOS Oil & Fat series to fulfill the need of the practitioners with different management models.

B. Baking oil in Mainland China

To comply with the consumers trend, to optimize and expand from our existing products. With emphasis on “simple ingredient with little additives” as the central concept, the company has chosen natural ingredients in the development of SFI oil and fat product series to help customers tap into other potential opportunities by creating value-added products. In an effort to satisfy consumers’ desire for tasty products, the company launched its Sheet Sweet Margarine (for products such as layered cake breakfast loaf and so forth) in 2022. Not only that, we also used our existing Joy Q milk form products as the base and developed related offerings with milk based cream, “butter on butter”, vegetable protein drinks, vegetable protein cream and so forth. To further flesh out our offering of filling products, we also created derivative products based on our Flour Paste and Bakers’ Series to help customers enrich their product lines and expand their applications.

② Frozen Dough

A. Frozen dough in Taiwan

- Due to the impact of COVID-19 pandemic, consumers pays attention to health and safety in catering and prefer products of strengthen in immune system. By observing the trend, Namchow frozen dough introduced the element of health preserving, health care, special nutrient and new ingredient of regulate and relieve stress. The company developed the Health preserving series frozen dough by applying the concept of dietary supplementation into new bakery products. The product of Namchow frozen dough also followed the international trend of few additives or no additives by using the baking ingredient meet the standards of few additives or low additives and connected the practitioners from up-stream, mid-stream and down-stream of the industrial chain to develop more baking ingredient with few additives or

low additives and launched to the market.

- Due to the pandemic creating the new normal of consuming, the community bakery has also become one of the preferred options for consumers to buy baked goods, Namchow's frozen dough is rich and diverse, easy and fast to operate, and can help community bakeries under existing production conditions. It can immediately respond to sales needs, bringing quantity and quality improvement to in-store baked goods.
- The rise and popularity of the delivery platforms promoting by the pandemic, accelerated the increase of people's willingness and consumption frequency for meal delivery and takeout. Baked goods have the characteristics of easy take-out and delivery. Namchow Frozen Dough will continue to develop products that can be quickly baked and sold by the baking and catering industry to assist the industry in responding to changes in the external market.
- Due to the impact of pandemic, people change their habits from eat out to cook on their own at home. Namchow frozen dough expand its service to develop the products for consumers to use and hoping to let the consumers enjoy their food at home easily.

#### B. Frozen dough in Mainland China

Upgrading will be implemented on the basis of existing products: Products will be upgraded so that they will have various stuffings, unique stuffings and changed styles and flavors. Products will be arranged by stage to satisfy the requirements and flavors of consumers.

Research and development of new products will focus on dim sum and western pastries: With the rapid development of the concept of "Chinese pastry renaissance", dim sum with flavors unique to every region will be developed to pass on the features of traditional cake stores and drive the development of gift market. The new beverage industry is growing rapidly, the main consumers were born in 1990s and 2000s. The western refreshments will be developing in younger style and flavour for the market targeting to different consumers.

In consider that the hypermarket, supermarket and some catering business are without the profession of baking, we develop more convenient pre-bakery products in addition to the diversity and the creativity of the bakery products.

### (3) Flour-based foods

#### ① Frozen Noodles

##### A. Frozen noodles in Taiwan

With eyes on the global market, the company has launched a variety of eastern and western noodle products while putting extra effort into the promotion of northern noodle products in order to establish our presence in the largest Chinese-styled noodle product market across all Chinese-speaking regions around the world. Examples include northern sliced noodle, northern-styled traditional noodle, family-style broad noodles, Henan-styled braised noodles and so forth. Not only that, our noodle products have been chosen multiple times in prestigious events such as the Taiwan International Beef Noodle Festival, Hong Kong International Beef Noodle Festival and TCAC Taiwan International Culinary Art Challenge as the chosen noodle for the competitions. Our noodles are sold at PX Marts, departmental supermarkets, wholesalers, fresh produce and farmers' associations across Taiwan along with e-commerce shops and Shopee stores. The sales and profits of the company are enhanced and created. The future is in perspective while Namchow stands in Taiwan and tries to reach out to the world.

##### B. Frozen noodles in Mainland China

Developing professional and good authentic features in all respects. Various types of noodles using regional special ingredients as raw materials have been introduced.

#### ② Instant Noodles

New flavors of instant noodles continue to be researched and developed.

### (4) Ice Cream

New extended flavors will be developed based on existing brands in response to market demands and new featured products will be introduced through cooperation with outstanding brands. By observing the need of the market, which bearing the concept of Healthy over the long time, we developing ice cream without Food Additive.

### (5) Rice-based foods

#### ① Aseptic cooked rice

Modern people are busy working, eating well yet moving less, which leads to more and more diseases of civilization. We will continue to actively develop a series of healthy and delicious ready-to-eat rice, porridge, and dessert products to meet the needs of modern people who value health and wellness.

#### ② Rice crackers

Namchow will continue to develop products that meet health demands and are suitable for respective age groups, such as babies, teenagers and old people.

#### (6) Catering

Closely reflective of consumers' needs, healthy, tasty, unique, exquisite and safe options will continue to be researched and developed for tailored service. Dian Shui Lou has endeavored to cultivate chefs with comprehensive skills and opportunities of learning and development will be offered to make sure that the chefs can not only cook delicious dishes but also be qualified and that the organization is learning-oriented so as to facilitate total growth for all. With regards to food ingredients, the restaurant strives to use all ingredients in full to prevent any waste. For example, the dish of West Lake Fish in Vinegar Gravy is served with the entire fish, and beef tendons are prepared as aspic and so forth. The restaurant shoulders the mission of promoting traditional Chinese cuisine. To achieve this goal, the chefs would incorporate traditional Shaoxing wine in various dishes or use it as part of seasonings whenever possible. The restaurant would also promote relevant dietary and culinary cultures during festive celebrations. For example, on Lantern Festival, the restaurant would serve the festival's signature dish of fried sweet dumpling in order to inform patrons on the difference between yuanxiao and tangyuan - yuanxiao is made by wrapping filling in dry sticky rice flour and rolled by hand while tangyuan is prepared with glutinous rice with fillings inside. The restaurant has introduced a new position of QA manager, whose responsibility is to ensure that all chefs and assistants at different stores are preparing relevant dishes in accordance with the SOP. Not only that, relevant multimedia equipment and materials have also been introduced for personnel training in conjunction with on-site inspection conducted by the QA manager and food safety inspectors to ensure the quality of food and services at each store. Implement regional marketing by involving managers at each store to design thematic menus based on the location of their stores along with corresponding promotions to fully leverage their local advantages. Continue to improve service quality and strengthen staff's competence in table-side dish presentation, dish serving and dish description. By refining our dish serving and description services, patrons will be able to better appreciate the effort and thought that the restaurant puts into its dishes. This will in turn bolster customer adhesion and frequency of patronage. Each store shall create its FaceBook fan page and IG account in order to post promotional materials via the online platforms while interacting with patrons in various ways to help patrons become more familiar with the restaurant and boost their confidence in the restaurant.

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

##### 1. Short-term business development plans

Corporate resources will be integrated to make the best use of the Company's advantageous products and strength in research and development while devoting to the research and service relating daily consumer products and providing the general public with natural, healthy, unique niche market products to create composite additional value and to improve profits.

##### 2. Long-term business development plans

Corporate resources will be integrated to reinforce R&D and innovative applications, to improve product differentiation, to create new products, and to start new product lines and new niches. Not only unique raw materials, innovative technology, innovative products and innovative management models, successful key factors have to be precisely kept track of in order to lead market trends in the future and ensure the continuous competitive advantages of the Company.

## II. Overview of Marketing and Production/Distribution

Since it began to produce soap in 1952, Namchow has been adhering to elements of relevance, namely raw materials, technology, distribution and culture for diversified management and has taken roots in fields such as cleaners, daily necessities, oil/fat/dairy products, flour, rice, biotechnology, and dining. With production sites in Taiwan, Thailand and the Mainland, operations are focused on niche markets, with products sold all over the world. Products in respective fields are analyzed as follows:

#### (I) Market Analysis

##### 1. Cleaners

###### (1) Sale of major commodities:

① The main sales products are crystal soap series: bar soap, liquid soap, powder, tableware cleaning liquids, and antibacterial series cleaning products such as allogeneic soap and hand washing series.

Official website: <http://www.crystalsoap.com.tw/>

Namchow Crystal Soap Facebook Group: <https://zh-tw.facebook.com/NC.Crystalsoap> <https://zh-tw.facebook.com/NC.Crystalsoap>

② Sold to: domestic market.

③ Distribution Pattern: B to B, B to C.

④ Distribution channels: grocery stores, supermarkets, pharmacies, convenience stores, distributors, retailers, online shopping, and special distribution channels, etc.

(2) Future supply and demand and growth on the market:

As the national income in Taiwan increases, awareness of environmental protection rises, and the organic and natural fad emerges, consumers start to evaluate corporate social responsibilities while pursuing natural products. Using soap products that are made of natural oils and fats, are environmentally friendly and soft to the skin is proof of an environmentally friendly and healthy attitude and persistence. This is also what drives the steady growths of Namchow crystal soap series of products.

Consumers' concern for household and cleaning products is no longer focused solely on cleaning strength, but more towards the safety of ingredients that make up the product. In addition, they are more and more concerned about the impacts of household detergents and personal hygiene supplies on the environment and human body; the emphasis on natural and highly biodegradable cleaners hence takes prominence.

Future development trends of the cleaner industry:

- Era of soap: As the awareness of environmental protection rises and in order to minimize plastic and petrochemical pollution, the soap products that have high biodegradability and zero harm to ecological environment are preferred by consumers.
- Multi-purpose products gaining prominence: Besides the existing cleaning feature, consumers also care about whether a clothes cleaner has other additional features, such as antibacterial, anti-mildew, anti-mite, deodorizing, and low sensitizing, among others; these are also popular among consumers.
- Safety of cleaners becoming prioritized concern: Because many cleaning products come into contact with the human body directly, their brands, what they are made of and their safety have gradually become a prioritized concern of consumers before they make a purchase.
- Popular antiseptic and disinfectant products: Because of the spread of the PM2.5 air pollution, avian influenza, enterovirus, norovirus, novel influenza, and coronavirus, consumers are highly concerned about their personal hygiene and the importance of a clean home. As such, products claimed to be antiseptic, disinfectant and anti-virus continue to be a hit.

With the introduction of the crystal soap series of products, the image of Namchow in the hearts of consumers is no longer just a bar of hand wash soap; it is now a natural and healthy cleaning brand with natural composition that falls in line with the modern lifestyle. This brand spirit in amidst environmental protection awareness and Lohas and healthy trends, is prevailing. The awareness of environmental protection by the consumers increased, Namchow Crystal Soap series product becoming an essential natural cleanser products in every households. The company launched the Crystal Soap Travel Set, the "Crystal Soap Laundry Liquid Soap - Scented Series", and "Crystal Liquid Soap for Laundry - Low Sensitivity Chamomile" in 2018, especially for people with sensitive skins and for infants and young children. In 2019, "Yugali & Tea Tree Anti-mildew Washing Liquid" and "Thyme Anti-mite Washing Liquid" were launched. Aimed at Taiwan's hot and humid climate, they feature anti-mold and anti-mite functional laundry products. The company launched the Grapefruit seed Hand Sanitizer Gel in 2020 to contribute our effort in prevention of COVID-19 pandemic. In 2021, Namchow launched its "Probiotics Crystal Laundry Soap" and "Namchow Liquid Soap Detergent" as useful and reliable tools for household cleaning and disease prevention. In response to changes in washing methods, Namchow Crystal has developed different types of products and has taken care to address different user groups comprehensively. This approach has been well received among consumers.

(3) Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

① Competitive niche and desirable factors for development prospects

- A. There is great demand and potential for natural soap products as the awareness of health and environmental protection rises.
- B. Unique products of the crystal brand of Namchow supported by powerful assets are widely loved by consumers.
- C. Successful development of the grapefruit seed series of products helps extend the life span of crystal soap products and add to the value of the brand.
- D. The products are known for their unique natural fragrance and natural anti-bacterial sources to appeal to distribution channels in all respects.
- E. Continue to promote the scented soap series and antibacterial series of laundry liquid soap, with a complete and rich product line, reach out to more new users, and expand sales and market share.

② Undesirable factors for development prospects

- A. Fluctuating and rising costs of raw materials and oils on the international market.
- B. Increasing costs of distribution channels on a daily basis.
- C. Consumer habit of switching among different products because they want to try something new.
- D. Constant introduction of new high-end products to the natural market for competitive brands.

③ Countermeasures

- A. Continued communication on the appeal on being natural, soft to the skin, and environmentally friendly so that consumers fully sense their value. Quality of the existing crystal soap series of products has been

constantly improved and messages about products being natural and environmentally-friendly of the new generation are communicated so that consumers of the new generation know and understand the benefits brought about by the soap itself. The defined brand positioning has helped the crystal soap series become a natural, optimal, and environmentally-friendly cleaning product that demonstrates love toward family and care for the Earth.

- B. Continued promotion of the antiseptic series that spans over household cleaning and personal cleaning fields so that consumers obviously feel the benefits of products that work 99.99% in inhibiting bacteria supported by the SGS test.
- C. Continued development of products meeting consumers' demand and creating consumer demand and introduction of high value-added products to satisfy the various daily cleaning needs of consumers.
- D. Continued reinforcement of the existing intensive distribution network, with product penetration and coverage as the biggest goal of distribution, to precisely enable each household to have access to the crystal soap series of products at any time.
- E. Collaboration with environmental protection-oriented institutions/groups to communicate the idea of natural protection to the general public for a synergistic effect.
- F. Proactive research and development of various new products within the context of applying natural oils and fats; the products include household and personal hygiene to precisely promote the ideas of love for family and care for the Earth and to fulfill the responsibilities as protector of the social environment.

## 2. Bakery products

### (1) Baking oil

Baking oil in Taiwan

#### ① Sale of major commodities:

- A. Major products sold: The Company now has around 200 oils and fats products. The diversified options empower the Company to provide tailored service and become a leading brand on the market for Baking oil in Taiwan.
- B. Sold to: Taiwan.
- C. Distribution pattern: B to B, direct-sale.
- D. Distribution channel: The Company has more than 3,000 distribution channels for oils and fats throughout Taiwan and products are sold all over Taiwan. The direct-sale approach is adopted. Customers are the end users of Namchow oil and fat products. Types include: hypermarkets, supermarkets, convenience stores, bake shop chains, independent bake shops, hotels, restaurants, composite food and beverage stores, baking processing plants, handy gift stores, airliner contract kitchens, and so on.
- E. Market share: The estimated market share is about 30%.

#### ② Future supply and demand and growth on the market:

- The pandemic restrict the places to travel, handy gifts were concentrated by the domestic consumers, therefore required more attention to the characteristics and quality, with more competition in with market and forcing the baking practitioner to advanced in their products actively. In order to increase the demand and level of the handy gifts and benefit the company to develop the products of middle to high-end market.
- The Namchow NEBOS Oil & Fat series, featuring little or no additives, can meet the requirements of international food hygiene and safety regulations and the expectations of end consumers, which in turn helps Taiwan's baking industry expand its export market.
- Guided by scientific spirit, Namchow Oils & Fats has developed a variety of new baking materials specifically for Chinese pastries, with examples such as specialized oil and flour for various Chinese pastries in the hopes of promoting Chinese pastries to the international market and further driving the development of baking industry.
- The catering market is witnessing fierce competition. Helping the customers in the catering industry to create unique and differentiated products based on our functional oils and fats and continuing to maximizing service aspects and consolidate operations will become the momentum that driving our continuous growth.

#### ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

##### A. Competitive niche and desirable factors for development prospects

- a. The Company is highly capable of keeping track of popular trends on domestic and international markets, has a historical brand, secures a leading position in the industry, and has a high market share.
- b. The Group's food safety office and laboratory center use strict controls to ensure the hygiene, safety, and high quality of Namchow fats.
- c. Half century of its intensive research, the Namchow Oils and Fats R&D Center has demonstrated strong R&D capabilities, advanced technology and professional customized services, which can quickly respond to market demands and meet the needs of customers of various operating types for oil & fat.

- d. The direct sale system can quickly reflect market intelligence and dynamics and helps establish a mutual-trust and reciprocal strategic partnership with customers.
- B. Undesirable factors for development prospects
  - International trade is universal; information is quickly communicated; imported oil and fat brands enter Taiwan market.
- C. Countermeasures
  - a. With half century of devote time and effort management experience, consolidate consultant marketing, provide one-stop service, let a professional service to provide all round services before, during, and after sale so that differentiation can be accomplished from the competition.
  - b. Continue to consolidate operations on baking and dining markets and to expand applications of oils and fats and the scope of distribution service

#### Baking oil in Mainland China

##### ① Sale of major commodities:

A. Major commodities in distribution: specialized production of baking oils and fats, along with light creams, imported dairy products, frozen dough and fillings under five major product categories that cover more than 200 products. The company has profound experience in production and distribution management. Thanks to its impressive list of brand names and product diversification, the company is aptly equipped to work with customers that focus on different crafts and demands. The company currently operates four factories in Tianjin, Guangzhou and Shanghai. With advanced R&D capabilities, premium quality management and comprehensive after-sales services, Namchow has successfully established its benchmark image in the baking oil and fat industry, serving customers from all major cities. Namchow aspires to become the expert in baking oils and fats and grow together with the industry, ultimately becoming the best partner for the global baking sector, driven to become more competitive players in the market.

Official website: [http : //www.ncbakery.com](http://www.ncbakery.com)

B. Sold to: Mainland China.

C. Pattern: Mostly B to B.

D. Distribution channel: The direct-sale and distribution approaches are adopted concurrently in Mainland China. Our direct-sale distribution channel is mainly meant for customers with greater brand presence. For these customers, the company provides various assistances and guidance including new baking product development, technical support, personnel training, store operation management consultancy and so forth with the intention to develop long-term alliance. Suppliers shall be classified under corresponding categories in scheduled evaluations based on factors such as distribution volume, supplier conduct and etc.

##### ② Future supply and demand and growth on the market:

In an effort to serve more baking customers, the company celebrated the grand opening of its online distribution platform in January 2022 - Namchow's Tmall Flagship Store. This marks the beginning of Namchow's online retail services and we hope to deliver better and faster services to consumers. To achieve this goal, we will continue to explore and create new channels of distribution to boost our sales and distribution. At the same time, the company will also be engaging in transaction of regular baking oil and fat products (in limited quantity) with countries such as Malaysia and Vietnam. In the near future, the company will actively cultivate the ASEAN market and commit to global operations. Per announcement by the company in October 2021, the company set up its fully owned subsidiary Namchow Trading Singapore Pte. Ltd. with the intention of operating in Singapore as its offshore business location to establish a high quality, high standard trading channel that will help the company to tap into greater business potentials by promoting Namchow's brand exposure and offshore market share.

##### ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Namchow adheres to integrity and quality and has a powerful brand and a high market share; customers are willing to grow with the Company.
- b. The company welcomes outstanding technical talents to bolster its R&D capabilities, which will enable the company to further promote product differentiation.
- c. Product features are divided in detail; there are complete product lines; products are of high quality and are stable. All of these are leading in the industry.
- d. Offer comprehensive consultancy services, including technical guidance, marketing strategies, store/staff image management and so forth in order to help customers shape their exclusive advantages.
- e. Adopt stringent standards for product quality, which has enabled the company to receive numerous international certifications including ISO9001, HACCP, Halal and so forth.

B. Undesirable factors for development prospects

- a. Significant fluctuations in primary raw material prices, which have in turn negatively affected our production costs and sales performance.
- b. Due to rapid changes in the market environment, renown international brand names have ventured into the market to compete.

- f. COVID-19 continued to affect the world and relapsed in specific regions, contributing to feeling of increasing uncertainty that impacted the development of economic and industry.
  - d. Fluctuations in foreign exchange rates have affected purchase prices for foreign raw materials and products.
- C. Countermeasures
- a. The company shall continue to implement stringent standards for food safety and provide high quality products to accommodate consumers' needs.
  - b. The company shall cultivate baking market third and fourth-tiered cities along the high-speed railway and strengthen its deployments in central and western China.
  - c. Enrich and fortify existing product lines and cultivate diverse markets in order to deliver more extensive products to consumers.
  - d. In the post-pandemic era, the company will operate its online store in order to serve more customers and consumers due to the growing popularity of home baking and cooking.

## (2) Frozen Dough

### Frozen dough in Taiwan

#### ① Sale of major commodities:

- A. Major products sold: We currently have 8 categories consisting of nearly 300 options of frozen dough products; the number of categories and options are ahead of other frozen dough brands in Taiwan.
- B. Sold to: Taiwan, US, Canada, Australia, Japan, Hong Kong, and Dubai.
- C. Distribution pattern: Direct sale
- D. Distribution channel: The Company has about 3,000 distribution channels throughout Taiwan for frozen dough, including grocery stores, supermarkets, convenience stores, chain bake shops, independent bake shops, hotels, restaurants, cafes, baking processing plants, handy gift stores and airline caterers.
- E. Market share: It is estimated our frozen dough products have attained leading status in the market.

#### ② Future supply and demand and growth on the market:

- The increased cost of manpower and talent shortage have made baking businesses more dependent on solutions and professional services provided by baking material manufacturers. Namchow, known for its diversified choices of products and steady production quality, has increasing demand coming from the market for frozen dough and hence is entitled to absolute leading competitive advantages.
- The "one-stop shopping" business model of hypermarkets provides consumers with more diverse services in fresh and cooked food products. The Company has established good business relationships with bakery partners, and works closely together to continue to supply baked goods that meet the needs of hypermarkets.
- Convenience stores strive to differentiate from each other in their bread projects. Whether it is packaged bread or freshly baked bread at the store, Chinese dim sum, or Western dim sum, the Company has been able to successfully help convenience store runners introduce the frozen dough package while creating profits for them.
- Large-scale chain supermarkets of Taiwan or regional types are actively introducing freshly baked goods. The enriched experience of the Company in the management, technology required of, and training staff for frozen dough businesses has enabled it to help multiple practitioners (customers) with successful introduction and maximize the scope of service.
- Composite chained food and beverage stores have been very popular for the past few years. While customers are trying to expand their presence quickly, it is particularly important that they keep track of the manufacturing and quality of products. The frozen dough supplied by the Company exercises extreme benefits in this regard as it successfully assists in overcoming the problems of mass manufacturing sales and stable quality.
- Besides large tourist hotels, small motels and bed-and-breakfasts have sought to boost their competitiveness and to improve the ratio of return customers, by adopting our frozen dough products, which can create differences in catering services under the same production conditions, along with other options that are available for effective control over management cost and increased net profits.
- Independent bakeries based on the community act as the warmth during the pandemic. Introducing the Namchow Frozen dough and providing bakery products with more diversity and enrich the consumers need in different time segment of the day. Rapid research and development making the food more interesting. Improving in the quality of bakery products, increase in kinds and launched within the trend to build the loyalty of the consumers.
- Family baking experiences are getting popular. There are more and more distribution channels on line and they are getting diversified each day. More baking lovers are encouraged to devote themselves to small-scale production and distribution. Namchow frozen dough is simple and convenient to operate and

can be easily introduced. It will become an optimum choice for households and baking studios. In addition, Namchow Frozen Dough has been investing in the development of home-use small package products, so that more consumers can also purchase professional-grade frozen dough products with unique features and convenient operation.

③Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Popular information on baking is rich and synchronized with the world, forming a tangible incentive for the baking industry to seek innovation and change.
- b. Consumers and governments have increased requirements for food sanitation and safety. With the spontaneously introduced HACCP, ISO, FSSC and other food sanitation and safety systems, the Company's products are known for their advantages.
- c. Consumers have changed their consumption habits under the tightening of the economy. They will choose cheaper products of homogeneity, but they are still willing to purchase value-added products at a higher price.
- d. In light of the issue of manpower shortage that baking practitioners now face, our frozen dough products have become the best solution to the manpower issue facing baking practitioners.

B. Undesirable factors for development prospects

International trade is universal; information is quickly communicated; imported oil and fat brands enter Taiwan market. And the international market quote of raw materials keep increasing due to the pandemic made the competition of the market more serious.

C. Countermeasures

The Company has nearly 30 years of experience on the baking market of Taiwan and continues to make the best of its strengths as a leading brand on the market in terms of quickly responding to changes in market trends so that the most instantaneous services and products can be provided to the businesses (customers) to differentiate from international brands.

Frozen dough in Mainland China

①Sale of major commodities:

A. Major products sold: The different major series of products sold are the pineapple bun, Danish, croissant, puff, boiled, dim sum, artisan, share, donut, and fundamental. Namchow Dim Sum, in particular, is available exclusively in Mainland China.

Official website: [http : //www.ncbakery.com](http://www.ncbakery.com)

B. Sales area: Mainland, Northeast Asia, North America and Oceania.

C. Pattern: B to B.

D. Distribution channel: freshly baked bakeries, upgraded and transformed bakeries, nationwide chained bakeries, grocery stores, theme bakeries, new beverage & bakeries franchise, hotel dining channels, etc.

②Future supply and demand and growth on the market:

- As the market for bakeries continues to grow, brand power is the key to expansion: According to the data available on [www.askci.com](http://www.askci.com) and on [www.chinabaogao.com](http://www.chinabaogao.com), the overall growth rate of the food industry in China is not as high as before, which is about the same as that for the overall GDP per-capita in China. Although growths on the baking market are ongoing, they appear to be polarized. The constantly climbing overhead, including raw materials, manpower, rent, utilities, and coal, among others is posing sterner challenges for the managers. A brand with a robust foundation will be able to grow quickly while an undesirably composed will be removed from the market.
- It takes 4-7 years to train a baker abroad to be qualified as a baker. Not many young people are involved in the baking industry, which has caused a shortage of bakers to a certain extent. Therefore, the frozen dough process in many countries and regions has become quite popular. The global market value of frozen dough is expected to exceed USD 27 billion in 2025 (including USD 8.35 billion in North America, USD 7.73 billion in Europe, USD 6.93 billion in Asia, USD 2.4 billion in Latin America, and USD 2.14 billion in the Middle East and Africa). In addition to deeply cultivating China's frozen dough market, this will also target the Western Chinese and Muslim markets.
- Production model transits from traditional artificial production to industrialized production: As the baking industry grows quickly, so does the growth of regional and local chain bakeries. The shortage in manpower has also become more and more common. Meanwhile, artificial costs quickly surge. The manpower-based traditional production model is getting outdated in accommodating the rapid corporate developments. Therefore, the production model started to be industrialized, with constant investments in large factories and equipment. The huge investments in industrialized, however, pose challenges not only in terms of funding but also in software and management issues such as talent training, quality stability, refrigerated delivery to retail shops and the bridging issue. These are the challenges that have to be dealt with when businesses are being industrialized.

- Freshly baked products are a trend and the terminal baking price increases: Freshly baked bread is particularly popular among consumers. Bread that comes in traditional package is gradually dying out. This means that bakeries or cafes with freshly baked products are gaining the upper hand compared to completely central kitchen-based stores over the past years. Freshly baked products have become a commonplace for more and more baking businesses. The improved income and lifestyle of consumers have made consumers more concerned about tastiness and quality of baked products. The increased operating cost for baking retailers contributes to the constantly climbing terminal prices for bakeries. Baking businesses in China, however, have not been able to realize at once the model featuring high-frequency availability of real freshly baked products and complete adoption of frozen dough for all products despite the fact that they are aware of the new consumption trend and are trying to transform. As a result, quality of products in many bakeries are unable to carry the real additional value. In other words, the operating model for frozen dough and the diversification of freshly baked products still require education in order to improve.
- Increased demand from consumers and governments for healthy and safe foods: Because of the increasing awareness among consumers, customers must choose products and suppliers with high health and safety criteria and requirements. Transparency of and control over the composition has been one of the requirements of customers for their suppliers for the past few years.

Nomechow sensitively captured the industrialization trend of the baking industry in Mainland China and the challenges and opportunities for the businesses during industrialization and became the first to invest in frozen dough factories in Mainland China that help smoothen the industrialization process of baking businesses; it will continue to lead on the market by introducing diversified products and working together with baking practitioners to push growths in the baking industry. In 2022, Shanghai Factory will be opening its 2nd production line for frozen dough products in order to address the soaring demands at the moment. Not only that, the factory will improve its delivery efficiency in perimeter regions in order to better serve customers.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The frozen dough factory is internationally certified (ISO9001, ISO22000); the quality is steady and guaranteed.
- b. The frozen dough factory has obtained certification from the Islamic Association of Tianjin Binhai New Area and the International Halal certification (SHC HALAL Shandong Hala certification), preparing for the Muslim market of 1.9 billion people worldwide.
- c. Rich experience in producing frozen dough, controlling and getting insights of the baking market, and outstanding research, development, and production capabilities.
- d. Omnipresent services from back office to the front stage to provide customers with comprehensive solutions. There is an in-depth understanding of the customer's operational model and cold chain status. Tailored professional consultation-based marketing is reflective of the conditions of different customers and the different business development stages, which not only brings about demand for commodities for customers but also provide customers with training on how to promote products, retail services, and help customers increase their baking competitive advantages for mutual growths.

B. Undesirable factors for development prospects

Overhead including the cost of raw materials, manpower, and rent surged to make the situation worse in the baking market.

C. Countermeasures

- a. Customers are provided with the needs to develop new products and apply the baking technique to become a loyal partner of customers while they run bakeries
- b. Assistance is provided to customers while they maximize operational and management aspects and enrich product lines.

3. Flour-based foods

(1) Frozen Noodles

Frozen noodles in Taiwan

① Sale of major commodities:

A. Main Frozen Noodles products sold include Japanese Udon, ramen, soba, spaghetti, northern China knife-sliced noodles, Henan cooked noodles, Chinese cooked noodles, Chinese wide noodles, yolk ramen, among others.

Official website: [http : //www.sanuki.com.tw/](http://www.sanuki.com.tw/)

B. Sold to: domestic market, mainland China market at the same time looking to international markets such as Europe, the United States, Australia, Canada, Zurich in Switzerland known as "World Food Window," Indonesia, Arabic and Hong Kong which boast the highest consumption level and the highest development

potential. The production line for frozen noodles in Jinshan Plant in mainland China was formerly put into production in 2017 and successfully got onto the international arena.

C. Distribution Pattern: B to B, B to C.

D. Distribution channel:

- a. Major customers vertically integrated by the Namchow Group: Honbaryu Professional Noodles Stores, Dian Shui Lou Restaurant
  - b. Catering market: Five-star hotels, high-end Japanese cuisine, composite/theme food and beverage chain stores, shopping centers, food court, airports, freeway rest areas, traffic arteries, scenic areas, schools/institutions, airport catering service, Chinese restaurants, fast food stores, steak houses, private lodging, E-commerce online shopping and among others. Following the change in local consumers' consumption habits and diversification of the market, the domestic dining-out market now has vast potentials that is worth close to 10 billion. Namchow Sanuki attaches great importance to high-quality, convenience, healthy eating, and delicious taste; consumers may wish to dine at premium restaurants serving high quality food ingredients, but they can also enjoy DIY five-star cuisines at home with Sanuki noodles. Lucky Royal Co., Ltd. - an affiliate business of Namchow, acts as the primary distributor for the product. Lucky Royal also collaborates with ready meal distributors such as K&K Foods through strategic alliance to provide more extensive and diverse services. We have been cultivating the domestic dining distribution network at a depth for years. There are more than 20 thousand customers throughout Taiwan, including various famous dining chain stores such as Very Thai Noodles, Watami, IKEA, Sundongbao, YOYOI Japanese Cuisine, Tonkatsu, Regent, Grand Hyatt Taipei, Leofoo Village, Janfusun Fancy World, Black Palace Ribs, MOMO, Evergreen, Sky Bakery, and large frozen products distributors, among others.
  - c. Consumer products market: Well-known chained distribution channels such as supermarkets, seafood markets, and grocery stores throughout Taiwan and convenience stores.
- E. Market share: Each year, a headcount of more than 2 million consumers consume Namchow's Sanuki Frozen noodles. These consumers and customers offer the best testimonials to successfully establish brand publicity.

② Future supply and demand and growth on the market:

Socioeconomic advancement contributes to an increased ratio of people eating out. With the trend of Taiwanese people pursuing health, high quality, and delicious food, Sanuki Frozen Noodles has become the industry's leading professional noodle supplier based on its unique advantages of a full range of products and core technology in this food product.

The competitive niche of frozen noodles lies in the supply of innovative and differential commodities and high value-added products that fall in line with the diversified lifestyles of modern people and satisfy the pluralistic needs of dining service providers in creating a desirable customer relationship. Frozen noodles are the right solution to the problem as the service sector flourishes and quality of life for Taiwanese people increases on a daily basis.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. With noodles producing technology that leads the world, noodles are cooked to the extent where they taste the best and frozen fresh at -35 following the same principle for handmade noodles.
- b. Before eating, one only has to reheat it. It is easy. No thawing is required. As soon as the noodles separate from one another, they are ready to serve. A convenient and tasty dish is served just like that. It is safe, tasty, with good texture and smells good. It is always in the "most delicious" state.
- c. Easy to operate, easy to preserve, free of scrappage, and diversified ways of preparing to create high additional value and to offer dining businesses with plenty of room for survival and development.
- d. Safety and sanitation and an absence of preservatives assures quality, making it a safe and healthy option for the general consumers.

B. Undesirable factors for development prospects

Growing sales bring full loads for production lines.

C. Countermeasures

Additional production lines to provide more sufficient production volume and more diversified options that help satisfy consumers' demand.

Frozen noodles in Mainland China

① Sale of major commodities:

A. Main products sold: Chinese noodles and Japanese noodles, particularly Udon and ramen, are the mainstream on the market.

B. Sold to: Mainland China.

C. Distribution Pattern: B to B, B to C.

D. Distribution channel: Dining, retails, e-commerce.

② Future supply and demand and growth on the market:

- As the market for noodles continues to grow, brand power is the key to expansion: The constantly climbing overhead, including raw materials, manpower, rent, utilities, and coal, among others, is posing sterner challenges for restaurateurs. Steady quality, recognized texture, and realization of brand value have become the primary management principles in the dining industry. This is also where differentiation begins to create industrial value.
- Production model transits from traditional artificial production to industrialized production: The quick rise in the cost of manpower has made the traditional mainly manpower-based production model no longer adaptable to the rapid corporate development. Meanwhile, there are many software and management issues to be addressed, such as talent training.
- Increased demand from consumers and governments for healthy and safe foods: Because of the increasing awareness among consumers, customers must choose products and suppliers with high health and safety criteria and requirements.
- Convenience is trend: The popularity of deliveries over the past two years has contributed to the growths in dining businesses. Therefore, faster meals and more stable shipping quality are the main elements of market development.

We are aware of the development trends in the dining industry of Mainland China and the challenges and opportunities for related businesses during the process. It invests in frozen noodles factories in Mainland China and continues to guide the market to introduce diversified products so that businesses and consumers are entitled to more assuring and tasty products to jointly promote growth in the dining industry.

- ③Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
- A. Competitive niche and desirable factors for development prospects
- a. The frozen noodles factories obtained the International Quality System certification (ISO9001/ISO22000) and the International Food Safety System certification (HACCP/SQF/FSSC22000), shows that our quality were stable and guaranteed.
  - b. More than 20 years of experience in manufacturing frozen dough, controlling and getting insights of the Dining market, and outstanding research, development, and production capabilities.
  - c. Omnipresent services to provide customers with comprehensive solutions. Professional consultation-oriented marketing is provided to customers reflective of their different conditions and business development stage to help them improve their competitive advantages.
- B. Undesirable factors for development prospects
- Overhead including the cost of raw materials and manpower and the stricter food and safety laws and regulations each day are posing sterner challenges for food manufacturers.
- C. Countermeasures
- a. New products and new value-based management ideas continue to be provided to customers to create differential values.
  - b. Assistance is provided to customers while they maximize operational and management aspects and to enrich their operated items with the vast product lines.

## (2) Instant Noodle

- ①Sale of major commodities:
- A. Main products sold: Mee Jang and Little Chef series of instant noodles.
- B. Sold to: Taiwan, Mainland China, Southeast Asia, Australia.
- ②Future supply and demand and growth on the market:
- In light of the world trade internationalization and liberation trends, the Company invested in Thailand in 1990 by setting up its overseas production site. With the world in mind, packaged foods started to be developed and instant noodles and rick crackers are produced.
- Namchow Thailand's high-standard production will return the safe and high-quality noodles to Taiwan, providing consumers with another delicious treat. Following an inspection of Namchow's products and its management capabilities, corporate resources were combined to jointly plan introduction of self-brand instant noodles into Mainland China to pro-actively grow the market in China.
- Due to the changes in market distribution channels, in addition to physical channels, online sales have risen rapidly as well. In Thailand alone, the domestic online market sales had grown by several times over and we are expecting 2022 to be even more explosive in terms of sales growth. In China, the company has ventured into the arena of international e-commerce distribution back in 2020, and relevant operations are steadily growing. The company is also working to establish an online distribution platform as quickly as possible in the ASEAN market so as to capitalize as many opportunities as possible.
- ③Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
- A. Competitive niche and desirable factors for development prospects
- a. Keeping track of trends on the market and rich in experience, capable of researching and developing products and providing perfect quality.

- b. Flexible production schedule to provide best-in-class supply chain services.
  - c. Ensuring food safety.
  - B. Undesirable factors for development prospects
    - Unstable prices of raw materials.
  - C. Countermeasures
    - a. More mobile in global procurement in the acquisition of more competitive raw materials.
    - b. Accelerate talent recruitment and training to build a professional management team that will establish a firm foothold in Thailand and eventually foray into the global market.
4. Ice Cream
- (1) Sale of major commodities:
- ① Major products sold include
- A. Duroyal Ice Cream
- a. Retail:
    - Ice cream bar: Crunchy Pie series, Super ice cream bars and so forth
    - Cone Ice Cream: Duroyal ice cream cone extra chocolate ice cream, double chocolate ice cream, O'Black ice cream, high-grade chocolate ice cream, strawberry ice cream, cream chocolate ice cream, strawberry cheese ice cream and etc.
    - Ice cream in barrels: Duroyal select series, Duroyal low fat series, Enjoy series
    - Popsicles: Duroyal green mango popsicles, Duroyal pineapple popsicles
    - Ice cream desserts: mochi ice series, mochi ice cream series
  - b. Distribution channel: The products are meant as raw materials for ice cream, sweets, soft-serve ice cream, and reconstituted drinks and are supplied to intermediaries in the dining business.
    - Products: Duroyal Ice Cream 3G, Duroyal Ice Cream 3L, Duroyal Soft-serve Ice Cream, Duroyal Super Ice Cream, Duroyal Smoothies
- B. Kabisuo Royal Russian Ice Cream
- a. Retail: The products are meant as sweet desserts.
    - 475 ml ice cream, 120 ml ice cream
  - b. Distribution channel: The products are meant as raw materials for ice cream, sweets, and reconstituted drinks and are supplied to intermediaries in the dining business.
    - 5 liters ice cream, 3 liters ice cream
- C. OEM, ODM
- a. Retail: The products are meant as sweet desserts.
    - Yuanzu Ice Cream Cakes and Desserts, Family Mart Collection, among others
  - b. Distribution channel: The products are meant as raw materials for ice cream, sweets, and reconstituted drinks and are supplied to intermediaries in the dining business.
    - Family Mart Soft-serve ice cream, among others
- Official website: Duroyal <http://www.duroyal.com.tw/>  
 Kabisuo <http://www.kabisuoicecream.com.tw>
- ② Sold to: Taiwan market
- ③ Distribution Pattern: B to B, B to C.
- ④ Distribution channel: The products are available at convenience stores, supermarkets, wholesale stores, dining channels, more than 37,000 sales locations throughout the country.
- (2) Future supply and demand and growth on the market:
- Although the market for ice products competition is fierce, the low birth rate has driven recreational foods to become more exquisite and the demand for high value-added products to increase while that for low-price ice products to shrink. This are positive developments for Duroyal and Kabisuo, which are positioned to be moderate-to-high-priced and premium ice cream.
- In addition, the heated competition among distribution channels makes it necessary for practitioners to customize their products and create differentiation. Royal Ice Products can take advantage of its outstanding development and production capabilities in creating products of a high CP ratio and to bring about more collaborative opportunities.
- Starting from 2016, the company has entered into extensive collaboration with other companies and brand names in the development of licensed products, such as: Gudetama Pudding Daifuku, Tsujiri Matcha Ice Cream, Tsujiri Matcha Daifuku, Lotus Biscoff Ice Cream Stick in 2018, Lotus Speculoos Sticks and so forth. Not only that, Namchow has also collaborated with the century-old U.S. chocolate manufacturer to launch a collaboration chocolate ice cream, distributed exclusively at selected PX Marts across Taiwan. Starting from 2019, the company followed the trend of crossover collaborations and launched various

products with popular brand names in various industries. Examples of such products include: Duroyal x NINAO Rose Wulong and Peanut Milk Ice Cream, Duroyal x Jiu Zhen Nan Mung Bean Mochi Ice Cream, Duroyal x Hershey's Ice Cream and Duroyal Cone x Ovaltine Cream. In 2020, the company worked with other brands and offered the following: Duroyal x Lipton Tea Ice Bubble Milk Tea Ice Cream Bar, Duroyal x Lipton Tea Ice Pearl and Jelly Black Tea Ice Cream Bar, KING Nagasaki Castella Ice Cream, Duroyal x AQUAGEN Blueberry Ice Cream, Duroyal x Kuang Chuan Jasmin Tea Bar, Duroyal x Kuang Chuan Soy Milk and Rice Milk Series Ice Cream Bar, Duroyal x Hershey's Premium Cocoa Feast Ice Cream and so forth.

In 2021, the company continues to work with renowned brand names in different sectors to launch crossover products and developed Duroyal Super Premium Milk Cookie in response to market demands. Reinterpreted popular beverages by launching ice cream products in the milk foam series. By carefully selecting collaborating creamery from Japan to be our OEM supplier, the company has reached out and cooperated with quality suppliers from other parts of the world to boost our brand competitiveness. The development and launch of Duroyal Fresh Ice Cream Puff has successfully created market buzz, which in turn made it into a popular product.

(3)Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

①Competitive niche and desirable factors for development prospects

A. Long-term devotion to product innovation has rendered differential products with entry barriers.

B. Persistent investment in brand advertising to keep the brand new to consumers despite elapsed time

C. Strictly select safe, excellent and stable raw materials, and use strict manufacturing process and quality control.

D. Sound warehousing and logistic systems to maintain the display and quality of ice products.

E. Ice products are an industry featuring a high degree of automation in the production process. Duroyal's production has reached the level of an economy of scale.

②Undesirable factors for development prospects

Numerous competing products; the competition is fierce.

③Countermeasures

Research and develop unique products to satisfy consumers' expectations for novelty and variation and to create product advantages and overcome price competition through differentiation for enhanced brand value.

## 5. Rice-based foods

(1) Aseptic cooked rice

①Sale of major commodities:

A. Major products sold are biotechnology cooked rice - High-fiber Aseptic Cook Rice, imperial rice, among other ambient temperature rice.

Official website: <https://www.omefun.com.tw/>

B. Sold to: Domestic and international markets such as the United States, Australia, Norway, the United Kingdom, among others.

C. Sales Distributors: biotechnological cooked rice is available in retail market (Costco, Natural Lohas Zone in Carrefour and other hypermarket and supermarket in the department store), different major e-commerce platform (Pchome Shopping, Momo Shopping, Shopee Mall, Rakuten Bid, ihergo Shopping), Satellite TV (ShinJi TV) and etc.

②Future supply and demand and growth on the market:

Food security has become a global concern. Our government is also proactively promoting local consumption to boost consumption of local rice by initiating the one-more-bite of rice movement in Taiwan; it will help increase consumption of rice and reduce farmland lying fallow and enhance the food self-support rate.

Ambient temperature sterile-packaged rice has been prevailing in Japan, Korea and even mainland China, where rice is the staple. In Taiwan, however, it is still in the budding phase now.

The bonded factory approved to be set up in 2010 can import rice from Thailand, Pakistan and India, produce them on the domestic production platforms, and export them overseas. In addition, we have also applied for and have been approved for the Islam Halal certification to pro-actively expand our exportation network.

Ambient temperature sterile-packaged rice marks a new milestone reached by Namchow in the rice market. In response to the rising trend of having Chinese food, business opportunities surface on the market to bring rice back home and reintroduce it on the dining table at home; It helps develop the market share for the staple, rice, in Taiwan, arouse the value of traditional rice culture and create new business opportunities.

Modern people eat well but exercise little; this gives rise to more and more civilization diseases. "Obesity", "diabetes", "hypertension", "hypercholesterolemia", and "kidney disease", in particular, are increasing. Statistics of the National Health Insurance Administration shows that more than 2 million people seek treatment because of hyperglycemia and high cholesterol levels domestically. The Company current

supplies healthy rice products certified as health foods that can effectively regulate blood sugar and blood lipid and will continue to proactively develop a series of health-preserving rice products.

Taiwan is turning into an aged society. Preventive and functional traditional rice staple will be optimum in keeping oneself healthy and caring for one's future.

In light of the fact that Colon cancer has been the No. 1 cause of death for 7 years in a row; statistics show that each year around 200 to 300 thousand people need to complete colonoscopy procedures; the government is also pro-actively promoting early discovery for early treatment; and more and more people started to value the importance of colonoscopy, there will be higher and higher demand for low-residue foods. The Company plans to develop low-residue meal boxes in 2017 that feature ambient temperature rice and prepared food whose crude fiber is carefully calculated to meet the criteria for a low residue diet. For distribution markets, the advanced health examination center, chained medical supplies store, and nutrition division at respective hospitals are targeted channels. It is expected that professional, healthy, convenient, and safe nutritional food will be available for consumers in need.

As consumers has been attaching increasingly higher importance to food safety, the Company applied for Cixin organic certification in 2018 (rice production line in Zhongli) to prepare for the development of new organic products.

The introduction of quinoa organic rice in 2020 has successfully expand the sales channels to the Natural Lohas Area of Carrefour, the organic food specialty areas of volume sales channels, which are expected to bring more convenience to consumers.

③Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The first and the only enterprise producing ambient-temperature sterile-packaged rice in Taiwan, creating high access barrier for high-tech food products.
- b. Approved by the government and certified as health food, the products have health-preserving claims.
- c. Winner of the "Senior People Friendly Food" award from the Council of Agriculture in three consecutive times since 2016
- d. In 2019, it was recognized with a "Top Ten Annual New Product Award" issued by foodNEXT, the first Chinese-language professional media source focused on food.
- e. In 2020, the quinoa organic rice from the fiber-rich ambient temperature cooked rice series awarded the 6th "Top Ten Selected Good Products" (Taiwan Grain Industry Association).
- f. In 2021, our Cooked rice with Barley and Oat received the "Top Ten Annual New Product Award" issued by foodNEXT.
- g. In 2021, our Organic Quinoa - Inca's Gold received the Fun Food Taiwan Award organized by the Industrial Development Bureau
- h. Ready-to-serve after having been microwaved for 90 seconds; they are delicious and convenient and can satisfy the quick needs of consumers.

B. Undesirable factors for development prospects

Ambient-temperature sterile-packaged rice is an emerging product on the market and is yet to be widely accepted.

C. Countermeasures

- a. The dietary High-fiber Aseptic Cook Rice online shopping mall is created by means of online resources to focus attention on the target consumer population.
- b. Phased promotion helps consumers understand the strengths and characteristics of products.
- c. Creating incentives for consumers to keep buying and building the brand image and reputation.

(2) Rice crackers

①Sale of major commodities:

A. Major products sold are rice crackers and baby rice crackers.

B. Sold to: Europe, America, Australia, Africa, and Southeast Asia

②Future supply and demand and growth on the market:

Because rice-based recreational foods are Gluten Free and Non-GMO and meet the demand for eating healthily, they have begun to gain prominence and be accepted on the mainstream market in the western world. After more than 30 years of cultivation and development, we have successfully entered the mainstream western market through the overseas Chinese market. The products are exported to more than 70 countries and regions, including major supermarkets in the five continents, namely, Europe, America, Australia, Africa, and Asia. Baby rice crackers were successfully developed and sold in mainstream markets products developed jointly with baby food companies in Europe and America in 2014.

The production line is currently full loaded. In order to continue expanding the throughput, the company decides to increase investment and set up a new plant in Thailand and expand the operations in the global market as well as the markets in ASEAN and Thailand. In addition to expanding the operation of existing product lines and developing potential new product packages, the company decides to set up the R&D center for baby rice crackers in order to reinforce product development and to continue to lead on the

market. Except the production line of baby rice cracker, the company develop the new snack business by purchasing a new French toast crisp production line. In addition, a growing population of elderly people has made rice crackers for this age group a focus of development as well. Even though COVID-19 continued to ravage the world in 2021, Namchow Thailand has responded to the situation with tact and continued to cultivate the market by developing more products and strengthening its relationship with various partners, thereby successfully maintaining its sales and profit margin.

③Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The exclusive jasmine rice from Thailand is of unique fragrance and texture.
- b. Robust market development capabilities
- c. Long-term collaboration with western markets to win trust.
- d. Competitive prices
- e. The RCEP were signed on November 15, 2020 and the 15 members country will decreased their custom duties to “0” within 10 years.

B. Undesirable factors for development prospects

Unstable prices of raw materials.

C. Countermeasures

- a. Strengthened research and development to maximize product differentiation and to keep the leading strength
- b. Extension of product items and expansion of product lines to create monopoly value

6. Catering



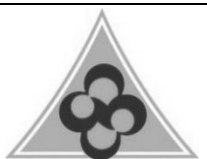

(1) Dining in Taiwan

①The condition of Major Products(Services) Sales(Provided):

A. Providing consumers with dining service, banquet sites, recreation and entertainment (DIY).

B. Sites: Taipei, New Taipei, and Taoyuan.

②Brands and business locations:

	Brand	Location
本場流 專業麵店	<p><b>Benchangliu Professional Noodles and Rice</b></p> <p>Namchow introduced Japanese frozen noodles to Taiwan in 1998. Both the production and sale take place in Taiwan. Benchangliu was opened particularly for demonstration purpose.</p> <p>Udon, Chinese ramen, and other noodles are served in the store. There are also special set meals and rice options to satisfy the dining needs of consumers who demand exquisiteness, delicious taste, fast service, and convenience.</p> <p><a href="https://www.facebook.com/honbaryu/">https://www.facebook.com/honbaryu/</a></p>	Taoyuan Store
 <p>PAULANER TAIPEI 寶萊納啤酒餐廳</p>	<p><b>Paulaner Fresh-brewed Beer Restaurant</b></p> <p>Fresh-brewed German beer and self-made German pork knuckle, sausage, chop meal, and pizza, among other delicious entrees are served in the store.</p> <p><a href="https://www.facebook.com/taipeipaulaner">https://www.facebook.com/taipeipaulaner</a></p>	Taoyuan Store Guandu Store
 <p>點水樓 Dian Shui Lou</p>	<p><b>Dian Shui Lou Jiangzhe Cuisine</b></p> <p>The restaurant features a southern China architecture style. One can see artificial landscapes resembling views in southern China everywhere. They are the classic scenic characteristics of Dian Shui Lou.</p> <p>Local cuisines from Jiangsu and Zhejiang are served in the store and are customized to suit the needs of consumers reflective of the characteristics of the shopping district the restaurant is located in.</p> <p><a href="http://www.dianshuilou.com.tw/">http://www.dianshuilou.com.tw/</a></p>	1. Nanjing Store 2. Fuxing Store 3. Huaining Store 4. Nankan Store 5. Linkou Store 6. Dazhi Store
	<p><b>Thai Cuisine Restaurant</b></p> <p>Authentic Thai food is served and quality fresh spices from Thailand are mixed to produce the most authentic Thai curry and facilitate the preparation of real Thai cuisines.</p> <p><a href="https://www.facebook.com/namchow.thailand/">https://www.facebook.com/namchow.thailand/</a></p>	Taoyuan Store
 <p>小王子的飛行旅程 Le vol du petit prince</p>	<p><b>Le vol du petit prince French Restaurant</b></p> <p>Located inside the National Taipei University of the Arts, the restaurant serving safety and delicious French cuisines, providing custom-made meals and provide more diverse options for our consumers</p> <p><a href="https://www.facebook.com/小王子的飛行旅程">https://www.facebook.com/小王子的飛行旅程</a></p>	Guandu Store

③Future supply and demand and growth on the market:

In the 21st century, Taiwan is set to develop towards soft industries such as tourism and catering. Furthermore, competition is fierce among restaurants and in the food and beverage market in various countries around the world. Paulaner Restaurant combines the advantages of the Group's products to develop local specialty dishes that belong to Paulaner, while being accompanied by fresh homemade German beer and traditional German sausages. Outstanding in "competition in competition," it has the status of a well-known brand in the market; and it provides customers with differentiated services and dining environment, taking advantage of this to become a great dining choice for consumers.

Pandemic of COVID-19 impacted on the consumers' habits and life, causing the way of consuming and the structure of the shopping area changed dramatically. The stores in community will be the new trend for future catering industry. Paulaner has targeted the "post-pandemic era" consumption demands and leveraged Namchow's existing resources while integrating various products such as frozen dough, frozen noodles, baking oils and fats, deep fry oils and fats, Duroyal ice cream, Paulaner's freshly brewed beers in the preparation and distribution of relevant products. On December 25 2020, Paulaner opened Taiwan's first integrated neighborhood compounded restaurant in Taiwan in Guandu MRT Station business district in the hopes of getting closer to consumers and doing business with local, returning customers so as to demonstrate the success formula for Paulaner's community-based store. The store is in fact, a demo store that Namchow wishes to present to tens of thousands of baking and restaurateur customers as a new, viable alternative and this makes the store rather indicative in its function.

In terms of food and beverage services, consumers have become more aware and conscious of food quality and hygiene due to the pandemic. And as such, Paulaner Restaurant is looking to usher in the post-pandemic era by making innovative changes and paying attention to every product detail. The restaurant focusing on health, safety, relationship with the customers, improving the internal cohesion of our employees, improving the corporate image. The restaurant turn the crisis into an opportunity and will shine in the industry.

Namchow stays true to the concepts of innovation and differentiation in its management of restaurant business. And as such, Dian Shui Lou restaurant has been providing authentic and classic menus for a long term combining local and seasonal fresh food ingredients. Unique and innovative recipes are researched and developed. They have been honored with countless awards over the years. Although it declined to join in the Taipei Michelin rating, it was nevertheless listed for a fourth consecutive year on Michelin's official "Bib Gourmand" recommended food list.

Dian Shui Lou has already expanded its business territory to Shanghai on the Chinese mainland); and opened the second restaurant in Tokyo, Japan, an international gourmet capital, located right next to Shinjuku Station and across from Isetan Department Store, combining both fashion and culture. It is easily accessible and can accommodate more higher-end customers and tourists.

④Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The promotion of tourism and delicacies by the government has brought about positive benefits on the dining market.
- b. Promoting multi-national cuisines to differentiate from the general market.
- c. The restaurant has been developing innovative cuisines with seasonal and local food ingredients to keep customers interested in dining at the restaurants at all times.
- d. Food safety issue has gained prominence. The Group established its own food safety office to take charge of assisting restaurants in proactively spontaneous health management and manage food ingredients from the source.
- e. There are a variety of choices over products to give away in holiday seasons; the production and sales are steadily growing.
- f. Outstanding brand image.
- g. Access to group resources for maximum advantages of the Group
- h. A combination of frozen dough, frozen noodles, Oil & Fat, frying oil and fats, Duroyal ice cream, Paulaner freshly brewed beer and other resources of the company to promote and to create innovative neighborhood compounded restaurant.
- i. and tourism factory resources are combined.
- j. In light of the pandemic, steps have been taken to improve self-pick up service at the restaurant and in addition to the restaurant's delivery services, the restaurant also provide frozen products for consumers to enjoy at home.
- k. Capitalize opportunities of stay-at-home opportunities by providing diverse Namchow products, such as Namchow Crystal Soap products, Little Cook Slow-Cooked Noodles, Namchow High-fiber Aseptic Cook Rice and Thai-styled precooked food developed by Namchow Thailand and so forth.

B. Undesirable factors for development prospects

- a. The outbreak of COVID-19 around the world in 2020. From the date January 27, 2020 (third day of the

Chinese Lunar New Year) the restaurant is impacted by the condition of customers coming in for meals. The pandemic is getting intense when the virus mutated, restaurant received booking canceled when local COVIN-19 cases announced. Except the domestic market recession, visitors to Taiwan also decreased to zero, impacted on the food and beverage industry even more. Despite the increasing rate of vaccination in Taiwan, the domestic food and beverage industry is still recovering at a sluggish pace, as the demand for catering for overseas visitors (or for banquet receptions) is still limited at best.

- b. The catering market is fiercely competitive, presenting a state of oversaturation, shifting business districts and changing crowds, challenging the stickiness of guests.
- c. Commodity prices are rising yet people's incomes have not increased. This has an effect on the number of people eating out and on their budgets for food consumption.
- d. Depletion of marine resources, abnormal climate, livestock and poultry disease and collaboration in the government's labor safety policy have driven up the goods receiving cost and personnel cost.

C. Countermeasures

- a. In light of the pandemic, we have adopted several anti-epidemic measures. Examples include daily monitoring of the temperature of colleagues and guests, strengthening the disinfection of elevator spaces, increasing the spacing of passenger seats or upgrades, providing dry hand cleaning stations and alcohol wipes for guests to clean and disinfect their hands, and provision of public-use chopsticks with each dish. This is all done so that guests can have more peace of mind. In addition, in response to epidemic protection and the needs of customers, the restaurant provides takeaway snacks at the door of the store, conference lunch boxes, etc., as well as personal delivery services. This differs from general outsourcing in that the meal is delivered by the colleagues of the restaurant in person. This gives more control over staff management and meal quality, and also gives guests more peace of mind. Furthermore, it actively expands the market for home catering and catering for offices and meetings in order to nurture and cultivate local customers from younger age groups.
- b. One-stop service, select food ingredients, and changing menus help meet the demand of consumers, increase the number of customers, and consolidate the customer base.
- c. Customized sites (e.g. forum banquet, Nakasi singing party, birthday banquet, wedding banquet, etc.) and services (e.g. take-out, delivery, catering, etc.) to satisfy the consumers' requirements for various banquets.
- d. Taking advantage of computer software, online resources to realize full communication (for example, FaceBook fan pages for each restaurant, 3D illustrating of the dining venue and so forth) with consumers and increase operating efficiency and competitiveness.
- e. We continue to insist on going the right way to strengthen consumers' confidence in our brand. In the food safety storm, consumers are willing to pay a higher value for eating safely.

(2) Dining in mainland China

① Distribution of locations major products are sold to:

A. Dining services for consumers.

B. Location: Shanghai, China.

② Brands and business locations:

	Brand	Location
	<p><b>Shanghai Paulaner Beer Restaurant</b></p> <p>The restaurant serves freshly brewed German beer and authentic Bavarian cuisine (i.e. pork knuckle, sausage and so forth). The restaurant also provides various banquet services and is capable of accommodating various large networking activities to satisfy the needs of different customers.</p> <p><a href="http://www.bln-restaurants.com/paulaner/">http://www.bln-restaurants.com/paulaner/</a></p>	<p>1. Binjiang Store 2. National Convention Center store/Expo Centre Store 3. Raffles City Changning Store 4. Shanghai North Bund store</p>
	<p><b>KÄ FER Binjiang No. 1 Premium European Cuisine</b></p> <p><a href="http://www.bln-restaurants.com/kaefer/">http://www.bln-restaurants.com/kaefer/</a></p>	<p>Shanghai North Bund store</p>

③ Future supply and demand and growth on the market:

Namchow first ventured into the food and beverage service market in 1997 and opened the Paulaner Beer Garden restaurant in Shanghai. Since then, the company has remain committed to the development of delicious cuisine and fine dining. As the quality of life and level of consumption continue to rise in Shanghai, such developments have brought significant benefit to the development of local culinary culture. Unfortunately, starting from 2020, COVID-19 has ravaged the world and affected the lives of all for almost two years. Consequently, cultural activities and international business operations have almost slowed down to a halt. Such unfortunate development brought devastating impact on the food and beverage industry.

Even though the situation began to improve slowly in 2021, the change in consumption model and consumer habits had been inevitable. A new wave and trend of food and beverage market is already in place, with high-end establishments and shops/stores that are trending online becoming the new standard in buzz marketing.

④ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

- A. Competitive niche and desirable factors for development prospects
  - a. Well-known brand image.
  - e. Obtain contract qualification for large-scale outsourcing.
  - c. Leverage prepackaged food to reduce overall costs.
- B. Undesirable factors for development prospects
  - a. Increased costs of operation such as food ingredients, rent, human resources, and management
  - b. Fierce competition on the western dining market.
  - c. Changing dining habit and popular professional dining APP delivery service
  - d. Larger restaurants are more difficult to manage and maintain.
- C. Countermeasures
  - a. Continue to emphasis the exclusive value on the dining market.
  - b. Adopting quality pre-packaged products to save manpower and increase profits

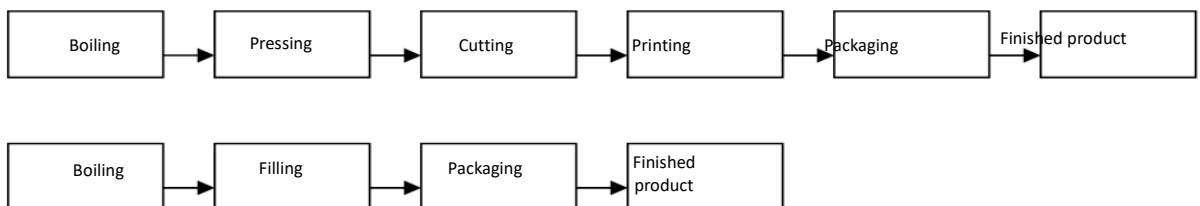
(II) Purposes and production processes of main products

1. Purposes of main products

- (1) Cleaners: For cleaning clothes, dishes, skin, and the environment, etc.
- (2) Bakery products
  - ① Baking oil: for baking, catering and food processing. Used for producing various baked products such as bread, cake, and Chinese dim sum.
  - ② Frozen dough: frozen semi-finished products that fall in the bread category With the designed bread made into frozen dough, customers (store owners) only have to thaw, ferment, and bake it and fresh-roast bread or desserts are ready to serve (to the consumers).
- (3) Flour-based foods
  - ① Frozen noodles: With noodles producing technology that leads the world, noodles are cooked to the extent where they taste the best and frozen fresh at -35. Before eating, one only has to reheat it. It is easy, convenient, tasty, safe, and can accommodate diversified preparation techniques.
  - ② Instant noodles: Delicious, tasty, fast, convenient, and nutritious products are made.
- (4) Ice products: raw materials for making ice products and sweets and prepared drinks.
- (5) Rice-based foods
  - ① Ambient-temperature rice: Raw rice is prepared applying high technology to render delicious cooked rice that can be kept at ambient temperature. The rice is claimed to exercise health-preserving benefits. Rice is made delicious and easily accessible.
  - ② Rice crackers: Delicious and tasty desserts and foods that are popular among the young and the old are produced through the continuous and automatic production process to meet the demand for eating healthily.
- (6) Dining in Taiwan: Serving authentic local, sanitary, and safe delicious cuisines, providing thoughtful and tailored services, and passing down the Chinese dietary culture.

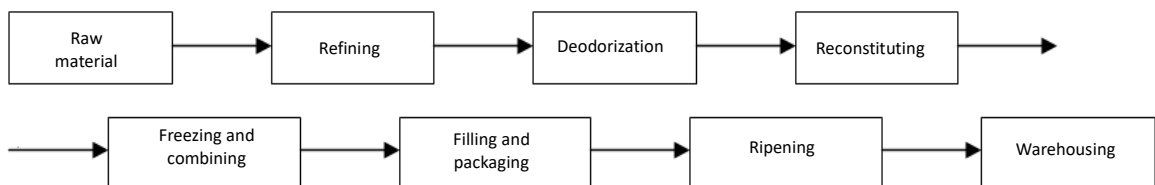
2. Production and preparation processes of main products

(1) Production flowchart for cleaners



(2) Production flowchart of baked products

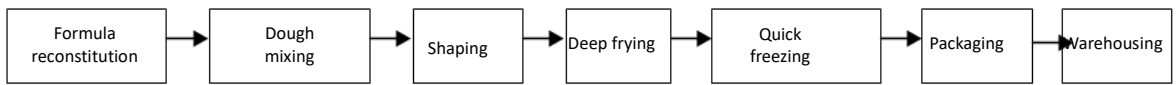
① Baking oil



② Frozen dough

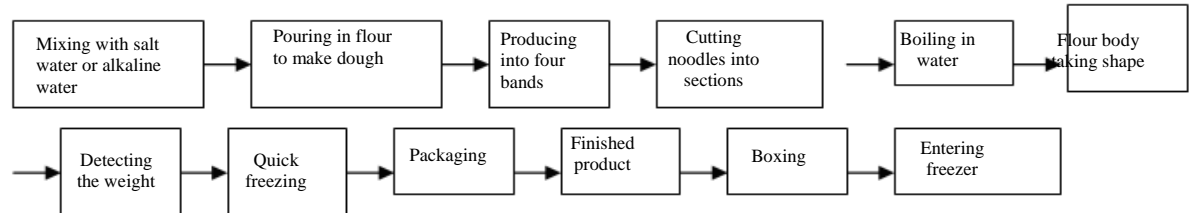


③ Pre-deep-fried frozen dough

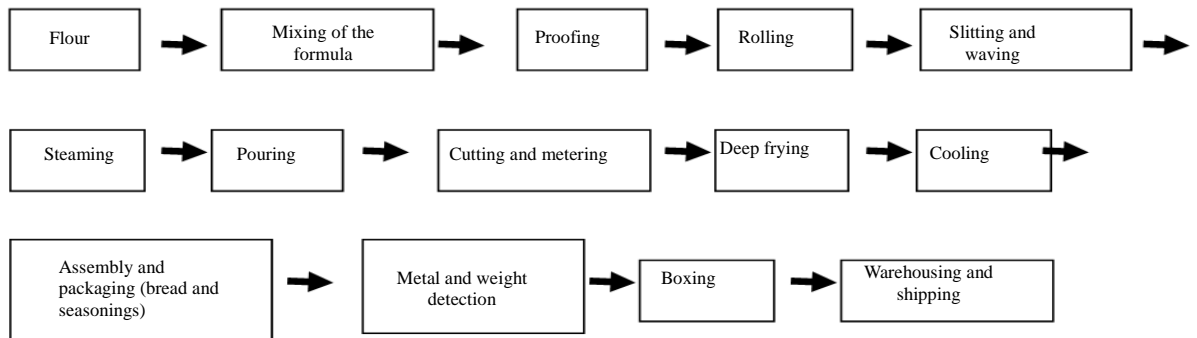


(3) Production flowchart for flour-based foods

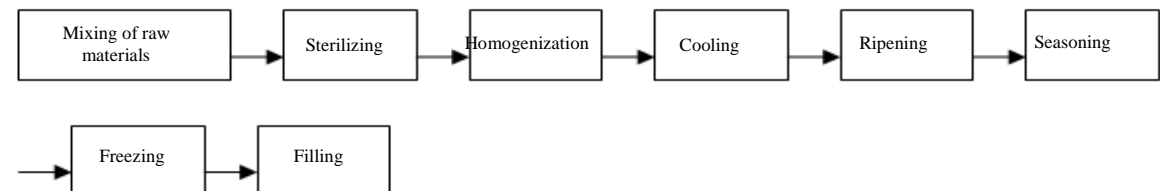
① Frozen noodles



② Instant noodles

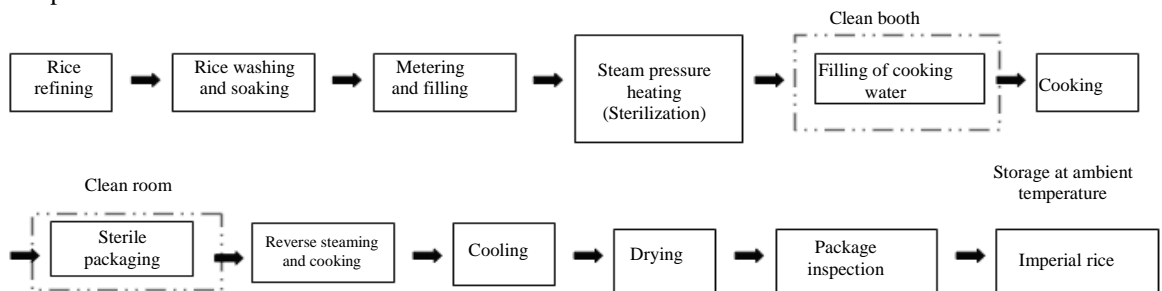


(4) Production flowchart for ice products

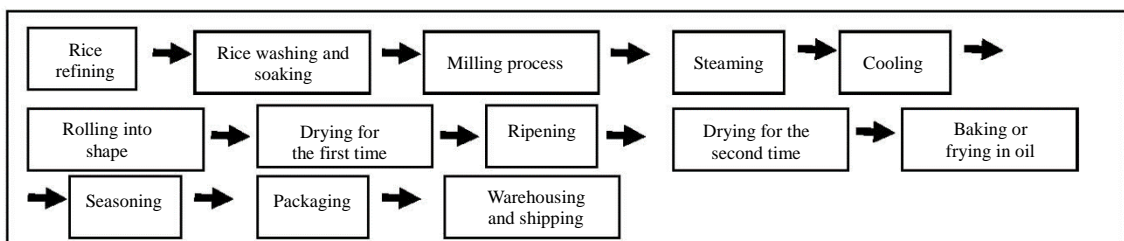


(5) Production flowchart for ice crackers

① Aseptic cooked rice



② Rice crackers



### (3) Supply of main raw materials

#### 1. Cleaners

The main raw ingredient of soap is oil and fat; it can be butter, coconut oil, palm oil, and canola oil, which are bulky raw materials on the international market. Because of the climate and international supply and demand, prices on the international market fluctuate. Selling prices on the market need to be planned in advance to reflect the cost and to avoid undermined profits as a result of the fluctuations. In marketing, we continue to pass on natural, skin-friendly, and environmental protection ideas. In this way, we let the public understand the benefits that soap brings to life, and actively promote the concept of "green life, starting with soap."

#### 2. Bakery products

##### (1) Baking oil

The most important raw materials for oils and fats are palm oil, coconut oil, soybean oil, butter, and rapeseed oil, all of which are bulky raw materials on the international market, whose supply and demand at the source are under close control by related units to make sure that they are imported by schedule. Cost monitoring and management becoming difficult due to the impact of inflation in market quotes of raw materials due to COVID-19 and turbulent international situation. Nevertheless, the company continuous to stay abreast with the trend of market quotes and information, to sourcing with in right time to make the cost of oils & Fats raw materials effectiveness and reasonable control.

##### (2) Frozen Dough

Main raw materials are the flour, oils and fats, yeast, chicken eggs, sugar, and various stuffing, among others.

###### ① Frozen dough in Taiwan

A. Flour needs to be supplied by domestic flour manufacturers.

B. Oils and fats are provided by the Company's oils and fats business. Integration of mutual resources inside the Company in the research and development of oils and fats, particularly as needed for the production of the frozen dough, is the key to the management advantages.

###### ② Frozen dough in Mainland China

In light of the underlying thresholds and restrictions in the acquisition of raw materials in Mainland China, Namchow sets higher requirements and is more cautious with the raw materials it obtains in order to have consistent high quality. It only chooses Quality Service (QS) certified suppliers.

A. Oils and fats: The Company's Tianjin factory supplies oils and fats meant particularly for the production of frozen dough and that can be used in food processing. Unique oils and fats can be tailor made reflective of the frozen dough product and production process requirements.

B. Wheat flour: Imported and domestic quality wheat is used to produce the special wheat powder that is suitable for frozen dough. At least two suppliers of wheat powder are used to ensure a steady source of raw materials and quality of products.

C. White sugar: Quality white sugar is used to ensure food sanitation and safety.

D. Eggs: The eggs are from quality suppliers with a HACCP process and meeting food sanitation and safety requirements.

E. Various stuffings: Quality stuffings suppliers meeting national specifications are chosen. Quality stuffings are mixed and produced.

#### 3. Flour-based foods

##### (1) Frozen Noodles

① The main raw materials of Udon are the flour, acetic starch, and salt. The flour is imported by Namchow from Australia. Flour has been able to be purchased at appropriate time points reflective of the international factor, changes in prices and the production and distribution plan to keep reasonable inventory. Acetic starch is supplied by domestic dealers. The dealers set their own secure volumes.

② The main raw materials of ramen, soba, spaghetti, and Chinese noodles are flour, acetic starch, gluten, egg white powder, improver, alkali, salt, and pigments, among others. Besides flour, salt, and improver, which are manufactured domestically, all the others are purchased through agencies. All of the raw materials are closely monitored according to the production and distribution plan at the source of supply by related units and there is reasonable inventory at any time.

##### (2) Instant Noodles

The main raw material is flour. The international market price of wheat and harvest seasons of wheat in areas around the world have to be kept track of. The exchange rate factor has to be considered and a global purchase strategy is applied to obtain flour supplies.

#### 4. Ice Cream

The main raw materials are the skimmed milk powder, clarified butter, oils and fats, and special sugar, among others.

① Skimmed milk powder, clarified butter: Lucky Royal Co., Ltd. is to import dairy products from Australia & New Zealand where cows are let to roam the prairie in the nature. The required quantities are to be

purchased whenever it is considered appropriate according to the international market price and there has to be the safety stock.

②Oils and fats: Namchow oils and fats are used because they are of optimal quality and come from safe sources. The supply is steady and prices are reasonable.

③Special sugar: The special sugar from the Taiwan Sugar Corporation is used. Taiwan Sugar is known for its scientific sugar production methods and quality products. The supply is steady and prices are reasonable.

#### 5. Rice-based foods

##### (1) Aseptic cooked rice

The main raw materials are the packing materials and rice.

①Packing material: The sealing film and shallow plates used for the ambient-temperature rice are made of multi-layered obstructive functional materials that can completely keep off oxygen to accordingly inhibit the growth of microorganisms. There are no similar products available in Taiwan and hence they have to be imported from Japan. Joint development with domestic famous packing material heavyweight manufacturers will be a goal in the future to bring down the packaging cost.

②Rice: CNS first-grade optimal rice grown locally in Taiwan is used as the main ingredient for the delicious cooked rice. Efforts will be placed to further investigate the feasibility of devoted contract cultivation in order to maintain steady quantity and quality of this main raw material for the product and storage and transport conditions will be carefully monitored. What is most important is that a complete product production traceability and follow-up system has been in place to enable the general consumers to feel safe and assured with what they eat.

##### (2) Rice crackers

The main raw material is rice. Quality Jasmine rice from Thailand and other special rice are selected for the production in order to ensure quality of rice and steady supply. Contracts are entered into with suppliers to create a long-term partnership.

#### 6. Catering

##### (1) Dining in Taiwan

①Self-made beer: With the German wine-maker based on site, quality of fresh-brewed beer is carefully controlled.

②All the main raw materials are CAS, GMP, FGMP, HACCP, ISO22000 and ISO9001 certified and are strictly safeguarded in terms of sanitation and safety. In addition, food ingredient traceability is carefully created. Suppliers are being managed. For priority food materials, professionals from the food safety office will visit the site to make sure that they are grown or slaughtered in a sanitary and safe way. All meat products and seafood come with test reports and are sanitary and safe. In addition, local seasonal fresh food ingredients are used through collaboration with respective farmers' associations and farmers.

##### (2) Dining in mainland China

Providing subordinate restaurants with consistent semi-finished products applying the central kitchen idea.

(IV) Names of customers with 10% or more purchases or sales and the value of purchases or sales in the past two years and their ratios: please describe the reason for the increase or decrease.

1. Data of major suppliers in the past two years

Unit: NTD thousands

Item	2021				2020			
	Name	Value	Ratio in net purchases throughout the year (%)	Relationship with the issuer	Name	Value	Ratio in net purchases throughout the year (%)	Relationship with the issuer
1	Suppliers without reaching 10% or more of the total value of sales in any of these two years.							
2	Others	11,267,913	100	-	Others	8,534,247	100	-
3	Net purchases	11,267,913	100	-	Net purchases	8,534,247	100	-

2. Data of major sales customers in the past two years

Unit: NTD thousands

Item	2021				2020			
	Name	Value	Ratio in net sales throughout the year (%)	Relationship with the issuer	Name	Value	Ratio in net sales throughout the year (%)	Relationship with the issuer
1	Customers without reaching 10% or more of the total value of sales in any of these two years.							
2	Others	19,861,770	100	-	Others	17,621,763	100	-
3	Net sales	19,861,770	100	-	Net sales	17,621,763	100	-

Reason for the increase or decrease:

Purchase: mainly because of the substantially fluctuating oils and fats prices on the international market and changes caused by adjustment of the inventory

Sales: the increase was mainly attributed to increased consumption due to the slowly recovering economy from the impacts of COVID-19 in 2020.

## (V) Production volumes/values in the past two years

Unit: Ton - NTD thousand

Output Volume Key products (or department)	Year	2021			2020		
		Throughput	Production volume	Production value	Throughput	Production volume	Production value
Oils and fats		268,327	162,305	8,954,233	268,327	142,511	6,413,888
Cleaners		9,420	5,966	280,392	9,420	6,607	288,894
Ice Cream		19,022	8,603	803,993	18,098	10,166	739,421
Foods		66,174	31,688	2,568,474	66,174	30,840	2,723,252
Frozen Dough		15,626	9,160	1,092,663	14,254	8,737	843,402
Others		2,098	1,660	206,827	2,098	1,076	166,645
Total		380,667	219,382	13,906,582	378,371	199,937	11,175,502

## (VI) Sales volume/values in the past two years

Unit: Ton - NTD thousand

Sales value Key products (or department)	Year	2021				2020			
		Domestic		International		Domestic		International	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Oils and fats		14,926	1,072,587	147,534	11,613,464	17,733	1,128,201	130,517	9,473,336
Cleaners		5,143	502,638	0	0	6,090	555,060	0	0
Ice Cream		8,291	1,186,805	0	0	9,659	1,065,465	0	0
Foods		8,257	486,158	23,972	2,750,858	8,337	460,078	22,692	2,941,886
Frozen Dough		3,704	471,713	4,699	869,323	4,317	518,452	3,392	490,373
Catering		0	310,877	233	501,571	0	414,165	261	542,811
Others		0	47,003	0	48,773	0	10,661	0	21,275
Total		40,321	4,077,781	176,438	15,783,989	46,136	4,152,082	156,862	13,469,681

### III. Information of Employees

Information of employees in the past two years and up to the date of printing of the Annual Report

Year		2020	2021	As of March 31, 2022
Number of employees	Domestic	1,421	1,278	1,245
	International	3,466	3,266	3,242
	Total	4,887	4,544	4,487
Mean age		35.71	38.93	39.14
Mean seniority in service		6.57	7.58	7.63
Degree Distribution Ratio	PhD	0.04%	0.02%	0.05%
	Master	4.83%	5.20%	5.28%
	College and University Graduate	36.01%	38.10%	37.46%
	Senior high/vocational high school graduate	33.97%	35.20%	32.83%
	Below senior high/vocational high	25.15%	21.48%	24.38%

## IV. Information on Environmental Protection Expenditure:

### (I) Environmental protection information on Taiwan factories

#### Taoyuan Factory

2021/8/20 AM 11:00 Inspector from Taoyuan Department of Environmental Protection audited Namchow Oils & Fats at Taoyuan Factory by inspecting its fixed source of pollution: broiler steam generation process (M1) and edible oil and fat manufacturing process - vegetable oil processing and manufacturing process (including animal fat processing and manufacturing process) (M02). The inspector found that the factory's M02 air pollution prevention equipment - wet scrubber (A201) showing the pressure control value at 0.2cmH<sub>2</sub>O, while the legally permitted range is 2~6 cmH<sub>2</sub>O. The inspector (M02) deemed the situation to be a violation of Section 2, Article 24 of the Air Pollution Control Act and imposed a fine of NT\$ 100,000 pursuant to Section 1, Article 62 of the Air Pollution Control Act.

The air pollution prevention equipment (wet scrubber) had long been installed at the factory and was in normal operation. The violation was attributed to an unexpected malfunction of the pressure differential gauge and no pollution was detected. Although the company has lodged a complaint to challenge the fine with the EPA, the complaint had not been accepted.

#### Improvement measure:

1. The pressure differential gauge had been replaced in the afternoon of August 20, 2021 and the reading has been normal ever since.
2. The factory has assigned designated personnel to inspect the gauge and keep a log of the reading on a daily basis.

### (II) Expenses on environmental protection of companies and factories in Mainland China

#### 1. Company: Tianjin Namchow Food Co., Ltd.

No.	Item	Value in 2021 (RMB)
1	Environmental protection	3,000
2	Environmental monitoring	57,550
3	Environmental evaluation fee	30,000
4	Hazardous waste treatment	60,748.60
5	Regulatory treatment of solid waste (sludge disposal)	634,841.70
6	Treatment of daily trash	127,380
7	ISO14001 system consulting and certification fees	15,500
8	Revision of environmental incident contingency plan	43,000
9	Purchasing COD online monitoring system for sewage plant with mixed sampler	48,750
10	Flootation tank anti-corrosion treatment	42,500
11	Replacement of aeration system for the aerobic pool	211,000
12	Technical support and maintenance services for sewage treatment plant	135,000
13	Agency fee for sewage treatment	342,016
14	Operating and Maintenance Expenses for COD monitoring system for sewage from production	46,000
<b>Total</b>		<b>1,797,285.87</b>

2. Company: Tianjin Yoshi Yoshi Co., Ltd.

No.	Item	Value in 2021 (RMB)
1	Environmental monitoring	14,250
2	Hazardous waste treatment	37,585
3	ISO14001 system consulting and certification fees	8,775.00
4	Maintenance and Operating Expense from COD monitoring facility from sewage of domestic sewage	43,000
<b>Total</b>		<b>103,609.74</b>

3. Company: Guangzhou Namchow Food Co., Ltd.

No.	Item	Value in 2021 (RMB)
1	Regulatory service	3,755
2	Environmental protection monitoring	72,735
3	Sewage treatment agents	1,270,439
4	Sewage\sludge treatment	411,032
5	Treatment of daily trash	42,374
6	Public sewage treatment	294,053
7	ISO14001 & OHSAS18001 certification	16,551
8	Hazardous sewage treatment	46,226
9	Discharge fee/discharge tax	251
10	Others	880,557
<b>Total</b>		<b>3,037,973</b>

4. Company: Guangzhou Yoshi Yoshi Co., Ltd.

No.	Item	Value in 2021 (RMB)
1	Waste liquids treatment	195,653
2	ISO14001 & OHSAS18001 certification	10,634
3	Hazardous waste treatment	16,981
4	Treatment of daily trash	49,808
5	Environmental protection monitoring	11,132
6	Other expense	37,188
<b>Total</b>		<b>321,396</b>

5. Company: Shanghai Namchow Food Co., Ltd.

No.	Item	Value in 2021 (RMB)
1	Environmental protection equipment maintenance costs, renovation	285,682.80
2	Hazardous sewage treatment	67,062.10
3	Environmental protection tax	1,152.73
4	Garbage removal	215,694.80
5	Chemical Compound for Sewage (reagent, acid and alkali)	159,387.60
6	Inspection fee (exhaust gas, sewage)	47,664.16
7	Service Fees for Environmental Protection (Service Fees for Sewage Technics, Environmental Impact Assessment of Planning and Maintenance fees for Environmental Protection Facilities)	138,153.20
8	Sewage Treatment Fees	286,331.76
9	Electricity consumption of sewage treatment plant	201,044.00
<b>Total</b>		<b>1,402,173.15</b>

6. Company: Shanghai Qiaohao Food Co., Ltd.

No.	Time	Item	Description	Value in 2021 (RMB)
1	January-December 2021	COD reagent fee	Consumables needed for online monitoring facilities of the sewage plant	2,212
2	January-December 2021	Ammonia nitrogen reagent	Consumables needed for online monitoring facilities of the sewage plant	2,212
3	January-December 2021	Expenses for handling the kitchen waste and the expenses for cleaning the grease trap	According to the requirements, the kitchen waste and the disposal of grease shall be handled by the unit with certain criteria.	52,453
4	January-December 2021	Environment Health Management Office, waste collection fee	According to the requirements, the kitchen waste and the disposal of grease shall be handled by the unit with certain criteria.	4,000
5	January-December 2021	Purchasing and transportation fee for activated sludge	Freight fee for the purchase of sludge needed for the biological treatment at the wastewater treatment at the sewage plant	2,752
6	January-December 2021	Inspection of three wastes (wastewater, noise and emissions from the factory)	Regular inspection on the waste water, emissions and noise of the company in accordance to the requirement of the discharge permit.	29,325
7	January-December 2021	Hazardous waste transportation and handling fee	According to the "Law of the People's Republic of China on Prevention and Control of Solid Waste", the hazardous sewage treatment shall be appointed to certain unit with related qualifications	12,370
8	January-December 2021	Sewage pipe unclogging fee	Fee for outsourced sewage pipe unclogging	2,000
9	January-December 2021	Total phosphorus reagent	Consumables of phosphorus reagents used for routine self-inspection of total phosphorus concentration in wastewater	1,699
<b>Total</b>				<b>109,023</b>

## V. Employer-employee Relations

Since the Company was established, it has been valuing benefits for and the health of its employees very much and looking at employees as its most important assets. Therefore, when planning and implementing respective personnel systems and welfare measures, the Company place employees at the core. Various personnel and welfare systems are described as follows:

(I) Personnel system:

Personnel guidelines are established in compliance with the Labor Standards Act and applicable laws and regulations; there are requirements on the wages, working hours, leave, retirement, labor safety and health, gender equality, and various types of welfare for employees.

(II) Retirement system:

The Namchow Group has the “Labor Pension Fund Monitoring Committee” in place as it is required by law and periodically recognizes the net cost of the pension fund according to the results calculated by the actuary on a yearly basis. According to the retirement system indicated in the Labors Standards Act, it sets aside a retirement reserve for employees to whom the old system applies in the dedicated account with the Trust Department of the Bank of Taiwan in order to protect the rights of employees. For those to whom that the Labor Pension Act applies, 6% of their salary is set aside to the personal pension fund account at the Bureau of Labor Insurance. All are meant to properly take care of employees while they are at work and after they retire. In accordance with the Labor Standards Act as amended on February 4, 2015, the new Article 56 Item 2 was implemented to implement the retirement labor pension full-payment system. Employers should estimate the retirement pension required for the next year’s achievement of retirement conditions before the end of each year. And before the end of March of the following year, they should make up the difference in labor retirement reserve to the Taiwan Bank retirement fund account. The Namchow Group completed the full provision of the prior labor returns in accordance with government regulations.

(3) Gender equity in employment:

The guidelines for handling complaints about sexual harassment are established to pro-actively protect gender equality in employment and enable both genders to apply their skills in a fair, open and just working environment. Meanwhile, the Company works with registered legal daycare centers which provide children of its employees with preferred rates so that employees can take care of their family and their work at the same time. The hope is that employees can grow together with the Company.

(IV) Employee benefits:

1. Employee Welfare Committee

The Employee Welfare Committee is established to plan for the establishment of a welfare system and to continue promoting various benefits; the information is provided to colleagues through the intranet of the Company.

2. The following shows the various benefits made available by the Company and the Employee Welfare Committee. The fundamental welfare value that each employee is entitled to each year totals around NTD 11,000

Category	Item
Educational subsidies for children	Educational scholarships and discounts on child-care/education are provided for children
Club/activity subsidies	Subsidies for holidays, gatherings, club equipment and venues, and activities.
Festival/birthday gift	Gifts for the three major festivals, the festival for the elderly, New Year’s Day, birthday
Employee insurance	Labor Insurance/National Health Insurance Group insurance (life insurance, accident insurance, accident medical insurance, hospital cover, cancer insurance, medical care)
Pension	There is the retirement fund set aside for each employee in accordance with the Labor Standards Act and the Labor Pension Act.
Medical care	1. Health exams for employees 2. Condolence payments for employees and family members of the first degree upon hospitalization 3. Wedding and bereavement gift/Condolence payment/Birthday gift

(V) Continuing education and training:

Employees are important assets of Namchow. The Company pro-actively develops talent through various types of educational training:

1. New employee training: including basic training and introduction training, to help new employees understand the Company's landscape and operational model and adapt to the Company's culture and working content as soon as possible
2. Internal training: Hold food safety and health training, food safety control training, food protection training, food factory and food practitioner related training, operational safety and hygiene, fire extinguishing, financing accounting, management and etc.
3. External training: Employees can submit a request to be approved by the head of their department and take part in external training programs that suit their needs at work
4. Participating in exhibitions/seminars: To help extend the horizon of its employees and help them absorb new knowledge, the Company sends them to attend food fairs and seminars in the nation and overseas.

(VI) Workplace and personal safety:

Create a safe, sanitary and healthy workplace, hold fire prevention/public safety training, employee safety educational training, rescue staff safety and health educational training, and safety and health ideas and prevention against disasters, among others.

(VII) Employer-employee Relations:

Being aware of the importance of co-existence and co-prosperity between employers and employees, the Company proactively promotes a harmonious employer/employee relationship by comprehensively reinforcing communication and coordination and constantly improving the workplace. In addition, the industrial union is established by law. The parties communicate with each other periodically and from time to time to reach a consensus. In the future, efforts will continue to bring together the employer and the employees by heart applying the principle of integrity to jointly create profits.

(VIII) Employer-employee disputes in the past three years: None

## VI. Cyber Security Management

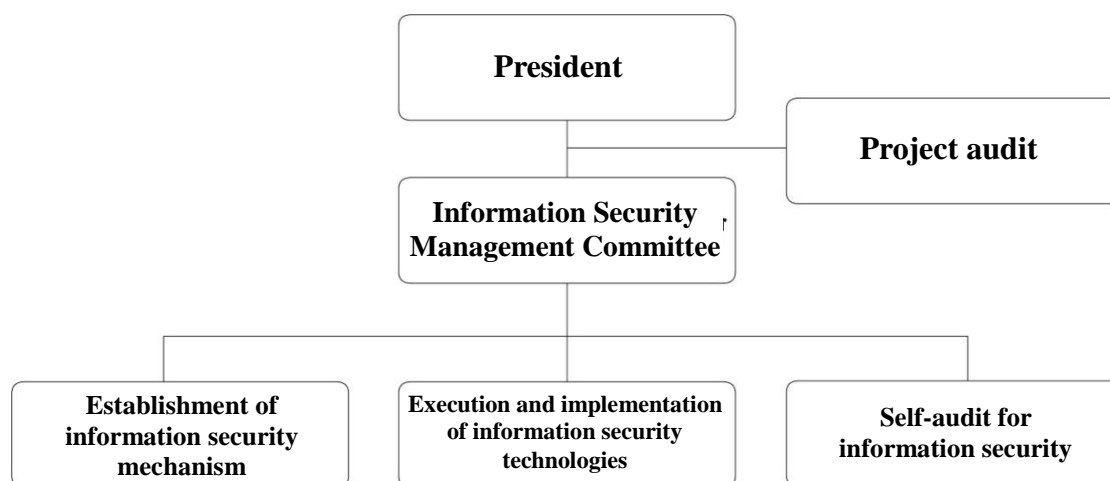
(I) Cyber security management strategies and framework

1. Cyber security risk management framework

(1) Corporate information security governance organization

The IT Department oversees the Information Security Management Committee, both of which are responsible for the overall planning and establishment of information security and protection related policies, relevant implementations, risk management and compliance audit. The highest ranking supervisor of the corporate information security organization shall report every half year to the President on the results of information security management, related issues and directions. The Project Audit shall shoulder the responsibility for the supervision and governance of corporate information security, and be responsible for auditing the management mechanism and direction of the company's information and network security.

(2) Information security organization structure

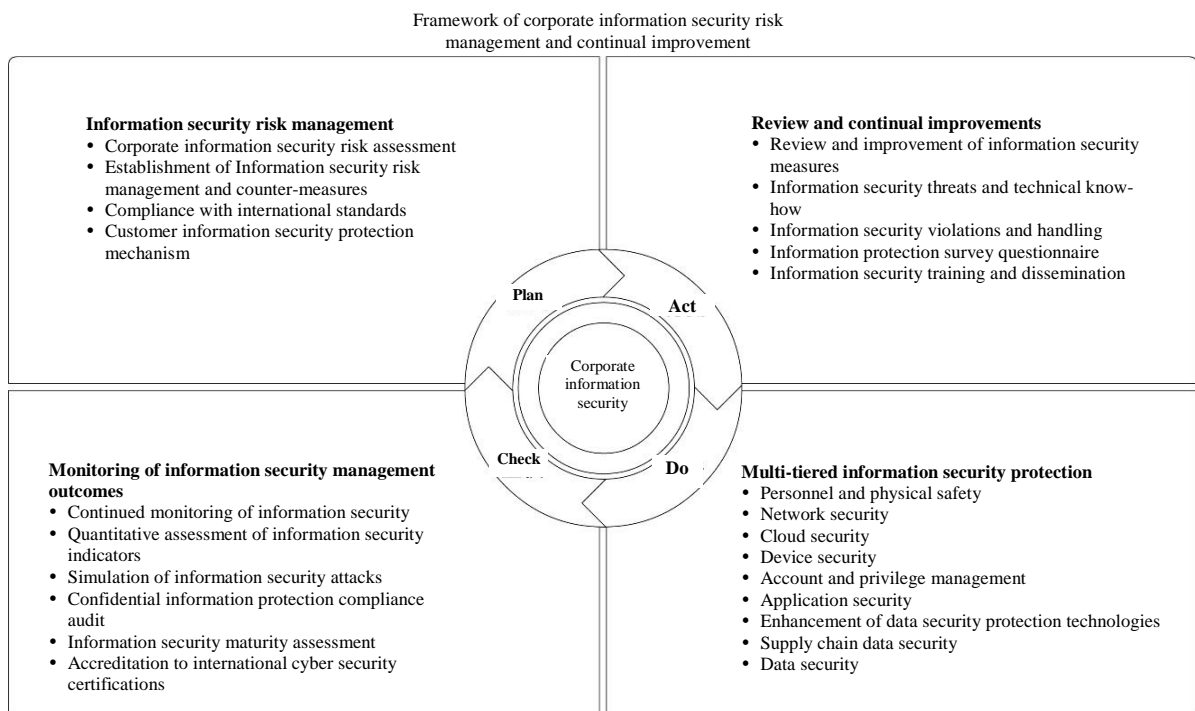


## 2. Cyber security policy

- (1) Our corporate information security management strategy involves the establishment of a corporate information security organization and in order to ensure effective information security management, the organization has been conducting monthly meetings with the “Information Protection Taskforce” at the Taiwan factories and various subsidiaries, following the Plan-Do-Check-Act (PCDA) management cycle to review the suitability of existing information security policy and relevant protective measures. The organization is also expected to report periodically to the dedicated Information Security Committee on the outcome of relevant executions.

In the “Plan” stage, we emphasize information security risk management by establishing a comprehensive information security management system (ISMS), designed to reduce corporate information security threat from various aspects of systems, technologies and procedures while building a protective service at maximum specification for confidential information as needed by our customers. In the “Do” stage, we proceed to construct multiple tiers of information security protection and continue to incorporate the latest technologies in information security protection to integrate relevant control schemes in the operation of relevant software and hardware, daily management/administrative procedures involving information security management for suppliers so as to systemize the security of monitoring data, thereby maintaining the confidentiality, integrity and accessibility of key assets. In the “Check” phase, we shall actively monitor the results of information security management to identify relevant key indicators for information security and perform relevant qualitative analyses. Through scheduled simulation of information security threats and attacks, we would be able to complete our assessment of information security maturity. For the “Act” phase, our efforts will be focused on relevant reviews and continual improvements while performing supervisions and audits to ensure lasting effectiveness of our information security regulations. On top of that, we will also implement scheduled reviews of relevant performance indicators and maturity assessment before taking corresponding actions such as introducing new information security measures, employee training or dissemination of specific improvements to ensure the integrity of confidential information.

- (2) Framework of corporate information security risk management and continual improvement



### (3) Concrete management solution

<p>Network security</p>	<ul style="list-style-type: none"> <li>• Introduce advanced technologies for PC scanning and firmware updates</li> <li>• Strengthen network firewall and network control to prevent computer virus from intersystem and inter-factory outbreak</li> </ul>
<p>Device security</p>	<ul style="list-style-type: none"> <li>• Construct virus scanning mechanism for incoming machinery/equipment to prevent equipment with malware from entering the company's system</li> <li>• Introduce terminal virus prevention measures in accordance with PC types and strengthen the detection of malicious software/behaviors</li> </ul>
<p>Application security</p>	<ul style="list-style-type: none"> <li>• Establish self-inspection checklist, assessment standard and objectives for improvement for development applications</li> <li>• Continue to strengthen security control mechanism for applications and integrate said mechanism relevant development processes and platform</li> </ul>
<p>Supply chain data security</p>	<ul style="list-style-type: none"> <li>• Construction of information security self-audit mechanism for suppliers</li> <li>• Periodically convey the company's latest information security regulations and relevant precautions</li> </ul>
<p>Data security protection technology enhancement</p>	<ul style="list-style-type: none"> <li>• Develop advanced information protection tools and fortify document confidentiality classification and data protection with data label</li> <li>• Encryption control for document and data and effective tracing</li> <li>• Control of outgoing email</li> </ul>
<p>Training and dissemination</p>	<ul style="list-style-type: none"> <li>• Bolster employees' awareness for potential social engineering attacks in their emails and implement phishing detection</li> <li>• Conduct routine training and drills to help employees strengthen their ability to identify potential attacks and enhance their awareness for information security</li> </ul>

## (II) Cyber security risks and counter-measures

### 1. Information technology security risks and management measures

Although the company has already established comprehensive network and PC related information security protective measures, there is no way to guarantee that key computer systems responsible for the control or maintenance of key corporate functions (i.e. manufacturing, operation, accounting and so forth) is fully protected from network attacks from a third-party with the intention of crippling our systems. These network attacks may invade the company's intranet system and sabotage the company's operations or damage the company's reputation through various malicious activities. Once subjected to aggressive network attacks, it is possible for the company's systems to lose essential data and even potential disruption of production lines. Through continual reviews and assessment of our information security regulations and procedures, the company could ensure their suitability and effectiveness. Nevertheless, there's no guarantee that the company will be safe from the potential risks and threats of information security, given how rapidly relevant technologies are progressing. It is also possible that network attacks might be perpetrated to steal the company's business secrets or other confidential information (i.e. information belonging exclusively to our customers or other stakeholders or personal information of our employees).

Malicious hackers may also try to upload computer virus, malware or ransomware to the company's network system as a way to interrupt the company's operation, blackmail or extort the company for access/control of its computer systems or prying for confidential information. Such attacks may lead to delays or disruption of order fulfillment for the company, thereby incurring loss for the company due to compensation paid to customers for their losses. Alternatively, such attacks may also incur substantial costs for reparation, recovery or improvement measures to fortify the company's network security system. In addition, the company may also be involved in relevant legal or regulatory investigations due to the loss of information/belonging to employees/customers/third-parties which the company is responsible for keeping confidential, thereby assuming significant legal liabilities.

The company used to face attacks or may face similar attacks in the future due to purchase of equipment that has been preloaded with malware. In order to prevent and alleviate the potential damages caused by such attacks, the company has implemented and continually updated relevant improvement measures, such as the introduction of virus scanning mechanism for incoming machinery/equipment to prevent equipment with malware from entering the company's system; strengthening network firewall and network control to prevent computer virus from intersystem and inter-factory outbreak; introducing terminal virus prevention measures in accordance with PC types and strengthen the detection of malicious software/behaviors; introducing advanced solutions to detect and handle malware; designing and developing PC with enhanced information security features for employees; designing and developing cloud application security policies; introducing new technologies to fortify data protection; strengthening phishing detection; building an integrated automatic information security platform and performing routine employee alertness tests and commissioning external experts to perform information security evaluation. Although the company has continued to strengthen its information security protection measures, there is no guarantee that the company will be fully protected against malware and hacker attacks.

In addition, the company is required to disclose highly sensitive and confidential information to third-party service providers that work with the company and its affiliates around the globe so that they could provide their services. Even though the company has requested all third-party service providers to abide by relevant confidentiality/network security regulations when entering into service contracts with them, there is no guarantee that all third-party service providers would strictly abide by these terms. In addition, the company's intranet system and external cloud computing network (i.e. server) maintained by aforementioned service providers and/or contractors might also be exposed to the risks of network attacks. If the company or its service providers are unable to resolve technical issues caused by such online attacks in time or ensure the integrity and usability of data belonging to the company (or its clients/other third-parties) or regain control of the company (or its service provider)'s computer systems, the company may be exposed to threats of serious losses and failing to keep promises that the company has made to customers or other stakeholders. Consequently, this could result in dire consequences and impact on the company's operations, finances and reputation.

### (III) Major cyber security incidents

There has been no major cyber security incidents in the year and no losses have been incurred.

## VII. Important Contract

Nature of contract	Client	Start/end dates of contract	Main contents	Restrictions
Trademark Use Contract	Subsidiary Namchow BVI and Germany Paulaner	October 01, 2019-September 30, 2029 automatically extend for ten years after the contract expires, and automatically extend for another five years after expiration	According to the contract, the monthly trademark usage fee is calculated by multiplying the monthly net turnover by multiplying the fixed ratio by the revenue from the restaurant's beer sales minus service fees and value added tax.	None
Trademark Use Contract	Subsidiary Lucky Royal and Germany Paulaner	October 01, 2019-September 30, 2029 automatically extend for ten years after the contract expires, and automatically extend for another five years after expiration	The company provides trademark use rights, assists in planning the establishment of restaurants, providing consulting services and brewing technology. Lucky Royal pays the right to use the trademark.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Test Rite Retail Co., Ltd.	2020.08.01~2023.07.31	It is agreed that a certain percentage of the total turnover will be selected.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Mitsui Outlet Park	2019.4.01-2031.3.31	It is agreed that a certain percentage of the total turnover will be selected.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Pacific Sogo Department Store, Fuxing Branch	2017.03.01~2022.02.28 2022.03.01~2022.08.31	It is agreed that a certain percentage of the total turnover will be selected.	None

## VI. Financial Status

### I. Brief Balance Sheet and Income Statement for the Past Five Years

#### (I) Brief Consolidated Asset Balance Sheet

Unit: NTD thousands

Year Item		Financial data of the past 5 years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		9,894,941	9,580,966	9,512,619	10,796,850	16,011,182
Funds and long-term investments		43,025	40,259	43,623	19,822	24,795
Real estate, manufacturing facilities and equipment		11,758,190	11,840,792	12,408,247	12,749,928	11,887,111
Intangible assets		105,417	105,417	105,417	105,417	105,417
Other Assets		654,381	541,429	1,785,276	1,668,467	1,385,363
Gross assets		22,455,954	22,108,863	23,855,182	25,340,484	29,413,868
Current liabilities	Before distribution	8,250,561	7,998,444	7,347,150	11,043,938	6,561,148
	After distribution	9,042,717	8,790,600	7,933,932	11,632,204	7,208,241 (Note 2)
Non-current liabilities		8,239,941	7,814,398	10,088,019	7,341,157	11,017,062
Others		-	-	-	-	-
Gross liabilities	Before distribution	16,490,502	15,812,842	17,435,169	18,385,095	17,578,210
	After distribution	17,282,658	16,604,998	18,021,951	18,973,361	18,225,303 (Note 2)
the client of the parent company		5,718,433	6,005,745	6,101,512	6,619,546	9,106,962
Capital stock		2,941,330	2,941,330	2,941,330	2,941,330	2,941,330
Capital reserve		886,756	1,011,972	1,136,347	1,214,039	3,590,865
Retained earnings	Before distribution	2,949,319	3,188,156	3,374,370	3,721,008	4,204,640
	After distribution	2,157,163	2,396,000	2,787,588	3,132,742	3,557,547 (Note 2)
Other equities		(482,112)	(558,853)	(773,675)	(726,717)	(1,099,759)
Treasury stock		(576,860)	(576,860)	(576,860)	(530,114)	(530,114)
Non-controlling interests		247,019	290,276	318,501	335,843	2,728,696
Total equity	Before distribution	5,965,452	6,296,021	6,420,013	6,955,389	11,835,658
	After distribution	5,173,296	5,503,865	5,833,231	6,367,123	11,188,565 (Note 2)
Inspecting (Reviewing) CPA	An-Tian Yu	An-Tian Yu	Po-Shu Huang	Po-Shu Huang	Po-Shu Huang	
	Po-Shu Huang	Po-Shu Huang	Lin Wu	Chung-Shun Wu	Chung-Shun Wu	
Inspection (Review) Feedback		No reservations	No reservations	No reservations	No reservations	No reservations

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: Amount decided by the board of directors on March 15, 2022.

## (II) Brief Consolidated Income Statement

Unit: NTD thousands

Item \ Year	Financial data of the past 5 years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenues	17,172,886	18,287,354	18,343,979	17,621,763	19,861,770
Gross operating profit	5,614,146	6,077,582	6,425,922	5,939,333	6,271,819
Business loss	1,410,720	1,670,270	1,671,088	1,677,745	1,788,484
Non-business income and expenditure	94,208	(154,627)	(68,619)	(21,094)	149,424
Pre-tax net profits (losses)	1,504,928	1,515,643	1,602,469	1,656,651	1,937,908
After-tax profits of continuing department	995,050	1,061,813	1,013,307	995,601	1,239,144
Discontinued unit losses	-	-	-	-	-
Net profits (losses) of the term	995,050	1,061,813	1,013,307	995,601	1,239,144
Other comprehensive gains and losses of the term (After-tax net value)	131,166	(64,305)	(221,534)	2,119	(327,359)
Sum of general gains and losses of the term	1,126,216	997,508	791,773	997,720	911,785
The net profits belong to the client of the parent company	992,726	1,012,724	964,149	950,697	1,071,166
The net profits are part of non-controlling interests	2,324	49,089	49,158	44,904	167,978
The sum of general gains and losses belongs to the client of the parent company.	898,913	954,252	763,548	980,378	698,856
The sum of general gains and losses is part of non-controlling interests.	227,303	43,256	28,225	17,342	212,929
Earnings per share	4.01	4.09	3.90	3.84	4.32

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

## (III) Brief Entity Asset Balance Sheet

Unit: NTD thousands

Item	Year	Financial data of the past 5 years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		180,576	174,534	221,402	92,247	91,705
Funds and long-term investments		10,110,520	10,956,832	11,942,134	12,861,579	16,224,561
Real estate, manufacturing facilities and equipment		2,102,768	2,085,897	2,072,087	2,056,176	2,044,311
Intangible assets		-	-	-	-	-
Other Assets		130,545	51,749	35,426	52,462	19,043
Gross assets		12,524,409	13,269,012	14,271,049	15,062,464	18,379,620
Current liabilities	Before distribution	902,046	1,538,434	891,959	4,167,091	216,348
	After distribution	1,694,202	2,330,590	1,478,741	4,755,357	863,441 (Note 2)
Non-current liabilities		5,903,930	5,724,833	7,277,578	4,275,827	9,056,310
Others		-	-	-	-	-
Gross liabilities	Before distribution	6,805,976	7,263,267	8,169,537	8,442,918	9,272,658
	After distribution	7,598,132	8,055,423	8,756,319	9,031,184	9,919,751 (Note 2)
Capital stock		2,941,330	2,941,330	2,941,330	2,941,330	2,941,330
Capital reserve		886,756	1,011,972	1,136,347	1,214,039	3,590,865
Retained earnings	Before distribution	2,949,319	3,188,156	3,374,370	3,721,008	4,204,640
	After distribution	2,157,163	2,396,000	2,787,588	3,132,742	3,557,547 (Note 2)
Other equities		(482,112)	(558,853)	(773,675)	(726,717)	(1,099,759)
Treasury stock		(576,860)	(576,860)	(576,860)	(530,114)	(530,114)
Total equity	Before distribution	5,718,433	6,005,745	6,101,512	6,619,546	9,106,962
	After distribution	4,926,277	5,213,589	5,514,730	6,031,280	8,459,869 (Note 2)
Inspecting (Reviewing) CPA		An-Tian Yu	An-Tian Yu	Po-Shu Huang	Po-Shu Huang	Po-Shu Huang
		Po-Shu Huang	Po-Shu Huang	Lin Wu	Chung-Shun Wu	Chung-Shun Wu
Inspection (Review) Feedback		No reservations	No reservations	No reservations	No reservations	No reservations

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: Amount decided by the board of directors on March 15, 2022.

## (IV) Brief Entity Income Statement

Unit: NTD thousands

Item \ Year	Financial data of the past 5 years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenues	1,640,325	60,498	61,076	64,132	59,683
Gross operating profit	536,902	60,498	61,076	65,103	59,683
Business loss	(141,703)	(212,792)	(215,716)	(213,861)	(231,193)
Non-business income and costs	1,230,695	1,321,113	1,337,866	1,265,062	1,498,776
Net income before tax (net losses)	1,088,992	1,108,321	1,122,150	1,051,201	1,267,583
Continuing unit gains and losses	992,726	1,012,724	964,149	950,697	1,071,166
Discontinued unit gains and losses	-	-	-	-	-
Current net income (net losses)	992,726	1,012,724	964,149	950,697	1,071,166
Other comprehensive gains and losses of the term	(93,813)	(58,472)	(200,601)	29,681	(372,310)
Sum of general gains and losses of the term	898,913	954,252	763,548	980,378	698,856

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

## II. Financial Analysis of the Past Five Years

### (I) Financial Analysis - Consolidated Financial Statement by the International Financial Accounting Standards

Analyze		Year	Analysis of the past five years (Note 1)				
		2017	2018	2019	2020	2021	
Financial structure %	Liabilities to assets ratio	73	72	73	73	60	
	Permanent capital to real estate, manufacturing facilities and equipment ratio	121	120	133	112	192	
Liquidity	Current Ratio (%)	120	120	129	98	244	
	Quick Ratio (%)	83	85	94	73	186	
	Interest protection multiples	11	8	7	7	9	
Operating performance	Average collection turnover(times)	9.45	9.84	10.30	10.11	10.34	
	Average collection days	39	37	35	36	35	
	Inventory turnover (times)	5.28	5.27	5.37	5.00	4.59	
	Average payables turnover (times)	12.92	12.40	12.45	10.97	10.83	
	Average inventory turnover days	69	69	68	73	80	
	Real estate, manufacturing facilities and equipment turnover (times)	1.55	1.56	1.52	1.40	1.61	
	Total asset turnover (times)	0.83	0.82	0.80	0.72	0.73	
Profitability	Return on total assets (%)	5	5	5	5	5	
	Return on equity (%)	17	17	16	15	13	
	Pretax income to paid-in capital (%)	51	52	54	56	66	
	Net profit rate (%)	6	6	6	6	6	
	Earnings per share (NTD) (Note 2)	4.01	4.09	3.9	3.84	4.32	
Cash Flow	Cash flow ratio (%) (Note 1)	13	25	35	23	18	
	Cash flow adequacy ratio (%)	57	65	62	73	84	
	Cash flow reinvestment ratio (%)	1	6	8	9	2	
Leverage	Operating leverage	6	6	6	5	5	
	Financial leverage	1	1	1	1	1	

Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived.)

1. Due to the launch of IPO by main subsidiaries for capital increase, the ratio of capital reserve and non-controlling interests in shareholders' equity has increased substantially, thereby significantly increasing the ratio of permanent capital to real estate, manufacturing facilities and equipment.
2. Due to the launch of IPO by main subsidiaries for capital increase and the company's offering of corporate bonds, the company's case and cash equivalents have increased substantially and as such, both current ratio and quick ratios have increased as well. In addition, the growth in net income before tax has also led to the interest coverage ratio to increase.
3. Due to the significant increase in raw material prices, the company's inventory has also grown significantly and this has led to reduced cash flow for business activities, which in turn led to the reduction in cash flow ratio and cash flow reinvestment.

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2 The earnings per share are calculated with the number of shares of common stock already issued applying the weighted average method. The number of shares increased as a result of earnings or capitalizing with capital reserve, on the other hand, is adjusted and calculated retroactively.

(II) Financial Analysis - by the National Financial Accounting Standards

Analyze		Year	Analysis of the past five years (Note 1)				
		2017	2018	2019	2020	2021	
Financial structure %	Liabilities to assets ratio	54	55	57	56	50	
	Permanent capital to real estate, manufacturing facilities and equipment ratio	628	636	729	595	994	
Liquidity	Current Ratio (%)	20	11	25	2	42	
	Quick Ratio (%)	20	11	25	2	41	
	Interest protection multiples	17	16	15	14	15	
Operating performance	Average collection turnover(times)	9.47	-	-	-	-	
	Average collection days	39	-	-	-	-	
	Inventory turnover (times)	8.92	-	-	-	-	
	Average payables turnover (times)	26.91	-	-	-	-	
	Average inventory turnover days	41	-	-	-	-	
	Real estate, manufacturing facilities and equipment turnover (times)	1.23	-	-	-	-	
	Total asset turnover (times)	0.22	-	-	-	-	
Profitability	Return on total assets (%)	9	8	7	7	7	
	Return on equity (%)	18	17	16	15	14	
	Pretax income to paid-in capital (%)	37	38	38	36	43	
	Net profit rate (%)	61	1,674	1,579	1,482	1,795	
	Earnings per share (NTD) (Note 2)	4.01	4.09	3.9	3.84	4.32	
Cash Flow	Cash flow ratio (%)	51	-21	-36	-4	-135	
	Cash flow adequacy ratio (%)	11	12	-9	-12	-19	
	Cash flow reinvestment ratio (%) (Note 3)	-	-	-	-	-	
Leverage	Operating leverage (Note 3)	-	-	-	-	-	
	Financial leverage (Note 4)	-	-	-	-	-	

Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived.)

- The Company started its segmentation plan on August 1, 2017 to separate production and distribution businesses to the reinvested new companies, Namchow Oil and Fat Co., Ltd and Huaqiang Industry Co., Ltd. Therefore, related assets and liabilities were severed to the new companies as well, such as (A) fixed assets, (B) accounts receivable and notes receivable, (C) stock, (D) accounts payable, (E) sales income and cost, and (F) business interest, among others. Therefore, the inapplicable or affected ratios are real estate, manufacturing facilities and equipment turnover ratio (times), the turnover rate, number of days of sales, number of days of case collection, the net profit rate, the cash flow ratio, the case flow adequacy ratio, the current ratio, the quick ratio, return on assets, return on equity, and earnings per share.
- Due to the launch of IPO by main subsidiaries for capital increase, the ratio of capital reserve and non-controlling interests in shareholders' equity has increased substantially, thereby significantly increasing the ratio of permanent capital to real estate, manufacturing facilities and equipment.
- The company bond valued at NTD 4 Billion matured in November 2021 and was therefore recognized as the current portion corporate bonds payable in 2020. This caused the increase in current liabilities and decrease in current ratio and quick ratio. For the current year, the corporate bond has been paid and as such, current ratio and quick ratio have both increased.
- For 2021, the company's net cash flow for business activities is equal to its cash outflow, as a result, the cumulative net cash outflow for business activities in the past five years had led to the increase in the cash outflow for 2020. The payment of our corporate bond has also caused substantial reduction in our current liabilities, and this has caused the cash flow ratio and cash flow adequacy ratio for the current year to decrease.

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2 The earnings per share are calculated with the number of shares of common stock already issued applying the weighted average method. The number of shares increased as a result of earnings or capitalizing with capital reserve, on the other hand, is adjusted and calculated retroactively.

Note 3: Because the ratio is a negative value, it is of no significance in comparison and is not listed.

Note 4: Between 2016 and 2020, business profits were all smaller than the costs of interest. As such, the financial leverage data are not provided.

### Calculation Formula:

#### 1. Financial structure

- (1) Liabilities to assets ratio = total liabilities/total assets.
- (2) Permanent capital to real estate, manufacturing facilities and equipment ratio = (shareholders' equity net value + non-current liabilities)/real estate, manufacturing facility and equipment net value.

#### 2. Liquidity

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - pre-paid costs)/current liabilities.
- (3) Interest protection multiples = Pre-income tax and interest profits/interest expenditure of the term.

#### 3. Operating performance

- (1) Receivables (including accounts receivable and bills receivable due to business) turnover ratio = net sales/The average balance of accounts receivable (including accounts receivable and bills receivable due to business) in each period.
- (2) Average collection days = 365/receivables turnover.
- (3) Inventory turnover = sales cost/average inventory value.
- (4) Payables (including accounts payable and bills payable that are incurred as a result of business operation) = sales cost/balance from average payables of each term (including accounts payable and bills payable).
- (5) Average inventory turnover days = 365/inventory turnover.
- (6) Real estate, manufacturing facility and equipment turnover = net sales/net average real estate, manufacturing facility, and equipment value.
- (7) Total asset turnover = net sales/gross assets on average.

#### 4. Profitability

- (1) Return on assets = [after-tax gains and losses + interest  $\times$  (1-tax rate)]/gross assets on average.
- (2) Return on shareholders' equity = after-tax gains and losses/net shareholders' equity on average.
- (3) Net profit rate = after-tax gains and losses/net sales.
- (4) Earnings per share = (after-tax profits - special stock dividends)/ weighted average of issued shares.

#### 5. Cash Flow

- (1) Cash flow ratio = Net cash flow from business activities/current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from business activities of the past five years/past five years (capital expenditure + increased inventory + cash dividends).
- (3) Cash flow reinvestment ratio = (net cash flow from business activities - cash dividends)/(net value of real estate, manufacturing facility, and equipment + long-term investment + other assets + working capital).

#### 6. Leverage:

- (1) Operating leverage = (net business income - variable business costs and expenses)/ business profits.
- (2) Financial leverage = business profits/(business profits - cost of interest).

### **III. Audit Committee Review Report of the most recent annual financial report**

## **Namchow Holdings Co., Ltd. Audit Committee's Review Report**

The Board of Directors prepared the Company's 2021 Business Report, Standalone and Consolidated Financial Statements and earnings distribution proposal. The Parent Only and Consolidated Financial Statements, in particular, were already inspected by CPA Po-Shu Huang and CPA Chung-Shun Wu of KPMG and the Inspection Report is presented. The said Business Report, Parent Only and Consolidated Financial Statements and earnings distribution proposal have been reviewed by the Audit Committee and found to have no discrepancy. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report is prepared for your review.

To

The Company's 2022 Shareholders' Meeting

Namchow Holdings Co., Ltd.

Convener of the Audit Committee : Ting-Kuo Chen

March 15, 2022

## IV.2021 Financial Report

### Representation Letter

The entities that are required to be included in the combined financial statements of Namchow Holdings Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Namchow Holdings Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Namchow Holdings Co., Ltd.

Chairman: Fei-Lung Chen

Date: March 15, 2022



安侯建業聯合會計師事務所  
KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web home.kpmg/tw

## Independent Auditors' Report

To the Board of Directors of Namchow Holdings Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Namchow Holdings Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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 Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

### 1. Impairment of trades receivable

Please refer to note 4(g) "Financial instrument" for accounting policies, note 5(a) for accounting assumptions, judgment and estimation uncertainty of impairment of trade receivable, and note 6(d) for the disclosure related to impairment of trade receivable of the consolidated financial statements.

Description of key audit matter:

The Group does not concentrate on any individual customer or any specific region, therefore, the Group needs to establish a policy on its allowance for impairment in order to evaluate its customers' financial status, as well as the political and economic environment. Therefore, the impairment of trades receivable is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principle audit procedures for the assessment of the Group's accounting policy, included evaluating the receivables credit conditions and allowance for impairment policy; analyzing the accounts receivable relevant with the allowance for impairment; obtaining document for the calculation of the rate of expected credit loss of accounts receivable to determine whether if its appropriate, obtaining aging analysis of accounts receivable and examining relevant documents to verify the accuracy aging period; understanding the recovery of the past due accounts and for the aging of the long-term accounts receivable, such as those past due for 120 days; inspecting whether the Group has taken the appropriate procedures on the litigation or negotiation of the Group subsequent to the financial year end, and verifying the adequacy of impairment assessment of accounts receivable; verifying the reasonableness of the management's assessment on the Group's disclosure on the impairment of trades receivable.

### 2. Valuation of inventories

Please refer to note 4(h) "Inventories" for accounting policies, note 5(b) for accounting assumptions, judgment and estimation uncertainty of valuation of inventories, and note 6(f) for the disclosure related to valuation of inventories of the financial statements.

Description of key audit matter:

The Group's main inventories are edible and non-edible oil products, frozen dough and frozen food, as well as dish and laundry liquid detergent.

The value of edible and non-edible oil products and laundry liquid detergent products are affected by the international oil price, which may result in the inventory cost exceed its net realizable value; frozen dough and frozen food due to shelf life, resulting in the inventory age has significant risk. Therefore, the valuation of inventories is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included

Our principle audit procedures for the assessment of the Group' accounting policy included understanding the policies of evaluating the inventories; performing the analytical procedures about the relation between the balance of inventory and provision on inventory market price decline; verifying the change of provision on inventory valuation and evaluating where it is reasonable; understanding the net realizable values used by management and the variation of the prices in a period after the reporting date to ensure the appropriateness of the valuation price; obtaining the aging report and inspecting the inventory aging processing after the reporting date, as well as understanding the net realizable values used by the management to access whether the net realizable value and the allowance for inventories are reasonable; assessing whether the disclosure on the provision for inventory valuation and obsolescence was appropriate.

### 3. Revenue recognition – customer loyalty program

Please refer to note 4(p) "Revenue" for accounting policies, note 5(c) for accounting assumptions, judgment and estimation uncertainty of revenue recognition and note 6(u) for the disclosure related to revenue of the financial statements.

Description of key audit matter:

The revenue arising from the bonus points shall be calculated by using the fair values, based on the amounts of sales and points earned in the previous year, to be recognized as contract liabilities. Revenue is the main indicator for the Group management and investors to evaluate the Group' s financial and business performance. Therefore, the revenue recognition is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

The key audit procedures performed included understanding and assessing the design and implementation of the bonus points; assessing the management' s judgments and estimating the rationality of the bonus points and recalculating them to ensure the sales revenue are recognized; performing the analytical procedures of sales revenue; assessing the appropriateness of the contract liabilities of the relevant incentive points, whether it is recorded correctly in the system, and whether it has been disclosed in the appropriate notes to the financial statements.

### **Other Matter**

Namchow Holdings Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion.

### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Chung-Shun Wu.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2022

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>									
11XX <b>Current assets:</b>					21XX <b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 9,729,803	33	5,721,627	23	2100 Short-term borrowings (note 6(l))	\$ 2,460,970	8	2,998,640	12
1110 Financial assets at fair value through profit or loss – current (note 6(b))	-	-	227,426	1	2110 Short-term commercial paper payable (note 6(l))	89,983	-	89,962	-
1150 Notes receivable, net (note 6(d))	182,401	1	184,286	1	2321 Bonds payable current portion (note 6(m))	-	-	3,980,298	16
1170 Accounts receivable, net (note 6(d))	1,918,571	7	1,556,201	6	2322 Current portion of long-term borrowings (notes 6(l) and 8)	237,893	1	214,175	1
1200 Other receivables (note 6(e))	133,118	-	57,140	-	2130 Contract liabilities (note 6(u))	540,585	2	574,384	2
1220 Current income tax assets	198,929	1	200,582	1	2170 Accounts payable	1,347,326	4	1,161,973	5
130x Inventories (note 6(f))	3,474,419	12	2,451,446	10	2219 Other payables (notes 6(p), (v) and 9)	1,483,345	5	1,503,216	6
1410 Prepayments	315,045	1	331,887	1	2230 Current income tax liabilities	199,110	1	267,772	1
1470 Other current assets	58,896	-	66,255	-	2280 Current lease liabilities (notes 6(o) and 7)	158,142	1	192,377	1
<b>Total current assets</b>	<u>16,011,182</u>	<u>55</u>	<u>10,796,850</u>	<u>43</u>	2399 Other current liabilities	43,794	-	61,141	-
15XX <b>Non-current assets:</b>					<b>Total current liabilities</b>	<u>6,561,148</u>	<u>22</u>	<u>11,043,938</u>	<u>44</u>
1517 Financial assets at fair value through other comprehensive income – non-current (note 6(c))	24,795	-	19,822	-	25XX <b>Non-current liabilities:</b>				
1600 Property, plant and equipment (notes 6(h), 8 and 9)	11,887,111	41	12,749,928	50	2530 Bonds payable (note 6(m))	4,853,527	16	-	-
1755 Right-of-use assets (notes 6(i) and 7)	945,901	3	1,225,544	5	2540 Long-term borrowings (notes 6(l) and 8)	3,684,829	13	4,859,016	19
1760 Investment property (note 6(j))	36,280	-	39,813	-	2550 Provision liabilities – non-current (note 6(n))	10,264	-	12,134	-
1805 Goodwill (note 6(k))	105,417	-	105,417	-	2580 Lease liabilities – non-current (notes 6(o) and 7)	603,722	2	859,764	3
1840 Deferred income tax assets (note 6(q))	258,626	1	281,628	1	2570 Deferred income tax liabilities (note 6(q))	1,451,850	5	1,292,405	5
1915 Prepayments for equipment	59,513	-	16,234	-	2640 Net defined benefit liabilities (note 6(p))	247,031	1	260,572	1
1990 Other non-current assets	85,043	-	105,248	1	2670 Other non-current liabilities	165,839	1	57,266	-
<b>Total non-current assets</b>	<u>13,402,686</u>	<u>45</u>	<u>14,543,634</u>	<u>57</u>	<b>Total non-current liabilities</b>	<u>11,017,062</u>	<u>38</u>	<u>7,341,157</u>	<u>28</u>
					<b>Total liabilities</b>	<u>17,578,210</u>	<u>60</u>	<u>18,385,095</u>	<u>72</u>
					<b>Equity attributable to shareholders of parent (note 6(c),(r) and (s)):</b>				
					3100 Common stock	2,941,330	10	2,941,330	12
					3200 Capital surplus	3,590,865	12	1,214,039	5
					3300 Retained earnings:				
					3310 Legal reserve	932,166	3	838,824	4
					3320 Special reserve	1,239,224	4	1,286,181	5
					3350 Unappropriated earnings	2,033,250	7	1,596,003	6
						<u>4,204,640</u>	<u>14</u>	<u>3,721,008</u>	<u>15</u>
					3400 Other equity:				
					3410 Financial statement translation differences for foreign operations	(1,059,576)	(3)	(681,563)	(3)
					3420 Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(40,183)	-	(45,154)	-
						<u>(1,099,759)</u>	<u>(3)</u>	<u>(726,717)</u>	<u>(3)</u>
					3500 Treasury stock	(530,114)	(2)	(530,114)	(2)
					<b>Total equity attributable to shareholders of parent</b>	<u>9,106,962</u>	<u>31</u>	<u>6,619,546</u>	<u>27</u>
					36xx <b>Non-controlling interests (note 6(g))</b>	<u>2,728,696</u>	<u>9</u>	<u>335,843</u>	<u>1</u>
					3XXX <b>Total equity</b>	<u>11,835,658</u>	<u>40</u>	<u>6,955,389</u>	<u>28</u>
11XX <b>Total assets</b>	<u>\$ 29,413,868</u>	<u>100</u>	<u>25,340,484</u>	<u>100</u>	2-3XXX <b>Total liabilities and equity</b>	<u>\$ 29,413,868</u>	<u>100</u>	<u>25,340,484</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

	2021		2020	
	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(u))</b>	\$ 19,861,770	100	17,621,763	100
5000 <b>Operating costs (notes 6(f), (h), (i), (o), (p) and 9)</b>	<u>13,589,951</u>	<u>68</u>	<u>11,682,430</u>	<u>66</u>
5900 <b>Gross profit</b>	<u>6,271,819</u>	<u>32</u>	<u>5,939,333</u>	<u>34</u>
6000 <b>Operating expenses (notes 6(d), (e), (h), (i), (o), (p), (s), (v) and 7):</b>				
6100 Selling expenses	2,611,154	13	2,456,917	14
6200 General and administrative expenses	1,445,696	8	1,348,211	7
6300 Research and development expenses	422,670	2	445,267	3
6450 Expected credit loss	<u>3,815</u>	<u>-</u>	<u>11,193</u>	<u>-</u>
<b>Total operating expenses</b>	<u>4,483,335</u>	<u>23</u>	<u>4,261,588</u>	<u>24</u>
6900 <b>Operating profit</b>	<u>1,788,484</u>	<u>9</u>	<u>1,677,745</u>	<u>10</u>
7000 <b>Non-operating income and expenses (notes 6 (j), (o), (w) and 7):</b>				
7100 Interest income	185,320	1	87,222	-
7010 Other income	201,061	1	150,474	1
7020 Other gains and losses	20,591	-	816	-
7050 Finance costs	<u>(257,548)</u>	<u>(1)</u>	<u>(259,606)</u>	<u>(1)</u>
<b>Total non-operating income and expenses</b>	<u>149,424</u>	<u>1</u>	<u>(21,094)</u>	<u>-</u>
7900 <b>Profit from continuing operations before tax</b>	1,937,908	10	1,656,651	10
7950 <b>Less: Income tax expenses (note 6(q))</b>	<u>698,764</u>	<u>4</u>	<u>661,050</u>	<u>4</u>
<b>Profit</b>	<u>1,239,144</u>	<u>6</u>	<u>995,601</u>	<u>6</u>
8300 <b>Other comprehensive income (notes 6(q) and (r)):</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311 Gains on remeasurements of defined benefit plans	714	-	(25,941)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	4,971	-	9,606	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>(2,372)</u>	<u>-</u>
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>5,685</u>	<u>-</u>	<u>(13,963)</u>	<u>-</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(333,044)	(2)	16,082	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(333,044)</u>	<u>(2)</u>	<u>16,082</u>	<u>-</u>
8300 <b>Other comprehensive income</b>	<u>(327,359)</u>	<u>(2)</u>	<u>2,119</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 911,785</u>	<u>4</u>	<u>997,720</u>	<u>6</u>
<b>Net income attributable to:</b>				
8610 Shareholders of the parent	\$ 1,071,166	5	950,697	6
8620 Non-controlling interests	<u>167,978</u>	<u>1</u>	<u>44,904</u>	<u>-</u>
	<u>\$ 1,239,144</u>	<u>6</u>	<u>995,601</u>	<u>6</u>
<b>Total Comprehensive income attributable to:</b>				
8710 Shareholders of the parent	\$ 698,856	3	980,378	6
8720 Non-controlling interests	<u>212,929</u>	<u>1</u>	<u>17,342</u>	<u>-</u>
	<u>\$ 911,785</u>	<u>4</u>	<u>997,720</u>	<u>6</u>
9750 <b>Basic earnings per share (in New Taiwan dollars) (note 6(t))</b>	<u>\$ 4.32</u>		<u>3.84</u>	
9850 <b>Diluted earnings per share (in New Taiwan dollars) (note 6(t))</b>	<u>\$ 4.31</u>		<u>3.83</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Total other equity interest			Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity	
	Retained earnings					Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings								
<b>Balance at January 1, 2020</b>	\$ 2,941,330	1,136,347	740,987	1,071,360	1,562,023	3,374,370	(725,159)	(48,516)	(773,675)	(576,860)	6,101,512	318,501	6,420,013
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	97,837	-	(97,837)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	214,821	(214,821)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	91,760	-	-	(586,782)	(586,782)	-	-	-	-	(495,022)	-	(495,022)
Other changes in capital surplus	-	968	-	-	-	-	-	-	-	-	968	-	968
Net income	-	-	-	-	950,697	950,697	-	-	-	-	950,697	44,904	995,601
Other comprehensive income (loss)	-	-	-	-	(23,521)	(23,521)	43,596	9,606	53,202	-	29,681	(27,562)	2,119
Total comprehensive income (loss)	-	-	-	-	927,176	927,176	43,596	9,606	53,202	-	980,378	17,342	997,720
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	6,244	6,244	-	(6,244)	(6,244)	-	-	-	-
Disposal of treasury stock	-	(15,036)	-	-	-	-	-	-	-	46,746	31,710	-	31,710
<b>Balance at December 31, 2020</b>	<u>2,941,330</u>	<u>1,214,039</u>	<u>838,824</u>	<u>1,286,181</u>	<u>1,596,003</u>	<u>3,721,008</u>	<u>(681,563)</u>	<u>(45,154)</u>	<u>(726,717)</u>	<u>(530,114)</u>	<u>6,619,546</u>	<u>335,843</u>	<u>6,955,389</u>
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	93,342	-	(93,342)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(46,957)	46,957	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	91,760	-	-	(588,266)	(588,266)	-	-	-	-	(496,506)	-	(496,506)
Other changes in capital surplus	-	2,061	-	-	-	-	-	-	-	-	2,061	-	2,061
Net income	-	-	-	-	1,071,166	1,071,166	-	-	-	-	1,071,166	167,978	1,239,144
Other comprehensive income (loss)	-	-	-	-	732	732	(378,013)	4,971	(373,042)	-	(372,310)	44,951	(327,359)
Total comprehensive income (loss)	-	-	-	-	1,071,898	1,071,898	(378,013)	4,971	(373,042)	-	698,856	212,929	911,785
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	20,977	20,977
Changes in non-controlling interests	-	2,283,005	-	-	-	-	-	-	-	-	2,283,005	2,158,947	4,441,952
<b>Balance at December 31, 2021</b>	<u>\$ 2,941,330</u>	<u>3,590,865</u>	<u>932,166</u>	<u>1,239,224</u>	<u>2,033,250</u>	<u>4,204,640</u>	<u>(1,059,576)</u>	<u>(40,183)</u>	<u>(1,099,759)</u>	<u>(530,114)</u>	<u>9,106,962</u>	<u>2,728,696</u>	<u>11,835,658</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,937,908	1,656,651
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	1,072,237	1,091,819
Expected credit loss	3,815	11,193
Gains on financial assets at fair value through profit or loss	-	(8,388)
Interest expense	257,548	259,606
Interest income	(185,320)	(87,222)
Dividend income	(1,931)	-
Share-based payments	20,977	-
Losses on disposal of property, plant and equipment	29,477	6,777
Property, plant and equipment transferred to expenses	3,467	5,078
Gains on lease modification	(34,450)	(874)
Total adjustments to reconcile profit	<u>1,165,820</u>	<u>1,277,989</u>
Changes in assets / liabilities relating to operating activities:		
Changes in operating assets:		
Notes receivable	1,885	(18,172)
Accounts receivables	(365,162)	6,823
Other receivables	(76,767)	(11,394)
Inventories	(1,021,498)	(228,853)
Prepayments	16,842	71,928
Other current assets	7,359	2,893
Total changes in operating assets, net	<u>(1,437,341)</u>	<u>(176,775)</u>
Changes in operating liabilities:		
Contract liabilities	(33,799)	130,967
Accounts payable	185,353	193,637
Other payables	6,378	75,746
Provisions liabilities	(1,870)	(3,650)
Other current liabilities	(17,347)	(1,478)
Net defined benefit liabilities	(12,827)	(14,226)
Total changes in operating liabilities, net	<u>125,888</u>	<u>380,996</u>
Total changes in operating assets / liabilities, net	<u>(1,311,453)</u>	<u>204,221</u>
Total adjustments	<u>(145,633)</u>	<u>1,482,210</u>
Cash provided by operating activities	1,792,275	3,138,861
Interest income received	185,320	87,222
Dividends received	1,931	-
Interest paid	(200,953)	(188,110)
Income taxes paid	(582,111)	(492,001)
<b>Net cash provided by operating activities</b>	<u>1,196,462</u>	<u>2,545,972</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(470)
Return from capital reduction of financial assets at fair value through other comprehensive income	-	33,410
Proceeds from disposal of financial assets designated at fair value through profit or loss	227,426	-
Acquisition of property, plant and equipment	(626,815)	(1,129,063)
Proceeds from disposal of property, plant and equipment	3,965	6,878
Decrease in other non-current assets	20,205	1,871
<b>Net cash used in investing activities</b>	<u>(375,219)</u>	<u>(1,087,374)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	10,556,127	14,014,964
Decrease in short-term borrowings	(11,015,071)	(14,679,830)
Increase in short term commercial paper payable	-	90,000
Proceeds from issuance of bonds	5,000,000	-
Repayments of bonds	(4,000,000)	-
Proceeds from long-term borrowings	13,445,951	10,152,400
Repayments of long-term borrowings	(14,056,284)	(9,249,249)
Payment of lease liabilities	(205,364)	(217,898)
Increase(decrease) in other non-current liabilities	(3,345)	9,102
Cash dividends paid	(496,506)	(495,022)
Proceeds from disposal of treasury shares	-	31,710
Interest paid	(42,345)	(50,221)
Change in non-controlling interests	4,441,952	-
Overaging unclaimed dividends	2,061	968
<b>Net cash provided by (used in) financing activities</b>	<u>3,627,176</u>	<u>(393,076)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(440,243)</u>	<u>32,390</u>
<b>Net increase in cash and cash equivalents</b>	4,008,176	1,097,912
<b>Cash and cash equivalents at beginning of period</b>	5,721,627	4,623,715
<b>Cash and cash equivalents at end of period</b>	<u>\$ 9,729,803</u>	<u>5,721,627</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

Namchow Holdings Co., Ltd. (formerly called Namchow Chemical Industrial Co., Ltd.) (the Company) was incorporated on March 29, 1952 as a corporation limited by shares under the laws of the Republic of China (R.O.C.). The consolidated financial statements comprise the Company and its Subsidiaries (the Group). The Group is engaged in the manufacture, sale, and processing of edible and non-edible oil products and frozen dough, as well as dish and laundry liquid detergent, it also provides management consulting services.

In order to improve its business performance and competitiveness, the Company decided to conduct a group restructuring and division of profession. On May 31, 2017, the shareholders of the Company decided to divide its entire departments and categorize them into two, then transfer them to two of its subsidiaries. The Department of Edible Products, which includes frozen dough items, will be transferred to Namchow Oil and Fat Co., Ltd. and the Department of Non-Edible Products will be transferred to Huaciang Industry Co., Ltd.. Both entities are 100% owned by the Company, with a record date of August 1, 2017.

For the purpose of transforming into a holding company, the Company, which was formerly named as Namchow Chemical Industrial Co., Ltd. is renamed as Namchow Holdings Co., Ltd. After the spin-off, the Company only engaged in investment holding.

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2022.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

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

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

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis, unless, otherwise stated (please refer to the summary of the significant accounting policies).

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if the non-controlling interests have a deficit balance.

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(ii) List of the subsidiaries included in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
The Company	Namchow (Thailand) Ltd. (Namchow Thailand)	Manufacturing and selling of instant noodles and rice cracker	100.00 %	100.00 %	
The Company	Mostro (Thailand) Ltd. (Mostro)	Manufacturing and selling of food	100.00 %	100.00 %	
The Company	Nacia International Corp. (Nacia Co.)	Holding of investments	100.00 %	100.00 %	
The Company	Chow Ho Enterprise Co., Ltd. (Chow Ho Co.)	Catering services, food and beverage retailing, and frozen food manufacturing	100.00 %	100.00 %	
The Company	Lucky Royal Co., Ltd. (Lucky Co.)	Manufacturing, selling and processing of various food and beverage products	99.65 %	99.65 %	
The Company	Nankyo Japan Co., Ltd. (Nankyo Japan Co.)	Catering services, Bistro and wine-selling	100.00 %	100.00 %	
The Company	Namchow Consulting Company, Ltd. (Namchow Consulting Co.)	Catering services, food and beverage retailing and other consulting services	100.00 %	100.00 %	
The Company	Chow Food Biotechnology Co., Ltd. (Chow Food Co.)	Development of biotechnology products	100.00 %	100.00 %	
The Company	Namchow Oil and Fat Co., Ltd. (Namchow Oil and Fat Co.)	Manufacturing, processing and selling of edible oil and frozen dough	100.00 %	100.00 %	
The Company	Huaciang Industry Co., Ltd. (Huaciang Co.)	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	100.00 %	100.00 %	
The Company and Lucky Co.	Navigator Business Publications Co., Ltd. (NBP Co.)	Publishing, distributing and selling of printed publications	89.97 %	89.97 %	Notes 1
Lucky Co.	Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Holding of investments	93.00 %	90.39 %	Note 4
Lucky Co.	Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Liquor importing and retailing, and catering services	99.65 %	99.65 %	Notes 2
Lucky Co.	Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Catering services and food consulting services	99.65 %	99.65 %	Notes 2
Namchow BVI Co.	Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Multinational eateries, and the promotion and management of craft beers	93.00 %	90.39 %	Note 4
Nacia Co.	Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Holding of investments	100.00 %	100.00 %	
Shanghai Qiaohao Co.	Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qiaohao Co.	Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	
Shanghai Qiaohao Co.	Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
Namchow Cayman Co.	Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Holding of investments and international trade	100.00 %	100.00 %	
Namchow Cayman Co.	Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qizhi Co.	Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Food packaging, dairy product and product purchasing management and selling	80.94 %	96.15 %	Note 3
Namchow Cayman Co. and Namchow Food Co.	Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Selling, developing, manufacturing and processing of fats and frozen food.	80.94 %	96.15 %	Note 3
Namchow Food Co.	Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Manufacturing, and selling of edible fat	80.94 %	96.15 %	Note 3
Namchow Food Co.	Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Manufacturing, and selling of edible fat	80.94 %	96.15 %	Note 3
Namchow Food Co.	Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Food packaging, dairy product and product purchasing management and selling	80.94 %	96.15 %	Note 3
Namchow Food Co.	Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	The technical service of baking oil and fat product	80.94 %	96.15 %	Note 3
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	80.94 %	96.15 %	Note 3
Tianjin Yoshi Yoshi Co.	Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	80.94 %	96.15 %	Note 3

Note 1: The Company, directly or indirectly, holds 89.97% shares of NBP Co.

Note 2: The Company, directly or indirectly, holds 99.65% shares of Dian Shui Lou Co. and Namchow Gastronomy Consulting Co.

Note 3: Namchow Food CO., has submitted the application for A-share listing of the securities market of China, thus the board of directors of the Company has approved the resolution for the subsidiary cash capital increase and award new shares of restricted stock on April 28, 2021 and on November 12, 2021, and the Company ownership percentage to the subsidiary decrease from 96.15% to 81.73% and then to 80.94%.

Note 4: Namchow BVI Co. has approved the resolution to transfer dividends payable \$64,823 thousand for Lucky Co., to the capital increase on September 26, 2021, and Lucky Co., ownership percentage to the subsidiary increased from 90.39% to 93%.

(d) Foreign currency

(i) Foreign currency transactions

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short term cash commitment rather than investment.

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial assets is classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) **Treasury shares**

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Offsetting of financial assets and liabilities

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

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	3~65 years
Machinery equipment	1~25 years
Other equipment	1~20 years

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

(k) Leases

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

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

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

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Intangible assets – Goodwill

(i) Recognition

Upon conversion to the IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Group can choose to restate all its business combinations that occurred on and after January 1, 2012. For those acquisitions that occurred prior to January 1 2012, any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets recognized at the date of acquisition is recognized as goodwill.

(ii) Measurement

Goodwill is measured at cost, less, accumulated impairment losses.

Goodwill is not amortized. Instead, it is tested for impairment annually, or more frequently, when there is an indication that the cash generating unit may be impaired.

(m) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

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

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

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Site restoration reservation is the obligation of removal, moving and reinstatement after the Group obtained or has used the lease asset for a while. The Group recognized its related cost as expense during the lease term.

(o) Treasury stock

Under the cost method, the treasury stock account is debited for the cost of the Group's shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus – treasury stock; otherwise, the excess of the cost over the price is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus – treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted average cost and is calculated by each group according to the reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus – treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

The shares that are owned by the Company's subsidiaries are seen as treasury stock.

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Some contracts have already received partial considerations from clients but have not fulfilled the obligations, and they are required to recognize contractual liabilities after the initial application date.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Customer loyalty program

The Group operates a customer loyalty program to its customers. The customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

(q) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grant that compensates the Group for expenses or losses incurred is recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

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

(s) Share-based payment

The grant date fair value of equity settled share based payment arrangements granted to employees is generally recognized as an expense, with a corresponding adjustment on other equity – employee unearned remuneration. The equity is fully recognized as an expense at the grant date if the share-based payment arrangements are vested immediately. The grant date of restricted stock awards is the date approved by the FSC.

When the restricted stock awards are issued, the Company recognizes the effects in other equity-employee unearned remuneration, with a corresponding adjustment on capital surplus restricted stock awards. The Company revises the number of vested shares of employee share options and restricted stock awards at each reporting date. The impact resulted from the revision of estimated vesting shares is recognized in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus employee share options and restricted share option.

(t) Income tax

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

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
  - 1) the same taxable entity or
  - 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(u) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after the adjustment on the effects of all dilutive potential ordinary shares.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Operating segments

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

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

In preparing these consolidated financial statements management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivable

The Group has estimated the loss allowance of trades receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions, and forward-looking information at the reporting date, to determine the assumptions to be used in calculating its impairments and selected inputs. For the relevant assumptions and input values, please refer to note 6(d).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

(c) Revenue recognition — customer loyalty program

The Group records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and evolution of technology could result in significant adjustments to the provision made.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 11,499	11,862
Savings and checking deposits	9,297,381	5,075,741
Time deposits	402,296	599,008
Cash equivalents	<u>18,627</u>	<u>35,016</u>
Total	<b><u>\$ 9,729,803</u></b>	<b><u>5,721,627</u></b>

The Group's exposure to interest rate risk and the sensitivity analysis on the financial instruments held by the Group are disclosed in note 6(x).

(b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Mandatorily measured at fair value through profit or loss:		
Structured deposits	<u>\$ -</u>	<u>227,426</u>

For the net gain or loss on fair value of financial instruments at FVTPL please refer to note 6(w).

(c) Financial assets at fair value through other comprehensive income – non-current

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	<u>\$ 24,795</u>	<u>19,822</u>

(i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

No strategic investments were disposed for the years ended December 31, 2021, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

The domestic non-listed company, Huanhua Co., Ltd., resolved to reduce its capital by cash at rate of 95.34%, through the special shareholders' meeting on January 14, 2020 and the Company received the amount of \$33,410 thousand. The liquidation process was completed at December 8, 2020, resulting in the cumulative dispose benefit of \$6,244 thousand, which was reclassified from other equity items to retained earnings.

(ii) Credit risk (including depreciation of debt instrument investment) and market risk, please refer to note 6(x).

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) The aforesaid financial assets were not pledged as collateral.

(d) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 182,401	184,286
Accounts receivable	1,946,285	1,581,183
Less: allowance for impairment	<u>27,714</u>	<u>24,982</u>
	<u><u>\$ 2,100,972</u></u>	<u><u>1,740,487</u></u>

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

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate (%)</u>	<u>Loss allowance provision</u>
Not overdue	\$ 1,986,413	0~0.86	3,682
Overdue 1~30 days	98,085	0.37~14.05	3,008
Overdue 31~60 days	19,814	0.41~58.60	2,092
Overdue 61~90 days	1,346	1.35~100.00	903
Overdue 91~180 days	6,403	0.09~100.00	4,749
Overdue 181~365 days	4,965	0.10~65.64	2,253
Overdue 365 days past due	<u>11,660</u>	100.00	<u>11,660</u>
	<u><u>\$ 2,128,686</u></u>		<u><u>28,347</u></u>
	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate (%)</u>	<u>Loss allowance provision</u>
Not overdue	\$ 1,638,302	0~0.74	4,654
Overdue 1~30 days	94,974	0.34~12.37	3,049
Overdue 31~60 days	8,144	0.77~62.26	985
Overdue 61~90 days	846	0.00~100.00	228
Overdue 91~180 days	18,412	0.00~100.00	11,896
Overdue 181~365 days	2,153	96.13	2,069
Overdue 365 days past due	<u>2,638</u>	100.00	<u>2,638</u>
	<u><u>\$ 1,765,469</u></u>		<u><u>25,519</u></u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movement in the allowance for notes receivable and accounts receivable were as follows:

	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 24,982	14,913
Impairment losses recognized	3,023	11,044
Amounts written off	(60)	(1,279)
Effect of changes in exchange rates	<u>(231)</u>	<u>304</u>
Balance on December 31	<u><u>\$ 27,714</u></u>	<u><u>24,982</u></u>

The Group has not provided the notes and accounts receivable as collateral or factored them for cash.

(e) Other receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables	\$ 134,450	57,683
Less: loss allowance	<u>1,332</u>	<u>543</u>
	<u><u>\$ 133,118</u></u>	<u><u>57,140</u></u>

The Group's other receivables which were overdue on December 31, 2021 and 2020, have been assessed for impairment losses.

The movement in the allowance for other receivables were as follows:

	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 543	385
Impairment loss recognized	792	149
Effect of changes in exchange rates	<u>(3)</u>	<u>9</u>
Balance on December 31	<u><u>\$ 1,332</u></u>	<u><u>543</u></u>

(f) Inventories

The components of the Group's inventories were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Merchandise	\$ 39,897	46,776
Finished goods	1,581,786	1,014,130
Work in progress	147,404	114,654
Raw materials	821,742	718,982
Supplies	516,007	377,610
Goods in transit	<u>367,583</u>	<u>179,294</u>
Total	<u><u>\$ 3,474,419</u></u>	<u><u>2,451,446</u></u>

As of December 31, 2021 and 2020, the Group's inventories were not provided as pledged assets.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating cost were as follows:

	<u>2021</u>	<u>2020</u>
Loss on (reversal of) decline in market value of inventory	\$ (7,786)	11,423
Loss on physical count, net	361	1,856
Loss on scrap of inventory	4,922	15,960
Income from sale of scrap	<u>(16,993)</u>	<u>(17,029)</u>
Total	<u>\$ (19,496)</u>	<u>12,210</u>

(g) Material non-controlling interests of subsidiaries

<u>Name of subsidiary</u>	<u>The main operating place / register country</u>	<u>Proportion of Non- controlling interests</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Namchow Food CO.	China	19.06 %	3.85 %

The following information of the aforementioned subsidiary has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in this information is the fair value adjustment made during the acquisition and the relevant difference in accounting principles between the Group and its subsidiary as at the acquisition date. Intra-group transactions were not eliminated in this information.

Summary of financial information of Namchow Food CO.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 12,350,678	7,382,593
Non-current assets	5,517,527	5,580,568
Current liabilities	(3,331,861)	(4,118,873)
Non-current liabilities	<u>(355,111)</u>	<u>(350,955)</u>
Net assets	<u>\$ 14,181,233</u>	<u>8,493,333</u>
Non-controlling interests	<u>\$ 2,719,579</u>	<u>326,667</u>
	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 12,430,372</u>	<u>9,908,499</u>
Net income	\$ 1,607,474	1,370,913
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 1,607,474</u>	<u>1,370,913</u>
Total net income attributable to non-controlling interests	<u>\$ 170,192</u>	<u>52,727</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 170,192</u>	<u>52,727</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>2021</u>	<u>2020</u>
Net Cash flow from operating activities	\$ 740,759	2,188,288
Net Cash flow used in investing activities	(337,048)	(315,099)
Cash flow from (used in) financing activities	3,671,921	(746,164)
Effect of exchange rate changes on cash and cash equivalents	164	423
Increase in cash and cash equivalents	<u>\$ 4,075,796</u>	<u>1,127,448</u>

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Unfinished construction</u>	<u>Total</u>
Cost and revaluation:						
Balance at January 1, 2021	\$ 2,887,928	6,690,798	7,318,881	4,239,438	310,058	21,447,103
Additions	-	16,563	42,075	120,365	336,970	515,973
Disposals	-	(114)	(9,956)	(268,103)	(229)	(278,402)
Reclassification	-	33,291	59,956	128,709	(208,679)	13,277
Effect of changes in exchange rates	(110,705)	(247,444)	(302,681)	(63,084)	(30,394)	(754,308)
Balance at December 31, 2021	<u>\$ 2,777,223</u>	<u>6,493,094</u>	<u>7,108,275</u>	<u>4,157,325</u>	<u>407,726</u>	<u>20,943,643</u>
Balance at January 1, 2020	\$ 2,895,069	5,570,522	6,590,667	3,984,357	1,444,485	20,485,100
Additions	-	8,506	50,520	148,445	918,134	1,125,605
Disposals	-	(370)	(35,205)	(161,092)	(1,943)	(198,610)
Reclassification	-	1,056,593	736,825	244,064	(2,005,061)	32,421
Effect of changes in exchange rates	(7,141)	55,547	(23,926)	23,664	(45,557)	2,587
Balance at December 31, 2020	<u>\$ 2,887,928</u>	<u>6,690,798</u>	<u>7,318,881</u>	<u>4,239,438</u>	<u>310,058</u>	<u>21,447,103</u>
Depreciation and impairment loss:						
Balance at January 1, 2021	\$ 31,953	1,660,692	4,219,386	2,785,144	-	8,697,175
Depreciation	-	206,644	313,499	323,529	-	843,672
Disposal	-	(113)	(8,957)	(235,890)	-	(244,960)
Reclassification	-	-	(22)	2,343	-	2,321
Effect of changes in exchange rates	-	(34,057)	(170,044)	(37,575)	-	(241,676)
Balance at December 31, 2021	<u>\$ 31,953</u>	<u>1,833,166</u>	<u>4,353,862</u>	<u>2,837,551</u>	<u>-</u>	<u>9,056,532</u>
Balance at January 1, 2020	\$ 31,953	1,462,396	3,985,497	2,597,007	-	8,076,853
Depreciation	-	191,272	294,990	324,222	-	810,484
Disposal	-	(370)	(31,247)	(153,338)	-	(184,955)
Reclassification	-	-	-	2,204	-	2,204
Effect of changes in exchange rates	-	7,394	(29,854)	15,049	-	(7,411)
Balance at December 31, 2020	<u>\$ 31,953</u>	<u>1,660,692</u>	<u>4,219,386</u>	<u>2,785,144</u>	<u>-</u>	<u>8,697,175</u>
Carrying value:						
December 31, 2021	<u>\$ 2,745,270</u>	<u>4,659,928</u>	<u>2,754,413</u>	<u>1,319,774</u>	<u>407,726</u>	<u>11,887,111</u>
December 31, 2020	<u>\$ 2,855,975</u>	<u>5,030,106</u>	<u>3,099,495</u>	<u>1,454,294</u>	<u>310,058</u>	<u>12,749,928</u>
January 1, 2020	<u>\$ 2,863,116</u>	<u>4,108,126</u>	<u>2,605,170</u>	<u>1,387,350</u>	<u>1,444,485</u>	<u>12,408,247</u>

(i) Impairment loss and subsequent reversal

	<u>2021</u>	<u>2020</u>
Ending balance (Beginning balance)	<u>\$ 243,114</u>	<u>243,114</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Collateral

Please refer to note 8 for information on pledged property, plant and equipment as of December 31, 2021 and 2020.

(i) Right-of-use assets

The Group leases many assets including land, buildings and transportation equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 331,660	1,371,586	83,425	1,786,671
Additions	-	185,425	12,588	198,013
Modification	-	(407,855)	(3,572)	(411,427)
Reclassification	-	-	(4,527)	(4,527)
Effect of changes in exchange rates	(2,500)	(11,099)	(1,255)	(14,854)
Balance at December 31, 2021	<u>\$ 329,160</u>	<u>1,138,057</u>	<u>86,659</u>	<u>1,553,876</u>
Balance at January 1, 2020	\$ 326,205	1,340,261	75,589	1,742,055
Additions	-	71,274	41,409	112,683
Modification	-	(58,241)	(27,607)	(85,848)
Reclassification	-	-	(5,893)	(5,893)
Effect of changes in exchange rates	5,455	18,292	(73)	23,674
Balance at December 31, 2020	<u>\$ 331,660</u>	<u>1,371,586</u>	<u>83,425</u>	<u>1,786,671</u>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 85,663	447,082	28,382	561,127
Depreciation	6,931	192,659	25,745	225,335
Modification	-	(168,865)	(2,229)	(171,094)
Reclassification	-	-	(2,336)	(2,336)
Effect of changes in exchange rates	(640)	(4,246)	(171)	(5,057)
Balance at December 31, 2021	<u>\$ 91,954</u>	<u>466,630</u>	<u>49,391</u>	<u>607,975</u>
Balance at January 1, 2020	\$ 77,379	211,865	28,685	317,929
Depreciation	6,837	243,863	27,449	278,149
Modification	-	(15,876)	(25,182)	(41,058)
Reclassification	-	-	(2,607)	(2,607)
Effect of changes in exchange rates	1,447	7,230	37	8,714
Balance at December 31, 2020	<u>\$ 85,663</u>	<u>447,082</u>	<u>28,382</u>	<u>561,127</u>
Carrying value:				
December 31, 2021	<u>\$ 237,206</u>	<u>671,427</u>	<u>37,268</u>	<u>945,901</u>
December 31, 2020	<u>\$ 245,997</u>	<u>924,504</u>	<u>55,043</u>	<u>1,225,544</u>
January 1, 2020	<u>\$ 248,826</u>	<u>1,128,396</u>	<u>46,904</u>	<u>1,424,126</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Investment property

	<b>Buildings</b>
Cost:	
Balance as at January 1, 2021	\$ 72,387
Effect of changes in exchange rates	<u>(545)</u>
Balance as at December 31, 2021	<u><b>\$ 71,842</b></u>
Balance as at January 1, 2020	\$ 71,197
Effect of changes in exchange rates	<u>1,190</u>
Balance as at December 31, 2020	<u><b>\$ 72,387</b></u>
Depreciation:	
Balance as at January 1, 2021	\$ 32,574
Depreciation	3,230
Effect of changes in exchange rates	<u>(242)</u>
Balance as at December 31, 2021	<u><b>\$ 35,562</b></u>
Balance as at January 1, 2020	\$ 28,835
Depreciation	3,186
Effect of changes in exchange rates	<u>553</u>
Balance as at December 31, 2020	<u><b>\$ 32,574</b></u>
Carrying value:	
Balance as at December 31, 2021	<u><b>\$ 36,280</b></u>
Balance as at January 1, 2020	<u><b>\$ 39,813</b></u>
Balance as at December 31, 2020	<u><b>\$ 42,362</b></u>
Fair value:	
Balance as at December 31, 2021	<u><b>\$ 76,103</b></u>
Balance as at January 1, 2020	<u><b>\$ 77,385</b></u>
Balance as at December 31, 2020	<u><b>\$ 75,420</b></u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(w) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by the management of the Group. The range of yields applied to the net annual rentals to determine the fair value of the property was as follows:

<b>Region</b>	<b>2021</b>	<b>2020</b>
Xuhui Dist., Shanghai	3.57%	3.97%

As of December 31, 2021 and 2020, the Group's investment properties were not provided as pledged assets.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (k) Goodwill

Goodwill arising from the merger were as follows:

Fair value of consideration transferred	\$ 721,574
Less: Fair value of identifiable net assets	<u>571,794</u>
	<u><u>\$ 149,780</u></u>

The cost and accumulated amortization was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cost	\$ 149,780	149,780
Less: Accumulated amortization	<u>44,363</u>	<u>44,363</u>
Carrying value	<u><u>\$ 105,417</u></u>	<u><u>105,417</u></u>

Nacia Co. acquired 50% of Namchow International Co.'s equity on July 15, 2010. Nacia Co. recognized a goodwill of \$9,687 thousand.

Namchow International Co. invested in Namchow Cayman Co. and acquired 19.35% of its equity in June 2004. Namchow International Co. recognized a goodwill of \$140,093 thousand. The goodwill was amortized in five years which had ceased since 2006.

## (l) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

## (i) Short-term borrowings

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	RMB	3.30~3.95	2022	\$ 1,705,905
Unsecured loans	USD	0.71	2022	16,106
Unsecured loans	TWD	0.65~0.90	2022	357,766
Unsecured loans	JPY	0.57~0.98	2022	<u>381,193</u>
Total				<u><u>\$ 2,460,970</u></u>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	RMB	3.00~4.57	2021	\$ 2,043,228
Unsecured loans	EUR	0.37~1.50	2021	28,257
Unsecured loans	USD	0.64~2.10	2021	269,604
Unsecured loans	TWD	0.90~0.92	2021	313,557
Unsecured loans	JPY	0.56~0.98	2021	<u>343,994</u>
Total				<u><u>\$ 2,998,640</u></u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2021 and 2020, the unused credit facilities amounted to \$16,394,866 thousand and \$17,885,356 thousand, respectively.

(ii) Short-term commercial paper payable

<b>December 31, 2021</b>				
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Commercial paper payable	TWD	0.73	2022	\$ 90,000
Discount				(17)
Total				<u>\$ 89,983</u>
<b>December 31, 2020</b>				
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Commercial paper payable	TWD	0.63~0.73	2021	\$ 90,000
Discount				(38)
Total				<u>\$ 89,962</u>

The Group did not pledge assets against the short-term commercial paper payable.

As of December 31, 2021 and 2020, the unused credit facilities amounted to \$680,000 thousand and \$640,000 thousand, respectively.

(iii) Long-term borrowings

<b>December 31, 2021</b>				
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured loans	JPY	1.275	2038~2039	\$ 757,972
Secured loans	TWD	0.95	2024	359,000
Unsecured loans	JPY	0.93545	2023	36,075
Unsecured loans	THB	1.92	2025	166,940
Unsecured loans	TWD	0.8400~1.0500	2023~2024	2,450,000
Unsecured loans	RMB	4.2250~4.7000	2022~2023	152,735
Total				<u>\$ 3,922,722</u>
Current				\$ 237,893
Non-current				3,684,829
Total				<u>\$ 3,922,722</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	JPY	1.275	2038~2039	\$ 1,058,554
Secured loans	TWD	1.0300~1.0500	2022	605,000
Unsecured loans	JPY	0.98818	2021	27,630
Unsecured loans	THB	1.93	2025	573,360
Unsecured loans	TWD	0.9000~1.1400	2021~2023	2,542,000
Unsecured loans	RMB	4.2750~4.7500	2023	266,647
Total				<b><u>\$ 5,073,191</u></b>
Current				\$ 214,175
Non-current				<u>4,859,016</u>
Total				<b><u>\$ 5,073,191</u></b>

As of December 31, 2021 and 2020, the unused credit facilities amounted to \$6,034,461 thousand and \$2,920,966 thousand, respectively.

The Group has disclosed the related risk exposure to the financial instruments in note 6(x).

The Group has pledge certain assets against the loans; please refer to note 8 for additional information.

(m) Bonds payable

(i) The details of bonds payable were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Secured bonds	\$ 5,000,000	4,000,000
Less: discounts on bonds payable	146,473	19,702
Less: current portion of bonds payable	-	3,980,298
Total	<b><u>\$ 4,853,527</u></b>	<b><u>-</u></b>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) As August 11, 2021, the Group issued its 1st domestic secured bonds, and its major obligations are as follows:

<b>Item</b>	<b>110-1 Secured Bonds (Tranche A)</b>
1) Issue date	August 11, 2021
2) Issue period	5 years, commencing from August 11, 2021 and matured on August 11, 2026.
3) Offering amount	3,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 300 bonds
5) Coupon Rate	Annual interest rate 0.47%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

<b>Item</b>	<b>110-1 Secured Bonds (Tranche B)</b>
1) Issue date	August 11, 2021
2) Issue period	7 years, commencing from August 11, 2021 and matured on August 11, 2028.
3) Offering amount	2,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 200 bonds
5) Coupon Rate	Annual interest rate 0.53%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) As November 29, 2016, the Group issued its 1st domestic secured bonds, and its major obligations are as follows:

<u>Item</u>	<u>105-1 Secured Bonds</u>
1) Issue date	November 29, 2016
2) Issue period	5 years, commencing from November 29, 2016 and matured on November 29, 2021.
3) Offering amount	4,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 400 bonds
5) Coupon Rate	Annual interest rate 0.75%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

- (n) Provisions

The information of the Group's provisions for the years ended December 31, 2021 and 2020 were as follows:

	<u>Site restoration</u>
Balance as of January 1, 2021	\$ 12,134
Provisions reversed during the year	<u>(1,870)</u>
Balance as of December 31, 2021	<u>\$ 10,264</u>
Balance as of January 1, 2020	\$ 15,784
Provisions reversed during the year	<u>(3,650)</u>
Balance as of December 31, 2020	<u>\$ 12,134</u>

The provision was the estimation for removing, moving and restoring the lease assets according to the lease, which was recognized as long-term liability. The future cost shall result in an uncertainty of provision due to the long-term lease of the restaurant. Related costs are expected to paid in full after the lease term reaches its maturity.

- (o) Lease liabilities

The carrying amounts of lease liabilities for the Group were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	<u>\$ 158,142</u>	<u>192,377</u>
Non-current	<u>\$ 603,722</u>	<u>859,764</u>

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

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>42,345</u>	<u>50,040</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>40,626</u>	<u>41,158</u>
Income from sub-leasing right-of-use assets	\$ <u>(1,234)</u>	<u>(1,210)</u>
Expenses relating to short-term leases	\$ <u>81,923</u>	<u>125,853</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>7,210</u>	<u>6,498</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>376,234</u>	<u>440,237</u>

(p) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The present value of the defined benefit obligations	\$ 549,194	571,608
Fair value of plan assets	<u>(302,163)</u>	<u>(311,036)</u>
The net defined benefit liability	\$ <u>247,031</u>	<u>260,572</u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$302,163 thousand as of December 31, 2021. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at 1 January	\$ 571,608	541,344
Current service costs and interest	11,457	11,306
Remeasurements of the net defined benefit liability		
– Due to changes in financial assumption of actuarial gains	3,036	35,173
Benefits paid by the plan	<u>(36,907)</u>	<u>(16,215)</u>
Defined benefit obligation at 31 December	<u>\$ 549,194</u>	<u>571,608</u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets, January 1	\$ 311,036	290,115
interest revenue	24	-
Remeasurements of the net defined benefit liability		
– Return on plan assets (excluding amounts included in net interest expense)	1,697	2,583
– Due to changes in financial assumption of actuarial gains	3,750	9,232
Contributions made	11,581	22,377
Benefits paid by the plan	<u>(25,925)</u>	<u>(13,271)</u>
Fair value of plan assets, December 31	<u>\$ 302,163</u>	<u>311,036</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Current service cost	\$ 7,697	5,503
Net interest on the defined benefit liability	2,039	3,220
	<b>\$ 9,736</b>	<b>8,723</b>
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 5,090	4,246
Selling expenses	1,940	1,119
General and administration expenses	2,662	3,305
Research and development expenses	44	53
	<b>\$ 9,736</b>	<b>8,723</b>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	<b>2021</b>	<b>2020</b>
Discount rate	0.500~0.625%	0.625~1.125%
Future salary increases rate	1.000~2.000%	1.000~2.000%

The Group expects to make contributions of \$9,122 thousand to the defined benefit plans in the next year starting from the reporting date of 2021.

The weighted average duration of the defined benefit obligation is 8.99~13.29 years.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group uses judgments and estimations to determine the related actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2021 and 2020, the present value of defined benefit obligation impact was as follow:

	<b>The impact of defined benefit obligation</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2021		
Discount rate (0.25%)	\$ (8,270)	8,537
Future salary increase rate (0.25%)	8,185	(7,972)
December 31, 2020		
Discount rate (0.25%)	(9,178)	9,483
Future salary increase rate (0.25%)	9,107	(8,861)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Company and its subsidiaries in Taiwan have made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Subsidiaries in China have made monthly contributions equal to 20% of each employee's monthly wages to China Social Security Fund in accordance with the provisions of the Endowment Insurance of the People's Republic of China. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance and China Social Security Fund without additional legal or constructive obligations.

The Group's pension costs under the defined contribution plan were \$166,726 thousand and \$110,015 thousand for the years ended December 31, 2021 and 2020, respectively.

(iii) Short-term employee benefit

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Compensated absence liabilities (recorded under other payables)	\$ 26,788	27,989

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (q) Income tax

## i) Income tax expenses

The components of income tax for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expenses		
Current period	\$ 518,957	616,320
Adjustment for prior period	<u>(3,855)</u>	<u>(10,413)</u>
	<u>515,102</u>	<u>605,907</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>183,662</u>	<u>55,143</u>
Income tax on continuing operations	<u><b>\$ 698,764</b></u>	<u><b>661,050</b></u>

The amount of the Group's income tax recognized in other comprehensive income for 2021 and 2020 was as follows :

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ -</u>	<u>2,372</u>

Reconciliations of the Group's income tax expense and the profit before tax for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Income before tax	<u><b>\$ 1,937,908</b></u>	<u><b>1,656,651</b></u>
Income tax calculated on pretax accounting income at statutory rate	\$ 387,582	331,330
Effect of tax rates in foreign jurisdiction	344,529	299,563
Adjustment for prior periods	(3,855)	(10,413)
Non-deduction expenses	(36,547)	(8,370)
Tax-exempt expense	(261)	(848)
Investment income	(165,753)	(109,048)
Estimated withholding tax of attributable earnings of subsidiaries in Mainland China	39,046	80,869
Current-year losses for which no deferred income tax assets was recognized	85,436	66,484
Surtax on undistributed earnings	14,257	2,257
Others	<u>34,330</u>	<u>9,226</u>
Total	<u><b>\$ 698,764</b></u>	<u><b>661,050</b></u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

ii) Recognized deferred tax assets and liabilities

i. Unrecognized deferred income tax assets

The Deferred income tax assets that have not been recognized by the Group are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Deductible temporary differences	\$ 5,379	5,792
Impairment loss	35,011	46,321
Tax losses	<u>689,222</u>	<u>359,010</u>
	<b><u>\$ 729,612</u></b>	<b><u>411,123</u></b>

Tax losses are applied to Income Tax Act that can be carried forward for ten years, after assessed by tax authority, to offset taxable income before apply to tax rate. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefore.

As of December 31, 2021, the amount of tax losses not yet recognized as deferred tax assets and their last year for credit is as follows:

<b>Year</b>	<b>Amount</b>	<b>Year of expiration</b>
2011	\$ 2,981	2021
2012	21,537	2022
2013	8,252	2023
2014	5,988	2024
2015	4,490	2025
2016	4,302	2026
2017	7,592	2027
2018	5,552	2028
2019	5,378	2029
2020	93,425	2030
2021	<u>90,587</u>	2031
	<b><u>\$ 250,084</u></b>	

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2021, the amount of tax losses not yet recognized as deferred tax assets and their last year for credit is as follows:

<u>Year</u>	<u>Amount</u>	<u>Year of expiration</u>
2019	\$ 25	2024
2020	197,842	2025
2021	<u>241,271</u>	2026
	<u><u>\$ 439,138</u></u>	

ii. Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

Deferred tax assets:

	<u>Loss carryforward</u>	<u>Other</u>	<u>Total</u>
<b>Balance at January 1, 2021</b>	\$ 172,779	108,849	281,628
Recognized in profit or loss	(33,189)	13,766	(19,423)
Foreign currency translation differences for foreign operations	<u>(1,019)</u>	<u>(2,560)</u>	<u>(3,579)</u>
<b>Balance at December 31, 2021</b>	<u><u>\$ 138,571</u></u>	<u><u>120,055</u></u>	<u><u>258,626</u></u>
<b>Balance at January 1, 2020</b>	\$ 126,215	48,506	174,721
Recognized in profit or loss	44,222	57,182	101,404
Recognized in other comprehensive income	-	2,372	2,372
Foreign currency translation differences for foreign operations	<u>2,342</u>	<u>789</u>	<u>3,131</u>
<b>Balance at December 31, 2020</b>	<u><u>\$ 172,779</u></u>	<u><u>108,849</u></u>	<u><u>281,628</u></u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Deferred tax liabilities:

	Withholding tax of attributable earnings of subsidiaries in Mainland China	Foreign investment income accounted for using equity method	Depreciation difference between financial and tax reporting and other	Land value increment tax	Total
<b>Balance at January 1, 2021</b>	\$ 203,400	756,129	28,304	304,572	1,292,405
Recognized in profit or loss	8,640	159,409	(3,810)	-	164,239
Foreign currency translation differences for foreign operations	(1,429)	-	(3,365)	-	(4,794)
<b>Balance at December 31, 2021</b>	<b>\$ 210,611</b>	<b>915,538</b>	<b>21,129</b>	<b>304,572</b>	<b>1,451,850</b>
<b>Balance at January 1, 2020</b>	\$ 184,038	609,967	36,005	304,572	1,134,582
Recognized in profit or loss	16,114	146,162	(5,729)	-	156,547
Foreign currency translation differences for foreign operations	3,248	-	(1,972)	-	1,276
<b>Balance at December 31, 2020</b>	<b>\$ 203,400</b>	<b>756,129</b>	<b>28,304</b>	<b>304,572</b>	<b>1,292,405</b>

iii) Examination and approval

The tax returns of the Company have been examined and approved by the tax authorities through 2018.

(r) Capital and other equity

(i) Capital

As of December 31, 2021 and 2020, the total value of authorized ordinary shares amounted to \$4,000,000 thousand, with par value of \$10 per share, of which 400,000 thousand shares, 294,133 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Share premium	\$ 1,280	1,280
Overaging unclaimed dividends	4,868	2,807
Treasury stock	1,183,820	1,092,060
Recognize changes in all equity in subsidiaries	2,400,897	117,892
	<b>\$ 3,590,865</b>	<b>1,214,039</b>

The Company's subsidiary, Lucky Co., was awarded with cash dividends on 2020 and 2019 amounting to \$91,760 thousand, and they were recognized as capital surplus-treasury stock transactions.

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The dividend policy of the Company reflects its current and future development plans and takes into accounts factors such as investment climate, funding demand, and domestic and international competition as well as shareholders' interests. Each year, no less than 30% of earnings available for distribution are assigned to shareholders as dividend bonus. The dividend bonus may be done in case or in the form of stock. When it is done in cash, the value may not exceed 10% of the overall dividends.

1) Legal reserve

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

2) Special earnings reserve

As the Company opted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of \$512,508 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. A special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of above mentioned special reserve amounted to \$512,508 thousand as of December 31, 2021 and 2020.

For the regulatory permission mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of the above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Distribution of retained earnings

The Company's Board of Directors resolved to appropriate the 2020 and 2019 other earnings, respectively. These other earnings were appropriated as follows:

	<u>2020</u>	<u>2019</u>
	<u>March 12, 2021</u>	<u>March 26, 2020</u>
Date resolved by Board of Directors		
Dividends distributed to common shareholders:		
Cash	\$ <u>588,266</u>	<u>586,782</u>
Dividend Payout (dollars)	\$ <u>2</u>	<u>2</u>

The Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	<u>2021</u>
	<u>March 15, 2022</u>
Date resolved by Board of Directors	
Dividends distributed to common shareholders:	
Cash	\$ <u>647,093</u>
Dividend Payout (dollars)	\$ <u>2.2</u>

(iv) Treasury stock

None shares were purchased by the Company and its subsidiaries during the years ended December 31, 2021 and 2020. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of December 31, 2021 and 2020, the subsidiaries held the Company's shares as follows:

	<u>December 31, 2021</u>				
<u>Subsidiary name</u>	<u>Number of shares (in thousand)</u>	<u>Market price per share</u>	<u>Adjusted cost per share</u>	<u>Total market value</u>	<u>Total treasury stock</u>
Lucky Co.	46,041	49.05	11.51	\$ <u>2,311,271</u>	<u>530,114</u>

	<u>December 31, 2020</u>				
<u>Subsidiary name</u>	<u>Number of shares (in thousand)</u>	<u>Market price per share</u>	<u>Adjusted cost per share</u>	<u>Total market value</u>	<u>Total treasury stock</u>
Lucky Co.	46,041	47.00	11.51	\$ <u>2,163,939</u>	<u>530,114</u>

In pursuant to Article 12 of the Business Mergers and Acquisition Act, a resolution was made by the Board of the Company to repurchase 742 thousand treasury stock amounting to \$46,746 thousand from the shareholders who objected on the share swap agreement in August 2017. As of December 31, 2020, the above mentioned treasury stocks had been fully disposed, wherein the proceeds from disposal amounted to \$31,710 thousand. The difference which had been fully offset against the capital surplus arising from the same type of treasury stocks amounting to \$15,036 thousand was due to the selling price being lower than the book value.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Under the Business Mergers and Acquisitions Act, the treasury stock held by the Company shall not be pledged nor be entitled to any distribution of dividends or voting rights.

(v) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2021	\$ (681,563)	(45,154)	162,100	(564,617)
Foreign exchange differences arising from foreign operations	(333,478)	-	44,969	(288,509)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(44,535)	-	-	(44,535)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	4,030	-	4,030
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	941	-	941
Balance as of December 31, 2021	<u>\$ (1,059,576)</u>	<u>(40,183)</u>	<u>207,069</u>	<u>(892,690)</u>
Balance as of January 1, 2020	\$ (725,159)	(48,516)	189,614	(584,061)
Foreign exchange differences arising from foreign operations	(109,176)	-	(27,514)	(136,690)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	152,772	-	-	152,772
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	8,970	-	8,970
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	(6,244)	-	(6,244)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	636	-	636
Balance as of December 31, 2020	<u>\$ (681,563)</u>	<u>(45,154)</u>	<u>162,100</u>	<u>(564,617)</u>

(s) Share-based payment

- (i) Namchow Food CO., resolved to issue 4,595 thousand shares of RSAs, including 4,295 shares of restricted stock and 300 thousand reserved shares of restricted stock, the grant price was RMB 16.685 dollars per share during the board meeting held on October 15, 2021. In addition, it is adjusted according to the consensus of the board of directors on November 12, 2021, resolved to issue 4,595 thousand shares of RSAs, including 4,125 thousand shares of restricted stock and 470 thousand reserved shares of restricted stock, the grant price was RMB 16.425 dollars per share of RSAs, the recipients are limited to the full-time employees of Namchow Food CO. who meet certain conditions. The fair value was RMB 16.945 dollars per share at the grant date.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The sales restriction period of restricted stocks granted by this incentive plan is 12 months, 24 months, 36 months from the date of registration of the granted restricted stocks. The restricted stocks granted by this incentive plan shall not be transferred, and used for security or debt repayment before the restriction is lifted. The stocks resulting from the conversion from capital reserves to share capital, stock dividends and stock splits of the restricted stocks granted for incentive objects are also restricted for sales, and shall not be sold in the secondary market or transferred by other means, or used for security and debt repayment before the restriction is lifted. The releasing period of these shares is the same as that of the restricted stocks.

The cash dividends obtained by this incentive plan due to the restricted stocks granted shall be managed by the Company before the restriction is lifted, and shall be regarded as the dividend payable by the Company, and shall not be paid until the restriction is lifted. If the restricted stocks cannot be lifted according to this plan, the dividends corresponding to the restricted stocks that cannot be lifted will be recovered by the Company

The unlocking period of the restricted stocks granted for the first time in this plan and the timetable for unlocking the restricted stocks in each period are as follows:

- 1) Employees who have been working in the Company for 1 year: 20% of vested shares can be sold.
- 2) Employees who have been working in the Company for 2 years: 40% of vested shares can be sold.
- 3) Employees who have been working in the Company for 3 years: 40% of vested shares can be sold.

For those restricted stocks that have not been applied for releasing the restriction in above agreed period or have not been released due to failure to meet the conditions of restriction releasing, Namchow Food CO., will repurchase according to this incentive plan and disconnect those restricted stocks from the original incentive object.

Information about restricted shares was as follows:

	<b>2021</b>
Shares outstanding on January 1	-
Granted during the year	4,125
Shares outstanding on December 31	<b>4,125</b>

(ii) Compensation cost

	<b>2021</b>
Expenses resulting from RSA	<b>\$ 20,977</b>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(t) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for the years ended December 31, 2021 and 2020, were as follows:

(i) Basic earnings per share

	Unit: thousand of shares	
	2021	2020
Net income attributable to common shareholders of the Company	\$ 1,071,166	950,697
Weighted-average number of common shares	248,092	247,688
Basic earnings per share (in NT dollars)	\$ 4.32	3.84

ii) Diluted earnings per share

	Unit: thousand of shares	
	2021	2020
Net income attributable to common shareholders of the Company (diluted)	\$ 1,071,166	950,697
Weighted-average number of common shares (basic)	248,092	247,688
Impact of potential common shares:		
Effect of employees' remuneration	311	307
Weighted-average number of shares outstanding (diluted)	248,403	247,995
Diluted earnings per share (in NT dollars)	\$ 4.31	3.83

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

		2021							
Area of distribution:		Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
China	\$	11,588,716	-	869,323	-	13,211	485,736	46,934	13,003,920
Taiwan		1,072,587	502,638	471,713	1,186,805	486,158	310,877	47,003	4,077,781
Thailand		-	-	-	-	187,754	-	1,589	189,343
New Zealand and Australia		-	-	-	-	945,723	-	-	945,723
United states		-	-	-	-	733,545	-	250	733,795
Europe		-	-	-	-	610,807	-	-	610,807
Others		24,748	-	-	-	259,818	15,835	-	300,401
	<b>\$</b>	<b>12,686,051</b>	<b>502,638</b>	<b>1,341,036</b>	<b>1,186,805</b>	<b>3,237,016</b>	<b>812,448</b>	<b>95,776</b>	<b>19,861,770</b>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		2020							
Area of distribution:	<u>Edible and non- edible oil products</u>	<u>Detergent products</u>	<u>Frozen dough</u>	<u>Ice cream products</u>	<u>Foods</u>	<u>Catering</u>	<u>Management, rental revenue and others</u>	<u>Total</u>	
China	\$ 9,446,209	-	490,373	-	10,659	524,206	18,143	10,489,590	
Taiwan	1,128,201	555,060	518,452	1,065,465	460,078	414,165	10,661	4,152,082	
Thailand	-	-	-	-	192,648	-	1,181	193,829	
New Zealand and Australia	-	-	-	-	1,089,310	-	1,118	1,090,428	
United states	-	-	-	-	774,052	-	622	774,674	
Europe	-	-	-	-	579,907	-	-	579,907	
Others	27,127	-	-	-	295,310	18,605	211	341,253	
	<u>\$ 10,601,537</u>	<u>555,060</u>	<u>1,008,825</u>	<u>1,065,465</u>	<u>3,401,964</u>	<u>956,976</u>	<u>31,936</u>	<u>17,621,763</u>	

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (ii) Contract balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liability	\$ <u>540,585</u>	<u>574,384</u>	<u>443,417</u>

The amount of revenue recognized for the years ended December 31, 2021 and 2020, that was included in the contract liability balance at the beginning of the period was \$574,384 thousand and \$265,317 thousand, respectively.

## (v) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company shall set aside no less than 1% of its profit as for employee remuneration and no more than 5% as directors' remuneration. However, priority shall be given to covering cumulative losses, if any.

Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

The Company estimated its remuneration to employees amounting to \$13,343 thousand and \$11,065 thousand, as well as its directors' \$53,372 thousand and \$44,261 thousand for the years 2021 and 2020, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's consolidated financial statements.

## (w) Non-operating income and expenses

## (i) Interest income

	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ <u>185,320</u>	<u>87,222</u>

## (ii) Other income

	<u>2021</u>	<u>2020</u>
Rental income	\$ 8,934	8,756
Dividend income	1,931	-
Other income — other		
Government grants	99,501	85,508
Others	<u>90,695</u>	<u>56,210</u>
Total other income — Other	<u>190,196</u>	<u>141,718</u>
Total other income	\$ <u>201,061</u>	<u>150,474</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Losses on disposal of property, plant and equipment	\$ (29,477)	(6,777)
Gains on lease modification	34,450	874
Gains foreign exchange	48,319	14,134
Gains on financial assets at fair value through profit or loss	-	8,388
Others	(32,701)	(15,803)
Net other gains and losses	<u>\$ 20,591</u>	<u>816</u>

## (iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense	<u>\$ 257,548</u>	<u>259,606</u>

## (x) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount.

## 2) Concentration of credit risk

The Group's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Group deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Group concluded that it is not exposed to credit risk.

## (ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,116,972	1,207,054	51,843	456,528	145,297	553,386
Unsecured loans	5,266,720	5,317,576	2,747,450	2,570,126	-	-
Short-term commercial paper payable	89,983	90,000	90,000	-	-	-
Accounts payable	1,347,326	1,347,326	1,347,326	-	-	-
Other payables	1,483,345	1,483,345	1,483,345	-	-	-
Bonds payable	4,853,527	5,000,000	-	-	3,000,000	2,000,000
Lease liabilities	761,864	869,880	188,157	186,002	319,900	175,821
Guarantee deposits received	60	60	60	-	-	-
	<u>\$ 14,919,797</u>	<u>15,315,241</u>	<u>5,908,181</u>	<u>3,212,656</u>	<u>3,465,197</u>	<u>2,729,207</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	More than 5 years
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,663,554	1,796,905	50,636	739,933	197,720	808,616
Unsecured loans	6,408,277	6,564,476	3,215,045	1,946,806	1,402,625	-
Short-term commercial paper payable	89,962	90,000	90,000	-	-	-
Accounts payable	1,161,973	1,161,973	1,161,973	-	-	-
Other payables	1,503,216	1,503,216	1,503,216	-	-	-
Bonds payable	3,980,298	4,000,000	4,000,000	-	-	-
Lease liabilities	1,052,141	1,235,604	234,620	232,814	400,723	367,447
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 15,859,471</u>	<u>16,352,224</u>	<u>10,255,540</u>	<u>2,919,553</u>	<u>2,001,068</u>	<u>1,176,063</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Risk exposure

The Group's financial assets and financial liabilities exposed to significant currency risk were as follows:

	Foreign currency	Exchange rate	TWD
<b>December 31, 2021</b>			
Financial assets:			
Monetary assets:			
USD	\$ 4,467	27.68	123,645
Financial liabilities:			
Monetary liabilities:			
USD	\$ 6,164	27.68	170,617
EUR	8,684	31.32	271,980
<b>December 31, 2020</b>			
Financial assets:			
Monetary assets:			
USD	\$ 2,391	28.48	68,104
Financial liabilities:			
Monetary liabilities:			
USD	\$ 10,704	28.48	304,842
EUR	5,399	35.02	189,058

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivables, other receivables, loans and borrowings, accounts payable and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the TWD against the USD and EUR as of December 31, 2021 and 2020 would have increased (decreased) the net income after tax for the years ended December 31, 2021 and 2020 by \$3,190 thousand and \$4,258 thousand, respectively. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the December 31, 2021 and 2020, foreign exchange gains (losses) (including realized and unrealized abortions) amounted to \$48,319 thousand and \$14,134 thousand, respectively.

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting to the management internally, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have decreased / increased by \$59,814 thousand and \$74,728 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing and time deposits at floating rates.

(v) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

		<b>December 31, 2021</b>				
		<b>Carrying</b>	<b>Fair value</b>			
		<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss						
Financial assets at fair value through other comprehensive income						
Stocks listed on domestic markets		\$ <u>24,795</u>	<u>24,795</u>	<u>-</u>	<u>-</u>	<u>24,795</u>
		<b>December 31, 2020</b>				
		<b>Carrying</b>	<b>Fair value</b>			
		<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss						
Non derivative financial assets mandatorily measured at fair value through profit or loss		\$ <u>227,426</u>	<u>-</u>	<u>227,426</u>	<u>-</u>	<u>227,426</u>
Financial assets at fair value through other comprehensive income						
Stocks listed on domestic markets		<u>19,822</u>	<u>19,822</u>	<u>-</u>	<u>-</u>	<u>19,822</u>
Total		<u>\$ 247,248</u>	<u>19,822</u>	<u>227,426</u>	<u>-</u>	<u>247,248</u>

2) Valuation techniques and assumptions used in fair value determination— Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Stocks of listed Companies and open-ended funds are financial assets possessing standard provision and trading in active markets. The fair values are determined based on the market quotes and net assets value, respectively.

When the financial instrument of the Group is not traded in an active market, its fair value is determined based on the ratio of the quoted market price of the comparative listed company, and the main assumption for the model basis of both the net equity value of the equity of the investee and the equity multiplier derived from the quoted market price of the comparative listed company. The estimated adjustments of the fair value is discounted for its lack of liquidity in the market.

Fair value of structured investment product is measured based on the discounted future cash flows arising from principal consideration and probable gains estimated to be received.

3) Fair value hierarchy

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2021 and 2020.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
January 1, 2020	27,166
Return from capital reduction and liquidation	(27,166)
December 31, 2020	<b>\$ -</b>

None of the above transaction in 2021.

(y) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2021 and 2020, there was no geographical concentration of credit risk regarding the Group's revenue.

The Group have established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investment and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, there are no non-compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2021 and 2020, the Group did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted. The Group has unused short term bank facilities of \$23,109,327 thousand and \$21,446,322 thousand on December 31, 2021 and 2020, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily TWD, CNY, JPY and THB. The currencies used in these transactions are the TWD, USD, EUR, THB, JPY and CNY.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Group's operating cash flow, primarily consisting of TWD, USD, THB, CNY, and JPY.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Group relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

2) Interest rate risk

The interest rates of the Group's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Group's finance department monitors and measures potential changes in market conditions to achieve a fixed interest rate on the Group's loans.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(z) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Total liabilities	\$ 17,578,210	18,385,095
Less: cash and cash equivalents	<u>9,729,803</u>	<u>5,721,627</u>
Net debt	<u>\$ 7,848,407</u>	<u>12,663,468</u>
Total equity	<u>\$ 11,835,658</u>	<u>6,955,389</u>
Debt-to-adjusted-capital ratio	<u>66 %</u>	<u>182 %</u>

As of December 31, 2021, there were no changes in the Group's approach of capital management.

(aa) Investing and financing activities not affecting current cash flow

The Group did not have any non-cash flow transactions on the investing and financing activities for the years ended December 31, 2021 and 2020.

(ab) The reconciliation of liabilities arising from financing activities

For the year ended December 31, 2021 and 2020, the reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1,</u> <u>2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December</u> <u>31, 2021</u>
			<u>Foreign</u> <u>exchange</u> <u>movement</u>	<u>Others</u>	
Short-term borrowings	\$ 2,998,640	(458,944)	(78,726)	-	2,460,970
Short-term commercial paper payable	89,962	-	-	21	89,983
Bonds payable	3,980,298	1,000,000	-	(126,771)	4,853,527
Long-term borrowings (including current portion)	5,073,191	(610,333)	(540,136)	-	3,922,722
Lease liabilities	<u>1,052,141</u>	<u>(247,709)</u>	<u>(8,143)</u>	<u>(34,425)</u>	<u>761,864</u>
Total liabilities from financing activities	<u>\$ 13,194,232</u>	<u>(316,986)</u>	<u>(627,005)</u>	<u>(161,175)</u>	<u>12,089,066</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Others	
Short-term borrowings	\$ 3,642,940	(664,866)	20,566	-	2,998,640
Short-term commercial paper payable	-	90,000	-	(38)	89,962
	3,958,804	-	-	21,494	3,980,298
Long-term borrowings (including current portion)	4,161,407	903,151	8,633	-	5,073,191
Lease liabilities	1,190,645	(268,119)	12,556	117,059	1,052,141
Total liabilities from financing activities	<u>\$ 12,953,796</u>	<u>60,166</u>	<u>41,755</u>	<u>138,515</u>	<u>13,194,232</u>

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Chen Fei Lung	Key management personnel
Chen Fei Peng	"

**(b) Significant transactions with related parties – leases**

The Group entered into a two-year lease agreement with its key management personnel for a building to be used for its business operation, with a rental fee based on the rental rates within the vicinity. For the years ended December 31, 2021 and 2020, the Group recognized the amount of \$127 thousand and \$38 thousand as interest expense, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities amounted to \$8,326 thousand and \$0 thousand, respectively.

**(c) Personnel transactions from key management**

The compensation of the key management personnel comprised as the following:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 243,553	222,816
Post-employments benefits	1,161	1,989
	<u>\$ 244,714</u>	<u>224,805</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other non-current assets:			
Property, plant and equipment:			
Land	Long-term borrowings	\$ 1,776,263	1,802,421
Buildings	Long-term borrowings	833,694	805,826
		<u>\$ 2,609,957</u>	<u>2,608,247</u>

**(9) Commitments and contingencies**

(a) Major contracts not recognized the commitment:

(i) The Group's unrecognized contractual commitments were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 157,318</u>	<u>26,139</u>

(ii) The Group's unused letters of credit for purchases of materials:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unused letters of credit for purchases of materials	<u>\$ 939,781</u>	<u>966,951</u>

(iii) Long-term letters of credit guarantee bill:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Long-term letters of credit guarantee bill	<u>\$ 392,000</u>	<u>392,000</u>

(b) Lucky Co., Namchow BVI Co. and Paulaner Brauhaus Consult GmbH (PBCG) have entered into a contract for the use of the PBCG brand name and beer brewing techniques. In accordance with the contract, PBCG has to provide the right to use its brand name and its management consultation service for restaurant management, information service. The contract lasts for 10 years, starting from October 1, 2019 to September 30, 2029, with the option of extending it for an additional of 10 years, and there will be an automatic renewal for five years after the first renewal.

	<u>December 31, 2021</u>
One year	\$ 752
Less than five years	3,007
More than five years	2,067
	<u>\$ 5,826</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Dian Shui Lou Co. entered into an agreement with several malls, it is agreed to take a certain percentage according to the turnover of each store.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other**

The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By nature	By function	Years ended December 31, 2021			Years ended December 31, 2020		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		958,237	1,465,575	2,423,812	1,008,258	1,414,291	2,422,549
Labor and health insurance		296,259	157,154	453,413	319,099	110,749	429,848
Pension		64,023	112,439	176,462	41,513	77,225	118,738
Remuneration of directors		-	58,639	58,639	-	48,487	48,487
Others		83,280	123,084	206,364	78,163	111,913	190,076
Depreciation (note 1)		670,475	398,532	1,069,007	730,482	358,151	1,088,633
Amortization		-	-	-	-	-	-

Note 1: Depreciation expenses for investment property recognized under non-operating income and expenses — other gains and losses amounting to \$3,230 thousand and \$3,186 thousand for the years ended December 31, 2021 and 2020 were not excluded, respectively.

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2021:

##### (i) Loans extended to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 2)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
													Unit: thousand dollars			
1	Lucky Co.	Namchow BVI Co.	Other receivable—related parties	Yes	57,783	-	-	(Note 3)	Short term financing	-	(Note 3)	-	-	-	1,192,127 (Note 1)	1,192,127 (Note 1)
2	Namchow Food Co.	Tianjin Namchow Co.	Other receivable—related parties	Yes	1,660,794	1,654,699	1,654,699	-	Short term financing	-	Capital for operation	-	-	-	5,668,077 (Note 4)	5,668,077 (Note 4)
2	Namchow Food Co.	Guangzhou Namchow Co.	Other receivable—related parties	Yes	324,602	323,411	323,411	-	Short term financing	-	Capital for operation	-	-	-	5,668,077 (Note 4)	5,668,077 (Note 4)
2	Namchow Food Co.	Shanghai Namchow Co.	Other receivable—related parties	Yes	1,425,333	1,420,103	1,420,103	-	Short term financing	-	Capital for operation	-	-	-	5,668,077 (Note 4)	5,668,077 (Note 4)

Note 1: Base on the Lucky Co.'s guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 40% of the Lucky Co.'s stockholder's equity.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

Note 3: Dividend receivable transferred to the loan extended with no cash outflow.

Note 4: Base on the Namchow Food CO's guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 40% of the Namchow Food Co.'s stockholder's equity.

##### (ii) Guarantees and endorsements for other parties:

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the period	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Nankyo Japan Co.	2	9,106,962	1,638,995	1,301,082	467,525	-	14.29 %	9,106,962	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company that has business transaction with another company.
- (2) A public company which, directly or indirectly, holds more than 50 percent of the voting shares.
- (3) A company that, directly or indirectly, holds more than 50 percent of the voting shares in the public company.
- (4) A public company which, directly or indirectly, holds 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company wherein all its capital contributing shareholders can make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies within the same industry that provide joint and several security among themselves for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 2: According to the Company's guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of the Company's net worth, while the total guarantees and endorsements for an individual party not exceed 100% of the Company's net worth.

##### (iii) Securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2021	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Stock: Capital Securities Co., Ltd.	-	Financial assets at fair value through comprehensive income—non-current	1,185	20,092	0.05 %	20,092	20,092	
Lucky Co.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income—non-current	46,041	2,311,271	15.65 %	2,311,271	530,114	Note 1
Lucky Co.	Stock: Capital Securities Co., Ltd.	-	Financial assets at fair value through comprehensive income—non-current	277	4,703	0.01 %	4,703	4,703	

Note 1: The stated book value is after subtraction of the amount being reclassified treasury stock.

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Lucky Co.	Huaciang Co.	Subsidiary	Purchase	(311,474)	(36) %	Note 1	-	-	(60,156)	(48) %	Note 2
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	311,474	29 %	Note 1	-	-	60,156	32 %	Note 2
Huaciang Co.	Namchow Oil and Fat Co.	Subsidiary	Purchase	144,731	31 %	Note 1	-	-	(22,522)	(7) %	Note 2
Namchow Oil and Fat Co.	Huaciang Co.	Subsidiary	(Sales)	(144,731)	(8) %	Note 1	-	-	22,522	27 %	Note 2
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	334,078	(67) %	Note 1	-	-	(80,621)	77 %	Note 2
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(334,078)	(13) %	Note 1	-	-	80,621	21 %	Note 2
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,953,201	(25) %	Note 1	-	-	(256,618)	33 %	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,953,201)	(73) %	Note 1	-	-	256,618	67 %	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,376,176	(18) %	Note 1	-	-	(185,497)	24 %	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,376,176)	(49) %	Note 1	-	-	185,497	42 %	Note 2
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	549,824	(7) %	Note 1	-	-	(69,383)	(13) %	Note 2
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(549,824)	(78) %	Note 1	-	-	69,383	- %	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	2,772,379	(36) %	Note 1	-	-	-	- %	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(2,772,379)	(82) %	Note 1	-	-	-	- %	Note 2
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	298,738	(8) %	Note 1	-	-	(37,606)	6 %	Note 2
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(298,738)	(11) %	Note 1	-	-	37,606	10 %	Note 2
Chongqing Qiaoxing Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	151,167	(4) %	Note 1	-	-	(19,277)	4 %	Note 2
Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(151,167)	(22) %	Note 1	-	-	19,277	22 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	538,599	(14) %	Note 1	-	-	(75,436)	13 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(538,599)	(16) %	Note 1	-	-	75,436	80 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	879,731	(23) %	Note 1	-	-	(127,606)	21 %	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(879,731)	(32) %	Note 1	-	-	127,606	29 %	Note 2
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	455,074	(72) %	Note 1	-	-	(116,835)	75 %	Note 2
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(455,074)	(16) %	Note 1	-	-	116,835	27 %	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	552,345	(7) %	Note 1	-	-	(82,367)	11 %	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(552,345)	(62) %	Note 1	-	-	82,367	58 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	332,925	(9) %	Note 1	-	-	(58,934)	10 %	Note 2
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(332,925)	(37) %	Note 1	-	-	58,934	42 %	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	512,333	(7) %	Note 1	-	-	(182,334)	23 %	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(512,333)	(12) %	Note 1	-	-	182,334	38 %	Note 2

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	759,115	(37) %	Note 1	-	-	-	- %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	(Sales)	(759,115)	(17) %	Note 1	-	-	-	- %	Note 2

Note 1: Depending on capital movement motor adjustment.

Note 2: All intercompany accounts and transactions are eliminated.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note 1)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	185,497	5.12	-		185,497 (As of March 15, 2022)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	256,618	7.16	-		256,618 (As of March 15, 2022)	-
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	127,606	7.51	-		127,606 (As of March 15, 2022)	-
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	116,835	4.87	-		116,835 (As of March 15, 2022)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	182,334	3.30	-		182,334 (As of March 15, 2022)	-

Note1: The transactions within the Group were eliminated in the consolidated financial statements.

Note2: Loan to the subsidiary.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Sales revenue	334,078	No significant differences	1.68 %
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Accounts receivable	80,621	No significant differences	0.27 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Sales revenue	1,953,201	No significant differences	9.83 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Accounts receivable	256,618	No significant differences	0.87 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	298,738	No significant differences	1.50 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	37,606	No significant differences	0.13 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Sales revenue	1,376,176	No significant differences	6.93 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Accounts receivable	185,497	No significant differences	0.63 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	879,731	No significant differences	4.43 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	127,606	No significant differences	0.43 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Sales revenue	455,074	No significant differences	2.29 %

(Continued)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Notes to the Consolidated Financial Statements**

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Accounts receivable	116,835	No significant differences	0.40 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	549,824	No significant differences	2.77 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	69,383	No significant differences	0.24 %
3	Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	151,167	No significant differences	0.76 %
3	Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	19,277	No significant differences	0.07 %
4	Mostro (Thailand) Ltd.	Namchow (Thailand) Ltd.	3	Sales revenue	56,347	No significant differences	0.28 %
5	Shanghai Namchow Co.	Namchow Food Co.	3	Sales revenue	2,772,379	No significant differences	13.96%
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	538,599	No significant differences	2.71 %
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	75,436	No significant differences	0.26 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	552,345	No significant differences	2.78 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	82,367	No significant differences	0.28 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	332,925	No significant differences	1.68 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	58,934	No significant differences	0.20 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Sales revenue	512,333	No significant differences	2.58 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Accounts receivable	182,334	No significant differences	0.62 %
7	Chongqing Qiaoxing Co.	Shanghai Namchow Co.	3	Sales revenue	759,115	No significant differences	3.82 %
8	Namchow Oil and Fat Co.	Huaciang Co.	3	Sales revenue	144,731	No significant differences	0.73 %
8	Namchow Oil and Fat Co.	Huaciang Co.	3	Accounts receivable	22,522	No significant differences	0.08 %
9	Huaciang Co.	Lucky Co.	3	Sales revenue	311,474	No significant differences	1.57 %
9	Huaciang Co.	Lucky Co.	3	Accounts receivable	60,156	No significant differences	0.20 %
10	Namchow Food Co.	Tianjin Namchow Co.	3	Other receivable-related parties	1,654,699	Determined capital demand	5.63 %
10	Namchow Food Co.	Guangzhou Namchow Co.	3	Other receivable-related parties	323,411	Determined capital demand	1.10 %
10	Namchow Food Co.	Shanghai Namchow Co.	3	Other receivable-related parties	1,420,103	Determined capital demand	4.83 %

Note 1: Company numbering is as follows:

- (1) Parent company - 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

Note 3: Disclose that the individual amount record under the assets and liabilities are greater than \$20,000 thousand; profit and loss are greater than \$50,000 thousand.

Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2021	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Book value				
The Company	Namchow Thailand	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100.00 %	2,394,510	1,027,405	368,492	368,492	Note 3
The Company	Mostro	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100.00 %	29,954	10,201	1,292	1,292	Note 3
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100.00 %	11,968,789	343,443	1,206,186	1,206,186	Note 3
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	137,000	119,000	2,900	100.00 %	21,233	137,000	(7,674)	(7,653)	Note 3
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99.65 %	627,113	938,438	74,200	(17,753)	Note 3
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80.00 %	211	763	47	38	Note 3
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	690,580	446,180	-	100.00 %	289,946	690,580	(62,760)	(62,760)	Notes 3
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	5,000	5,000	500	100.00 %	762	5,000	(189)	(188)	Note 3
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	49,000	39,000	1,300	100.00 %	6,501	49,000	(4,720)	(4,704)	Note 3
The Company	Namchow Oil and Fat Co.	Taipei, Taiwan	Manufacturing, processing and selling of edible oil and frozen dough	411,731	411,731	41,173	100.00 %	607,273	411,731	122,327	123,027	Note 3
The Company	Huaciang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	392,341	30,000	100.00 %	258,177	392,341	(4,880)	(4,940)	Note 3
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	293,793	228,970	6,705	93.32 %	68,358	293,793	(42,061)	(37,911)	Notes 1 and 3
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	352,000	222,000	13,100	100.00 %	55,971	352,000	(109,468)	(109,382)	Notes 1 and 3
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	18,300	14,000	500	100.00 %	4,647	18,300	(2,295)	(2,294)	Note 3
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10.00 %	26	100	47	5	Note 3
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies.	Holding of investments	2,522,207	2,522,207	35,378	100.00 %	11,958,120	2,522,207	1,207,111	1,207,111	Note 3

Note 1: Its investment gain and loss are also recognized by parent company.

Note 2: The Company holds the shares in subsidiaries Nankyo Japan Co. totaling 6 shares.

Note 3: All intercompany accounts and transactions are eliminated.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2021	Investment income (loss) (note 2)	Book value as of December 31, 2021	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	(131,531)	100.00 %	669,270	(131,686) (2b.)	150,833	-	
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	100.00 %	961	(2b.)	869	-	
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	(84,920)	100.00 %	704,181	(84,920) (2b.)	366,956	-	
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	(10,687)	100.00 %	90,836	(10,687) (2b.)	33,598	-	
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	1,149,800	(3)	-	-	-	1,607,474	80.94 %	1,149,800	1,437,282 (2a.)	11,456,748	856,146	
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	372,813	407,737	80.94 %	756,875	363,526 (2a.)	1,812,905	45,974	
Tianjin Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	142,008	80.94 %	121,100	125,190 (2a.)	690,589	-	
Guangzhou Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	110,023	80.94 %	452,150	97,606 (2a.)	477,825	-	
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	298,262	80.94 %	544,950	266,734 (2a.)	1,729,812	279,529	
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	276,840	80.94 %	676,597	249,013 (2a.)	893,611	-	

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2021	Investment income (loss) (note 2)	Book value as of December 31, 2021	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	242,474	80.94 %	94,200	214,884 ((2)a.)	696,087	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	1,299	80.94 %	215,250	1,484 ((2)a.)	169,971	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	474	100.00 %	4,541	474 ((2)b.)	8,272	-
Bao Lai Na Co.	Multinational enteries, and the promotion, and management of self-made beers	112,018	(3)	226,649	-	-	226,649	(39,029)	93.00 %	112,018	(34,996) ((2)c.)	62,467	35,967

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: Amount of investment income (loss) was recognized base on:

- (1) There is no investment income for the preparatory case.
- (2) Investment gains and losses were based on three basic:
  - a. The financial statements audited by an international accounting firm that has a cooperative relationship with accounting firms of the Republic of China.
  - b. The financial statements audited by the auditors of the parent company.
  - c. Others: the financial statements audited by the auditors of the local accounting firm, and the working papers were reviewed by the auditors of the parent company.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2021	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	372,813	3,373,763	5,464,177
Lucky Co.	226,649	194,406	1,788,191

(iii) Significant transactions with investees in Mainland China: None.

(d) Major shareholders:

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Lucky Royal Co., Ltd.		46,041,259	15.65 %
Chen Fei Lung		33,814,934	11.49 %
Chen Fei Peng		19,537,995	6.64 %

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information**

(a) General information

There are seven service departments which should be reported: Edible and non-edible oil department, frozen dough department, detergent department, ice cream department, food department, catering department and management and rental revenue department and other departments. The Edible and non-edible oil department provides manufacturing and selling of edible oil; frozen dough department provides manufacturing and selling of frozen dough; detergent department provides manufacturing and selling of detergent; ice cream department provides manufacturing and selling of variant ice cream; food department provides manufacturing and selling of instant noodles and rice cracker; catering department provides liquor importing and retailing and management and rental revenue department and other department provides business management and investment consulting services.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report and the chief operating decision maker reviews the basis to determine allocation of resource and makes a performance evaluation. The internal management report includes profit before taxation, but not includes any extraordinary activity. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions and are measured at market price.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Information on reportable segments and reconciliation for the Group is as follows:

	Years ended December 31, 2021								
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Revenue:									
Revenue from external customers	\$ 12,686,051	502,638	1,341,036	1,186,805	3,237,016	812,448	95,776	-	19,861,770
Inter-segment revenues	204,362	-	4,597	27,771	334,340	12,875	200,957	(784,902)	-
<b>Total revenue</b>	<b>\$ 12,890,413</b>	<b>502,638</b>	<b>1,345,633</b>	<b>1,214,576</b>	<b>3,571,356</b>	<b>825,323</b>	<b>296,733</b>	<b>(784,902)</b>	<b>19,861,770</b>
Reportable segment profit or loss	\$ 1,726,506	15,478	68,055	57,840	321,695	(228,045)	(165,423)	(7,622)	1,788,484
Interest income and other income									386,381
Other gains and losses									20,591
Finance costs									(257,548)
Net income before tax									<b>\$ 1,937,908</b>

	Years ended December 31, 2020								
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Revenue:									
Revenue from external customers	\$ 10,601,537	555,060	1,008,825	1,065,465	3,401,964	956,976	31,936	-	17,621,763
Inter-segment revenues	160,914	-	5,339	27,534	320,519	14,685	228,803	(757,794)	-
<b>Total revenue</b>	<b>\$ 10,762,451</b>	<b>555,060</b>	<b>1,014,164</b>	<b>1,092,999</b>	<b>3,722,483</b>	<b>971,661</b>	<b>260,739</b>	<b>(757,794)</b>	<b>17,621,763</b>
Reportable segment profit or loss	\$ 1,590,155	42,123	70,888	44,926	419,157	(296,737)	(180,525)	(12,242)	1,677,745
Interest income and other income									237,696
Other gains and losses									816
Finance costs									(259,606)
Net income before tax									<b>\$ 1,656,651</b>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) In 2021 and 2020, inter-segment revenues of \$784,902 thousand and \$757,794 thousand respectively, should be eliminated from total revenue.
- (ii) Share of associate profit under equity method amounting to \$7,622 thousand and \$12,242 thousand, respectively, should be eliminated.

(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

<u>Products and services</u>	<u>2021</u>	<u>2020</u>
Baking oil, cooking oil and industrial oil	\$ 12,686,051	10,601,537
Frozen dough, noodles and cooked rice	4,578,052	4,410,789
Restaurant Business	812,448	956,976
Ice cream products	1,186,805	1,065,465
Others	598,414	586,996
Total	<u>\$ 19,861,770</u>	<u>17,621,763</u>

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
China	\$ 12,105,286	9,997,542
Taiwan	5,099,857	4,762,555
Thailand	2,656,627	2,861,666
Total	<u>\$ 19,861,770</u>	<u>17,621,763</u>

<u>Geographical information</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current assets:		
Taiwan	\$ 3,455,032	4,075,149
China	6,502,994	6,423,107
Thailand	1,726,136	2,064,981
Japan	1,435,103	1,678,947
Total	<u>\$ 13,119,265</u>	<u>14,242,184</u>

Non-current assets include investment accounted for under the equity method, property, plant and equipment, investment property.

(e) Information about major customers

For the years 2021 and 2020, the Group had no major customer who constituted 10% or more of net sales.

# V. Entity Financial Statement of the Latest Year Inspected and Authenticated by CPAs



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web home.kpmg/tw

3

## Independent Auditors' Report

To the Board of Directors of Namchow Holding Co., Ltd.:

### Opinion

We have audited the parent company only financial statements of Namchow Holding Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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 financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. 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, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

Evaluation of investments accounted for under equity method

Please refer to notes 4(g) and 6(e) for the disclosure related to the evaluation of investments accounted for under equity method of the parent company only financial statements.

Description of key audit matter:

Namchow Holding Co., Ltd. mainly engages in the investment business. Investments accounted for under equity method amounts to \$16,204,469 thousand, which constitutes 88% of the total assets of Namchow Holding Co., Ltd. Therefore, the evaluation of investments accounted for under equity method is the key judgmental area for our audit.

How the matter is address in our audit:

Our principal audit procedure including providing audit instructions and communicating with auditors of other components; obtaining financial statements of the components, recalculating shares of profit from the subsidiaries and exam whether if it is recognized in the correct period; and evaluating whether the disclosure related to investments accounted for under equity method made by the management is appropriate.

**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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 and appropriate audit evidence regarding the financial information of the investment in other entities accounted for under equity method to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Chung-shun Wu.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2022

#### Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
NAMCHOW HOLDING CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020			
	Amount	%	Amount	%		Amount	%	Amount	%		
11XX	<b>Assets</b>				21XX	<b>Liabilities and Equity</b>					
11XX	<b>Current assets:</b>				21XX	<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 28,511	-	15,816	-	2321	Current portion of bonds payable (note 6(j))	-	-	3,980,298	26
1180	Accounts receivable—related parties (notes 6(c) and 7)	2,494	-	3,058	-	2200	Other payables (notes 6(l) and (q))	177,680	1	154,602	1
1210	Other receivables—related parties (notes 6(d), (m) and 7)	32,860	-	45,551	-	2220	Other payable—related parties (notes 6(m) and 7)	5,951	-	8,175	-
1220	Current income tax assets	25,090	-	25,090	-	2230	Current income tax liabilities	30,220	-	20,469	-
1410	Prepayments	2,700	-	2,668	-	2280	Current lease liabilities (note 6(k))	1,719	-	2,717	-
1470	Other current assets	50	-	64	-	2399	Other current liabilities	778	-	830	-
	<b>Total current assets</b>	<u>91,705</u>	<u>-</u>	<u>92,247</u>	<u>-</u>		<b>Total current liabilities</b>	<u>216,348</u>	<u>1</u>	<u>4,167,091</u>	<u>27</u>
15XX	<b>Non-current assets:</b>				25XX	<b>Non-Current liabilities:</b>					
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(b))	20,092	-	16,062	-	2530	Bonds payable (note 6(j))	4,853,527	26	-	-
1550	Investments accounted for under equity method (note 6(e))	16,204,469	88	12,845,517	85	2540	Long-term borrowings (notes 6(i) and 8)	2,809,000	15	3,147,000	21
1600	Property, plant and equipment (notes 6(f), 8 and 9)	1,827,787	10	1,829,951	12	2570	Deferred income tax liabilities (note 6(m))	1,154,501	6	995,092	7
1755	Right-of-use assets (note 6(g))	3,136	-	3,604	-	2580	Lease liabilities—non-current (note 6(k))	1,429	-	913	-
1760	Investment property (notes 6(h) and 8)	216,524	2	226,225	3	2640	Accrued pension liabilities—non-current (note 6(l))	125,885	1	132,772	1
1840	Deferred income tax assets (note 6(m))	4,349	-	37,538	-	2670	Other non-current liabilities	111,968	1	50	-
1915	Prepayments for equipment	238	-	-	-		<b>Total non-current liabilities</b>	<u>9,056,310</u>	<u>49</u>	<u>4,275,827</u>	<u>29</u>
1990	Other non-current assets	11,320	-	11,320	-	2XXX	<b>Total liabilities</b>	<u>9,272,658</u>	<u>50</u>	<u>8,442,918</u>	<u>56</u>
	<b>Total non-current assets</b>	<u>18,287,915</u>	<u>100</u>	<u>14,970,217</u>	<u>100</u>		<b>Equity attributable to shareholders of parent (notes 6(b) and (n)):</b>				
						3110	Common stock	2,941,330	16	2,941,330	20
						3200	Capital surplus	3,590,865	20	1,214,039	8
						3300	Retained earnings:				
						3310	Legal reserve	932,166	5	838,824	5
						3320	Special reserve	1,239,224	7	1,286,181	9
						3350	Unappropriated earnings	2,033,250	11	1,596,003	11
								<u>4,204,640</u>	<u>23</u>	<u>3,721,008</u>	<u>25</u>
						3400	Other equity:				
						3410	Financial statement translation differences for foreign operations	(1,059,576)	(6)	(681,563)	(5)
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(40,183)	-	(45,154)	-
								<u>(1,099,759)</u>	<u>(6)</u>	<u>(726,717)</u>	<u>(5)</u>
						3500	Treasury stock	(530,114)	(3)	(530,114)	(4)
						3XXX	<b>Total equity</b>	<u>9,106,962</u>	<u>50</u>	<u>6,619,546</u>	<u>44</u>
1XXX	<b>Total assets</b>	<u>\$ 18,379,620</u>	<u>100</u>	<u>15,062,464</u>	<u>100</u>	2-3XXX	<b>Total liabilities and shareholders' equity</b>	<u>\$ 18,379,620</u>	<u>100</u>	<u>15,062,464</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

	2021		2020	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(p) and 7)</b>	\$ 59,683	100	64,132	100
5000 <b>Operating costs</b>	-	-	-	-
5900 <b>Gross profit from operations</b>	59,683	100	64,132	100
5920 Add: Realized profit from sale	-	-	971	2
5950 <b>Gross profit</b>	59,683	100	65,103	102
6200 <b>General and administrative expenses (notes 6(f), (g), (k),(l), (q) and 7)</b>	290,876	487	278,964	435
6900 <b>Operating loss</b>	(231,193)	(387)	(213,861)	(333)
7000 <b>Non-operating income and expenses (notes 6(h), (j), (k), (r) and 7):</b>				
7100 Interest income	1,081	2	15	-
7010 Other income	1,118	2	209	-
7020 Other gains and losses	(12,633)	(21)	(11,033)	(17)
7050 Finance costs	(91,827)	(154)	(82,844)	(129)
7070 Share of profit of subsidiary accounted for using equity method	1,601,037	2,682	1,358,715	2,119
<b>Total non-operating income and expenses</b>	1,498,776	2,511	1,265,062	1,973
7900 <b>Profit from continuing operations before tax</b>	1,267,583	2,124	1,051,201	1,640
7950 <b>Less: Income tax expenses (note 6(m))</b>	196,417	329	100,504	157
8000 <b>Profit</b>	1,071,166	1,795	950,697	1,483
8300 <b>Other comprehensive income(note 6(n)):</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Gains on remeasurements of defined benefit plans	5,505	9	(1,058)	(2)
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	4,030	7	8,970	13
8330 Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(3,832)	(6)	(21,827)	(34)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	5,703	10	(13,915)	(23)
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(333,478)	(559)	(109,176)	(170)
8380 Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(44,535)	(75)	152,772	238
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	(378,013)	(634)	43,596	68
8300 <b>Other comprehensive income</b>	(372,310)	(624)	29,681	45
<b>Total comprehensive income</b>	\$ <b>698,856</b>	<b>1,171</b>	<b>980,378</b>	<b>1,528</b>
9750 <b>Basic earnings per share (in New Taiwan dollars) (note 6(o))</b>	\$ <b>4.32</b>		<b>3.84</b>	
9850 <b>Diluted earnings per share (in New Taiwan dollars) (note 6(o))</b>	\$ <b>4.31</b>		<b>3.83</b>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Common stock	Capital surplus	Retained earnings			Total	Total other equity interest		Total	Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated earnings		Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
<b>Balance at January 1, 2020</b>	\$ 2,941,330	1,136,347	740,987	1,071,360	1,562,023	3,374,370	(725,159)	(48,516)	(773,675)	(576,860)	6,101,512
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	97,837	-	(97,837)	-	-	-	-	-	-
Special reserve	-	-	-	214,821	(214,821)	-	-	-	-	-	-
Cash dividends of ordinary share	-	91,760	-	-	(586,782)	(586,782)	-	-	-	-	(495,022)
Other changes in capital surplus	-	968	-	-	-	-	-	-	-	-	968
Net income	-	-	-	-	950,697	950,697	-	-	-	-	950,697
Other comprehensive income (loss)	-	-	-	-	(23,521)	(23,521)	43,596	9,606	53,202	-	29,681
Total comprehensive income (loss)	-	-	-	-	927,176	927,176	43,596	9,606	53,202	-	980,378
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	6,244	6,244	-	(6,244)	(6,244)	-	-
Disposal of treasury stock	-	(15,036)	-	-	-	-	-	-	-	46,746	31,710
<b>Balance at December 31, 2020</b>	2,941,330	1,214,039	838,824	1,286,181	1,596,003	3,721,008	(681,563)	(45,154)	(726,717)	(530,114)	6,619,546
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	93,342	-	(93,342)	-	-	-	-	-	-
Special reserve	-	-	-	(46,957)	46,957	-	-	-	-	-	-
Cash dividends of ordinary share	-	91,760	-	-	(588,266)	(588,266)	-	-	-	-	(496,506)
Other changes in capital surplus	-	2,061	-	-	-	-	-	-	-	-	2,061
Net income	-	-	-	-	1,071,166	1,071,166	-	-	-	-	1,071,166
Other comprehensive income (loss)	-	-	-	-	732	732	(378,013)	4,971	(373,042)	-	(372,310)
Total comprehensive income (loss)	-	-	-	-	1,071,898	1,071,898	(378,013)	4,971	(373,042)	-	698,856
Changes in ownership interests in subsidiaries	-	2,283,005	-	-	-	-	-	-	-	-	2,283,005
<b>Balance at December 31, 2021</b>	\$ 2,941,330	3,590,865	932,166	1,239,224	2,033,250	4,204,640	(1,059,576)	(40,183)	(1,099,759)	(530,114)	9,106,962

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
<b>Consolidated net income before tax</b>	\$ 1,267,583	1,051,201
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	18,285	24,734
Reversal of expected credit loss	-	(197)
Interest expense	91,827	82,844
Interest income	(1,081)	(15)
Share of profit of subsidiaries accounted for using equity method	(1,601,037)	(1,358,715)
Realized profit on from sales	-	(971)
Gains on lease modification	(7)	-
Total adjustments to reconcile profit	<u>(1,492,013)</u>	<u>(1,252,320)</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Accounts receivable	-	197
Accounts receivable due from related parties	564	(798)
Other receivable	-	40
Other receivable due from related parties	12,691	85,057
Prepayments	(32)	174
Other current assets	14	(7)
Total changes in operating assets, net	<u>13,237</u>	<u>84,663</u>
Changes in operating liabilities:		
Other payables	16,600	7,946
Other payable to related parties	(2,224)	(1,734)
Other current liabilities	(52)	(3)
Net defined benefit liabilities	(1,382)	(10,441)
Total changes in operating liabilities, net	<u>12,942</u>	<u>(4,232)</u>
Total changes in operating assets / liabilities, net	<u>26,179</u>	<u>80,431</u>
Total adjustments	<u>(1,465,834)</u>	<u>(1,171,889)</u>
Cash provided by operating activities	(198,251)	(120,688)
Interest income received	1,081	15
Interest paid	(100,178)	(61,235)
Income taxes refund	5,932	18,339
<b>Net cash used in operating activities</b>	<u>(291,416)</u>	<u>(163,569)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	33,410
Acquisition of investments accounted for using equity method	(272,400)	(137,650)
Acquisition of property, plant and equipment	(3,526)	(532)
Acquisition of investment properties	(691)	(455)
Increase in other non-current assets	-	(540)
Increase in prepayments for business facilities	(238)	-
Dividends received	507,405	666,980
<b>Net cash provided by investing activities</b>	<u>230,550</u>	<u>561,213</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	4,258,000	7,199,000
Decrease in short-term borrowings	(4,258,000)	(7,656,000)
Proceeds from issuing bonds	5,000,000	-
Repayments of bonds	(4,000,000)	-
Proceeds from long-term borrowings	13,386,000	9,583,000
Repayments of long-term borrowings	(13,724,000)	(9,031,000)
Payment of lease liabilities	(2,210)	(7,856)
Cash dividends paid	(588,266)	(586,782)
Proceeds from sale of treasury shares	-	31,710
Interest paid	(24)	(54)
Overaging unclaimed dividends	2,061	968
<b>Net cash provided by (used in) financing activities</b>	<u>73,561</u>	<u>(467,014)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>12,695</u>	<u>(69,370)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>15,816</u>	<u>85,186</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 28,511</u>	<u>15,816</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

Namchow Holding Co., Ltd. (formerly called Namchow Chemical Industrial Co., Ltd.) (the Company) was incorporated on March 29, 1952 as a corporation limited by shares under the laws of the Republic of China (R.O.C.). The Company is engaged in the manufacture, sale, and processing of edible and non-edible oil products and frozen dough, as well as dish and laundry liquid detergent, it also provides management consulting services.

In order to improve its business performance and competitiveness, the Company decided to conduct a group restructuring and division of profession. On May 31, 2017, the shareholders of the Company decided to divide its entire departments and categorize them into two, then transfer them to two of its subsidiaries. The Department of Edible Products, which includes frozen dough items, will be transferred to Namchow Oil and Fat Co., Ltd. and the Department of Non-Edible Products will be transferred to Huaciang Industry Co., Ltd.. Both entities are 100% owned by the Company, with a record date of August 1, 2017.

For the purpose of transforming into a holding company, the Company, which was formerly named as Namchow Chemical Industrial Co., Ltd., is renamed as Namchow Holding Co., Ltd.. After the spin-off, the Company only engaged in investment holding.

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

The financial statements were authorized for issue by the Board of Directors on March 15, 2022.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021:

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

The significant accounting policies presented in the parent company only financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the parent company only financial statements.

(a) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis, unless, otherwise stated (please refer to the summary of the significant accounting policies).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan dollars, which is Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

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

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

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short term cash commitment rather than investment.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(f) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(g) Investment in subsidiaries

When preparing the parent company only financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the parent company only financial statements are equivalent to those attributable to the shareholders of the parent company only financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	3~65 years
Other equipment	1~15 years

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(j) Leases

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

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

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

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

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

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

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

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

The Company has elected not to recognize its right-of-use assets and lease liabilities for the short-term leases of its machinery and leases of its machine and other equipment that have a lease term of 12 months or less, and leases of its low-value assets, including its machine and other equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

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

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

(l) Treasury stock

Under the cost method, the treasury stock account is debited for the after tax cost of the Company's shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus – treasury stock; otherwise, the excess of the cost over the price is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus – treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average cost and is calculated by each group according to the reason for purchase.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

The shares that are owned by the Company's subsidiaries are seen as treasury stock.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering service to its customers, wherein revenue is recognized in the reporting period when the Company satisfies a performance obligation by transferring its control of a service, which is mainly management service, to the customer.

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

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

(o) Income tax

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

When the business of the Company and its subsidiary has been operating for a period of at least 12 months, they are entitled to file a combined income tax return, including a 10% surplus, in accordance with the tax regulation, with the Company being appointed as the tax payer. Thereafter, the Company will allocate the income tax expense (benefit), deferred income tax, as well as Current income tax assets (liabilities) to itself and its subsidiary.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after the adjustment on the effects of all dilutive potential ordinary shares.

(q) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the parent company only financial statements.

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

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the parent company only financial statements.

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 111	112
Savings and checking deposits	<u>28,400</u>	<u>15,704</u>
Cash and cash equivalents per statements of cash flow	<u>\$ 28,511</u>	<u>15,816</u>

The Company's exposure to interest rate risk and the sensitivity analysis on the financial instruments held by the Company are disclosed in note 6(s).

(b) Financial assets at fair value through other comprehensive income – non-current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	<u>\$ 20,092</u>	<u>16,062</u>

(i) Equity investments at fair value through other comprehensive income

The Company held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

The domestic non-listed company, Huanhua Co., Ltd., resolved to reduce its capital by cash at rate of 95.34%, through the special shareholders' meeting on January 14, 2020 and the Company received the amount of \$33,410 thousand. The liquidation process was completed at December 8, 2020, resulting in the cumulative dispose benefit of \$6,244 thousand, which was reclassified from other equity items to retained earnings.

No strategic investments were disposed for the year ended December 31, 2021, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

(ii) Credit risk (including depreciation of debt instrument investment) and market risk, please refer to note 6(s).

(iii) The aforesaid financial assets were not pledged as collateral.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(c) Accounts receivable (including related parties)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable – related parties	<u>\$ 2,494</u>	<u>3,058</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all accounts receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The allowance for impairment were determined as follows:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	<u>\$ 2,494</u>	0.00	<u>-</u>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	<u>\$ 3,058</u>	0.00	<u>-</u>

The movement in the allowance for accounts receivable was as follows:

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ -	850
Reversal of expected credit loss	-	(197)
Amounts written off	-	(653)
Balance on December 31	<u>\$ -</u>	<u>-</u>

The Company has not provided the notes and accounts receivable (including related parties) as collateral or factored them for cash.

(d) Other receivables(including related parties)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other receivables – related parties	<u>\$ 32,860</u>	<u>45,551</u>

As of December 31, 2021 and 2020, the Company had no other receivables that were past due and did not have any impairment on other receivables.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(e) Investments accounted for under the equity method

The details of the investments accounted for under the equity method at the reporting date were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiaries	<b><u>\$ 16,204,469</u></b>	<b><u>12,845,517</u></b>

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2021.

(ii) Collateral

As of December 31, 2021 and 2020, the Company did not pledge any collateral on investments accounted for under the equity method.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020 were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Other equipment</b>	<b>Construction in progress and testing equip</b>	<b>Total</b>
Cost:					
Balance at January 1, 2021	\$ 1,775,064	69,109	207,695	-	2,051,868
Additions	-	150	2,365	1,011	3,526
Disposals	-	-	(51)	-	(51)
Balance at December 31, 2021	<b><u>\$ 1,775,064</u></b>	<b><u>69,259</u></b>	<b><u>210,009</u></b>	<b><u>1,011</u></b>	<b><u>2,055,343</u></b>
Balance at January 1, 2020	\$ 1,775,064	69,019	207,307	-	2,051,390
Additions	-	90	442	-	532
Disposals	-	-	(54)	-	(54)
Balance at December 31, 2020	<b><u>\$ 1,775,064</u></b>	<b><u>69,109</u></b>	<b><u>207,695</u></b>	<b><u>-</u></b>	<b><u>2,051,868</u></b>
Depreciation:					
Balance at January 1, 2021	\$ -	30,142	191,775	-	221,917
Depreciation	-	1,597	4,093	-	5,690
Disposal	-	-	(51)	-	(51)
Balance at December 31, 2021	<b><u>\$ -</u></b>	<b><u>31,739</u></b>	<b><u>195,817</u></b>	<b><u>-</u></b>	<b><u>227,556</u></b>
Balance at January 1, 2020	\$ -	28,515	186,906	-	215,421
Depreciation	-	1,627	4,923	-	6,550
Disposal	-	-	(54)	-	(54)
Balance at December 31, 2020	<b><u>\$ -</u></b>	<b><u>30,142</u></b>	<b><u>191,775</u></b>	<b><u>-</u></b>	<b><u>221,917</u></b>
Carrying value:					
December 31, 2021	<b><u>\$ 1,775,064</u></b>	<b><u>37,520</u></b>	<b><u>14,192</u></b>	<b><u>1,011</u></b>	<b><u>1,827,787</u></b>
December 31, 2020	<b><u>\$ 1,775,064</u></b>	<b><u>38,967</u></b>	<b><u>15,920</u></b>	<b><u>-</u></b>	<b><u>1,829,951</u></b>
January 1, 2020	<b><u>\$ 1,775,064</u></b>	<b><u>40,504</u></b>	<b><u>20,401</u></b>	<b><u>-</u></b>	<b><u>1,835,969</u></b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Please refer to note 8 for information on pledged property, plant and equipment as of December 31, 2021 and 2020.

(g) Right-of-use assets

The Company leases assets including transposition equipment. Information about leases, for which the Company is the lessee is presented below:

	<u>Transposition equipment</u>
Cost:	
Balance at January 1, 2021	\$ 7,632
Additions	2,435
Modification	<u>(2,291)</u>
Balance at December 31, 2021	<u>\$ 7,776</u>
Balance at January 1, 2020	\$ 22,642
Additions	1,224
Modification	<u>(16,234)</u>
Balance at December 31, 2020	<u>\$ 7,632</u>
Accumulated depreciation:	
Balance at January 1, 2021	\$ 4,028
Depreciation	2,203
Modification	<u>(1,591)</u>
Balance at December 31, 2021	<u>\$ 4,640</u>
Balance at January 1, 2020	\$ 12,426
Depreciation	7,836
Modification	<u>(16,234)</u>
Balance at December 31, 2020	<u>\$ 4,028</u>
Carrying value:	
December 31, 2021	<u>\$ 3,136</u>
December 31, 2020	<u>\$ 3,604</u>
January 1, 2020	<u>\$ 10,216</u>

(h) Investment property

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2021	\$ 363,633
Additions	<u>691</u>
Balance as at December 31, 2021	<u>\$ 364,324</u>
Balance as at January 1, 2020	\$ 363,178
Additions	<u>455</u>
Balance as at December 31, 2020	<u>\$ 363,633</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

	<b>Buildings</b>
Depreciation:	
Balance as at January 1, 2021	\$ 137,408
Depreciation	10,392
Balance as at December 31, 2021	<b><u>\$ 147,800</u></b>
Balance as at January 1, 2020	\$ 127,060
Depreciation	10,348
Balance as at December 31, 2020	<b><u>\$ 137,408</u></b>
Carrying value:	
Balance as at December 31, 2021	<b><u>\$ 216,524</u></b>
Balance as at December 31, 2020	<b><u>\$ 226,225</u></b>
Balance as at January 1, 2020	<b><u>\$ 236,118</u></b>
Fair value:	
Balance as at December 31, 2021	<b><u>\$ 216,524</u></b>
Balance as at December 31, 2020	<b><u>\$ 226,225</u></b>
Balance as at January 1, 2020	<b><u>\$ 236,118</u></b>

Investment property comprises a number of factory that are leased to the Company's subsidiary Lucky Royal Co., Ltd., Namchow Oil and Fat Co., Ltd. and Huaciang Industry Co., Ltd. Each of the leases contains an initial non-cancellable period of 1 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(p) for further information (including leasing income and direct operating expenses).

Investment property of the Company was acquired in 2014, since the Company considered that the book value of investment property as of December 31, 2021 and 2020 nearly equal to the fair value of investment property, the Company is not required to take any valuation from its independent third party as reference.

Please refer to note 8 for information on pledged investment property as of December 31, 2021 and 2020.

(i) Short-term and long-term borrowings

The details, terms and clauses of the Company's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

As of December 31, 2021 and 2020, the Company has no short-term borrowings.

As of December 31, 2021 and 2020, the unused credit facilities amounted to \$1,665,360 thousand and \$3,227,440 thousand, respectively, which included the credit facilities shared with related parties of \$80,000 thousand and \$1,100,000 thousand, respectively.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (ii) Short-term commercial paper payable

The Company has not used the short-term commercial paper payable quota granted by the bank for 2021 and 2020.

As of December 31, 2021 and 2020, the unused credit facilities amounted to \$330,000 thousand and \$290,000 thousand, respectively.

## (iii) Long-term borrowings

	<b>December 31, 2021</b>			<b>Amount</b>
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	
Secured loans	TWD	0.95	2024	\$ 359,000
Unsecured loans	TWD	0.84~1.05	2023~2024	<u>2,450,000</u>
Total				<b><u>\$ 2,809,000</u></b>
Non-current				<b><u>\$ 2,809,000</u></b>

	<b>December 31, 2020</b>			<b>Amount</b>
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	
Secured loans	TWD	1.03~1.05	2022	\$ 605,000
Unsecured loans	TWD	0.90~1.14	2022~2023	<u>2,542,000</u>
Total				<b><u>\$ 3,147,000</u></b>
Non-current				<b><u>\$ 3,147,000</u></b>

As of December 31, 2021 and 2020, the unused credit facilities amounted to \$2,717,800 thousand, and \$2,173,985 thousand, respectively, which included the credit facilities shared with related parties of \$2,976,800 thousand and \$370,985 thousand, respectively.

The Company has disclosed the related risk exposure to the financial instruments in note 6(s).

## (iv) Collateral of loans

The Company has pledge certain assets against the loans; please refer to note 8 for additional information.

## (j) Bonds payable

## (i) The details of bonds payable was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Secured bonds	\$ 5,000,000	4,000,000
Less: discounts on bonds payable	146,473	19,702
Less: current portion of bonds payable	-	<u>3,980,298</u>
Total	<b><u>\$ 4,853,527</u></b>	<b><u>-</u></b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

	<b>2021</b>	<b>2020</b>
Interest expenses	\$ <b>67,383</b>	<b>51,493</b>

- (ii) As August 11, 2021, the Company issued its 1st domestic secured bonds, and its major obligations are as follows:

<b>Item</b>	<b>110-1 Secured Bonds (Tranche A)</b>
1) Issue date	August 11, 2021
2) Issue period	5 years, commencing from August 11, 2021 and matured on August 11, 2026.
3) Offering amount	3,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 300 bonds
5) Coupon Rate	Annual interest rate 0.47%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

<b>Item</b>	<b>110-1 Secured Bonds (Tranche B)</b>
1) Issue date	August 11, 2021
2) Issue period	7 years, commencing from August 11, 2021 and matured on August 11, 2028.
3) Offering amount	2,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 200 bonds
5) Coupon Rate	Annual interest rate 0.53%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

- (iii) As November 29, 2016, the Company issued its 1st domestic secured bonds, and its major obligations are as follows:

<u>Item</u>	<u>1st domestic secured bonds</u>
1) Issue date	November 29, 2016
2) Issue period	5 years, commencing from November 29, 2016 and matured on November 29, 2021.
3) Offering amount	4,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 400 bonds
5) Coupon Rate	Annual interest rate 0.75%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

- (k) Lease liabilities

The carrying amounts of lease liabilities for the Company were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Current	\$ <u>1,719</u>	<u>2,717</u>
Non-current	\$ <u>1,429</u>	<u>913</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>24</u>	<u>54</u>
Expenses relating to short-term leases	\$ <u>3,714</u>	<u>2,691</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>963</u>	<u>909</u>

The amount recognized in the statement of cash flows for the Company was as follows:

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>6,911</u>	<u>11,510</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(l) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
The present value of the defined benefit obligations	\$ 299,651	320,933
Fair value of plan assets	<u>(173,766)</u>	<u>(188,161)</u>
The net defined benefit liability	<b><u>\$ 125,885</u></b>	<b><u>132,772</u></b>

The Company established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$173,766 thousand as of December 31, 2021. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Company's defined benefit plan obligation for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Defined benefit obligation at 1 January	\$ 320,933	321,987
Current service costs and interest	2,128	3,221
Re-measurements of the net defined benefit liability		
— Due to changes in financial assumption of actuarial gains	(3,123)	7,018
Benefits paid by the plan	<u>(20,287)</u>	<u>(11,293)</u>
Defined benefit obligation at 31 December	<b><u>\$ 299,651</u></b>	<b><u>320,933</u></b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets, January 1	\$ 188,161	179,832
Remeasurements of the net defined benefit liability		
– Return on plan assets (excluding amounts included in net interest expense)	955	1,480
– Due to changes in financial assumption of actuarial gains	2,382	5,960
Contributions made	2,508	12,182
Benefits paid by the plan	<u>(20,240)</u>	<u>(11,293)</u>
Fair value of plan assets, December 31	<u>\$ 173,766</u>	<u>188,161</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 351	330
Net interest on the defined benefit liability	<u>822</u>	<u>1,411</u>
	<u>\$ 1,173</u>	<u>1,741</u>
	<u>2021</u>	<u>2020</u>
General and administration expenses	<u>\$ 1,173</u>	<u>1,741</u>

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	<u>2021</u>	<u>2020</u>
Discount rate	0.625 %	0.625 %
Future salary increases rate	2.000 %	2.000 %

The Company expects to make contributions of \$2,557 thousand to the defined benefit plans in the next year starting from the reporting date of 2021.

The weighted average duration of the defined benefit obligation is 8.99 years.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

6) Sensitivity analysis

As of December 31, 2021 and 2020, the present value of defined benefit obligation impact was as follow:

	<b>The impact of defined benefit obligation</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2021		
Discount rate (0.25%)	\$ (4,711)	4,860
Future salary increase rate (0.25%)	4,671	(4,552)
December 31, 2020		
Discount rate (0.25%)	(5,424)	5,601
Future salary increase rate (0.25%)	5,389	(5,247)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Company and its subsidiaries in Taiwan have made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of the Labor Insurance and China Social Security Fund without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan were \$2,240 thousand and \$2,109 thousand for the years ended December 31, 2021 and 2020, respectively.

(iii) Short-term employee benefit

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Compensated absence liabilities (recorded under other payables)	\$ <b>2,715</b>	<b>2,715</b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (m) Income tax

## (i) Income tax expenses

The amount of the Company's income tax for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Current income tax expense		
Current period	\$ 3,814	1,421
Adjustment for prior periods	<u>5</u>	<u>(23,972)</u>
	<u>3,819</u>	<u>(22,551)</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>192,598</u>	<u>123,055</u>
Income tax expenses on continuing operations	<u><u>\$ 196,417</u></u>	<u><u>100,504</u></u>

No income tax recognized in other comprehensive income for 2021 and 2020.

Reconciliations of income tax expense and the profit before tax for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Income before tax	<u><u>\$ 1,267,583</u></u>	<u><u>1,051,201</u></u>
Income tax calculated on pretax financial income at the statutory rate	\$ 253,517	210,240
Adjustment for prior periods	5	(23,972)
Dividend income	(125,798)	(90,580)
Non-deduction expenses	(13,492)	414
Exempt income	(261)	(847)
Overestimated of prior year's deferred income tax assets	68,189	3,156
Changes in temporary differences not recognized	-	(164)
Surtax on undistributed earnings	<u>14,257</u>	<u>2,257</u>
Total	<u><u>\$ 196,417</u></u>	<u><u>100,504</u></u>

The Company and its subsidiaries, Namchow Oil and Fat Co., Ltd. and Huaciang Industry Co., Ltd., will file their combined income tax return. As of December 31, 2021 and 2020, the tax payables to (receivables from) related parties, based on the allocation of the combined income tax return, are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Receivable from subsidiary (recorded under other receivable – related party)	<u><u>\$ 30,663</u></u>	<u><u>44,344</u></u>
Payable to subsidiary (recorded under other payable – related party)	<u><u>\$ 5,706</u></u>	<u><u>7,993</u></u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with its investments in its subsidiaries of the years ended December 31, 2021 and 2020. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unrecognized deferred tax liabilities	<b>\$ 500,563</b>	<b>380,037</b>

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	<b>Loss carry forward</b>	<b>Foreign investment income accounted for using equity method</b>	<b>Land value increment tax</b>	<b>Total</b>
<b>Balance at January 1, 2021</b>	\$ 37,538	(756,130)	(238,962)	(957,554)
Recognized in profit or loss	(33,189)	(159,409)	-	(192,598)
<b>Balance at December 31, 2021</b>	<b>\$ 4,349</b>	<b>(915,539)</b>	<b>(238,962)</b>	<b>(1,150,152)</b>
<b>Balance at January 1, 2020</b>	\$ 14,430	(609,967)	(238,962)	(834,499)
Recognized in profit or loss	23,108	(146,163)	-	(123,055)
<b>Balance at December 31, 2020</b>	<b>\$ 37,538</b>	<b>(756,130)</b>	<b>(238,962)</b>	<b>(957,554)</b>

(iii) Examination and approval

The tax returns of the Company have been examined and approved by the tax authorities through 2018.

(n) Capital and other equity

(i) Capital

As of December 31, 2021 and 2020, the total value of authorized ordinary shares amounted to \$4,000,000 thousand, with par value of \$10 per share, of which 400,000 thousand shares, 294,133 shares were issued. All issued shares were paid up upon issuance.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2021 and 2020, were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Share premium	\$ 1,280	1,280
Overaging unclaimed dividends	4,868	2,807
Treasury stock	1,183,820	1,092,060
Recognize changes in all equity in subsidiaries	<u>2,400,897</u>	<u>117,892</u>
	<u><b>\$ 3,590,865</b></u>	<u><b>1,214,039</b></u>

The Company's subsidiary, Lucky Co. was awarded with cash dividends on 2020 and 2019 amounting to \$91,760 thousand, and they were recognized as capital surplus-treasury stock transactions.

In accordance with the Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The dividend policy of the Company reflects its current and future development plans and takes into accounts factors such as investment climate, funding demand, and domestic and international competition as well as shareholders' interests. Each year, no less than 30% of earnings available for distribution are assigned to shareholders as dividend bonus. The dividend bonus may be done in case or in the form of stock. When it is done in cash, the value may not exceed 10% of the overall dividends.

1) Legal reserve

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

2) Special earnings reserve

As the Company opted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of \$512,508 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. A special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to \$512,508 thousand as of December 31, 2021 and 2020.

For the regulatory permission mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

3) Distribution of retained earnings

The Company's Board of Directors resolved to appropriate the 2020 and 2019 other earnings, respectively. These other earnings were appropriated as follows:

	<u>2020</u>	<u>2019</u>
	<u>March 12, 2021</u>	<u>March 26, 2020</u>
Date resolved by Board of Directors		
Dividends distributed to common shareholders:		
Cash	\$ <u>588,266</u>	<u>586,782</u>
Dividend Payout (dollars)	\$ <u>2</u>	<u>2</u>

The Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	<u>2021</u>
	<u>March 15, 2022</u>
Date resolved by Board of Directors	
Dividends distributed to common shareholders:	
Cash	\$ <u>647,093</u>
Dividend Payout (dollars)	\$ <u>2.2</u>

(iv) Treasury stock

None shares were purchased by the Company and its subsidiaries during the years 2021 and 2020. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of December 31, 2021 and 2020, the subsidiaries held the Company's shares as follows:

	<u>December 31, 2021</u>				
<u>Subsidiary name</u>	<u>Number of shares (in thousand)</u>	<u>Market price per share</u>	<u>Adjusted cost per share</u>	<u>Total market value</u>	<u>Total treasury stock</u>
Lucky Co.	46,041	50.20	11.51	\$ <u>2,311,271</u>	<u>530,114</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

<u>Subsidiary name</u>	December 31, 2020				
	<u>Number of shares (in thousand)</u>	<u>Market price per share</u>	<u>Adjusted cost per share</u>	<u>Total market value</u>	<u>Total treasury stock</u>
Lucky Co.	46,041	47.00	11.51	\$ <u>2,163,939</u>	<u>530,114</u>

In pursuant to Article 12 of the Business Mergers and Acquisition Act, a resolution was made by the Board of the Company to repurchase 742 thousand treasury stock amounting to \$46,746 thousand from the shareholders who objected on the share swap agreement in August 2017. As of December 31, 2021, the above mentioned treasury stocks had been fully disposed, wherein the proceeds from disposal amounted to \$31,710 thousand. The difference which had been fully offset against the capital surplus arising from the same type of treasury stocks amounting to \$15,036 thousand was due to the selling price being lower than the book value.

Under the Business Mergers and Acquisitions Act, the treasury stock held by the Company shall not be pledged nor be entitled to any distribution of dividends or voting rights.

(v) Other equities

	<u>Foreign exchange differences arising from foreign operations</u>	<u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance as of January 1, 2021	\$ (681,563)	(45,154)	(726,717)
Foreign exchange differences arising from foreign operations	(333,478)	-	(333,478)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(44,535)	-	(44,535)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	4,030	4,030
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	941	941
Balance as of December 31, 2021	<u>\$ (1,059,576)</u>	<u>(40,183)</u>	<u>(1,099,759)</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2020	\$ (725,159)	(48,516)	(773,675)
Foreign exchange differences arising from foreign operations	(109,176)	-	(109,176)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	152,772	-	152,772
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	8,970	8,970
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(6,244)	(6,244)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	636	636
Balance as of December 31, 2020	<u>\$ (681,563)</u>	<u>(45,154)</u>	<u>(726,717)</u>

(o) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the years ended December 31, 2021 and 2020, was as follows:

(i) Basic earnings per share

	2021	2020
Net income	\$ <u>1,071,166</u>	<u>950,697</u>
Weighted-average number of common shares	<u>248,092</u>	<u>247,688</u>
Basic earnings per share (in NT dollars)	\$ <u>4.32</u>	<u>3.84</u>

(ii) Diluted earnings per share

	2021	2020
Net income	\$ <u>1,071,166</u>	<u>950,697</u>
Weighted-average number of common shares (basic)	248,092	247,688
Impact of potential common shares		
Effect of employee's remuneration	311	307
Weighted-average number of shares outstanding (diluted)	<u>248,403</u>	<u>247,995</u>
Diluted earnings per share (in NT dollars)	\$ <u>4.31</u>	<u>3.83</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(p) Revenue from contracts with customers – Disaggregation of revenue

		2021			
Area of distribution:	Revenue from dividends	Management revenue	Rental revenue	Total	
Taiwan	\$ 1,304	316	55,517	57,137	
Thailand	-	2,546	-	2,546	
	<b>\$ 1,304</b>	<b>2,862</b>	<b>55,517</b>	<b>59,683</b>	
		2020			
Area of distribution:	Revenue from dividends	Management revenue	Rental revenue	Total	
Taiwan	\$ 4,238	472	56,847	61,557	
Thailand	-	2,575	-	2,575	
	<b>\$ 4,238</b>	<b>3,047</b>	<b>56,847</b>	<b>64,132</b>	

(q) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company shall set aside no less than 1% of its profit as for employee remuneration and no more than 5% as directors' remuneration. However, priority shall be given to covering cumulative losses, if any.

The Company estimated its remuneration to employees amounting to \$13,343 thousand and \$11,065 thousand, as well as its directors' \$53,372 thousand and \$44,261 thousand for the years 2021 and 2020, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's individual financial statements.

(r) Non-operating income and expenses

(i) Interest income

The details of the Company's interest income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Interest income from bank deposits	<b>\$ 1,081</b>	<b>15</b>

(ii) Other income

	2021	2020
Other income – other	<b>\$ 1,118</b>	<b>209</b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Gains on lease modification	\$ 7	-
Gains of foreign exchange	37	1,709
Others	<u>(12,677)</u>	<u>(12,742)</u>
Net other gains and losses	<u>\$ (12,633)</u>	<u>(11,033)</u>

## (iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense	<u>\$ 91,827</u>	<u>82,844</u>

## (s) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount.

## 2) Concentration of credit risk

The Company's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Company deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Company concluded that it is not exposed to credit risk.

## (ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Secured loans	\$ 359,000	363,074	3,411	359,663	-	-
Unsecured loans	2,450,000	2,470,320	23,295	2,447,025	-	-
Other payable (including related parties)	183,631	183,631	183,631	-	-	-
Bonds payable	4,853,527	5,000,000	-	-	3,000,000	2,000,000
Lease liabilities	3,148	3,178	1,738	823	617	-
Guarantee deposits received	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,849,356</u>	<u>8,020,253</u>	<u>212,125</u>	<u>2,807,511</u>	<u>3,000,617</u>	<u>2,000,000</u>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Secured loans	\$ 605,000	614,411	6,291	608,120	-	-
Unsecured loans	2,542,000	2,592,114	25,970	1,798,664	767,480	-
Other payable (including related parties)	162,777	162,777	162,777	-	-	-
Bonds payable(including current portion)	3,980,298	4,000,000	4,000,000	-	-	-
Lease liabilities	3,630	3,654	2,739	915	-	-
Guarantee deposits received	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,293,755</u>	<u>7,373,006</u>	<u>4,197,827</u>	<u>2,407,699</u>	<u>767,480</u>	<u>-</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting to the management internally, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased / decreased by 1%, the Company's net income before tax would have increased / decreased by \$22,472 thousand and \$25,176 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant.

(iv) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ <u>20,092</u>	<u>20,092</u>	<u>-</u>	<u>-</u>	<u>20,092</u>
	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ <u>16,062</u>	<u>16,062</u>	<u>-</u>	<u>-</u>	<u>16,062</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

2) Valuation techniques and assumptions used in fair value determination

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and Liability instruments trading in active markets.

Stocks of listed Companies and open ended funds are financial assets possessing standard provision and trading in active markets. The fair values are determined based on the market quotes and net assets value, respectively.

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2021 and 2020.

5) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
January 1, 2020	\$ 27,166
Return from capital reduction and liquidation	(27,166)
December 31, 2020	\$ -

None of the above transaction in 2021.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(t) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Company's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The company is an investment holding company, and the accounts receivable and other receivables are all from related parties, and the management assesses that there is no risk of default.

2) Investments

The credit risk exposure in the bank deposits, fixed income investment and other financial instruments is measured and monitored by the Company's finance department. Since those who transact with the Company are banks and other external parties with good credit standing, there are no non-compliance issues, and therefore, there is no significant credit risk.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As December 31, 2021 and 2020, the Company did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Company has unused short term bank facilities of \$4,713,160 thousand and \$5,691,425 thousand on December 31, 2021 and 2020.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Interest rate risk

The interest rates of the Company's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Company's finance department monitors and measures potential changes in market conditions to achieve a fixed interest rate on the Company's loans.

2) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(u) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Total liabilities	\$ 9,272,658	8,442,918
Less: cash and cash equivalents	<u>28,511</u>	<u>15,816</u>
Net debt	<u>\$ 9,244,147</u>	<u>8,427,102</u>
Total equity	<u>\$ 9,106,962</u>	<u>6,619,546</u>
Debt-to-adjusted-capital ratio	<u>102 %</u>	<u>127 %</u>

As of December 31, 2021, there were no changes in the Company's approach of capital management.

(v) Investing and financing activities not affecting current cash flow

For the year ended December 31, 2021 and 2020, the reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1,</u> <u>2021</u>	<u>Cash flows</u>	<u>Non-cash</u> <u>changes</u> <u>Others</u>	<u>December 31,</u> <u>2021</u>
Bonds payable	\$ 3,980,298	1,000,000	(126,771)	4,853,527
Long-term borrowings (including current portion)	3,147,000	(338,000)	-	2,809,000
Lease liabilities	<u>3,630</u>	<u>(2,234)</u>	<u>1,752</u>	<u>3,148</u>
Total liabilities from financing activities	<u>\$ 7,130,928</u>	<u>659,766</u>	<u>(125,019)</u>	<u>7,665,675</u>

	<u>January 1,</u> <u>2020</u>	<u>Cash flows</u>	<u>Non-cash</u> <u>changes</u> <u>Others</u>	<u>December 31,</u> <u>2020</u>
Short-term borrowings	\$ 457,000	(457,000)	21,494	21,494
Bonds payable	3,958,804	-	21,494	3,980,298
Long-term borrowings (including current portion)	2,595,000	552,000	-	3,147,000
Lease liabilities	<u>10,262</u>	<u>(7,910)</u>	<u>1,278</u>	<u>3,630</u>
Total liabilities from financing activities	<u>\$ 7,021,066</u>	<u>87,090</u>	<u>44,266</u>	<u>7,152,422</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(b) Names and relationship with related parties

The followings are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Namchow (Thailand) Ltd. (Namchow Thailand)	The Company's subsidiary
Mostro (Thailand) Ltd. (Mostro)	The Company's subsidiary
Nacia International Corp. (Nacia Co.)	The Company's subsidiary
Chow Ho Enterprise Co., Ltd. (Chow Ho Co.)	The Company's subsidiary
Lucky Royal Co., Ltd. (Lucky Co.)	The Company's subsidiary
Nankyo Japan Co., Ltd. (Nankyo Japan Co.)	The Company's subsidiary
Namchow Consulting Company, Ltd. (Namchow Consulting Co.)	The Company's subsidiary
Chow Food Biotechnology Co., Ltd. (Chow Food Co.)	The Company's subsidiary
Namchow Oil and Fat Co., Ltd. (Namchow Oil and Fat Co.)	The Company's subsidiary
Huaciang Industry Co., Ltd. (Huaciang Co.)	The Company's subsidiary
Navigator Business Publications Co., Ltd. (NBP Co.)	The Company and Lucky Co. used the equity method to evaluate the invested company
Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Lucky Co. used the equity method to evaluate the invested company
Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Lucky Co. used the equity method to evaluate the invested company
Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Lucky Co. used the equity method to evaluate the invested company
Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Namchow BVI Co. used the equity method to evaluate the invested company
Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Nacia Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Namchow Cayman Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Namchow Cayman Co. used the equity method to evaluate the invested company
Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Namchow Cayman Co. and Shanghai Qizhi Co. used the equity method to evaluate the invested company
Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Namchow Cayman Co. and Namchow Food Co. used the equity method to evaluate the invested company
Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Tianjin Namchow Co. used the equity method to evaluate the invested company
Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Tianjin Yoshi Yoshi Co. used the equity method to evaluate the invested company

(c) Significant transactions with related parties

(i) Management technology service revenue

The Company provided management technology service to subsidiaries recorded under service revenue and the amounts were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries:		
Namchow Thailand	\$ 2,546	2,575
Other subsidiaries	250	408
	<u>\$ 2,796</u>	<u>2,983</u>

(ii) Rental revenue

The Company rents offices to subsidiaries and the amounts were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries:		
Namchow Oil and Fat Co.	\$ 24,876	24,876
Huaciang Co.	18,216	18,216
Lucky Co.	8,750	8,750
Other subsidiaries	3,560	4,890
	<u>\$ 55,402</u>	<u>56,732</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (iii) Receivable from related parties

The details of the receivables from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable—related parties	Subsidiaries:		
	Lucky Co.	\$ 1,395	1,401
	Huaciang Co.	738	738
	Other subsidiaries	<u>361</u>	<u>919</u>
		<u>2,494</u>	<u>3,058</u>
Other receivables—related parties	Subsidiaries		
	Namchow Oil and Fat Co.	31,873	45,005
	Huaciang Co.	962	519
	Lucky Co.	18	19
	Other subsidiaries	<u>7</u>	<u>8</u>
		<u>32,860</u>	<u>45,551</u>
		<u>\$ 35,354</u>	<u>48,609</u>

## (iv) Payable to related parties

The details of the Group's payable to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable—related parties	Subsidiaries		
	Huaciang Co.	\$ 5,721	8,026
	Dian Shui Lou Co.	176	102
	Namchow Oil and Fat Co.	47	47
	Other subsidiaries	<u>7</u>	<u>-</u>
		<u>\$ 5,951</u>	<u>8,175</u>

## (v) Guarantees

As of December 31, 2021 and 2020, the Company provided the amounts of \$1,301,082 thousand and \$1,638,995 thousand, respectively, guarantees to its subsidiaries.

## (d) Personnel transactions from key management

The compensation of the key management personnel comprised as the following:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 72,923	62,203
Post-employments benefits	<u>718</u>	<u>1,086</u>
	<u>\$ 73,641</u>	<u>63,289</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment:			
Land	Long-term borrowings	\$ 1,084,368	1,084,368
Buildings	Long-term borrowings	24,061	24,931
Investment property:			
Buildings	Long-term borrowings	75,940	78,026
		<u>\$ 1,184,369</u>	<u>1,187,325</u>

**(9) Commitments and contingencies: None.****(10) Losses Due to Major Disasters: None.****(11) Subsequent Events: None.****(12) Other**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
<b>By nature</b>						
Employee benefits						
Salary	-	144,500	144,500	-	135,504	135,504
Labor and health insurance	-	7,608	7,608	-	5,970	5,970
Pension	-	3,413	3,413	-	3,850	3,850
Remuneration of directors	-	55,917	55,917	-	46,806	46,806
Others	-	1,370	1,370	-	1,248	1,248
Depreciation	-	7,893	7,893	-	14,386	14,386
Amortization	-	-	-	-	-	-

As of December 31, 2021 and 2020, the depreciation expenses recognized under non-operating income and expenses — other gains and losses amounted to \$10,392 thousand and \$10,348 thousand, respectively.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The Company's number of employees for the years ended December 31, 2021 and 2020 and additional information employee benefits were as follows:

	<u>2021</u>	<u>2020</u>
Number of employees	<u>61</u>	<u>58</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 2,853</u>	<u>2,819</u>
The average salaries and wages	<u>\$ 2,627</u>	<u>2,606</u>
The average of employee salary cost adjustment as follows	<u>0.81 %</u>	
Supervisors compensation	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

- (a) According to the Company's articles of incorporation, the policy for the remuneration to directors' policy is as follows:
- (i) Article 18: The Company has 5 to 9 board directors, who are to be elected among capable individuals during the shareholders meetings to serve a tenure of 3 years and may be re-elected to serve for multiple terms. The directors are entitled to transportation reimbursements that have to be paid regardless of gains or losses incurred by the Company.
  - (ii) Article 19: The directors shall form the Board of Directors and shall elect among themselves one Chairman and one Vice Chairman with paid salaries regardless of gains or losses incurred by the Company.
- (b) The Remuneration Committee evaluates and decides on the remuneration payment policy according to the Company's management strategy, manpower utilization policy, as well as payment capability. It also establishes and periodically reviews the remuneration levels for directors, supervisors, and managers of the Company to be submitted for approval during the Board meeting based on 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 "Regulations of the Company Remuneration Committee".

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

**(13) Other disclosures****(a) Information on significant transactions:**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

**(i) Loans to other parties:**

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year (Note 2)	Ending balance (Note 2)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Lucky Co.	Namchow BVI Co.	Other receivable—related parties	Yes	57,783	-	-	(Note 3)	Short term financing	-	(Note 3)	-	-	-	1,192,127 (Note 1)	1,192,127 (Note 1)
2	Namchow Food Co.	Tianjin Namchow Co.	Other receivable—related parties	Yes	1,660,794	1,654,699	1,654,699	(Note 2)	Short term financing	-	Capital for operation	-	-	-	5,668,077 (Note 2)	5,668,077 (Note 2)
2	Namchow Food Co.	Guangzhou Namchow Co.	Other receivable—related parties	Yes	324,602	323,411	323,411	(Note 2)	Short term financing	-	Capital for operation	-	-	-	5,668,077 (Note 2)	5,668,077 (Note 2)
2	Namchow Food Co.	Shanghai Namchow Co.	Other receivable—related parties	Yes	1,425,333	1,420,103	1,420,103	(Note 2)	Short term financing	-	Capital for operation	-	-	-	5,668,077 (Note 2)	5,668,077 (Note 2)

Note 1: Base on the Lucky Co.'s guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 40% of the Lucky Co.'s stockholder's equity.

Note 2: Base on the Namchow Food CO's guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 40% of the Namchow Food Co.'s stockholder's equity.

Note 3: Dividend receivable transferred to the loan extended with no cash outflow.

**(ii) Guarantees and endorsements for other parties:**

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Nankyo Japan Co.	2	9,109,962	1,638,995	1,301,082	467,525	-	14.29 %	9,109,962	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company that has business transaction with another company.
- (2) A public company which, directly or indirectly, holds more than 50 percent of the voting shares.
- (3) A company that, directly or indirectly, holds more than 50 percent of the voting shares in the public company.
- (4) A public company which, directly or indirectly, holds 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company wherein all its capital contributing shareholders can make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies within the same industry that provide joint and several security among themselves for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 2: According to Namchow Co.'s guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of Namchow Co.'s net worth, while the total guarantees and endorsements for an individual party not exceed 100% of Namchow Co.'s net worth.

**(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):**

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Stock: Capital Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	1,185	20,092	0.05 %	20,092	
Lucky Co., Ltd.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income—non-current	46,041	2,311,271	15.65 %	2,311,271	Note 1
Lucky Co., Ltd.	Stock: Capital Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	277	4,703	0.01 %	4,703	

Note 1: The stated book value is after subtraction of the amount being reclassified treasury stock.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Lucky Co.	Huaciang Co.	Subsidiary	Purchase	(311,474)	(36) %	Note 1	-		(60,156)	(48) %	Note 2
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	311,474	29 %	Note 1	-		60,156	32 %	Note 2
Huaciang Co.	Namchow Oil and Fat Co.	Subsidiary	Purchase	144,731	31 %	Note 1	-		(22,522)	(7) %	Note 2
Namchow Oil and Fat Co.	Huaciang Co.	Subsidiary	(Sales)	(144,731)	(8) %	Note 1	-		22,522	27 %	Note 2
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	334,078	(67) %	Note 1	-		(80,621)	77 %	Note 2
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(334,078)	(13) %	Note 1	-		80,621	21 %	Note 2
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,953,201	(25) %	Note 1	-		(256,618)	33 %	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,953,201)	(73) %	Note 1	-		256,618	67 %	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,376,176	(18) %	Note 1	-		(185,497)	24 %	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,376,176)	(49) %	Note 1	-		185,497	42 %	Note 2
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	549,824	(7) %	Note 1	-		(69,383)	(13) %	Note 2
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(549,824)	(78) %	Note 1	-		69,383	- %	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	2,772,379	(36) %	Note 1	-		-	- %	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(2,772,379)	(82) %	Note 1	-		-	- %	Note 2
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	298,738	(8) %	Note 1	-		(37,606)	6 %	Note 2
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(298,738)	(11) %	Note 1	-		37,606	10 %	Note 2
Chongqing Qiaoxing Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	151,167	(4) %	Note 1	-		(19,277)	4 %	Note 2
Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(151,167)	(22) %	Note 1	-		19,277	22 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	538,599	(14) %	Note 1	-		(75,436)	13 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(538,599)	(16) %	Note 1	-		75,436	80 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	879,731	(23) %	Note 1	-		(127,606)	21 %	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(879,731)	(32) %	Note 1	-		127,606	29 %	Note 2
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	455,074	(72) %	Note 1	-		(116,835)	75 %	Note 2
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(455,074)	(16) %	Note 1	-		116,835	27 %	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	552,345	(7) %	Note 1	-		(82,367)	11 %	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(552,345)	(62) %	Note 1	-		82,367	58 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	332,925	(9) %	Note 1	-		(58,934)	10 %	Note 2
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(332,925)	(37) %	Note 1	-		58,934	42 %	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	512,333	(7) %	Note 1	-		(182,334)	23 %	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(512,333)	(12) %	Note 1	-		182,334	38 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	759,115	(37) %	Note 1	-		-	- %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	(Sales)	(759,115)	(17) %	Note 1	-		-	- %	Note 2

Note 1: Depending on capital movement motor adjustment.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	185,497	5.12	-		185,497 (As of March 15, 2022)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	256,618	7.16	-		256,618 (As of March 15, 2022)	-
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	127,606	7.51	-		127,606 (As of March 15, 2022)	-
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	116,835	4.87	-		116,835 (As of March 15, 2022)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	182,334	3.30	-		182,334 (As of March 15, 2022)	-

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year 2021 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance		Book value	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership				
The Company	Namchow Thailand	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100 %	2,394,510	368,492	368,492	
The Company	Mostro	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100 %	29,954	1,292	1,292	
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100 %	11,968,789	1,206,186	1,206,186	
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	137,000	119,000	2,900	100 %	21,233	(7,674)	(7,653)	
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99.65 %	627,113	74,200	(17,753)	
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80 %	211	47	38	
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	690,580	446,180	-	100 %	289,946	(62,760)	(62,760)	
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	5,000	5,000	500	100 %	762	(189)	(188)	
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	49,000	39,000	1,300	100 %	6,501	(4,720)	(4,704)	
The Company	Namchow Oil and Fat Co.	Taipei, Taiwan	Manufacturing, processing and selling of edible oil and frozen dough	411,731	411,731	41,173	100 %	607,273	122,327	123,027	
The Company	Huaciang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	392,341	30,000	100 %	258,177	(4,880)	(4,940)	
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	293,793	228,970	6,705	93.32 %	68,358	(42,061)	(37,911)	Note 1)
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	352,000	222,000	13,100	100 %	55,971	(109,468)	(109,382)	Note 1)
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	18,300	14,000	500	100 %	4,647	(2,295)	(2,294)	
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10 %	26	47	5	
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies.	Holding of investments	2,522,207	2,522,207	35,378	100 %	11,958,120	1,207,111	1,207,111	

Note 1: Its investment gain and loss are also recognized by Namchow Co.

Note 2: The Company holds the shares in subsidiaries Nankyo Japan Co. totaling 6 shares.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Unit: thousand dollars

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of December 31, 2021	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	-	(131,531)	100.00 %	(131,686) (2b.)	150,833	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00 %	- (2b.)	869	-
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(84,920)	100.00 %	(84,920) (2b.)	366,956	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(10,687)	100.00 %	(10,687) (2b.)	33,598	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	1,149,800	(3)	-	-	-	-	1,607,474	80.94 %	1,437,282 (2a.)	11,456,748	856,146
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	407,737	80.94 %	363,526 (2a.)	1,812,905	45,974

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of December 31, 2021	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Tianjin Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	142,008	80.94 %	125,190 ((2)a.)	690,589	-
Guangzhou Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	110,023	80.94 %	97,606 ((2)a.)	477,825	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	298,262	80.94 %	266,734 ((2)a.)	1,729,812	279,529
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	-	276,840	80.94 %	249,013 ((2)a.)	893,611	-
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	242,474	80.94 %	214,884 ((2)a.)	696,087	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	1,299	80.94 %	1,484 ((2)a.)	169,971	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	474	100.00 %	474 ((2)b.)	8,272	-
Bao Lai Na Co.	Multinational esteries, and the promotion, and management of self-made beers	112,018	(3)	226,649	-	-	226,649	(39,029)	93.00 %	(34,996) ((2)c.)	62,467	35,967

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: Amount of investment income (loss) was recognized base on:

- (1) There is no investment income for the preparatory case.
- (2) Investment gains and losses were based on three basic:
  - a. The financial statements audited by an international accounting firm that has a cooperative relationship with accounting firms of the Republic of China.
  - b. The financial statements audited by the auditors of the parent company.
  - c. Others: the financial statements audited by the auditors of the local accounting firm, and the working papers were reviewed by the auditors of the parent company.

Note 3: The transactions within the Company were eliminated in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2021	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	372,813	3,373,763	5,407,181
Lucky Co.	226,649	194,406	1,788,191

(iii) Significant transactions: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Lucky Royal Co., Ltd.		46,041,259	15.65 %
Chen Fei Lung		33,814,934	11.49 %
Chen Fei Peng		19,537,995	6.64 %

**(14) Segment information**

Please refer to the year 2021 consolidated financial statements.

**VI. Impacts of Latest Financial Difficulties Encountered by Company and Its Associated Enterprises on Company's Financial Standing as of Date of Printing of Annual Report: None.**

## VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks

### I. Financial Standing

Financial Standing Comparison and Analysis Table

Unit: NTD thousands

Item \ Year	2021	2020	Difference	
			Value	%
Current assets	16,011,182	10,796,850	5,214,332	48
Financial assets of fair value	24,795	19,822	4,973	25
Real estate, manufacturing facilities and equipment	11,887,111	12,749,928	(862,817)	(7)
Other Assets	1,490,780	1,773,884	(283,104)	(16)
Gross assets	29,413,868	25,340,484	4,073,384	16
Current liabilities	6,561,148	11,043,938	(4,482,790)	(41)
Long-term liabilities	8,538,356	4,859,016	3,679,340	76
Others	2,478,706	2,482,141	(3,435)	(0)
Gross liabilities	17,578,210	18,385,095	(806,885)	(4)
Capital stock	2,941,330	2,941,330	0	0
Capital reserve	3,590,865	1,214,039	2,376,826	196
Retained earnings	4,204,640	3,721,008	483,632	13
Others	1,098,823	(920,988)	2,019,811	(219)
Total shareholders' equity	11,835,658	6,955,389	4,880,269	70
<p>Description: Main causes of major changes to assets, liabilities, and equities of the past two years (changes by 20% or more and NTD 10 million or more) and their impact and countermeasures</p> <p>Current assets: due to the launch of IPO by main subsidiaries for capital increase and the company's offering of corporate bonds, the company's cash and cash equivalents have increased substantially.</p> <p>Current liabilities and long-term liabilities: The repayment of corporate bonds that would mature within a year has led to significant reduction in current liabilities. The issuing of new corporate bonds has also increased long-term liabilities.</p> <p>Capital reserve and other items: due to the launch of IPO by main subsidiaries for capital increase, capital reserve and non-controlling interests have increased significantly.</p> <p>Impacts and response plans in the future: None</p>				

## II. Financial Performance

Financial Performance Comparison and Analysis Table

Unit: NTD thousands

Item \ Year	2021	2020	Increased/reduced value	Variable ratio(%)
Net revenue	19,861,770	17,621,763	2,240,007	13
Operating costs	13,589,951	11,682,430	1,907,521	16
Gross operating profit	6,271,819	5,939,333	332,486	6
Business expenditure	4,483,335	4,261,588	221,747	5
Business profits	1,788,484	1,677,745	110,739	7
Non-business income and expenditure	149,424	(21,094)	170,518	(808)
Pre-tax profits of continuing department	1,937,908	1,656,651	281,257	17
Income tax	698,764	661,050	37,714	6
After-tax profits of continuing department	1,239,144	995,601	243,543	24
<p>1. Descriptions of the increase or decrease in the ratio: (changes by 20% or more and NTD 10 million or more)</p> <p>Non-business income and expenditure: The significant increase in cash and cash equivalent for the current period has led to the increase in interest income.</p> <p>2. There were no changes to the contents of main business scope of the Company.</p> <p>3. It is expected that the revenue will keep growing in the following year for the Company.</p>				

### III. Cash Flow

#### Cash flow analysis

Unit: NTD thousands

Balance of cash at start of term	Net cash flow from business activities throughout the year	Cash outflow throughout the year	Balance of cash (shortage)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
5,721,627	1,196,462	2,811,714	9,729,803	-	-

#### 1. Liquidity analysis of the past two years

Item \ Year	2021	2020	Ratio of increase/decrease (%)
Cash flow ratio	18	23	(22)
Cash flow adequacy ratio	84	73	15
Cash flow reinvestment ratio	2	9	(78)

#### Explanation:

Net cash flow from operating activities in 2021 fell by approximately NTD 135 million from 2019. The decrease is primarily attributed to the increase in primary raw material prices due to the impact of COVID-19. Cash outflow for inventories increase by approximately NTD 793 million and due to the significant increase in our accounts receivable in 2021, our cash flow for business activities was lower compared to 2020.

The affected ratios are: Cash flow ratio and cash reinvestment ratio.

#### 2. Cash utilization and liquidity analysis for the coming year:

Unit: NTD thousands

Balance of cash at start of term	Net cash flow from business activities throughout the year	Cash outflow throughout the year	Balance of cash (shortage)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
9,729,803	2,500,000	3,229,803	9,000,000	-	-

- (1) Business activities: Business income for the year will increase to keep the net cash flow associated with business activities relatively positive and increasing.
- (2) Investment activities: It is the estimated capital expenditure because of new business or investments in new products in the coming year.
- (3) Financing: This refers mainly to the issuance of cash dividends and loans with banks.

Expected remedies and liquidity analysis upon shortage in cash: It is expected that the working cash flow of the Company will meet the cash requirements in the coming year to be sufficient to support normal operations. As such, there are no measures required to make up for the shortage in cash such as investment plans or wealth management plans.

## IV. Impact of the Latest Major Capital Expenditures on Financial Business

### (I) Major capital expenditure and funding source

Unit: NTD thousands

Project	Actual or expected funding source	Actual or expected date of completion	Required funds in total	Year				
				2019	2020	2021	2022	2023
Shanghai Namchow Frozen Dough-Equipment	Bank loans and self-capital	July 2022	477,840	-	-	206,197	271,643	-
Shanghai Qiaohao Food Co., Ltd.- Equipment (ready meals and meal products)	Bank loans and self-capital	July 2019	35,779	15,248	20,531	-	-	-
Tianjin Yoshi Yoshi - Fresh Cream Equipment Update and Supporting Facilities Rebuilding	Bank loans and self-capital	April 2020	95,124	57,641	37,483	-	-	-
Namchow Thailand - Second Factory House and Building, Machinery and Equipment	Bank loans and self-capital	2020 Q2	1,228,560	590,426	638,134	-	-	-
Shanghai and Beijing Offices	Bank loans and self-capital	2021 Q1	169,730	-	130,274	39,456	-	-

### (II) Expected impacts of possible benefits on financial operations

In response to the operating demand, investing in building new facilities and purchasing production equipment will help upgrade the operational scale and profits for the Group and bring about positive benefits for financial business.

## V. Main Reasons for Profits or Losses of Latest Reinvestment Policy, Improvement Plan, and Investment Plan for the Coming Year

Re-investment Analysis Table

Unit: NTD thousands

Item	Explanation	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
Namchow (Thailand) Ltd.		1,027,405	100.00	368,492	Profits from investment, operation, production, and sales	The production and distribution policy is bringing about profits.	None	Investment to expand plants, production lines, equipment and etc.
Mostro (Thailand) Ltd.		10,201	100.00	1,292	Trading of foods and others	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Nacia International Corporation		343,443	100.00	1,206,186	Reinvestment holding	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Chow Ho Enterprise Co., Ltd.		119,000	100.00	(7,674)	Dining business	Fluctuating food ingredients and rising labor cost	Increased revenue and expanded sales	No substantial investment plans yet
Lucky Royal Co., Ltd.		938,438	99.65	74,200	Production and sale of ice cream and investment in dining business	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Qizhi Culture Co., Ltd.		863	90.00	47	Publishing and issuance of books	Reduced publications and release volume inside the Company	None	No substantial investment plans yet
Namchow BV Ltd.		293,793	93.32	(42,061)	Reinvestment holding	Fluctuating food ingredients and rising labor cost of the subsidiaries	None	No substantial investment plans yet
Dian Shui Lou Restaurant Business Co., Ltd.		352,000	100.00	(109,468)	Catering	Fluctuating food ingredients and rising labor cost	Additional revenues from expanded services	No substantial investment plans yet
Namchow Restaurant Consultancy Co., Ltd.		18,300	100.00	(2,295)	Restaurants and food consulting	Cost increase	Additional revenues from expanded services	No substantial investment plans yet
Namchow (Cayman Islands) Holding Corp.		2,522,207	100.00	1,207,111	Reinvestment holding	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Tianjin Namchow Food Co.,Ltd.		756,875	80.94	407,737	Production and sale of household oils, margarine, and deep fry oil	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Shanghai Qiaohao Trading Co.,Ltd.		669,270	100.00	(131,531)	Importation and exportation	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
Shanghai Qiaohao Enterprise Management Co.,Ltd		961	100.00	0	Commerce, business administration, and investment consulting	Operation adjustment	None	No substantial investment plans yet
Shanghai Qiaohao Food Co.,Ltd		704,181	100.00	(84,920)	Packaged foods, sales of restaurant equipment, goods, and technical imports and exports	Operation adjustment	Increased revenue and expanded sales	Investment in production line equipment
Tianjin Yoshi Yoshi Co., Ltd.		121,100	80.94	142,008	Development, manufacturing, and sale of dairy products and related services	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
BLN Restaurants & Caterings		112,018	93.32	(39,029)	Chinese and western foods and beverages and self-made beer music restaurant	Fluctuating food ingredients and rising labor cost	Increased revenue and expanded sales	No substantial investment plans yet

Item	Explanation	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
	Guangzhou Namchow Food Co.,Ltd.	544,950	80.94	298,262	Manufacturing and sale of edible oils and fats	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Shanghai Qizhi Business Consulting Co., Ltd.	4,541	100.00	474	Commerce, business administration, and investment consulting	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Namchow Food Group (Shanghai) Co., Ltd. Company	856,481	80.94	1,607,474	Wholesale of edible oils and fats and foods and importation/exportation	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Shanghai Namchow Food Co., Ltd.	676,597	80.94	276,840	Sale, development, production, and processing of edible oil and fat products, fast-frozen foods, and frozen foods	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Namchow Japan Co., Ltd.	690,580	100.00	(62,760)	Restaurant, beverages, and alcohol business	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
	Namchow Consultancy Co., Ltd.	5,000	100.00	(189)	Restaurant and food and management consulting	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
	Tianjin Qiaohao Food Co., Ltd.	90,836	100.00	(10,687)	Manufacturing and sale of packaged foods	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
	Chongqing Xiaoxing Co., Ltd.	94,200	80.94	242,474	Corporate management and investment consulting and delivery and shipping center	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Chow Food Biotechnology Co., Ltd.	49,000	100.00	(4,720)	Biotech related products development	R&D stage	Increased revenue and expanded sales	No substantial investment plans yet
	Namchow Oils and Fats	411,731	100.00	122,327	Manufacturing, processing, and distribution of edible oils and fats	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Huciang Industry	392,341	100.00	(4,880)	Manufacturing, processing, and distribution of cleaners and frozen foods	Cost increase	Increased revenue and expanded sales	No substantial investment plans yet
	Guangzhou Yoshi Yoshi Co., Ltd	452,150	80.94	110,023	Development and distribution of dairy products	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Wuhan Qiaoxing Co., Ltd.	215,250	80.94	1,299	Oil & Fat products technical service	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Namchow Trading Singapore Pte. Ltd.	The capital has not yet been remitted			Importation and exportation	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet

## VI. Analysis of Risks in Recent Years as of the Date Annual Report was Printed:

- (I) Impacts of changes in the interest rate and exchange rate and inflation on the Company's gains and losses and response measures in the future:

Interest rate risk: The Company's interest rate risk mainly comes from the financing cost. The Company reduces financing by controlling the operating cash flow; pays constant attention to changes of the market interest rate and periodically evaluates the borrowing rates offered by banks; and appropriately controls the financing cost through various financing channels depending on the operating status and changes of capital and liability, such as the offering of fixed-rate corporate bonds in August 2021. However, safe and stable cash flow is still the principle of financing.

Changes in exchange rates: In addition to strengthening the control on the foreign exchange funds flow, the Company also keeps a close eye on the changes in exchange rate through communication with the special foreign exchange departments in banks. It engages in appropriate use of exchange rate hedging financial instruments under the principle of conservatism to reduce the impact of exchange rate fluctuations on the company's profits.

Inflation: Ever since COVID-19 broke out around the world, inflation has followed closely. The situation is further exacerbated by existing issues of regional politics and as a result, combatting inflation has become a priority for governments around the world. The company has always responded to the impact of inflation through keeping an eye on the changes in global economy, flexibly adjusting purchase and sales strategies and other methods. And as such, the company expects no material influence barring minor impacts.

- (II) Main causes of the policies to engage in high-risk, high-leverage, lending, endorsement and guarantee, and derivatives trading and countermeasures in the future:

Over the past few years and as of the date the Annual Report was printed, the Company did not have any high-risk and high-leverage investments.

The Company lent funds to others over the past few years and as of the date the Annual Report was printed but the funds lending occurred between the Company and its subsidiaries, not external companies. The fund lending with subsidiaries as mentioned in the foregoing was meant to serve as the operating fund of the said subsidiaries.

The Company was engaged in endorsement and guarantee over the past few years and as of the date the Annual Report was printed but it was between the Company and subsidiaries holding more than 90% of shares or those in which more than 90% of shares were directly or indirectly by the Company, not external companies. The endorsement and guarantee mentioned in the foregoing were meant to support the limits of financing applied for by the said subsidiaries.

The company is engaged in derivative commodity transactions mainly for minimizing and avoiding the impact on operations from changes in the exchange rate and interest rate. The Company had no derivative transactions at the end of 2021.

- (III) Research and development plan of the latest year and in the future and expected cost of research and development to be invested in:

Respective businesses within the Group are equipped with their own research and development units that modify, develop, and seek innovations for products at any time. The cost already invested in research and development in 2021 totaled NTD 422,670,000. Research and development units in respective businesses are meant to ensure that existing products of the Company keep their leading positions on the market. According to the product study in 2021, the zero transfer series of oils and fats products will continue to be developed; the latest food technology and technique will be applied to increase the quantities of exquisite frozen food products of high additional value to be produced so as to satisfy the pluralistic needs of consumers; and the development of natural cleaners for use exclusively at home and for personal hygiene will continue to honor the principles of nature and environmental protection. In terms of rice, there are currently two healthy rice products

certified as health foods with proven claims of blood sugar regulating and blood lipid regulating effects. Efforts will continue in the future to proactively develop a series of rice products that can help preserve health.

The cost of research and development is estimated to total NTD 256,992 thousand for 2022.

(IV) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance:

The Company's management team pays close attention to any domestic and foreign policies and laws that may affect the Company's finances and business, and cooperates to adjust relevant internal systems and operations while formulating relevant risk management procedures. Since 2021 up to the date of publication for the Annual Report, none of the pertinent regulations that relate to the company's operation has been amended or revised and the company continues to operate in accordance with existing regulations.

1. In terms of corporate organization, taxation and securities management laws, all operating bases of the Namchow Group follow the laws and regulations of the country and region where they are located. It guides and manages the operation of the enterprise with a corporate governance mechanism, providing effective supervision, encouraging enterprises to make good use of resources, improving efficiency, and thereby improving competitiveness. It protects the legitimate rights and interests of shareholders and takes into account the interests of other stakeholders, in order to achieve the operational goal of seeking the best interests of the Company, employees and all shareholders and the sustainable operation of the enterprise.

2. With regards to food sanitation regulations, the company has made extensive effort in the disclosure of product material, manufacturing processes and external packaging to so that consumers can enjoy our products with confidence. The maintenance of product quality and safety is always the most important business policy of Namchow. Furthermore, in response to the regulatory changes in the various regions and provide more autonomous food safety management practices, Namchow Group has established a "Food Safety Office" to take charge of regulatory compliance with food safety law; final review of food raw materials, additives, labels; and it maintains strict and high standards of food safety and hygiene by the inspection and audit group. Food hygiene and safety management is implemented through daily attention to the collection of information on changes in regulations, collection of food safety related news; and informing the operation department of relevant information, convening regular and irregular food safety meetings; promulgating changes in food safety regulations and discuss countermeasures; and reviewing the food safety management actions of various departments, tracking progress and evaluating effectiveness. The company established of Namchow Food Safety Research and Inspection Centre for inspecting professional tests for further food safety to be ensured by the company.

3. Within changes of laws and regulations in environmental protection, an inevitable duty of issues to climate change and global warming to the global citizens. Namchow endeavors to do better in energy conservation and carbon reduction in order to achieve environmental protection and carbon neutrality. The company operating mainly use the energy of externally purchased electricity and natural gas. We still continue to execute the electricity reduction measures in our factories and replace the coal firing boiler with the natural gas boiler to reduce the carbon emission. To strengthen the management of energy use, we have organized an internal energy conservation leading team to promote energy conservation measures to reduce consumption, prevent energy losses, and curb waste. We have also developed energy efficiency indicators and targets by complying with the regional government energy and environmental policies in order to enhance energy conversion efficiency and reduce environmental impacts.

4. With respect to labour laws, the basic requirement of Namchow all over the world is to obey the labour laws in that specific country. As a people-oriented company, employees are the assets of Namchow's sustainable management and we pay attention to the harmony of labor relations. In addition to establishing trade unions, we have also established a diversified and smooth communication channel via employee suggestion boxes, internal publications, management regulations, product information, bulletin boards, and internal meetings of various departments to uphold the principle of good faith to create laborer/employer cohesion, fostering a mutually beneficial outcome.

(V) The effects that technological changes and industry changes have on the financial operations of the company as well as the response measures:

The Company attaches high importance to the trend of technology and industry changes and is committed to the application of information technologies. It has successively introduced multiple international information systems to integrate the data, information and knowledge of the Group so as to facilitate information collection and sharing and inheritance of experience. In addition, it actively uses effective human resources and information technologies to minimize cost and improve competitiveness.

1. Industry changes have on the financial operations of the company as well as the response measures:

In recent years, AI, blockchain, Big Data and upcoming 5G transmission standards are changing global human consumption behavior. Coupled with the impact of the coronavirus epidemic in 2021, the operation modes of the tourism, service, catering and retail industries have been greatly adjusted. Under various industries competing to develop technology marketing and sales management methods, Namchow Group's business units are committed to optimizing online sales platforms. They shall do so using various community tools to market and collect customer feedback as a reference for product development, and will combine e-commerce and logistics information platforms to create physical channels and virtual online shopping opportunities.

In order to cope with the generalization of electronic transactions and information exchange, and under the original information structure, Namchow is committed to the development of related information security. It shall security protection to ensure the confidentiality, integrity and availability of company information assets and the protection of personal data.

Although the pandemic of COVID-19 has brought serious impacts to the world in the last two years, Namchow had worked hard to maintain our connection with our customers and suppliers. In order to prevent any unpredictable quarantine of our staffs. The group established the video conference, information environment of work from home and the group operating as not affected by the border control.

2. Industry changes have on the financial operations of the company as well as the response measures:

Since 2020, Under the pandemic of COVID-19, many places around the world issued the border control and the change in pandemic beyond our expected and its a challenge for the company's adaptability. As the Chairman has remarked, "This is a bad fortune as much as it is a good fortune. Despite the turbulent times we live in and the crises we see today, there are opportunities that await us. We may be facing intense competition, but we are also looking at more opportunities than ever before." In fact, consumers have gotten more sophisticated in their habits and they are demanding higher quality in products and services. Everyone at Namchow is trying our best to adapt to the changes brought by the pandemic and we shall leverage the advantage of trust that is placed in our company, remain resilient and build on our strength so that we can recover quickly when the pandemic ends and emerge as a winner. The new consuming and business model extended from the pandemic. Namchow keeps observing the making adjustment with the market

needs, fulfilling more requirement and services for the food safety to the customer, reinforce the understanding and faith to the company. The company improving our corporate image by putting extra educational training to our staff and increase the internal cohesion of our employees.

- (VI) Impacts of changes in the corporate image on the management of corporate risks and countermeasures: None.
- (VII) Expected benefits and possible risks of merger and acquisition as well as the response measures: None.
- (VIII) Expected benefits and possible risks of the expansion of manufacturing facilities:  
Investments made by the Company in the past two years were in the expansion of production lines and increase of the throughput in order to address the insufficient market demand. In the future, the focus will be placed on improving the overall revenue and profits of the Group to bring about positive benefits for the financial performance.
- (IX) Risks encountered with focused purchases or sales:
  1. Among the Company's purchasing targets, there are no suppliers that account for more than 10% of the purchasing amount. There is no risk of concentration of purchasing.
  2. Among the sales targets of the Company, there are no clients accounting for 10% of all sales and there is no risk of focused sales.
- (X) Impacts of transfer or exchange of stock options in large quantities by directors, supervisors, or heavyweight shareholders holding more than 10% of all shares on the Company and the risks and countermeasures: None.
- (XI) Impact of the change in the management on the Company and the risks and countermeasures: None.
- (XII) Lawsuits and non-lawsuit events: Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involved the Company, the Company's directors, supervisors, general managers, actual persons in charge and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value and start date of the lawsuit, main clients involved and handling status as of the date of printing of the Annual Report shall be disclosed.
- (XIII) Other important risks and countermeasures: None.

## **VII. Other important matters: None**

## VIII. Special Notes

### I. Information of associated enterprises

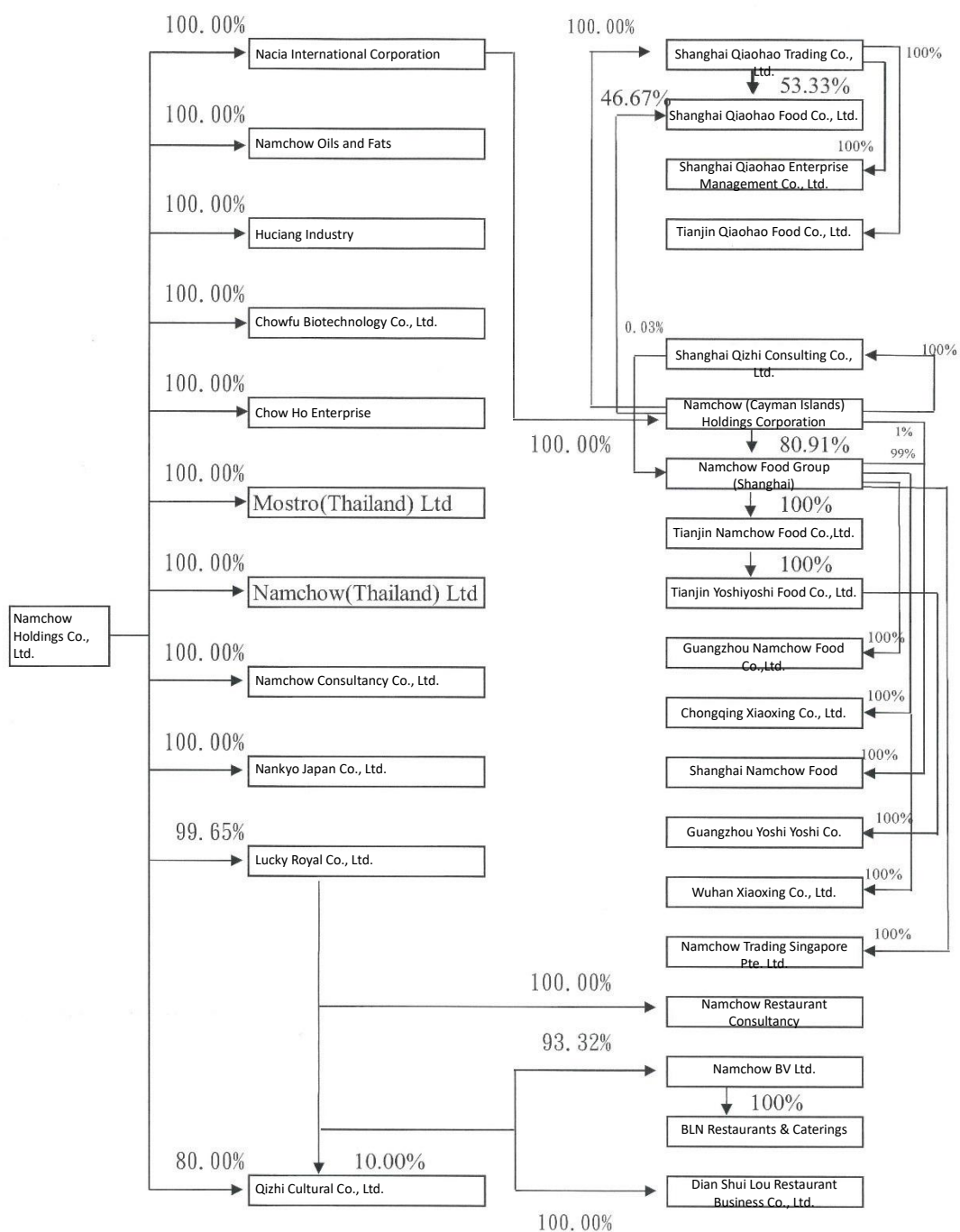
#### (I) Consolidated Financial Statement of Associated Enterprises

Companies that should be included in the compiled Consolidated Financial Statement of associated enterprises for 2021 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries as per the 7th Communique of Financial Accounting Standards. Therefore, the Consolidated Financial Statement of associated enterprises is not prepared separately.

#### (II) Consolidated Business Report of Associated Enterprises

##### 1. Overview of Associated Enterprises

##### (1) Organizational Chart of Associated Enterprises



## (2) Profile of various associated enterprises of Namchow:

Unit: NT Thousand

Name of company	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Lucky Royal Co., Ltd.	1986.08.26	7F, No. 64, Huaining Street, Taipei City	956,684	Manufacturing and sale of Ice Cream
Namchow (Thailand) Ltd.	1989.03.01	75/27-29,18th-19th Floor, Ocean Tower 2 Bldg, Soi Sukhumvit 19(Soi Wattana) Sukhumvit Rd., North Klongtoey, Wattana Bangkok10110	891,865	Processing and sale of instant noodles and rice crackers
Mostro (Thailand) Ltd.	1988.09.21	75/27-29,18th-19th Floor, Ocean Tower 2 Bldg, Soi Sukhumvit 19(Soi Wattana) Sukhumvit Rd., North Klongtoey, Wattana Bangkok10111	9,647	Land rental
Chow Ho Enterprise Co., Ltd.	1999.11.20	2F, No. 64, Huaining Street, Taipei City	29,000	Management of chained noodles stores
Qizhi Culture Co., Ltd.	1987.11.05	2F, No. 64, Huaining Street, Taipei City	1,000	Publishing
Nacia International Corporation	1996.05.24	Trinity Chambers,P.O.Box 4301.Road Town, Tortola, British Virgin Islands	378,438	Investment holding
Shanghai Qiaohao Trading Co.,Ltd.	2001.03.26	Room 337 of Xinxing Building at No. 2005, Yanggao North Road, Waigao Bridge, Shanghai	669,270	Trade
Namchow (Cayman Islands) Holding Corp.	1996.06.07	3rd Floor,Genesis Building,P.O.Box 613,George Town, Grand Cayman,Cayman Islands,British West Indies	1,085,455	Investment holding
Tianjin Namchow Food Co.,Ltd.	1995.12.04	No. 52, Bohai Road, Economic and Technological Development Zone, Tianjin	756,875	Production and sale of oil and fat products
Tianjin Yoshi Yoshi Co., Ltd.	2003.01.27	No. 52, Bohai Road, Economic and Technological Development Zone, Tianjin	121,100	Production and sale of fresh cream
Namchow BV Ltd.	1992.10.16	Trinity Chambers,P.O.Box 4301.Road Town, Tortola, British Virgin Islands	221,043	Investment holding
BLN Restaurants & Caterings	1996.03.29	Room 310, No. 58, Huaihaizhong Road, Shanghai	112,018	Restaurant management
Dian Shui Lou Restaurant Business Co., Ltd.	2004.12.31	4F, No. 338, Chongqing North Road Sec. 3, Taipei	131,000	Restaurant management
Guangzhou Namchow Food Co.,Ltd.	2005.09.16	No. 333, Lianguang Road, East Section of Guangzhou Economic and Technological Development Zone	544,950	Production and sale of oil and fat products
Shanghai Qizhi Business Consulting Co., Ltd.	2007.12.17	Unit A, 6F, 4th Building, No. 889, Yishan Road, Caohe Emerging Technology Research and Development Zone, Shanghai	4,541	Business administration and investment consulting
Namchow Food Group (Shanghai) Co., Ltd.	2010.08.02	12F, Building A, No. 1397, Yishan Road, Xuhui District, Shanghai	1,149,800	Sales company that undertakes products within the Group for sale.

Name of company	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Company				
Shanghai Qiaohao Enterprise Management Co.,Ltd	2010.06.28	Unit F, 6F, 4th Building, No. 889, Yishan Road, Shanghai	961	Exhibition and business information consulting
Shanghai Qiaohao Food Co.,Ltd	2010.09.02	No. 780, Jiugong Road, Jinshan Industrial Park, Shanghai	704,181	Manufacturing, distribution, and sale of packaged foods
Namchow Restaurant Consultancy Co., Ltd.	2011.11.11	7F, No. 276, Chongqing North Road Sec. 3, Taipei	5,000	Restaurant business and management consulting
Shanghai Namchow Food Co., Ltd.	2012.08.21	No. 399, Guangye Road, Jinshan Industrial Park, Shanghai	676,597	Production and processing of edible oils and fats, frozen foods, among others
Namchow Japan Co., Ltd.	2014.05.02	東京都新宿区四谷四丁目 30 エスツウイン新宿 3 階	42,306	Restaurant, beverages, and alcohol business
Namchow Consultancy Co., Ltd.	2014.08.14	7F, No. 276, Chongqing North Road Sec. 3, Taipei	5,000	Restaurant and food and management consulting
Tianjin Qiaohao Food Co., Ltd.	2016.11.28	No. 52, Bohai Road, Technological Development Zone, Tianjin	90,836	Manufacturing, distribution, and sale of packaged foods
Chongqing Xiaoxing Co., Ltd.	2016.10.13	No. 319, Haier Road, Jiangbei District, Chongqing	94,200	Distribution and sale of foods and corporate business investment consulting
Guangzhou Yoshi Yoshi Co., Ltd	2017.04.11	No. 333, Jiufojianshe Road, Zhongxing Guangzhou Knowledge Town, Guangzhou	452,150	Manufacturing and distribution of dairy products
Namchow Oils and Fats	2017.03.20	5F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	411,731	Manufacturing and distribution of edible oils and fats and frozen dough
Huciang Industry	2017.03.20	7F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	300,000	Manufacturing and distribution of foods and cleaning supplies
Chow Food Biotechnology Co., Ltd.	2017.01.23	6F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	13,000	Research and development of biotechnology
Wuhan Qiaoxing Co., Ltd.	2019.10.29	Putian Internet of Things Innovation Research, No. 18, Financial Port Fourth Road, East Lake New Technology Development Zone, Wuhan Development Base (Phase II) No.1, Floor 1-5, Unit 1, 10th Building	215,250	Oil & Fat products technical service
Namchow Trading Singapore Pte. Ltd.	2022.01.10	Shenton #10-00 16 Collyer Quay Singapore	Not yet remitted	Sale and distribution of foods

(3) The Company does not have the conditions determined to be a controlling or subordinate relationship under Article 369-3 of the Company Act.

(4) Industries covered in the scope of operations of the associated enterprises as a whole and interaction and division of labor:

Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
Namchow Holdings Co.,Ltd.	Investment holding	Yes	Sub-letting of part of premises and buildings to affiliated businesses
Namchow Oils and Fats	Production and sale of oils and fats products	Yes	Some oils and fats products are sold to Lucky Royal Co., Ltd. to be the latter's production raw materials.
	Production and sale of frozen dough	Yes	Some of the bread products are sold to restaurants as their purchases.
Huciang Industry	Production and sale of cleaners and restaurant operations goods	Yes	Some of the bread products are purchased from the oils & fats company and supplied to the restaurant as raw materials
	Production and sale of frozen noodles	Yes	Some of frozen noodles are sold to Chow Ho Enterprise Co., Ltd. to be the purchases by chained bakeries while Lucky Royal Co., Ltd. is authorized as the general distributor for the remainder.
Lucky Royal Co., Ltd.	Production and sale of ice cream	Yes	Oils and fats raw materials are purchased from Namchow.
	Sale and distribution of frozen noodles	Yes	The frozen noodles produced by Huciang Industry are undertaken to be sold.
	Restaurant management	Yes	Some of the restaurant food ingredients are purchased from Chowho.
Namchow (Thailand) Ltd.	Instant noodles and rice crackers, among others	Yes	Some instant noodles sold to Huciang Industry
	Manufacturing, sale, and processing	None	
Mostro (Thailand) Ltd.	Land rental	Yes	Land is leased to Namchow (Thailand) Ltd.
Chow Ho Enterprise	Management of chain noodles stores	Yes	Frozen noodles are purchased from Huciang while some of the ingredients are sold to Dian Shui Lou and Lucky Royal
Qizhi Culture Co., Ltd.	Magazine publishing and release	Yes	Publications on associated enterprises
Nacia International Corporation	Investment holding	None	
Shanghai Qiaohao Trading Co.,Ltd.	Trade	None	
Namchow (Cayman Islands) Holding Corp.	Investment holding	None	
Tianjin Namchow Food Co.,Ltd.	Production and sale of oil and fat products	Yes	Manufacturing and sale of products of the Group
Tianjin Yoshi Yoshi Co., Ltd.	Production and sale of fresh cream	Yes	Manufacturing and sale of products of the Group
Namchow BV Ltd.	Investment holding	None	

Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
BLN Restaurants & Caterings	Restaurant management	None	
Dian Shui Lou Restaurant Business Co., Ltd.	Restaurant management	Yes	Some of the food ingredients are purchased from Chowho.
Guangzhou Namchow Food Co.,Ltd.	Production and sale of oils and fats products	Yes	Manufacturing and sale of products of the Group
Shanghai Qizhi Business Consulting Co., Ltd.	Business administration and investment consulting	None	
Namchow Food Group (Shanghai) Co., Ltd. Company	Holding and distribution company	Yes	Storage, transportation, and sale of products of the Group
Shanghai Qiaohao Enterprise Management Co.,Ltd	Exhibition and business information consulting	Yes	Design and planning for companies within the Group to attend exhibitions
Shanghai Qiaohao Food Co.,Ltd	Manufacturing and sale of packaged foods	Yes	Manufacturing and sale of products of the Group
Namchow Restaurant Consultancy Co., Ltd.	Restaurant business and management consulting	None	
Shanghai Namchow Food Co., Ltd.	Production and sale of oils and fats products	Yes	Manufacturing and sale of products of the Group
Namchow Japan Co., Ltd.	Restaurant, beverages, and alcohol business	None	
Namchow Consultancy Co., Ltd.	Restaurant and food and management consulting	None	
Tianjin Qiaohao Food Co., Ltd.	Manufacturing, distribution, and sale of packaged foods	None	
Chongqing Qiaoxing Co., Ltd.	Distribution and sale of foods and corporate consulting	Yes	Storage, transportation, and sale of products of the Group
Guangzhou Yoshi Yoshi Co., Ltd	Production and sale of fresh cream	Yes	Manufacturing and sale of products of the Group
Chow Food Biotechnology Co., Ltd.	Research and development of biotechnology	None	
Wuhan Qiaoxing Co., Ltd.	Oil & Fat products technical service	None	
Namchow Trading Singapore Pte. Ltd.	Sale and distribution of foods	None	

(5) Profile of directors, supervisors, and general managers of individual associated enterprises

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
Lucky Royal Co., Ltd.	Chairman	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.	95,337,885	99.65%
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Chang-Ching Kao, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Hsu, Pai-Tsai		
Chow Ho Enterprise Co., Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	2,899,994	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen		
Qizhi Culture Co., Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	80,000	80.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Lucky Royal Co., Ltd.	10,000	10.00%
	Supervisor	Yi-Wen Chen		
Namchow BV Ltd.	Chairman	Fei-Lung Chen, Representative of Lucky Royal Co., Ltd.	6,705,000	93.32%
	Director	Fei-Peng Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
Nacia International Corporation	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	1,250	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.		
Namchow (Cayman Islands) Holding Corp.	Chairman	Fei-Lung Chen, Representative of Nancia CO., LTD.	35,378,120	100.00%

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Fei-Peng Chen, Representative of Nancia CO., LTD.		
	Director	Yi-Wen Chen, Representative of Nancia CO., LTD.		
	Director	Kan-Wen Lee, Representative of Nancia CO., LTD.		
	Director	Cheng-Wen Chen, Representative of Nancia CO., LTD.		
Tianjin Namchow Food Co.,Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Kan-Wen Lee, Representative of Namchow Food Group Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Tianjin Yoshi Yoshi Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Tianjin Namchow Food Co., Ltd.		100.00%
	Director	Kan-Wen Lee, Representative of Tianjin Namchow Food Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Tianjin Namchow Food Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Tianjin Namchow Food Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Tianjin Namchow Food Co., Ltd.		
	Supervisor	Rui-Ying Liu, Representative of Tianjin Namchow Food Co., Ltd.		
BLN Restaurants & Caterings	Chairman	Cheng-Wen Chen, Representative of Namchow BV Ltd.		100.00%
	Vice Chairman	Li-Ming Chen, Representative of Namchow BV Ltd.		
	Vice Chairman	Jian-Fan Yu		
	Vice Chairman	Yi-Wen Chen, Representative of Namchow BV Ltd.		
	Director	Chih-Mei Wang, Representative of Namchow BV Ltd.		
	Supervisor	Rui-Ying Liu, Representative of Namchow BV Ltd.		
Namchow (Thailand) Ltd.	Chairman	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.	9,244,995	100.00%
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Kuo-Yao Hsiao, Representative of Namchow Holdings Co., Ltd.		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Yi-Chien Wei, Representative of Namchow Holdings Co., Ltd.		
Mostro (Thailand) Ltd.	Director	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	100,000	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Chien Wei, Representative of Namchow Holdings Co., Ltd.		
Shanghai Qiaohao Trading Co.,Ltd.	Chairman	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		100.00%
	Director	Yi-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Director	Ming-Fen Chou, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Supervisor	Rui-Ying Liu, Representative of Namchow (Cayman Islands) Holdings Corporation		
Dian Shui Lou Restaurant Business Co., Ltd.	Director	Fei-Lung Chen, Representative of Lucky Royal Co., Ltd.	13,100,000	100.00%
	Director	Fei-Peng Chen, Representative of Lucky Royal Co., Ltd.		
	Chairman	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Supervisor	Chih-Mei Wang, Representative of Lucky Royal Co., Ltd.		
Guangzhou Namchow Food Co.,Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Kan-Wen Lee, Representative of Namchow Food Group Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Shanghai Qizhi Business Consulting Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holding Corp.		100.00%
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holding Corp.		
Namchow Food Group (Shanghai) Co., Ltd. Company	Chairman	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holding Corp.	346,153,846	80.94%
	Director	Yi-Wen Chen, Representative of Namchow (Cayman Islands) Holding Corp.		
	Director	Kan-Wen Lee, Representative of Namchow (Cayman Islands) Holding		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
		Corp.		
	Director	Yi-Chien Wei, Representative of Namchow (Cayman Islands) Holding Corp.		
	Independent Director	Ming-Chih Wang, Representative of Namchow (Cayman Islands) Holding Corp.		
	Independent Director	Huai-Ku Chen, Representative of Namchow (Cayman Islands) Holding Corp.		
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holding Corp.		
	Supervisor	Wu, Zhi-Ming		
	Supervisor	Nien Liu , Representative of Namchow (Cayman Islands) Holding Corp.		
Shanghai Qiaohao Enterprise Management Co.,Ltd	Executive Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		100.00%
	Supervisor	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
Shanghai Qiaohao Food Co.,Ltd	Chairman	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		53.33%
	Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Director	Chou-Ching Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holding Corp., Ltd.		46.67%
Namchow Restaurant Consultancy Co., Ltd.	Chairman	Chih-Mei Wang, Representative of Lucky Royal Co., Ltd.	500,000	100.00%
	Vice Chairman	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Lucky Royal Co., Ltd.		
	Supervisor	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.		
Shanghai Namchow Food Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Namchow Japan Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.	6	100.00%
	Supervisor	Ching-Hui Chiu, Representative of Namchow Holdings Co., Ltd.		
Namchow Consultancy Co., Ltd.	Chairman	Zhi-Mei Wang, Representative of Namchow Holdings Co., Ltd.	500,000	100.00%
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Chou-Ching Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
Tianjin Qiaohao Food Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		100.00%
	Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Director	Chou-Ching Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
Chongqing Qiaoxing Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow Food Group		100.00%
	Supervisor	Yi-Wen Chen, Representative of Namchow Food Group		
Guangzhou Yoshi Yoshi Co., Ltd	Chairman	Yi-Wen Chen, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		100.00%
	Director	Kan-Wen Lee, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Supervisor	Rui-Ying Liu, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
Namchow Oils and Fats	Chairman	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.	41,173,127	100.00%
	Director	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Ching-Hui Chiu, Representative of Namchow Holdings Co., Ltd.		
Huciang Industry	Chairman	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.	30,000,000	100.00%
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Chou-Ching Chen, Representative of Namchow Holdings Co., Ltd.		
Chow Food Biotechnology Co., Ltd.	Chairman	Kuang-Ren Hsiao, Representative of Namchow Holdings Co., Ltd.	1,300,000	100.00%
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Ching-Hui Chiu, Representative of Namchow Holdings Co., Ltd.		
Wuhan Qiaoxing Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow Food Group		100.00%
	Supervisor	Lan-Hsin Chou, Representative of Namchow Food Group		
Namchow Trading Singapore Pte. Ltd.	Director	Cheng-Wen Chen, Representative of Namchow Food Group	The capital has not yet been remitted	
	Director	Shu-Hsien Hsiang, Representative of Namchow Food Group		
	Director	Representative of Namchow Food Group Tang Edmund Koon Kay		

## 2. Overview of individual associated enterprises' operation

Unit: NTD thousands

Name of company	Code	Paid-in capital size	Gross assets	Gross liabilities	Net value	Operating revenues	Business profits	Gains and losses of the term (After-tax )	Earnings per share (NT\$) (After-tax )
Lucky Royal Co., Ltd.	0001	956,684	3,568,032	587,715	2,980,318	1,680,986	104,592	74,200	0.78
Namchow (Thailand) Ltd.	0004	891,865	2,944,183	567,342	2,376,841	2,667,909	351,072	368,492	39.86
Mostro (Thailand) Ltd.	0005	9,647	44,535	14,581	29,954	57,936	1,805	1,292	12.92
Nacia International Corporation	0006	378,438	11,969,024	235	11,968,789	0	(361)	1,206,186	964,948.80
Namchow BV Ltd.	0007	221,043	73,370	119	73,252	0	(308)	(42,061)	(5.85)
BLN Restaurants & Caterings	0008	112,018	429,051	361,882	67,169	489,348	(38,762)	(39,029)	-
Chow Ho Enterprise Co., Ltd.	0009	29,000	28,793	7,627	21,166	15,311	(8,434)	(7,674)	(2.65)
Qizhi Culture Co., Ltd.	0011	1,000	325	61	264	129	48	47	0.47
Shanghai Qiaohao Trading Co.,Ltd.	0015	669,270	533,921	383,089	150,833	105,305	(67,060)	(131,531)	-
Namchow (Cayman Islands) Holding Corp.	0017	1,085,455	12,055,451	210,788	11,844,663	0	(825)	1,207,111	34.12
Tianjin Namchow Food Co.,Ltd.	0019	756,875	4,411,511	2,171,764	2,239,746	2,625,406	246,917	407,737	-
Tianjin Yoshi Yoshi Co., Ltd.	0020	121,100	982,084	128,899	853,185	702,710	38,044	142,008	-
Dian Shui Lou Restaurant Business Co., Ltd.	0021	131,000	281,689	225,842	55,847	295,396	(79,646)	(109,468)	(8.36)
Guangzhou Namchow Food Co.,Ltd.	0023	544,950	3,216,445	1,079,355	2,137,090	2,782,039	265,218	298,262	-
Shanghai Qizhi Business Consulting Co., Ltd.	0024	4,541	8,272	0	8,272	0	(123)	474	-
Namchow Food Group (Shanghai) Co., Ltd. Company	0025	1,149,800	15,818,082	1,647,889	14,170,193	9,328,289	394,198	1,604,705	3.75
Shanghai Qiaohao Enterprise Management Co.,Ltd	0026	961	869	0	869	0	0	0	-
Shanghai Qiaohao Food Co.,Ltd	0027	704,181	757,097	390,141	366,956	114,848	(77,772)	(84,920)	-
Namchow Restaurant	0028	5,000	5,057	410	4,647	0	(2,294)	(2,295)	(4.59)

Name of company	Code	Paid-in capital size	Gross assets	Gross liabilities	Net value	Operating revenues	Business profits	Gains and losses of the term (After-tax )	Earnings per share (NT\$) (After-tax )
Consultancy Co., Ltd.									
Shanghai Namchow Food Co., Ltd.	0029	676,597	4,331,410	3,227,401	1,104,008	3,311,263	407,259	276,840	-
Namchow Japan Co., Ltd.	0030	42,306	1,474,505	1,184,558	289,946	15,835	(92,963)	(62,760)	-
Namchow Consultancy Co., Ltd.	0031	5,000	885	123	762	317	(193)	(189)	(0.38)
Chow Food Biotechnology Co., Ltd.	0032	13,000	11,219	4,782	6,438	0	(8,456)	(4,720)	(3.63)
Tianjin Qiaohao Food Co., Ltd.	0033	90,836	33,761	163	33,598	0	(10,877)	(10,687)	-
Chongqing Xiaoxing Co., Ltd.	0034	94,200	1,655,803	795,825	859,978	4,358,014	250,925	242,474	-
Namchow Oils and Fats	0035	411,731	1,383,791	779,347	604,444	1,758,614	143,548	122,327	2.97
Huciang Industry	0036	300,000	798,200	542,586	255,613	1,069,090	(8,287)	(4,880)	(0.16)
Guangzhou Yoshi Yoshi Co., Ltd	0037	452,150	778,779	188,452	590,327	887,916	135,677	110,023	-
Wuhan Qiaoxing Co., Ltd.	0038	215,250	215,867	5,877	209,990	40,103	2,297	1,299	-
Namchow Trading Singapore Pte. Ltd.	0039	The capital has not yet been remitted							

### 3. Relations Report

The Company is not an affiliate of another company as indicated in the chapter about Associated Enterprises of the Company Act and hence it is not necessary to compile the Relations Report with its controlling companies.

## II. Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report: None.

## III. Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report:

Unit: NTD Thousand; Share; %

Name of company	Paid-in capital size	Capital Source	Shareholding Ratio in the Company	Date of Acquisition or Disposal	Number and Value of Shares Acquired	Number of shares disposed of and value	Investment Profit and Loss	Number of shares held as of the date the Annual Report was printed and value	Pledge created	Value of endorsement and guarantee of the Company to its subsidiary	Value lent by the Company to its subsidiary
Lucky Royal Co., Ltd.	956,684	Self-capital	99.65%	By January 01, 2017	46,041,259 shares acquired Value when acquired 530,113 thousand			46,041,259 shares Value 530,113 thousand	None	None	None
				2017	None	None	None				
				This year up to the date the Annual Report was printed	None	None	None				

## IV. Other matters requiring supplementary information: None.

※ Latest Matters with Important Impacts on Shareholder Rights or Security Prices Indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities Exchange Act as of the Date of Printing of Annual Report: None

*Namchow Holdings CO.,Ltd.*



*Person in Charge:* 陈孔德

