

FWUSOW INDUSTRY CO., LTD.

Parent Company Only Financial Statements for the Years Ended
December 31, 2020 and 2019 and Independent Auditors' Report

FWUSOW INDUSTRY CO., LTD.

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INDEPENDENT AUDITORS' REPORT

Translated from Chinese

The Board of Directors and Shareholders
FWUSOW INDUSTRY CO., LTD.

Opinion

We have audited the accompanying parent company only financial statements of FWUSOW INDUSTRY CO., LTD. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion and other auditors' reports set forth in Major Accounting Items, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31 2021 are stated as follows:

Impairment of accounts receivable

The loss allowance for accounts receivable is measured by management's simplified method in accordance with IFRS9 "Financial Instruments", which appropriates a loss allowance at an amount equal to accounts receivable lifetime expected credit loss. The assessment of the loss allowance for accounts receivable is based on historical default records, current informed financial conditions as well as forward-looking economic conditions. Due to the fact that appropriateness of the allowance loss is significant management judgement, it is deemed to be one of the key audit matters.

The accounting policies are described in Note of the individual financial report. For book value of accounts receivable, please refer to the disclosures in note 6(4) and (20) of the individual financial report.

The main audit procedures carried out by the accountants include testing the effectiveness of internal control operations related to accounts receivable, carefully assessing the management's classification of accounts receivable aging schedule and the reasonableness of the loss rate ratio, comparing current year's aging distribution of accounts receivable with the year before, and analyzing whether there are any major abnormalities in the turnover rate of accounts receivable in the two periods. We also send out confirmation letters to clients which have outstanding balance by the end of the year and review its collection after this accounting year.

Inventory evaluation

The value of inventory is affected by market supply and demand. In addition, the allocation of inventory cost elements and the estimated amount of net realizable value are subject to the subjective judgment of the management. Therefore, the accountants pay special attention to the cost and net realizable value and the appropriateness of the loss of devaluation of inventories by management in accordance with the requirements of International Accounting Standards (IAS2).and the reasonableness of the management to appropriate allowance for inventory demmvaluation losses.

The principal audit procedure performed by the accountant is to obtain inventory entry data and perform detailed tests to verify that the raw material cost, labor input and manufacturing costs of the inventory have been reasonably allocated to the appropriate inventory items. The accountants compare the actual sales price of the inventory at the end of the period with its book value in a sampling manner to verify whether the inventory has been evaluated at the lower of cost or net realizable value. The accountants also compare the inventory quantity data obtained from annual inventory check with accounting record to test the existence and completeness of inventory in the end of year; By participating in and observing the annual perpetual inventory, accountants assess the appropriateness of allowance for inventory devaluation losses .

Other major accounting issue

The financial statements in year 2020 and 2019 of some investee companies accounted for using the equity method, were not audited by us but other accountants; therefore, the accountants' opinions in the Company's financial statements and the relevant information disclosed in Note 13 are based on the audit reports of other accountants. The Company's equity investment in the above-mentioned investee companies as of December 31, 2020 and 2019, were NT\$317,277 thousand and NT\$250,531 thousand respectively, accounting for 4.19% and 3.19% of the total assets,. The comprehensive benefits recognized by the equity method in 2020 and 2019 were NT\$40,025 thousand and NT\$26,607 thousand, respectively, accounting for 6.48% and 13.28% of the total comprehensive benefits.

Responsibilities of management and governance units for Parent Company Only financial statements

The management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

When preparing parent company only financial statements, the management's responsibilities also include assessing the company's ability to continue as going concern, disclosure of related matters, and the adoption of the accounting basis as a going concern, unless the management either intends to liquidate the Company or to cease operations, or in addition to liquidation or there is no other practical and feasible plan but to do so.

The governing unit (including the audit committee) of the Company is responsible for supervising the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and, the 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 standalone financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Sung-Yu Liu and Zi-Yu Chen

SOLOMON & CO., CPAs.

Taichung, Taiwan

Republic of China

March 23, 2021

Notice to Readers

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

FWUSOW INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31			
		2020		2019	
Assets		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents(Note 6(1))	739,333	10	689,959	9
1110	Current Financial asset at fair value through profit or loss (Note 6(2))	8,412	—	9,371	—
1150	Notes receivable, net(Note 6(3))	341,250	4.5	300,503	3.8
1160	Notes receivable due from related parties, net(Note 7(4))	179,177	2.4	175,560	2.2
1170	Accounts receivable, net(Note 6(4))	735,487	9.7	691,321	8.8
1180	Accounts receivable due from related parties, net(Note 7(4))	310,831	4.1	329,031	4.2
1200	Other receivables(Note 7(4))	42,317	0.6	19,672	0.3
1220	Current tax assets	160	—	160	—
1310	Inventories, net(Note 6(5))	1,428,262	18.8	1,772,330	22.6
1400	Current biological assets	96,086	1.3	80,042	1.0
1410	Prepayments	17,204	0.2	15,853	0.2
1470	Other current assets(Notes 6(1) 、 8)	88	—	125,722	1.6
Total current Assets		3,898,607	51.5	4,209,524	53.6
Non-current assets					
1550	Investments accounted for under equity method(Note 6(6))	712,681	9.4	644,080	8.2
1600	Property, plant and equipment(Note6(7) 、 8)	2,846,159	37.6	2,874,176	36.6
1755	Right-of-use asset(Note6(8))	25,090	0.3	38,689	0.5
1780	Intangible assets	14,338	0.2	6,964	0.1
1830	Non-current biological assets	23,000	0.3	14,127	0.2
1840	Deferred tax assets(Note6(12))	41,842	0.6	45,705	0.6
1920	Guarantee deposits paid	14,696	0.1	12,625	0.1
1990	Other non-current assets (Note6(4))	2,711	—	6,394	0.1
Total non-current assets		3,680,517	48.5	3,642,760	46.4
Total assets		7,579,124	100.0	7,852,284	100.0

The accompanying notes are an integral part of these parent company only financial statements.

(With Solomon & Co., audit report dated March 23, 2021)

FWUSOW INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

		<i>Year ended December 31</i>			
		<i>2020</i>		<i>2019</i>	
		<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>Liabilities and Equity</i>					
Current liabilities					
2100	Short-term loans(Note 6(9))	\$ 372,414	4.9	\$ 980,202	12.5
2120	Current financial liabilities at fair value through profit or loss(Note 6(2))	—	—	1,604	—
2130	Current Contract liabilities(Note6(16))	6,062	0.1	4,574	0.1
2150	Notes payable(Note7(4))	128,653	1.7	133,273	1.7
2170	Accounts payable(Note7(4))	216,716	2.9	225,666	2.9
2200	Other payables(Note7(4))	274,189	3.6	160,419	2.0
2230	Current tax liabilities	67,864	0.9	16,816	0.2
2280	Current lease liabilities(Note6(8))	6,747	0.1	10,912	0.1
2322	Current portion of long-term loans(Note6(10))	415,000	5.5	580,000	7.4
2399	Other current liabilities	4,675	—	3,256	—
	Total current Liabilities	1,492,320	19.7	2,116,722	26.9
Non-current liabilities					
2540	Long-term loans(Note 6(10))	960,000	12.7	1,075,000	13.7
2571	Deferred tax liabilities - land value increment tax	416,032	5.5	416,032	5.3
2580	Non current lease liabilities(Note 6(8))	18,609	0.2	28,019	0.4
2640	Net defined benefit liability-non current(Note 6(11))	5,774	0.1	6,812	0.1
2645	Guarantee deposits received	1,553	—	1,473	—
2650	Investments accounted loss for using equity method(Note6(6))	271,804	3.6	277,006	3.5
	Total non-current liabilities	1,673,772	22.1	1,804,342	23.0
	Total liabilities	3,166,092	41.8	3,921,064	49.9
Equity attributable to owners of parent (Note 6(13))					
3110	Share capital	3,220,139	42.5	3,220,139	41.0
3200	Capital surplus	14,358	0.2	14,358	0.2
3300	Retained earnings	1,191,228	15.7	704,042	9.0
3400	Other equity interest	(5,958)	(0.1)	(7,319)	(0.1)
3500	Treasury shares(Note 6(14))	(6,735)	(0.1)	—	—
	Total equity	4,413,032	58.2	3,931,220	50.1
	Total liabilities and equity	\$ 7,579,124	100.0	\$ 7,852,284	100.0

The accompanying notes are an integral part of these parent company only financial statements.

(With Solomon & Co., audit report dated March 23, 2021)

FWUSOW INDUSTRY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

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

		2020		2019	
		Amount	%	Amount	%
4100	Net operating revenue (Note 6(16))	\$ 11,775,775	100.0	\$ 11,627,824	100.0
5000	Operating costs (Note6(5))	(10,400,050)	(88.3)	(10,551,902)	(90.7)
5860	Gains(Losses) on changes in fair value less costs to sell of biological assets for current period	8,500	0.1	(1,000)	—
	Gross Profit	<u>1,384,225</u>	<u>11.8</u>	<u>1,074,922</u>	<u>9.3</u>
6000	Operating Expenses				
6100	Selling expenses	(577,400)	(4.9)	(558,378)	(4.8)
6200	Administrative expenses	(247,748)	(2.1)	(186,670)	(1.6)
6300	Research and development expenses	(35,865)	(0.4)	(39,552)	(0.4)
6450	Overdue credit(impairment loss)gain on reversal (Note 6(4))	(4,190)	—	(2,054)	—
		<u>(865,203)</u>	<u>(7.4)</u>	<u>(786,654)</u>	<u>(6.8)</u>
	Net operating profit	<u>519,022</u>	<u>4.4</u>	<u>288,268</u>	<u>2.5</u>
7000	Non-operating income and expenses				
7100	Interest income	368	—	883	—
7010	Other income (Note 6(17))	27,070	0.2	25,494	0.2
7020	Other gains and losses (Note6(18))	10,200	0.1	(636)	—
7050	Financial costs (Note6(19))	(24,935)	(0.2)	(38,441)	(0.3)
7060	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method (Note6(6))	162,727	1.4	(43,382)	(0.4)
		<u>175,430</u>	<u>1.5</u>	<u>(56,082)</u>	<u>(0.5)</u>
7900	Profit before income tax	694,452	5.9	232,186	2.0
7950	Income tax expense (Note6(12))	(79,175)	(0.7)	(29,072)	(0.3)
	Profit	<u>615,277</u>	<u>5.2</u>	<u>203,114</u>	<u>1.7</u>
8300	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(1,108)	(0.1)	1,915	(0.1)
8321	Other comprehensive income, before tax,actuarial gain (losses) on defined benefit plans for Using Equity Method	1,600	—	(649)	—
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	222	—	(383)	—
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	1,702	—	(4,559)	—
8399	Income tax benefit related to items that will not be reclassified subsequently	(341)	—	911	—
	Other comprehensive income(net income after tax)	<u>2,075</u>	<u>(0.1)</u>	<u>(2,765)</u>	<u>(0.1)</u>
8500	Total comprehensive income	<u>\$ 617,352</u>	<u>5.1</u>	<u>\$ 200,349</u>	<u>1.6</u>
	Earnings per share				
9750	Basic earnings per share(dollar) (Note6(15))	<u>\$ 1.91</u>		<u>\$ 0.63</u>	

The accompanying notes are an integral part of these parent company only financial statements.

(With Solomon & Co., audit report dated March 23, 2021)

FWUSOW INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	<i>Shares</i>	<i>Capital Surplus</i>	<i>Retained Earnings</i>			<i>Total</i>	<i>Other equity interest</i>		<i>Total Equity</i>
			<i>Legal reserve</i>	<i>Special Reserve</i>	<i>Earnings (Accumulated)</i>		<i>Foreign Currency Translation Reserve</i>	<i>Treasury Shares</i>	
Balance at January 1, 2019	\$ 3,220,139	\$ 32,946	\$ 246,604	\$ 233,273	\$ 56,000	\$ 535,877	\$ (3,671)	\$ —	\$ 3,785,291
Appropriation of earning:									
Cash dividends to shareholders	—	—	—	—	(32,201)	(32,201)	—	—	(32,201)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	—	(18,588)	—	—	(3,631)	(3,631)	—	—	(22,219)
Profit for the 2019	—	—	—	—	203,114	203,114	—	—	203,114
Other comprehensive loss for the 2019	—	—	—	—	883	883	(3,648)	—	(2,765)
Balance at December 31, 2019	3,220,139	14,358	246,604	233,273	224,165	704,042	(7,319)	—	3,931,220
Purchase of treasury shares	—	—	—	—	—	—	—	(6,735)	(6,735)
Appropriation of earnings:									
Legal reserve	—	—	20,399	—	(20,399)	—	—	—	—
Cash dividends to shareholders	—	—	—	—	(128,805)	(128,805)	—	—	(128,805)
Profit for the 2020	—	—	—	—	615,277	615,277	—	—	615,277
Other comprehensive income	—	—	—	—	714	714	1,361	—	2,075
Balance at December 31, 2020	<u>\$ 3,220,139</u>	<u>\$ 14,358</u>	<u>\$ 267,003</u>	<u>\$ 233,273</u>	<u>\$ 690,952</u>	<u>\$ 1,191,228</u>	<u>\$ (5,958)</u>	<u>\$ (6,735)</u>	<u>\$ 4,413,032</u>

The accompanying notes are an integral part of the parent company only financial statements

(With Solomon & Co., audit report dated March 23, 2021)

FWUSOW INDUSTRY CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Profit before tax	\$ 694,452	\$ 232,186
Adjustments for		
Adjustments to reconcile profit (loss)		
Depreciation expense	189,977	195,575
Expected credit loss	4,190	2,054
Change in fair value less cost to sell of biological assets	(8,500)	1,000
Allowance for inventory valuation and obsolescence loss	—	3,730
Net loss (gains) on Financial Assets and Liabilities at Fair Value through profit or loss	(2,753)	1,054
Interest expense	24,935	38,441
Dividend income	(444)	(771)
Interest income	(368)	(883)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(162,727)	43,382
Loss (gain) on disposal of property, plant and equipment	(442)	1,734
Reversal of impairment loss recognized in profit or loss, property, plant and equipment	—	(1,187)
Property, plant and equipment transferred expences	—	42
Gain of lease modification	(127)	—
Gain on Sale of Investments	(145)	(17)
Other adjustments to reconcile profit (loss)	1,790	3,545
Total adjustments to reconcile profit (loss)	<u>45,386</u>	<u>287,699</u>
Changes in operating assets and liabilities:		
Changes in operating assets		
Financial assets and liabilities at fair value through profit or loss	2,253	17
Notes receivable (include related parties)	(44,364)	(60,468)
Accounts receivable (include related parties)	(28,055)	(55,683)
Other receivables (include related parties)	(22,645)	95,074
Inventories	344,068	(459,886)
Biological assets	(33,012)	23,026
Prepayments	6,949	66,726
Overdue receivables (include related parties)	(2,101)	2,096
Changes in operating liabilities		
Notes payable (include related parties)	(4,620)	(102,543)
Accounts payable (include related parties)	(8,950)	55,474
Other payables (include related parties)	103,916	21,836
Contract liabilities	1,488	(61,114)
Other current liabilities	1,419	(149)
Net defined benefit liability	(2,146)	(3,357)
Total changes in operating assets and liabilities	<u>314,200</u>	<u>(478,951)</u>
Total adjustments	<u>359,586</u>	<u>(191,252)</u>
Cash inflow (outflow) generated from operations	1,054,038	40,934
Interest received	368	883
Interest paid	(25,768)	(38,740)
Dividend received	288,170	33,525
Income tax refund (paid)	(24,383)	24,522
Cash provided by (used in) operating activities	<u>1,292,425</u>	<u>61,124</u>

(Carried over)

(Brought forward)

	<u>2020</u>	<u>2019</u>
Cash flows from investing activities:		
Decrease (increase) in financial assets	125,634	(125,722)
Proceeds from disposal of property, plant and equipment	2,046	4,497
Acquisitions of investments accounted for using equity method	(195,500)	(163,000)
Acquisitions of property, plant and equipment	(139,723)	(168,484)
Decrease (increase) in refundable deposits	(2,071)	1,044
Net cash flows from (used in) investing activities	<u>(209,614)</u>	<u>(451,665)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(607,788)	309,052
Proceeds from long-term debt	350,000	350,000
Repayment of long-term debt	(630,000)	(450,000)
Payment of lease liabilities	(10,189)	(11,939)
Cash dividends paid	(128,805)	(32,201)
Decrease in quarantine deposits received	80	(23)
Payments to acquire treasury shares	(6,735)	—
Net cash flows from (used in) financing activities	<u>(1,033,437)</u>	<u>164,889</u>
Net increase (decrease) in cash and cash equivalents	49,374	(225,652)
Cash and cash equivalents at beginning of year	689,959	915,611
Cash and cash equivalents at end of year	<u><u>\$ 739,333</u></u>	<u><u>\$ 689,959</u></u>

The accompanying notes are an integral part of these parent company only financial statements.

(With Solomon & Co., audit report dated March 23, 2021)

FWUSOW INDUSTRY CO., LTD.

Notes to Financial Statements

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. Organization

FWUSOW INDUSTRY CO., LTD. (the Company) was incorporated in February, 1955. Its shares were listed on Taiwan Stock Exchange (TSE) in December, 1990.

The main operating activities of the Company are

- I. Animal and vegetable oil refining and processing business.
- II. Manufacturing, processing and trading of feed and general feed additives.
- III. The breeding and processing business of livestock and poultry (except goat milk and mutton).
- IV. Manufacturing, processing, and trading of processed agricultural foods, milled foods, and baked processed foods such as rice, beans, and wheat.
- V. Canned food, frozen food, beverages, condiments (bonito flavor, chicken flavor), dairy products (except goat milk), sugar and sugar products and other food manufacturing, processing and trading business.
- VI. Manufacturing, processing, and trading of organic fertilizers.
- VII. Warehousing and labor transportation supply industry, refrigeration industry and supermarket operation
- VIII. Warehousing industry.

2. The Date and Procedure for the Authorization Of Financial Statements

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 23, 2021.

3. Application Of New And Revised International Financial Reporting Standards

- A. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the

Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company's accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence the users of financial reports has been changed to "could reasonably be expected to influence the user of financial reports". Accordingly, disclosures in the parent company only financial statements do not include immaterial information that may obscure material information.

- A. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application effective from 2021 are as follows:

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"	June 1, 2020

As of the date the parent company only financial statements were authorized to issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- B. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022(Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022(Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022(Note 4)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022(Note 5)

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

Note 2: The amendments to IFRS 9 will be applied to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business acquisition after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are expected to be operated by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the parent company only financial statements were authorized to issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. Summary Of Significant Accounting Policies

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

I. Compliance statement

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

II. Basis of Preparation

A. Measurement Bases

Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial instruments that are measured at fair values
- (b) Biological assets measured at fair value less costs to sell.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. Functional Currency and Presentation Currency

The company uses the currency of the main economic environment in which it operates as its functional currency. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information expressed in New Taiwan Dollars are in units of New Taiwan Dollars Thousands.

III. Foreign currency

A. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

B. Translation of foreign operations

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of merge and acquisition, shall be converted into the functional currency of the parent company only financial statements at the reporting date. Income and expenses are converted into functional currency of the parent company only financial statements at the average exchange rate in the current period, and the exchange differences are recognized in other comprehensive income

When the disposal of a foreign operation causing a loss of control, loss of joint control, or significant influence, the cumulative exchange difference related to the foreign operation is entirely reclassified as profit or loss. If the disposal involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposal involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income or loss on a pro rata basis.

If no repayment program is defined with respect to monetary item receivable or payable of the foreign operations and it is impossible to settle in the foreseeable future, the foreign currency exchange gain or loss generated therefor shall be held as a part of the net investment of the foreign operations and recognized as other comprehensive profit or loss.

IV. Classification of current and non-current items

Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets held mainly for trading purposes;
- (b) Assets that are expected to be realized within twelve months from the balance sheet date;
- (c) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Liability that meet one of the following criteria are classified as current liability; otherwise they are classified as non-current liability:

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

V. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits with maturities less than 3 months and held for the purpose of meeting short-term cash commitments rather than for investment or other purpose are classified as cash equivalents.

VI. Financial Instruments

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

Financial assets and liabilities are initially recognized at fair value with transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, when the financial assets and liabilities are not measured at fair value but through profit or loss. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial Assets

Measurement category

On regular way purchases or sales of financial assets, the derivatives are recognized and derecognized on settlement date basis, the other financial assets are recognized and derecognized on trade date basis.

Financial assets held by the Company are classified into financial assets at fair value through profit or loss and financial assets at amortized cost.

(1) Financial assets at fair value through profit or loss (Financial asset at FVTPL)

Financial asset is classified as at FVTPL when the financial asset is mandatorily

classified or designated at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 6(20).

(2) Financial assets at amortized cost

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

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

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

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

- (a) For purchased or created credit-impaired financial assets, interest income is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
- (b) For financial assets that are not purchased or initiated credit impairment but subsequently become credit impairment, interest income is calculated by multiplying the effective interest rate by the cost of financial assets amortization.

Impairment of financial assets

The company assesses the expected credit losses of the financial assets (including accounts receivable) measured at amortized cost at each balance sheet date.

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets, when the credit risk on the financial

instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Expected credit loss is the weighted average credit loss based on the risk of default. The 12-month expected credit loss refers to the expected credit loss caused by the possible default event of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss caused by all possible default events during the expected lifetime of the financial instrument. The impairment loss of all financial assets is adjusted through a loss allowance account.

B. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

An equity instrument refers to any contract that evidence a residual interest in the assets after deducting all its liabilities from its assets.

The equity instruments issued by the Company are recognized at the amount obtained after deducting the cost of direct issuance.

Interests and losses or benefits related to financial liabilities are recognized as profit and loss and listed under non-operating income and expenses.

Financial liabilities are reclassified into equity at the time of conversion, and conversion does not recognize gain or loss.

(2) Financial liabilities measured at fair value through profit and loss

Such financial liabilities are measured at fair value at the time of initial recognition, and transaction costs are recognized as profit or loss when incurred; subsequent evaluations are measured at fair value, and any gain or loss (including related interest expenses), which is reported under non-operating income and expenses.

(3) Other financial liabilities

Financial liabilities are not held for trading and are not designated as those measured at

fair value through profit and loss (including long-term and short-term borrowings, accounts payable and other payables). The original recognition is measured at fair value plus directly attributable transaction costs; The subsequent evaluation adopts the effective interest rate method to measure the cost after amortization. Interest expenses that have not been capitalized as the cost of assets are reported under non-operating income and expenses.

(4) Derecognition of financial liabilities

The company derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled or expired.

When derecognizing financial liabilities, the difference between the book value and the total consideration paid or payable (including any transferred non-cash assets or liabilities) is recognized as gain and loss which is reported under non-operating income and expenses .

(5) Mutual offset of financial assets and liabilities

Financial assets and financial liabilities are offset only when the company has the statutory right to offset and intend to settle on a net amount or to realize assets and settle liabilities at the same time, and then financial assets and liabilities are offset and expressed on the balance sheet as a net amount.

VII. Inventories

Inventories are stated at the lower of cost or net realizable value. When comparing lower of cost and net realizable value, except for the comparison of same inventory, it shall be made item by item. The cost of inventories, using weighted average method, includes expenditures incurred in acquiring the inventories, production cost and other costs incurred in bringing them to their existing location and condition. The cost of finished goods and work in process will be allocated production costs based on normal production. Net realized value is the estimated by the difference of the selling price in the ordinary course of business and the estimated cost of completion and applicable variable selling expenses.

VIII. Biological assets

Biological assets are initially recognized and measured at their fair value less costs to sell at each report date. The selling cost means that any additional cost can be directly attributed to

the disposal assets except for the financial cost and income tax. Gains or losses from initial recognition of biological assets and subsequent changes in fair value less costs to sell are recognized profit or loss in current period.

IX. Investment in related enterprises

Affiliated company refers to the company that the Company has significant influence on its financial and operating policies but has no control. When the company holds 20% to 50% of the voting rights of the investee, it is assumed to have significant influence.

Under the equity method, the original acquisition is recognized at cost, which includes transaction costs. The book value of the investment in the related company includes the goodwill arising from the acquisition less any accumulated impairment loss.

The financial report includes the Company's share of profit and loss and other comprehensive income of the equity accounted investee after making adjustments to the company's accounting policy consistency, from the date significant influence commence to the date significant influence ceases.

Unrealized benefits arising from transactions between the company and affiliated companies have been eliminated to the extent of the company's equity in the investee company. The method of eliminating unrealized losses is the same as that of unrealized benefits, but only when there is no evidence of impairment.

When the company shall recognize the loss of the affiliated company in proportion to or exceed its equity in the affiliated company, it shall stop recognizing its losses. Only when legal obligations, constructive obligations or payments have been made on behalf of the investee have occurred, additional losses and related liabilities are recognized.

X. Investment in subsidiaries

When preparing individual financial reports, the Company adopts the equity method to evaluate investee companies with control. Under the equity method, the current profit and loss and other comprehensive profit and loss of the individual financial report are prepared on the basis of the consolidated financial report. The current profit and loss and other comprehensive profit and loss in the financial report are the same attributable to the owners of the parent company, and the owner's equity of the individual financial report is prepared on the basis of the merger. The equity attributable to the owners of the parent company in the financial report

is the same.

Changes in the ownership and equity of the subsidiary by the Company that do not result in the loss of control shall be treated as equity transactions with the owner.

XI. Property, Plant and Equipment

A. Recognition and Measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes expenditures that can be directly attributable to the acquisition of assets. The cost of self-built assets includes raw materials and direct labor, any cost to bring the asset to the usable state for its intended use, the cost of dismantling and removing and restoring the location, and the borrowing cost of the capitalized assets that meet the requirements. The software purchased to integrate the functions of the related equipment is also capitalized as part of the equipment.

When property, plant and equipment are in different categories and the difference is significant to the total cost, it would be appropriate to adopt different depreciation rate or method as separate item.

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

B. Subsequent cost

Subsequent expenditure is capitalized, only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the expenditure can be measured reliably. The carrying amount of the replacement is derecognized. Ongoing repairs and maintenance are expensed when incurred.

C. Depreciation

The property, plant and equipment were depreciated on straight-line basis over the estimated useful life. Depreciation of property, plant and equipment is evaluated by major identical category. Only when the useful lives of the assets in that category are different from the rest. Thus that different category shall be depreciated separately. Depreciation is recognized as profit or loss.

Land is not depreciated.

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

- (1)Buildings 3～50 years
- (2)Machinery and equipment 3～20 years
- (3)Transportation equipment 3～12 years
- (4)Office and Other equipment 3～18 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If the expected value is different from original estimation, it will be adjusted appropriately when necessary. Such adjustment shall be accounted for a change in accounting estimation.

XII. Lease

The company assesses whether the contract belongs to (or includes) a lease at the date of contract establishment.

A. The company is the lessor

When the lease clause transfers almost all the risks and rewards attached to the ownership of the asset to the lessee, it is classified as a financial lease. All other leases are classified as operating leases.

Under finance leases, lease payments include fixed payments and variable lease payments that depend on an index or rate. The net lease investment is measured by the sum of the present value of the lease payment receivable and the unguaranteed residual value plus the original direct cost which is expressed as a financial lease receivable. Finance income is allocated to each accounting period to reflect the fixed rate of return that the combined company's unexpired net lease investment can obtain in each period.

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis during the relevant lease period. The original direct cost incurred in obtaining an operating lease is added to the book value of the underlying asset and recognized as an expense during the lease period on a straight-line basis.

B. The company is the lessee

Except for the lease payments of low-value underlying asset leases and short-term leases that are subject to the applicable recognition exemption, the lease payments are recognized as expenses on a straight-line basis during the lease period, and other leases are recognized as right-of-use assets and lease liabilities on the lease start date.

The right-of-use asset is initially measured at cost (including the original measured amount

of the lease liability and the lease payment paid before the lease start date), and subsequently measured at the cost after deducting accumulated depreciation and accumulated impairment losses, and the remeasured amount of the lease liability is adjusted. Right-of-use assets are separately expressed on the balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the end of the service life or the expiration of the lease term, whichever is earlier.

Lease liabilities were originally measured by the present value of lease payments (including fixed payments and substantive fixed payments). If the implicit interest rate of the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, use the lessee's incremental borrowing interest rate.

Subsequently, the lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period. If changes in the lease period lead to changes in future lease payments, the company will re-measure the lease liabilities and relatively adjust the right-of-use asset. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit and loss. Lease liabilities are separately expressed on the balance sheet.

The variable rent in the lease agreement that is not dependent on the index or rate is recognized as an expense in the period in which it occurs.

XIII. Impairment of Non-financial Assets

The Company measures whether impairment occurred in non-financial assets, except for inventories, deferred income tax assets, employee benefits and biological assets at the end of every reporting date, and estimates the recoverable amount. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will evaluate the impairment based on the recoverable amount from the asset's cash-generating unit.

The recoverable amount is determined by the higher value of an individual asset or a cash-generating unit less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and recognized an impairment loss. An impairment loss shall be recognized immediately in current period.

The Company should assess at the end of each reporting period whether there is any indication

that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss. 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.

Regarding inventory, deferred income tax assets, assets generated from employee benefits, and non-financial assets other than biological assets, the company assesses whether impairment has occurred at the end of each reporting period, and estimates the recoverable amount of assets with signs of impairment. If the recoverable amount of an individual asset cannot be estimated, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs to assess the impairment.

XIV. Treasury Stock

The Company acquires its outstanding shares, the acquisition cost is debited to the treasury stock account (including any directly attributable costs). When treasury stock is sold, the excess of the selling price over the carrying amount is credited to the capital surplus from treasury stock transactions account. If the carrying amount exceeds the selling price, the excess is first offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, is debited to retained earnings. The carrying amount of treasury stock is calculated by using the weighted-average approach according to the same class of treasury stock (common stock or preferred stock).

When the Company's treasury stock is the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium

on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

XV. Revenue recognition

1. Sales of goods

- A. The Company manufactures and sells animal feeds, cooking oil, agricultural livestock products and related consumer food. Sales are recognized when control of the products has transferred, which also means that 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 customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from sales of goods is recognized based on the price specified in the contract, net of the estimated volume discounts, sales discounts and allowances. The volume discount or sales allowance is usually offered by client's purchase volume. Based on historical experience of sales discounts offered, revenue is only recognized to the extent that it is highly probable that no significant reversal will occur. The estimation is reassessed at each reporting date. The credit term of 30 to 60 days after shipment is consistent with market practice, which is deemed not involved major financial arrangement in the sales contracts. The down payment receiving from selling products is deemed as contractual liability to fulfill the Company's obligation.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. Financing components

The contract between the Company and client is the obligation to transfer goods or services to the client and payment term is within one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

XVI. Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as pension expense in the period when employees render service.

B. Defined benefit plans

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Net defined benefit asset is recognized to the extent of a contribution refund to the plan or deduction in future payments.

C. Short-term employee benefits

Short-term employee benefits are expensed at the undiscounted amount in exchange for service rendered by employees. A liability is reliably estimated and recognized for the amount of short-term cash bonus or employee dividend plan expected to be paid when the Company has a present legal or constructive obligation as a result of past service provided by the employee.

XVII. Income taxes

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

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

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 not recognized for the following conditions:

- A. The initial recognition of assets and liabilities in a transaction that is not a business combination which affects neither accounting nor taxable profits (losses) at the time of the transaction.
- B. Temporary differences related to investments in subsidiaries, associates and joint arrangements which is probable that they will not reverse in the foreseeable future.
- C. Temporary differences arising from 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.

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

- A. The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - i. The same taxable entity; or
 - ii. 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.

XVIII. Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average

number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock bonus.

XIX. Operating segments

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

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

The preparation of the parent company only financial statements in conformity with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” requires management to make judgments, estimations 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 estimations.

The Company has considered the economic implications of COVID-19 pandemic on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The following are the key assumptions concerning the future, and other key sources of estimation :

1. Note 6(4) , Assessment of impairment of accounts receivable
2. Note 6(5) , Valuation of Inventory
3. Note 6(11) , Measurement of net definite benefit liabilities
4. Note 6(12) , Realization of Deferred Income Tax Assets ◦

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 1,151	\$ 1,081
Checking accounts	960	1,863
Demand deposits	721,023	632,443
Foreign currency deposit	16,199	54,572
	<u>\$ 739,333</u>	<u>\$ 689,959</u>

Other current assets	December 31, 2020	December 31, 2019
Restricted deposit	<u>\$ 88</u>	<u>\$ 125,722</u>

Interest rate risk and sensitivity analysis details of the Company's financial asset and liability in Note 6(20).

(2) Current financial asset and liability at fair value through profit or loss

	December 31, 2020	December 31, 2019
Listed OTC stock and fund	\$ 9,160	\$ 11,268
Unquoted shares	83,373	83,373
Adjustments for change	(84,121)	(85,270)
	<u>\$ 8,412</u>	<u>\$ 9,371</u>

Current financial liability at fair value through profit or loss

	December 31, 2020	December 31, 2019
Forward exchange agreement	<u>\$ —</u>	<u>\$ 1,604</u>

The Company entered into forward exchange contracts to hedge foreign currency exposures.

The outstanding forward exchange agreement is as follows:

	December 31, 2019		
	Currency	Expiration date	Contract amount (thousand dollars)
Pre-ordered forward exchange	USD exchange TWD	2020.01	USD 2,880

The company's estimated net profit and loss on derivative financial products in 2020 and 2019 are 1,604 thousand dollars and (1,704) thousand dollars.

In 2020 and 2019, the net gains and losses recognized by offsetting contracts of derivative financial asset transactions were 44 thousand dollars and 1352 thousand dollars, respectively.

(3) Notes receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 341,458	\$ 300,711
Less: Loss allowance	(208)	(208)
	<u>\$ 341,250</u>	<u>\$ 300,503</u>

(4) Accounts receivable (including overdue receivables)

Current:

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 742,432	\$ 696,367
Less: Loss allowance	(6,945)	(5,046)
	<u>\$ 735,487</u>	<u>\$ 691,321</u>

Non-current :

	December 31, 2020	December 31, 2019
overdue receivables	\$ 17,237	\$ 15,136
Less: Loss allowance	(17,237)	(15,136)
	<u>\$ —</u>	<u>\$ —</u>

The average credit period for sales of goods was 60 days. No interest was charged on accounts receivable. In determining the recoverability of trade receivables, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The company will first review the credit rating of customers for new transactions, and obtain sufficient guarantees when necessary to reduce the default risk of financial losses. The company will use other publicly available financial information and historical transaction records to rate major customers. The Company's credit exposures and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty credit limit that are reviewed and approved by the accounting department annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. ° The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company estimates expected credit losses based on past due days. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

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

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2020

	Current	1 to 30 days	31 to 60 days	61 to 120 days	Over 120 days	Total
Expected Credit Loss	0%-0.3%	0%-10%	0%-22%	94%	100%	
Carrying amount	\$ 1,543,362	\$ 23,377	\$ 7,541	\$ —	\$ 17,237	\$ 1,591,517
lifetime expected credit losses	(3,571)	(2,296)	(1,668)	—	(17,237)	(24,772)
Amortized cost	\$ 1,539,791	\$ 21,081	\$ 5,873	\$ —	\$ —	\$ 1,566,745

December 31, 2019

	Current	1 to 30 days	31 to 60 days	61 to 120 days	Over 120 days	Total
	0%~0.2%	0%~7%	0%~17%	90%	100%	
Expected Credit Loss						
Carrying amount	\$ 1,470,575	\$ 23,123	\$ 8,004	\$ 349	\$ 15,136	\$ 1,517,187
lifetime expected credit losses	(3,482)	(557)	(1,283)	(314)	(15,136)	(20,772)
Amortized cost	\$ 1,467,093	\$ 22,566	\$ 6,721	\$ 35	\$ —	\$ 1,496,415

Change information of loss allowance :

	2020	2019
Opening balance	\$ 20,772	\$ 19,279
Overdue credit impairment loss	4,190	2,054
Non recoverable receivable	(190)	(561)
Ending balance	\$ 24,772	\$ 20,772

(5) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 612,055	\$ 1,017,653
Materials	50,502	52,388
Semi-manufactures	25,642	26,305
Manufactures	368,630	316,931
Inventory in transit - materials	390,948	378,568
	1,447,777	1,791,845
Less: allowance for inventory write-down	(19,515)	(19,515)
Net inventories	\$ 1,428,262	\$ 1,772,330

The cost of inventories recognized as expense for the year:

	2020	2019
Cost of goods sold	\$ 10,354,078	\$ 10,505,642
Costs of conversion	3,082	3,529
Loss on decline in market value	—	3,730
Net loss on physical inventory	28,114	32,460
Income from disposal of leftover and scraps	(914)	(1,367)
loss on inventory retired	6,243	—
Others	9,447	7,908
	\$ 10,400,050	\$ 10,551,902

(6) Investments accounted for under equity method

Investments accounted for using equity method-subsiaries are provided as follows:

	December 31, 2020	December 31, 2019
Subsidiary company	\$ 380,654	\$ 334,344
Associates	332,027	309,736
	<u>\$ 712,681</u>	<u>\$ 644,080</u>

1. Investments in subsidiaries

A. Investments accounted for using equity method

	December 31, 2020		December 31, 2019	
Investee	Carrying amount	share holding ratio %	Carrying amount	share holding ratio %
FWUSOW NEW INDUSTRY CO., LTD.	\$ 204,741	99.07	\$ 211,161	99.07
WONDERFUL INVESTMENT CO.	120,598	85.70	117,990	85.70
ZILLION HOLDING CO.	5,359	100.00	5,193	100.00
WANJISHENG AGRICULTURAL TECHNOLOGY CO.,	49,956	100.00	—	—
	<u>\$ 380,654</u>		<u>\$ 334,344</u>	

B. Investments accounted for using equity method credit balance

	December 31, 2020		December 31, 2019	
Investee	Carrying amount	share holding ratio %	Carrying amount	share holding ratio %
CHARMING FOOD INTERNATIONAL MARKETING CO., LTD.	\$ (271,804)	72.75	\$ (277,006)	72.75

- (a) The above-mentioned long-term equity investment and its related investment gains and losses evaluated according to the equity method are calculated based on the financial statements of the investee company that have been verified by an accountant during the same period.
- (b) Charming Food International Marketing Co., Ltd. reduced its capital in May 2020 to make up for the loss of 200,000 thousand dollar. In the same year, the Company made a new investment of 145,500 thousand dollars based on its shareholding ratio. In June of 2019, the company reduced

its capital to make up for the loss by 50%. According to the shareholding ratio, an additional investment of 163,000 thousand dollars was added, resulting in an increase in the shareholding ratio from 64.00% to 72.75%.

- (c) In 2018, the Company sold land to its subsidiary, Charming Food International Marketing Co., Ltd. deferred recognition of disposal benefits in accordance with the IFRS 10 Bulletin, and accounted for its disposal benefits of 294,128 thousand dollars for investment deductions using the equity method. The net investment using the equity method is negative, and the third party is subsequently disposed of in the subsidiary to realize its benefits.
- (d) In December 2020, the Company increased its investment in Wanjisheng Agricultural Technology Co., Ltd. by 50,000 thousand dollars, and obtained a 100% shareholding ratio based on the investment cost. The Company is mainly engaged in livestock breeding and other businesses. In accordance with the provisions of International Accounting Standard No. 27 "Consolidated and Separate Financial Statements", the Company has control over the investee and constitutes a parent subsidiary company, the investee company shall be included in the preparation scope of the consolidated statement.

2. Investments in associates

The Company's associates are as follows:

Investee	December 31, 2020		December 31, 2019	
	Carrying amount	Share holding ratio %	Carrying amount	share holding ratio %
CENTRAL UNION OIL CORP.	\$ 267,321	32.33	\$ 250,531	32.33
CHIATON INTERNATIONAL CO., LTD.	64,706	37.50	59,205	37.50
	<u>\$ 332,027</u>		<u>\$ 309,736</u>	

Details of share of profit and loss of Joint Ventures are as follows:

	2020	2019
The company's share of the net profit of the associated companies for the current period	\$ 51,095	\$ 36,655
The company's share of other comprehensive profits and losses of associated companies	\$ 1,600	\$ (649)

Details of financial information of Joint Ventures are as follows:

	December 31, 2020	December 31, 2019
Total assets	\$ 2,955,556	\$ 2,681,945
Total liability	1,956,200	1,749,188
Net assets	\$ 999,356	\$ 932,757
	2020	2019
Revenues	\$ 7,542,697	\$ 7,498,485
Net profit	\$ 152,652	\$ 109,364
Share of profit (loss) of associates and joint ventures accounted for using equity method	\$ 4,948	\$ (2,009)

(7) Property, plant and equipment

1. Capitalization amount and interest rate range of borrowing costs for property, plant and equipment:

	2020	2019
Capitalization amount	\$ —	\$ 1,685
Capitalization interest rate	—	1.27%

2. Details of property, plant and equipment

	Land	Buildings	Machinery and Equipment	Transportation equipment	Other equipment	Construction in progress and equipment to be inspected	Total
Cost :							
At January 1, 2020	\$ 1,317,252	\$ 1,729,701	\$ 2,414,982	\$ 120,863	\$ 247,821	\$ 54,189	\$ 5,884,808
Additions	4,229	996	3,030	2,214	4,894	131,510	146,873
Reclassifications	17,850	36,279	32,690	2,390	31,797	(129,461)	(8,455)
Disposals	—	—	(4,917)	(5,636)	(2,008)	—	(12,561)
December 31, 2020	\$ 1,339,331	\$ 1,766,976	\$ 2,445,785	\$ 119,831	\$ 282,504	\$ 56,238	\$ 6,010,665
At January 1, 2019	\$ 1,311,338	\$ 1,654,236	\$ 2,260,987	\$ 123,797	\$ 239,663	\$ 168,809	\$ 5,758,830
Additions	8,587	13,609	7,343	6,555	5,166	122,566	163,826
Reclassifications	—	62,037	154,365	610	8,586	(237,186)	(11,588)
Disposals	(2,673)	(181)	(7,713)	(10,099)	(5,594)	—	(26,260)
December 31, 2019	\$ 1,317,252	\$ 1,729,701	\$ 2,414,982	\$ 120,863	\$ 247,821	\$ 54,189	\$ 5,884,808

				Transportati		Construction in progress and equipment to be inspected	
	Land	Buildings	Machinery and Equipment	on equipment	Other equipment		Total
Accumulated depreciation and impairment							
At January 1, 2020	\$ (26,643)	\$ (1,100,531)	\$ (1,647,203)	\$ (94,942)	\$ (141,313)	\$ —	\$ (3,010,632)
Additions	—	(58,265)	(80,491)	(8,726)	(17,349)	—	(164,831)
Gain on reversal of impairment loss	—	—	—	—	—	—	—
Disposals	—	—	4,260	4,710	1,987	—	10,957
At December 31, 2020	<u>\$ (26,643)</u>	<u>\$ (1,158,796)</u>	<u>\$ (1,723,434)</u>	<u>\$ (98,958)</u>	<u>\$ (156,675)</u>	<u>\$ —</u>	<u>\$ (3,164,506)</u>
At January 1, 2019	\$ (27,830)	\$ (1,041,453)	\$ (1,576,430)	\$ (94,383)	\$ (131,016)	\$ —	\$ (2,871,112)
Additions	—	(59,218)	(75,465)	(10,171)	(15,882)	—	(160,736)
Gain on reversal of impairment loss	1,187	—	—	—	—	—	1,187
Disposals	—	140	4,692	9,612	5,585	—	20,029
At December 31, 2019	<u>\$ (26,643)</u>	<u>\$ (1,100,531)</u>	<u>\$ (1,647,203)</u>	<u>\$ (94,942)</u>	<u>\$ (141,313)</u>	<u>\$ —</u>	<u>\$ (3,010,632)</u>
Book Value:							
December 31, 2020	<u>\$ 1,312,688</u>	<u>\$ 608,180</u>	<u>\$ 722,351</u>	<u>\$ 20,873</u>	<u>\$ 125,829</u>	<u>\$ 56,238</u>	<u>\$ 2,846,159</u>
December 31, 2019	<u>\$ 1,290,609</u>	<u>\$ 629,170</u>	<u>\$ 767,779</u>	<u>\$ 25,921</u>	<u>\$ 106,508</u>	<u>\$ 54,189</u>	<u>\$ 2,874,176</u>

3. The information about the property, plant and equipment is pledged as collateral is disclosed in Note 8.

4. The land and building in Zhuzi Douliu City, Yunlin County owned by the Company was in agriculture and animal husbandry category, which was registered under personal name. The Company had agreement to pledge the property to the Company as collateral.

(8) Lease arrangements

(a) Right-of-use assets

	Land	Building	Transportation equipment	Total
Cost :				
Balance at January 1, 2020	\$ 13,847	\$ 14,606	\$ 22,552	\$ 51,005
Addition	—	—	2,667	2,667
Lease Modifying	(249)	(8,837)	(5,459)	(14,545)
Balance at December 31, 2020	<u>\$ 13,598</u>	<u>\$ 5,769</u>	<u>\$ 19,760</u>	<u>\$ 39,127</u>
Accumulated depreciation and impairment:				
Balance at January 1, 2020	\$ 1,790	\$ 2,830	\$ 7,696	\$ 12,316
Depreciation	1,790	2,135	6,416	10,341
Decrease	(238)	(2,923)	(5,459)	(8,620)
Balance at December 31, 2020	<u>\$ 3,342</u>	<u>\$ 2,042</u>	<u>\$ 8,653</u>	<u>\$ 14,037</u>
Book value:				
Balance at December 31, 2020	<u>\$ 10,256</u>	<u>\$ 3,727</u>	<u>\$ 11,107</u>	<u>\$ 25,090</u>
Cost :				
Balance at January 1, 2019	\$ —	\$ —	\$ —	\$ —
First-time Application IFRS 16	13,847	14,606	22,552	51,005
Increase	—	—	—	—
Decrease	—	—	—	—
Balance at December 31, 2019	<u>\$ 13,847</u>	<u>\$ 14,606</u>	<u>\$ 22,552</u>	<u>\$ 51,005</u>
Accumulated depreciation and impairment:				
Balance at January 1, 2019	\$ —	\$ —	\$ —	\$ —
Depreciation	1,790	2,830	7,696	12,316
Decrease	—	—	—	—
Balance at December 31, 2019	<u>\$ 1,790</u>	<u>\$ 2,830</u>	<u>\$ 7,696</u>	<u>\$ 12,316</u>
Book value:				
Balance at December 31, 2019	<u>\$ 12,057</u>	<u>\$ 11,776</u>	<u>\$ 14,856</u>	<u>\$ 38,689</u>

For the years ended December 31, 2020 and 2019, the Company did not undergo major sub-leases and impairments.

(b)Lease liabilities

	December 31, 2020	December 31, 2019
Book value of lease liabilities		
current	\$ 6,747	\$ 10,912
non-current	\$ 18,609	\$ 28,019

The discount rate of leasing liability was 1.21% in above accounting years.

(c)Material lease-in activities and terms

The Company leases buildings for the use of warehouse and offices with lease terms of 1 to 9 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

(d)Other lease information

	2020	2019
Expenses relating to short-term leases	\$ 13,185	\$ 5,195
Low-value asset lease expenses	\$ 381	\$ 490
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 327	\$ 914
Total cash (outflow) for leases	\$ 28,164	\$ 18,868

The Company leased transportations and equipment which meets the threshold to waive the recognition of ownership assets and leasing liability.

(9)Short-term loans

Nature of loan	December 31, 2020	interest rates range from	Maturity year	Collateral
Bank loans				
Purchase loans	\$ 92,414	0.78%~1.10%	2021.03~2021.06	NONE
Credit loans	280,000	0.90%~1.08%	2021.01 ~ 2021.10	NONE
	\$ 372,414			

Nature of loan	December 31, 2019	interest rates range from	Maturity year	Collateral
Bank loans				
Purchase loans	\$ 200,202	2.46%~2.85%	2020.02~2020.06	NONE
Credit loans	780,000	0.96%~1.20%	2020.01~2020.06	NONE
	<u>\$ 980,202</u>			

(10)Long-term loans

	December 31, 2020	December 31, 2019
Collateralize loans	\$ 275,000	\$ 300,000
Credit loans	1,100,000	1,355,000
Less: Current portion of long-term loans payable	(415,000)	(580,000)
Long-term debt payable	<u>\$ 960,000</u>	<u>\$ 1,075,000</u>
Interest rate range	<u>0.88%~1.19%</u>	<u>1.12%~1.32%</u>
Maturity year	<u>110.6~114.8</u>	<u>109.7~113.9</u>
Unspent amount	<u>\$ 975,000</u>	<u>\$ 695,000</u>

(11)Plan of post-retirement benefits

A. Defined benefit plans

	December 31, 2020	December 31, 2019
Total present value of obligations	\$ 14,929	\$ 13,566
Fair value of project assets	(9,155)	(6,754)
Recognized definite benefit obligation liabilities	<u>\$ 5,774</u>	<u>\$ 6,812</u>

The Company's employee retirement plan based on the Labor Standards Law is a definite benefit plan. According to the plan, a monthly retirement reserve fund is allocated at 10% of the total salary of the employees, which is managed by the Labor Retirement Reserve Supervision Committee, and deposited in the special retirement reserve account of the Trust Department of Bank of Taiwan in the name of the committee. The retirement payment of each employee subject to the Labor Standards Law is calculated based on the base number of years of service and the average salary of the six months before retirement.

(a)Statement of changes present value of a defined benefit obligation

	2020	2019
present value of a defined benefit	\$ 13,566	\$ 12,958
employee benefits expense	—	—
Current service cost and interest	119	99
Recognition of other comprehensive income	1,244	509
present value of a defined benefit	\$ 14,929	\$ 13,566

(b) Composition of project asset composition

The retirement fund allocated by the Company in accordance with the Labor Standards Law is coordinated and managed by the Labor Retirement Fund Supervisory Committee of the Labor Committee of the Executive Yuan. According to the provisions of the "Labor Retirement Fund Revenue and Expenditure and Utilization Measures", the use of the fund and its annual final accounting distribution of the lowest income, shall not be lower than the income calculated based on the two-year fixed deposit interest rate of the local bank.

Details of employee benefit plan bank account:

	2020	2019
Fair value of planned assets at the beginning of the period	\$ 6,754	\$ 874
Allocated amount	2,191	3,444
Interest income	74	11
Plan asset return	136	2,425
Fair value of plan assets at the end of the period	\$ 9,155	\$ 6,754

(c)Recognition as an profit and loss

	2020	2019
Current service cost	\$ —	\$ —
Interest cost	119	99
Interest income	(74)	(11)
Employee retirement benefits	\$ 45	\$ 88

(d) Actuarial gains and losses recognized as other comprehensive gains and losses (before tax)

	2020	2019
Accumulated balance on January 1	\$ 157,966	\$ 159,881
Current	1,108	(1,915)
Accumulated balance on December 31	<u>\$ 159,074</u>	<u>\$ 157,966</u>

(e) Actuarial assumptions

The Company is exposed to the following risks due to the pension system of the "Labor Standards Law":

- 1). Investment risk: The Labor Fund Utilization Bureau of the Ministry of Labor invests labor retirement funds in domestic (foreign) equity securities, debt securities, and bank deposits through its own use and entrusted operations, but the company's planned assets can be allocated to the amount of The income calculated based on the interest rate not lower than the local bank's 2-year fixed deposit rate.
- 2). Interest rate risk: The decline in the interest rate of government bonds will increase the present value of defined welfare obligations, but the return on debt investment of planned assets will also increase, and the impact of the two on the net defined welfare liabilities will partially offset the effect.
- 3). Salary risk: The calculation to determine the present value of the benefit obligation refers to the future salary of the plan members. Therefore, the increase in the salary of the plan members will increase the present value of the determined benefit obligation.

The present value of the company's determined welfare obligations is actuarially calculated by qualified actuaries. The major assumptions on the measurement date are as follows:

	2020	2019
Discount rate	0.50%	0.88%
Expected salary increase rate	2.00%	2.00%

(f) When calculating and determining the present value of welfare obligations, the Company must use judgments and estimates to determine relevant actuarial assumptions on the balance sheet date, including employee turnover rates and future salary changes. Any change in actuarial assumptions may materially affect the amount of the company's determined welfare obligations.

Assuming that the discount rate changes by 0.25%, there will be the following effects:

2020		
	Increase	Decrease
Net defined benefit liability	\$ 490	\$ (514)
2019		
	Increase	Decrease
Net defined benefit liability	\$ 460	\$ (483)

The Company expects to allocate 2,000 thousand dollar to the determined benefit plan within one year after December 31, 2020.

B. Defined contribution plans

The company's definite allocation plan is based on the labor pension regulations, and is allocated to the labor insurance bureau's labor pension individual account at a rate of 6% of the labor's monthly salary. After the fixed amount is allocated to the Labor Insurance Bureau under this plan, there is no statutory or constructive obligation to pay additional amounts.

The pension expenses under the Company's 2020 and 2019 pension plans are 18,435 thousand dollar and 18,243 thousand dollar respectively, which have been transferred to the Labor Insurance Bureau.

(12)Income tax

1. Income tax expense recognized in profit or loss :

	2020	2019
Income tax expense calculated at the statutory rate	\$ 138,890	\$ 46,437
Amount of tax impact of income tax adjustment items		
Permanent differences	(58,880)	(23,674)
Temporary differences	(3,778)	7,033
Effect of loss carryforwards	—	(19,195)
Adjustments for prior years	(801)	37
Prior deferred income tax asset adjustment	—	1,442
Deferred income tax expenses adjusted this year	3,744	16,992
Income tax expense	\$ 79,175	\$ 29,072

2. Deferred income tax

The analysis of deferred income tax assets (liabilities) is as follows :

	2020			
	Other			Balance as of
	Balance on	Profit and loss	comprehensive income	
	January 1			December 31
Temporary differences				
Deferred Bad Debt Losses	\$ 4,154	\$ 800	\$ —	\$ 4,954
Inventory Valuation Losses	3,912	(1,700)	—	2,212
Unrealized Gain or Loss	(311)	318	—	7
Net changes in equity of investment				
accounted for using equity method	34,266	(1,811)	—	32,455
Impairment loss recognized under the				
cost method	7,218	—	—	7,218
Fixed asset impairment loss	(468)	—	—	(468)
Others	(2,081)	(1,351)	—	(3,432)
Defined benefit plans actuarial loss	(383)	—	222	(161)
Conversion difference in the				
conversion of financial statements				
of foreign operating organizations	(602)	—	(341)	(943)
	<u>\$ 45,705</u>	<u>\$ (3,744)</u>	<u>\$ (119)</u>	<u>\$ 41,842</u>
2019				
	Other			Balance as of
	Balance on	Profit and loss	comprehensive income	
	January 1			December 31
Temporary differences				
Deferred Bad Debt Losses	\$ 3,856	\$ 298	\$ —	\$ 4,154
Inventory Valuation Losses	2,966	946	—	3,912
Unrealized Gain or Loss	(265)	(46)	—	(311)
Net changes in equity of investment				
accounted for using equity method	28,107	6,159	—	34,266
Impairment loss recognized under the				
cost method	7,218	—	—	7,218
Fixed asset impairment loss	(229)	(239)	—	(468)
Others	(1,997)	(84)	—	(2,081)

	2019			
	Balance on	Profit and loss	Other comprehensive income	Balance as of
	January 1			December 31
Defined benefit plans actuarial loss	19,195	(19,195)	—	—
Conversion difference in the	—	—	(383)	(383)
conversion of financial statements of				
foreign operating organizations	(1,513)	—	911	(602)
	<u>\$ 57,338</u>	<u>\$ (12,161)</u>	<u>\$ 528</u>	<u>\$ 45,705</u>

3. Deductible temporary differences and unused taxable loss balances that are not recognized as deferred income tax assets:

	2020	2019
Net investment income or loss accounted for		
using equity method	\$ 44,859	\$ 44,893
Net investment income or loss accounted for		
using cost method	7,690	7,690
	<u>\$ 52,549</u>	<u>\$ 52,583</u>

4. The income tax settlement declaration of the company's for-profit business has been approved by the auditing agency until 2018.

(13) Capital and other equity

A. Issuance of ordinary shares

In 2020 and 2019, the total amount of the company's rated share capital is 500,000 dollar, each with a par value of 10 dollars, and the issued shares are all 322,014 thousand ordinary shares.

B. Additional paid-in capital

Details of capital reserve balance:

	December 31, 2020	December 31, 2019
Treasury stock trading	\$ 5,996	\$ 5,996
Others	8,362	8,362
	<u>\$ 14,358</u>	<u>\$ 14,358</u>

According to the provisions of the Company Law, the capital reserve must be given priority to make up for the losses before it can be issued to new shares or cash in proportion to the shareholders' original shares based on the realized capital reserve. The "realized capital reserve" mentioned in the preceding paragraph includes the excess of the issuance of stocks in excess of the par value and the income received from donations. In accordance with the issuer's guidelines for the handling of securities raised and issued, the total amount of the capital reserve that can be allocated for replenishment each year shall not exceed 10% of the paid-in capital.

C. Retained earnings

If the company makes a profit in the year, it shall allocate 2% for employee remuneration, and the remuneration of directors and supervisors shall be no more than 5%. After review and approval by the Salary and Remuneration Committee, it shall be submitted to the board of directors for resolution. Employee compensation and the distribution of directors and supervisors' compensation shall be reported to the shareholders meeting. However, when the Company still has accumulated losses, it shall retain the amount of the loss to be made up before the allocation, and then allocate the compensation for employees and directors and supervisors in proportion to the preceding paragraph.

If the Company has surpluses after its annual accounts, in addition to paying income tax and making up previous losses in accordance with the law, it should first set aside 10% of the statutory surplus reserve, and deduct the shareholders' equity (including foreign operating institutions). The balance of the conversion difference in the conversion of financial statements, unrealized gains and losses of financial assets available for sale, and the cumulative balance of hedging tool benefits and losses that are the effective hedging part of cash flow hedging) shall be set to special surplus reserve. If there is a subsequent reduction in the amount of deductions for shareholders' equity, the reduced amount can be transferred from the special surplus reserve back to the undistributed surplus. If there is a balance available for the current period, the shareholder's dividend will be based on the current period's distributable amount and the accumulated undistributed surplus in the previous year. The allocated surplus and the undistributed surplus adjustment amount of the current year shall be allocated 40% to 90%, of which the cash dividend shall not be less than 10% of the total dividend. If the cash dividend per share is less than 0.1 dollar, the payment shall be made as a stock dividend.

(a)Legal reserve

According to the Company law, the company shall allocate 10% of its net profit after tax as a statutory surplus reserve until it is equal to the total capital. When the company has no losses, it may be approved by the shareholders' meeting to issue new shares or cash with the statutory surplus reserve, but only if the reserve exceeds 25% of the paid-in capital.

(b)Appropriated Retained Earnings

When the Company first adopted the International Financial Reporting Standards recognized by the FSC, it chose to apply the IFRS No. 1 "First-time Application of International Financial Reporting Standards" exemption item, and accounted for the unrealized revaluation increase and accumulation under shareholders' equity Conversion adjustments (benefits), and the fair value on the conversion date is used as the recognized cost to increase the retained surplus amount to 243,814 thousand dollars. The same amount is set forth in accordance with the FCA's April 6, 2012 Jin Guan Zheng Fa Zi Order No. 1010012865 When using, disposing of, or reclassifying related assets, the proportion of the special surplus reserve that was originally set aside may be converted to distribute the surplus. As of December 31, 2020, the balance of this special surplus reserve is 233,273 thousand dollars.

In accordance with the provisions of the letter and order mentioned in the previous paragraph, when the company distributes distributable surplus, the difference between the net deduction of other shareholders' equity in the current year and the balance of the special surplus reserve mentioned in the previous paragraph shall be calculated from the current profit and loss The undistributed surplus in the previous period shall be added to the special surplus reserve; the amount of other shareholder equity deductions accumulated in the previous period will not be distributed to the special surplus reserve from the undistributed surplus in the previous period. If there is a subsequent reversal of the deduction of other shareholders' equity, the reversal part of the surplus may be distributed.

(c)Disposition of net income

Details of the company passed the 2019 and 2018 annual earnings distribution proposal and dividend distribution on June 17, 2020 and June 27, 2019 through the resolutions of the shareholders' meeting

	Surplus distribution		Dividend per share(dollar)	
	2019	2018	2019	2018
Legal reserve	\$ 20,399	\$ —	—	—
Cash dividends	128,805	32,201	0.40	0.10
Stock dividend	—	—	—	—
	<u>\$ 149,204</u>	<u>\$ 32,201</u>		

D. Other equity

The items listed under other equity are the cumulative amount of net after-tax in the financial statements of the company's foreign operating organizations.

(14)Treasury stock

Reason	2020			
	Beginning	Increase	Decrease	The end
Transfer shares to employees	—	364,000	—	364,000

A. Ordinary Stock

(a)The company's board of directors resolved on April 7, 2020 to buy back 10,000,000 common shares in order to transfer shares to employees. The price per share is scheduled to be between 13.00 dollars and 26.00 dollars, and the total amount of shares to be repurchased is expected to be capped at 476,765. Thousand dollar. As of June 6, 2020, 364,000 shares have been executed, accounting for 0.11% of the total issued shares of the company. The average repurchase price is 18.50 dollars, and the repurchase cost is 6,735 thousand dollars.

(15)Earnings Per Share

	2020	2019
	After tax	After tax
Consolidated net income attributed to stockholders of the company	\$ 615,277	\$ 203,114

	2020	2019
Number of issued shares at the beginning of the period (thousand)	322,014	322,014
Stock repurchase	(273)	—
Number of shares outstanding at the end of the period(thousand)(B)	321,741	322,014
Basic(A/B)(dollar)	\$ 1.91	\$ 0.63

(16)Customer contract revenue

A. Customer contract revenue

	2020	2019
Animal Feeds	\$ 5,804,024	\$ 5,864,373
Food	4,510,300	4,389,749
Others	1,461,451	1,373,702
	<u>\$ 11,775,775</u>	<u>\$ 11,627,824</u>

B. Contract balance

	December 31, 2020	December 31, 2019
<u>Current contract liabilities</u>		
Advance sales receipts	<u>\$ 6,062</u>	<u>\$ 4,574</u>
	2020	2019
<u>Contract liabilities from the beginning of the year</u>		
Merchandise sales	<u>\$ 4,562</u>	<u>\$ 62,676</u>

(17)Other revenue

	2020	2019
Rent revenue	\$ 9,111	\$ 9,054
Investment revenue	444	771
Income from subsidies and tax refunds	7,193	4,030
Others revenue	10,322	11,639
	<u>\$ 27,070</u>	<u>\$ 25,494</u>

(18) Other benefits and losses

	2020	2019
Foreign currency exchange gains and losses	\$ 9,745	\$ 3,954
financial asset or financial liability at fair value through profit or loss	2,753	(1,054)
Gain on disposal of financial assets	145	17
Gain on disposal of property plant and equipment	442	(1,734)
Property plant and equipment gain on reversal of impairment loss	—	1,187
lease modify income	127	—
other	(3,012)	(3,006)
	<u>\$ 10,200</u>	<u>\$ (636)</u>

(19) Financial costs

	2020	2019
Interest on bank loans	\$ 24,559	\$ 39,658
Interest on lease liabilities	376	468
Minus : Capitalization of interest	—	(1,685)
	<u>\$ 24,935</u>	<u>\$ 38,441</u>

(20) Financial Instruments

A. Credit risk

(a) Maximum exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Requirement credit risk comes from cash and cash equivalents, derivative financial instruments, and deposits in banks and financial institutions. There are also credit risks from wholesale and retail customers, including unpaid receivables and promised transaction.

The Company's customers is significantly concentrated in a few customers. In 2020 and 2019, a small number of companies accounted for 30.7% and 33.2% of invoices receivable, both of which were composed of two customers.

B. Liquidity risk

The following table is an analysis of the contractual maturity date of financial liabilities,

including estimated interest, but does not include the impact of the net agreement.

December 31, 2020

	Book value	cash flow	under one year	1~5 years	five years and above
non-derivative financial liability					
Short-term loans and finance bills	\$ 372,414	\$ 372,414	\$ 372,414	\$ —	\$ —
Notes payable and account payable	345,369	345,369	345,369	—	—
Other payable	274,189	274,189	274,189	—	—
Lease liability	25,356	40,344	7,014	31,460	1,870
Long-term loans	1,375,000	1,375,000	415,000	960,000	—
	<u>\$ 2,392,328</u>	<u>\$ 2,407,316</u>	<u>\$ 1,413,986</u>	<u>\$ 991,460</u>	<u>\$ 1,870</u>

December 31, 2019

	Book value	cash flow	under one year	1~5 years	five years and above
non-derivative financial liability					
Short-term loans and finance bills	\$ 980,202	\$ 980,202	\$ 980,202	\$ —	\$ —
Notes payable and account payable	358,939	358,939	358,939	—	—
Other payable	160,419	160,419	160,419	—	—
Lease liability	38,931	53,108	11,324	26,814	14,970
Long-term loans	1,655,000	1,655,000	580,000	1,075,000	—
	<u>\$ 3,193,491</u>	<u>\$ 3,207,668</u>	<u>\$ 2,090,884</u>	<u>\$ 1,101,814</u>	<u>\$ 14,970</u>

The Company does not expect the cash flow analysis on the due date to occur significantly earlier, or the actual amount will be significantly different.

C. Foreign currency risk

(a)The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose.

	December 31, 2020			December 31, 2019		
	Foreign	exchange	New	Foreign	exchange	New
	currency	e rate	Taiwan	currency	rate	Taiwan
			dollar			dollar
<u>Financial asset</u>						
<u>Currency units</u>						
USD	1,630	28.48	46,422	2,417	29.98	72,461
<u>Financial liability</u>						
<u>Currency units</u>						
USD	3,245	28.48	92,418	6,678	29.98	200,206

The Company's monetary items have a significant impact due to exchange rate fluctuations, and the total exchange gains and losses for 2020 and 2019 respectively are 9,745 thousand dollars and 3,954 thousand dollars.

(b)Sensitivity analysis

The Company's exchange rate risk mainly comes from foreign currency denominated cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable, expenses payable and other payables, etc., resulting in foreign currency exchange gains and losses during conversion. In December 31, 2019, when the new Taiwan dollar depreciated or appreciated by 1% relative to the U.S. dollar, and all other factors remained unchanged, the net profit after tax in 2020 and 2019 would increase 460 thousand or decrease 1,277 thousand.

4. Interest rate analysis

The Company's analysis method for floating interest rate liabilities assumes that the amount of liabilities out of circulation at the reporting date is in circulation throughout the year. The rate of change used by the company when reporting interest rates internally to key management is an increase or decrease of 1% in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increase or decrease by 1% on the reporting date, and all other variables remain unchanged, the company's net profit for 2020 and 2019 will decrease or increase by 17,474 thousand and 26,352 thousand, mainly due to the company's floating interest rate loan.

5. Fair value

A. Fair value and book amount

The management of the Company believes that the financial assets and financial liabilities measured by the Company's amortized cost in the financial statements are close to their fair value.

B. Fair value measurement

The determination of the fair value of the company's financial assets and financial liabilities is based on the following methods and assumptions:

- i. The stocks of listed (counter) companies are financial assets and financial liabilities that have standard terms and conditions and are traded in an active market, and their fair values are determined with reference to market quotes.
- ii. The fair value of stocks of unlisted (counter) companies without an active market is estimated by the market method, and the judgment is made with reference to recent fund-raising activities, evaluations of similar companies, company technological development, market conditions and other economic indicators.
- iii. The fair value of other financial assets and financial liabilities is determined by the generally accepted evaluation model based on discounted cash flow analysis.

C. level of fair value

Level 1: Public quotation of the same asset or liability in an active market.

Level 2: Except for the public quotes included in the first level, the input parameters of assets or liabilities are directly or indirectly observable.

Level 3: Input parameters of assets or liabilities are not based on observable market data.

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Current Financial Assets at Fair Value through Profit or Loss	\$ 8,412	\$ —	\$ —	\$ 8,412
December 31, 2019				
Current Financial Assets at Fair Value through Profit or Loss	\$ 9,371	\$ (1,604)	\$ —	\$ 7,767

(a) Fair value evaluation for measuring financial instruments

Non hedge Derivative financial instruments

It is based on evaluation models that are widely accepted by market users, such as discount method and option pricing model. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate.

(b) Transfer between the first level and the second level

There was no transfer of the second-tier financial assets to the first-tier situation in 2020 and 2019.

(c) List of changes in the third level: NONE.

The Company's favorable and unfavorable changes refer to the fluctuation of fair value, and the fair value is calculated based on the evaluation technology based on the unobservable input parameters of different degrees. The above table only reflects the impact of a single input value change, and does not take into account the correlation and variability between input values.

(d) Classification of Financial Instruments

	December 31, 2020	December 31, 2019
<u>Financial asset</u>		
Amortized cost		
Cash and Cash equivalents	\$ 739,333	\$ 689,959
Accounts receivable and notes receivable	1,566,745	1,496,415
other receivable	42,317	19,672
other financial asset	88	125,722
Refundable Deposits	14,696	12,625
financial asset at fair		
value through profit or loss	8,412	9,371

	December 31, 2020	December 31, 2019
<u>Financial liability</u>		
financial liability at fair		
value through profit or loss	—	1,604
Amortized cost		
Short-term loans	372,414	980,202
Accounts payable and notes payable	345,369	358,939
other payable	274,189	160,419
Long-term loans	1,375,000	1,655,000
deposits received	1,553	1,473

(21)Financial risk management

The Company's main financial instruments include accounts receivable and accounts payable. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze the exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

A. Market risk

The purpose of the company's financial derivative transactions is to avoid the risks of foreign currency net assets or net liabilities due to exchange rate or interest rate fluctuations, because the profits and losses arising from exchange rate and interest rate fluctuations will generally offset the profits and losses of hedging projects. Therefore, the market price risk should not be significant.

B. Credit risk

Financial assets are potentially affected by the company's counterparty's failure to perform contractual obligations. Financial assets with positive fair values at the balance sheet date are evaluated for credit risk. The Corporation only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

C. Liquidity Risk

The company has obtained sufficient loan credit lines from financial institutions and the

working capital is still sufficient to cover it, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

D. Cash flow risk from changes in interest rates

If the long-term and short-term bank borrowings undertaken by the company are debts with floating interest rates, changes in market interest rates will cause the effective interest rates of the long-term and short-term bank borrowings to change accordingly, which will cause fluctuations in future cash flows.

The company manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates and using interest rate exchange contracts. The company regularly evaluates hedging activities to make them consistent with the interest rate view and established risk appetite to ensure that the most cost-effective hedging strategy is adopted.

(22)Capital risk management

The Company manages its capital to ensure its ability to continue as a going concern while maximizing the returns to shareholders. The capital structure of the Company consists of its net debt (loan after deduction of cash and cash equivalents) and equity. The Company is not subject to any externally imposed capital requirements.

7、RELATED PARTY TRANSACTION

A. Parent company and ultimate controller: The company is the ultimate controller of the company and its subsidiaries

B. Compensation of key management personnel

	2020	2019
Short-term employee benefits	\$ 11,118	\$ 10,041
Post-employment benefits	197	195
	<u>\$ 11,315</u>	<u>\$ 10,236</u>

C. Related Party Transactions

Company	Relationship
FWUSOW NEW INDUSTRY CO., LTD.	Subsidiaries
CHARMING FOOD INTERNATIONAL MARKETING CO., LTD.	Subsidiaries
WAN JI SHENG AGRICULTURAL TECHNOLOGY CO., LTD.	Subsidiaries
CENTRAL UNION OIL CORP.	Associates
CHIATON INTERNATIONAL CO., LTD.	Associates
CHIA FHA HSING AGRICULTURAL SCIENCE AND TECHNOLOGY CO., LTD.	Other related parties
CHIA YUH TRADING CO., LTD.	Other related parties
CHIA FA INDUSTRY CO., LTD.	Other related parties
CHIA LI ENTERPRISE CO., LTD.	Other related parties
CHIA YOU ENTERPRISE CO., LTD.	Other related parties
Tsung Lin Hung	Substantive Related Parties

D. The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

1. Net revenue

	2020	2019
Related Parties	Amount	Amount
Subsidiaries	\$ 786,701	\$ 663,389
CENTRAL UNION OIL CORP.	1,899,057	1,826,871
Other related parties	2,472	1,318
	<u>\$ 2,688,230</u>	<u>\$ 2,491,578</u>

Prices and credit terms for such sales were similar to those given to third parties.

(a) Selling price: According to current prices and product individually negotiated.

(b) Payment terms: The average payment period is about 60~90 days, which is not significantly different from the general company.

2. Purchases

	2020	2019
Related Parties	Amount	Amount
Subsidiaries	\$ —	\$ 84
CENTRAL UNION OIL CORP.	125,603	67,840
	<u>\$ 125,603</u>	<u>\$ 67,924</u>

Prices and credit terms for such purchases were generally comparable to those given by other suppliers

(a) Purchase prices: According to current prices and product individually negotiated.

(b) Payment terms: The average payment period is about 15~30 days, which is not significantly different from the general company.

3. Receivables from related parties

Item	Company	December 31, 2020	December 31, 2019
		Amount	Amount
Notes receivable	CHARMING FOOD	<u>\$ 179,177</u>	<u>\$ 175,560</u>
Accounts receivable	CHARMING FOOD	\$ 64,792	\$ 73,268
	Subsidiaries	1,428	867
	CENTRAL UNION OIL CORP.	244,218	254,501
	Associates	27	—
	Other related parties	748	777
		<u>311,213</u>	<u>329,413</u>
Less: allowance for loss		(382)	(382)
NET		<u>\$ 310,831</u>	<u>\$ 329,031</u>
Other receivable	CHARMING FOOD	<u>\$ 18,867</u>	<u>\$ 2,178</u>
	Subsidiaries	—	124
	Associates	7,125	7,125
		<u>\$ 25,992</u>	<u>\$ 9,427</u>

4. Payables to related parties

Item	Company	December 31, 2020	December 31, 2019
		Amount	Amount
Accounts payable	Subsidiaries	\$ 1	\$ —
	Associates	7,229	9,367
		<u>\$ 7,230</u>	<u>\$ 9,367</u>
Other payable	Subsidiaries	\$ 467	\$ 1,875
	Associates	—	3
	Other related parties	4,629	1,802
		<u>\$ 5,096</u>	<u>\$ 3,680</u>

5. Manufacturing expenses and Operating cost

Company	2020	2019
	Amount	Amount
Manufacturing expenses		
CENTRAL UNION	\$ 223,547	\$ 235,398
Other related parties	913	3,756
Operating cost — Other expenses		
Subsidiaries	7,506	4,416
Associates	21	115
Other related parties	8,831	21,279
	<u>\$ 240,818</u>	<u>\$ 264,964</u>

The above-mentioned processing fees and other expenses are the processing expenses of entrusting Zhonglian Oils and Fats and Qiafaxing, and the production and management expenses of seconded personnel from Qiafaxing enterprises to engage in the production and management of compound feed. They are settled once a month and the payment period is one month.

6. Lease agreement

Related Party Categories	2020	2019
<u>Right-of-use asset</u>		
Subsidiaries	\$ 1,079	\$ 1,439
Other related parties	4,665	5,753
	<u>\$ 5,744</u>	<u>\$ 7,192</u>
<u>Lease obligations</u>		
Subsidiaries	\$ 1,079	\$ 1,430
Other related parties	4,570	5,622
	<u>\$ 5,649</u>	<u>\$ 7,052</u>
<u>Interest expense</u>		
Subsidiaries	\$ 17	\$ —
Other related parties	63	41
	<u>\$ 80</u>	<u>\$ 41</u>

7. Non- operating income

	2020	2019
<u>Endorsement guarantee fee income</u>		
Subsidiaries	\$ 1,619	\$ 2,326
<u>Rent revenue</u>		
Subsidiaries	503	635
Other related parties	131	97
<u>Technical guidance</u>		
Subsidiaries	229	229
	<u>\$ 2,482</u>	<u>\$ 3,287</u>

The company collects endorsement guarantee revenue from CHARMING FOOD INTERNATIONAL MARKETING CO., LTD., and FWUSOW NEW INDUSTRY CO., LTD., CHIA YUH TRADING CO., LTD. collect rental revenue according to the lease price, and CHARMING FOOD INTERNATIONAL MARKETING CO., LTD. collect technical guidance revenue according to the contract.

8. Consignment

Substantive Related Parties	2020		2019	
	Consignment	Commissions Expense	Consignment	Commissions Expense
Other related parties	\$ 6,505	\$ 127	\$ 7,488	\$ 158

The company entrusts CHIA FHA HSING and CHIA YUH TRADING CO., LTD. to sell pet feed and supplies, and pay a commission of 3% and 2% each month based on the amount of the agency.

9. Acquisition/Disposal of property, plant and equipment

Related Party Categories	Acquisition Price	
	2020	2019
Subsidiaries — office equipment	\$ 3	\$ —
Related parties — Prepayment for Land Purchases	4,000	—
Other related parties — Transportation equipment	504	278
	<u>\$ 4,507</u>	<u>\$ 278</u>

The aforesaid land is located in Desong Section of Qiaotou District and will be registered in 2021. It is expected to be used as a parking lot.

Related Party Categories	Proceeds		Gains(Loss)	
	2020	2019	2020	2019
Subsidiaries — office equipment	\$ 11	\$ —	\$ —	\$ —

10. The company endorses and guarantees information for related parties : See Table 1 attached .

8 、Mortgage Assets

Item	Property	December 31, 2020	December 31, 2019
Bank	Reserve	\$ 88	\$ 125,722
Property, plant and equipment			
Land	Bank	311,563	311,563
Buildings, net	Bank	36,866	41,454
Machinery equipment, net	Bank	436	746
		<u>\$ 348,953</u>	<u>\$ 479,485</u>

9、Commitments And Contingent Liabilities

		December 31, 2020	December 31, 2019
A. The Company had outstanding			
usage letters of credit amounting to	USD \$	22,001	\$ 7,283
B. The balance of guaranteed bills issued	NTD	3,950,000	3,750,000
for borrowing and developing letters of			
credit	USD	24,000	24,000
C. Project payment payable	NTD	22,386	34,579

10、Significant Losses From Disasters : NONE。

11、Significant Subsequent Events : NONE。

12、Others :

(1) Statement of labor, depreciation and amortization by function:

	2020			2019		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	\$ 154,685	\$ 292,634	\$ 447,319	\$ 149,044	\$ 203,512	\$ 352,556
Labor and health insurance	15,515	21,827	37,342	14,925	20,080	35,005
Pension	7,030	11,450	18,480	6,813	11,518	18,331
Board compensation	—	37,336	37,336	—	12,483	12,483
Others	7,178	15,794	22,972	7,126	15,717	22,843
Depreciation-PPE	135,758	39,414	175,172	131,325	41,727	173,052
Depreciation-Biological assets	14,805	—	14,805	22,523	—	22,523
Amortization	—	—	—	—	—	—

Note 1: As of December 31, 2020 and 2019, the Company had 632 and 610 employees, respectively. There were 6 and 5 non-employee directors, respectively.

Note 2: Companies whose stocks have been listed on the stock exchange or listed on the stock counter trading center for over-the-counter trading should increase the disclosure of the following information:

- (a) Average labor cost for the years ended December 31, 2020 and 2019 were NT\$840 thousand and NT\$709 thousand, respectively.
- (b) Average salary and bonus for the years ended December 31, 2020 and 2019 were NT\$714 thousand and NT\$583 thousand, respectively.
- (c) The average salary and bonus increased by 22% year over year.
- (d) The Company did not have supervisors for the years ended December 31, 2020 and 2019. Therefore, there was no compensation to the supervisor.

The Company's salary and remuneration policy is as follows:

A. Directors and managers

- (a) In accordance with Article 19 of the Company's articles of association, a salary and remuneration committee was set up. The committee was empowered to evaluate the salary and remuneration policies and systems of the Company's directors, independent directors and managers, and make recommendations to the board of directors for its decision-making reference.
- (b) According to Article 26 of the company's articles of association, if the Company makes a profit during the year, it shall first make up the losses and allocate no more than 5% as directors' remuneration.
- (c) The remuneration of directors, independent directors and managers, including cash remuneration, stock options, dividends, retirement benefits or severance payments, various allowances and other measures with substantial incentives; should refer to the usual level of payment in the industry and consider personal performance, The reasonableness of the relationship between the company's financial status and the Company's operating performance and future risks.

B. Employee

- (a) The salary payment standard refers to the salary market, the Company's operating conditions and the organizational structure; and it is adjusted in a timely manner according to the market salary dynamics, the overall economic and industrial boom changes, and government laws and regulations.
- (b) The salary and remuneration of employees are determined based on their academic experience, professional knowledge and technology, professional experience and personal performance, and there is no discrimination based on

their gender, race, religion, political position, marital status, or membership of a trade union.

- (c) The starting salaries of freshmen and foreign workers comply with local laws and regulations.
- (d) According to Article 26 of the Company's articles of association, if the company makes a profit each year, it shall first make up for its losses and allocate 2% as employee compensation.
- (e) The employee reward system aims at motivating employees. According to the production, business and profit goals set by the company, employees are assessed for their personal performance, and performance bonuses are issued.

At the same time, year-end bonuses are issued based on profitability.

There is no difference between the actual allotted amount of employee compensation and director compensation in 2019 and the amount of employee compensation and director compensation recognized in the 2019 individual financial report.

The estimated amount of remuneration for employees and directors and supervisors of the company for 2020 is 52,271 thousand dollars, which is based on the deduction of pre-tax benefits before the distribution of employees and directors and supervisors' remuneration at a rate of 2% and no more than 5% for employee remuneration and directors' remuneration. Supervisors' remuneration shall be reported as operating costs or operating expenses for 2020. If there is a difference between the actual distribution amount and the estimated amount, it shall be treated as a change in accounting estimates, and the difference shall be recognized as the profit and loss for 2021.

13 、 Additional Disclosures

A. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

- (1) Financings provided: NONE
- (2) Endorsement/guarantee provided: See Table 1 attached
- (3) Marketable securities held (excluding investments in subsidiaries and associates):
See Table 2 attached;
- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: NONE

- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: NONE
- (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: NONE
- (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4 attached
- (9) Information about the derivative financial instruments transaction: See Notes 6
- (10) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): See Table 5 attached;

B. Information on investment in mainland China

- (1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 6 attached.
- (2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: NONE
- (3) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes :

Object	Purposes	December31,2020	December 31, 2019
XIAMEN FWUSOW INDUSTRY CO., LTD.	Provided as a financing guarantee	RMB —	RMB 6,000

C. Information of major shareholders

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 7 attached.

14 、 Operating Segments Information

The Company has provided the operating segments disclosure in the consolidated financial statements.

Schedule 1 Endorsement for civilians

(Expressed in Thousands of New Taiwan Dollars, amount unless otherwise specified)

2020

Endorser	Object of endorsement guarantee		Endorsement guarantee limit for a single enterprise (Note 3)	The highest endorsement guarantee balance for the current period	Endorsement guarantee balance at the end of the period (Note 5)	Actual spending amount (Note 6)	Amount of endorsement guaranteed by property	Ratio	Endorsement guarantee maximum limit	The parent company's endorsement guarantee to the subsidiary (Note 4)	Subsidiary company endorses the parent company (Note 4)	An endorsement guarantee to the mainland area (Note 4)
	Name	relationship (Note 2)										
FWUSOW INDUSTRY CO.,LTD	CHARMING FOOD INTERNATIONAL MARKETING CO., LTD.	2	\$ 882,606	\$ 580,000	\$ 580,000	\$ 240,000	None	13.14%	\$ 1,765,213	Y	—	—
FWUSOW INDUSTRY CO.,LTD	XIAMEN FWUSOW INDUSTRY CO.,LTD	3	882,606	21,600	—	—	None	—	1,765,213	Y	—	Y

Note 1: The parent company and its subsidiaries are coded as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares
3. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 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 that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note3:The maximum amount endorsed guarantee is the total amount of the endorsement guarantee approved by the company's shareholders meeting.

The calculation is as follows:

- 1.External endorsements and guarantees made by the Company may not exceed 40% of the Company's net worth.(4,413,032*40%=1,765,213)
- 2.Endorsements and guarantees made by the Company to a single enterprise may not exceed 20% of the Company's net worth. (4,413,032*20%=882,606)

Note 4: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 5: The responsibility of endorsements and guarantees is confirmed after the contract is signed and approved by the bank, and all the related events shall be accounted for in the ending balance.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Schedule 2 Situation of holding securities at the end of the period
(Expressed in Thousands of New Taiwan Dollars, amount unless otherwise specified)
2020

Holding company	Types and names of securities	Relationship	Account	BALANCE IN YEAR ENDED			
				Number of shares	Book value(Note 1)	Shareholding ratio (%)	Market price
FWUSOW INDUSTRY CO., LTD.	Stock - IBF FINANCIAL HOLDINGS CO.,LTD.	—	Current Financial Assets at Fair Value through Profit or Loss	157,053	2,018		2,018
	Stock - INNOLUX CORPORATION	—	Current Financial Assets at Fair Value through Profit or Loss	9,453	134		134
	Fund - CATHAY FLOBAL RESOURCES FUND TWD	—	Current Financial Assets at Fair Value through Profit or Loss	300,000	1,614		1,614
	Fund - CATHAY FTSE EMERGING MARKETS ETF	—	Current Financial Assets at Fair Value through Profit or Loss	357,676	4,646		4,646
	Subtotal	—			8,412		8,412
	Stock - MITHRA BIOINDUSTRY CO.,LTD.	—	Current Financial Assets at Fair Value through Profit or Loss	76,518			
	Stock - RICE TECHNOLOGY COMPANY	—	Current Financial Assets at Fair Value through Profit or Loss	310,000	—		(Note 2)
	Stock - HUA-JIE (TAIWAN) CORP.	—	Current Financial Assets at Fair Value through Profit or Loss	822,646	—		—
	Stock - PROMOS TECHNOLOGIES INC.	—	Current Financial Assets at Fair Value through Profit or Loss	30	—		—
	Subtotal	—			—		—

Note 1: The numbers filled in for market value are as follows:

(1) Where there is a quoted market price, the fair value is based on the closing price at the balance sheet date, the fair value of open-end funds is based on the net asset value at the balance sheet date.

(2) Where there is no quoted market price, Since there is no active market transaction quotation, no fair value can be referred to and liquidity is very low, the book amount is evaluated as 0 since the application of IFRS 9 at 2018.01.01.

Note2:Preference share

Schedule 3 The amount of purchases and sales with related parties reaches 100 million New Taiwan dollars or more than 20% of the paid-in capital
(Expressed in Thousands of New Taiwan Dollars, amount unless otherwise specified)

2020

<i>Purchasing and sales company</i>	<i>Trading partners</i>	<i>Relationship</i>	<i>Transaction situation</i>				<i>Circumstances and reasons why trading conditions are different from ordinary trading</i>		<i>Notes and accounts receivable (payable)</i>	
			<i>Purchase and sales</i>	<i>Amount</i>	<i>ratio(%)</i>	<i>Credit period</i>	<i>unit price</i>	<i>Credit period</i>	<i>Balance</i>	<i>ratio(%)</i>
FWUSOW INDUSTRY CO., LTD.	CENTRAL UNION OIL CORP.	Net investment accounted for using equity method	Sales	\$ 1,899,057	16.1%	D/A 60	—	—	A/R \$ 244,218	23.1%
			Purchase	125,603	1.4%				A/P 7,229	3.3%
FWUSOW INDUSTRY CO., LTD.	CHARMING FOOD INTERNATIONAL MARKETING CO., LTD.	Subsidiary	Sales	\$ 760,225	6.5%	D/A120	—	—	N/R \$ 179,177	34.4%
									N/P 64,792	6.1%

Schedule 4 Receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital
(Expressed in Thousands of New Taiwan Dollars, amount unless otherwise specified)
2020

<i>Company with accounts receivable</i>	<i>Trading partners</i>	<i>Relationship</i>	<i>Balance of accounts receivable from related parties</i>	<i>Turnover</i>	<i>Overdue amounts due from related parties</i>		<i>Receivable amount of money due from related party</i>	<i>Provision of allowance for loss amount</i>
					<i>Amount</i>	<i>Processing method</i>		
FWUSOW INDUSTRY CO., LTD.	CENTRAL UNION OIL CORP.	Net investment accounted for using equity method	A/R \$ 244,218	7.6	—	—	\$ 244,218	\$ 382
FWUSOW INDUSTRY CO., LTD.	CHARMING FOOD INTERNATIONAL MARKETING CO., LTD.	Subsidiary	N/R 179,177 A/R 64,792 O/R 18,867	3.1	—	—	262,836	—

Schedule 5 DETAILS OF INVESTEE (EXCEPT FOR CHINESE MAINLAND INVESTEE)
(Expressed in Thousands of New Taiwan Dollars, amount unless otherwise specified)

2020

Investor	Investee	Area	Service Items	Original investment amount		Year ended of 2020			Current profit(loss) of investee	Net investment profit(loss)	Note
				Year ended of 2020	Year ended of 2019	Number of shares	Ratio(%)	Book value			
FWUSOW INDUSTRY CO., LTD.	FWUSOW NEW INDUSTRY CO., LTD.	No.36-1, Datong St., Shalu Dist., Taichung City 433103, Taiwan (R.O.C.)	Residence and Buildings Lease Construction and Development, Wholesale of Edible Oil	\$ 217,854	\$ 217,854	5,473,703	99.07	\$ 204,741	\$ 253,244	\$ 250,902	Subsidiary company
	WONDERFUL INVESTMENT CO.	LEVEL2. LOTEMAU CENTRE, VAEA STREET, APIA, SAMOA.	Reinvestment Chinese Mainland Prepared Animal Feeds Manufacturing	USD 12,585,000	USD 12,585,000	12,585,000	85.70	120,598	1,141	977	Subsidiary company
	CHARMING FOOD INTERNATIONAL MARKETING CO., LTD.	No.33, Datong St., Shalu Dist., Taichung City 433103, Taiwan (R.O.C.)	Canned, Frozen, Dehydrated Food Manufacturing, Animal Husbandry	291,000	291,000	29,100,000	72.75	(271,804)	(192,890)	(140,298)	Subsidiary company
	ZILLION HOLDING CO.	2 nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa.	Reinvestment Chinese Mainland Investment Industry	USD 183,000	USD 183,000	183,000	100.00	5,359	95	95	Subsidiary company
	WAN JI SHENG AGRICULTURAL TECHNOLOGY CO., LTD.	No.45, Shatian Rd., Shalu Dist., Taichung City 433518, Taiwan (R.O.C.)	Cattle, Animal Husbandry, Livestock Farming	50,000	—	5,000,000	100.00	49,956	(44)	(44)	Subsidiary company
	CENTRAL UNION OIL CORP.	No.1-8, Beiti Rd., Cingshuei Dist., Taichung City 436455, Taiwan (R.O.C.)	Oil Processing	197,232	197,232	19,399,028	32.33	267,321	118,982	38,469	
	CHIATON INTERNATIONAL CO., LTD.	No.21-6, Fazhtou, Syuejia Dist., Tainan City 726006, Taiwan (R.O.C.)	Canned, Frozen, Dehydrated Food Manufacturing	16,125	16,125	3,562,501	37.50	64,706	33,670	12,626	

Schedule 6 DETAILS OF INVEST IN CHINESE MAINLAND

(Expressed in Thousands of New Taiwan Dollars, amount unless otherwise specified)

2020

<i>Investee</i>	<i>Service Items</i>	<i>Paid-in Capital</i>	<i>Cumulative investment amount remitted from Taiwan at the beginning of the period</i>	<i>Investment amount remitted or recovered in the current period</i>		<i>Cumulative investment amount remitted from Taiwan at the end of the period</i>	<i>Current profit(loss) of investee</i>	<i>The company's direct or indirect investment shareholding ratio</i>	<i>Net investment profit(loss)</i>	<i>Investment book value</i>	<i>Investment income has been repatriated as of the current period</i>
				<i>Export</i>	<i>Withdraw</i>						
XIAMEN FWUSOW INDUSTRY CO., LTD.	Livestock Farming , Prepared Animal Feeds Manufacturing	USD 12,585,000	\$ 309,281	—	—	\$ 309,281	\$ 1,141	85.70%	\$ 977	\$ 120,598	—
XIAMEN FWUSOW TRADING CO., LTD	Wholesale and import and export of pet food, supplies and equipment	USD 140,000	\$ 5,476	—	—	\$ 5,476	\$ 95	100%	\$ 95	\$ 5,359	—

Accumulated Outflow for Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investments
\$ 314,757	USD 10,922,250	\$ 2,647,819

Schedule 7**DETAILS OF MAJORITY SHAREHOLDER**

Majority shareholder	Shareholding	Shareholding ratio
SHIN TAI INDUSTRY CO.,LTD.	45,105,567	14.00%