

**TTET UNION CORPORATION**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**DECEMBER 31, 2019 AND 2018**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TTET Union Corporation

### ***Opinion***

We have audited the accompanying parent company only balance sheets of TTET Union Corporation (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of the current period are stated as follows:

## **Cut-off of inventory in transit**

### Description

The Company imports soybean from foreign suppliers as raw material. The terms of trade is C&F which means the seller delivers the goods at the port of loading. The Company will confirm the information about loading date, quantity, pricing and other details with suppliers. After receiving bill of lading, invoice, bank debit and other related source documents, the Company can recognize those materials as inventory. However, due to the complexity of the import process and paper work, the source documents may not be received on time and will result in inappropriate inventory recognition. In addition, the goods in transit have significant value. Thus, we consider the cut-off of inventory in transit a key audit matter.

### How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Understood the process of importing raw material and checking the source documents as basis for inventory recognition.
2. Tested the purchase transactions that took place after the balance sheet date, by inspecting bill of lading or bank debit, to ensure the purchase was recognized in the correct reporting period.
3. Confirmed the borrowing amount of loan and the letter of credit with bank.

## **Inventory valuation**

### Description

Refer to Notes 4(8) and 6(4) to the parent company only financial statements for the accounting policy and the details of accounts relating to inventory valuation. For the year ended December 31, 2019, inventory and allowance for market price decline amounted to \$1,411,515 thousand and \$1,656 thousand, respectively, with the net amount constituting 28% of total assets.

The Company is engaged in the manufacture, sales and processing of a variety of vegetable oil and fat. The main raw material is soybean and it is usually affected by price changes in international trade. This results in higher risk of loss on market price decline. The inventories are estimated at the lower of cost and net realizable value. As the raw material is usually affected by price changes in international trade and the value of inventories is significant, we consider inventory valuation a key audit matter.

#### How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Evaluated the reasonableness of accounting policy on provision for inventory, and the consistency of process application during the financial reporting period.
2. Tested the details of loss on market price decline, recalculated the net realizable value of the selected inventories, inspected related documents and discussed with management to confirm the adequacy of the provision on inventory market price decline.

#### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

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

Those charged with governance, including the board of directors and supervisors, are responsible for overseeing the Company’s financial reporting process.

#### ***Auditor’s responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with R.O.C. GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with R.O.C. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 20, 2020

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TTET UNION CORPORATION  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

| Assets             |                                                                                 | Notes         | December 31, 2019 |     | December 31, 2018 |     |
|--------------------|---------------------------------------------------------------------------------|---------------|-------------------|-----|-------------------|-----|
|                    |                                                                                 |               | AMOUNT            | %   | AMOUNT            | %   |
| Current assets     |                                                                                 |               |                   |     |                   |     |
| 1100               | Cash and cash equivalents                                                       | 6(1)          | \$ 1,811,133      | 37  | \$ 1,669,685      | 35  |
| 1110               | Financial assets at fair value through profit or loss - current                 | 6(2)          | -                 | -   | 223               | -   |
| 1150               | Notes receivable, net                                                           | 6(3)          | 106,758           | 2   | 149,145           | 3   |
| 1170               | Accounts receivable, net                                                        | 6(3)          | 297,838           | 6   | 340,656           | 7   |
| 1180               | Accounts receivable - related parties                                           | 6(3) and 7    | 118,260           | 2   | 109,401           | 2   |
| 1200               | Other receivables                                                               |               | 7,114             | -   | 12,694            | -   |
| 130X               | Inventories                                                                     | 5(2) and 6(4) | 1,409,859         | 28  | 1,448,511         | 30  |
| 1410               | Prepayments                                                                     |               | 287,559           | 6   | 290,231           | 6   |
| 11XX               | Total current assets                                                            |               | 4,038,521         | 81  | 4,020,546         | 83  |
| Non-current assets |                                                                                 |               |                   |     |                   |     |
| 1517               | Financial assets at fair value through other comprehensive income - non-current | 6(5)          | 1,275             | -   | 1,275             | -   |
| 1550               | Investments accounted for under equity method                                   | 6(6)          | 289,291           | 6   | 249,649           | 5   |
| 1600               | Property, plant and equipment                                                   | 6(7) and 8    | 575,020           | 12  | 563,390           | 12  |
| 1755               | Right-of-use assets                                                             | 3(1) and 6(8) | 34,385            | 1   | -                 | -   |
| 1780               | Intangible assets                                                               | 6(9)          | 1,772             | -   | 2,042             | -   |
| 1840               | Deferred income tax assets                                                      | 6(21)         | 23,479            | -   | 23,561            | -   |
| 1920               | Guarantee deposits paid                                                         |               | 9,024             | -   | 6,322             | -   |
| 15XX               | Total non-current assets                                                        |               | 934,246           | 19  | 846,239           | 17  |
| 1XXX               | Total assets                                                                    |               | \$ 4,972,767      | 100 | \$ 4,866,785      | 100 |

(Continued)

**TTET UNION CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity                                                   |                                                                      | Notes         | December 31, 2019 |     | December 31, 2018 |     |
|--------------------------------------------------------------------------|----------------------------------------------------------------------|---------------|-------------------|-----|-------------------|-----|
|                                                                          |                                                                      |               | AMOUNT            | %   | AMOUNT            | %   |
| Current liabilities                                                      |                                                                      |               |                   |     |                   |     |
| 2100                                                                     | Short-term borrowings                                                | 6(10)         | \$ 123,837        | 3   | \$ 70,949         | 1   |
| 2120                                                                     | Financial liabilities at fair value through profit or loss - current | 6(2) and 12   | 6,791             | -   | -                 | -   |
| 2130                                                                     | Current contract liabilities                                         | 6(15)         | 16,057            | -   | 58,965            | 1   |
| 2150                                                                     | Notes payable                                                        |               | 4,389             | -   | -                 | -   |
| 2170                                                                     | Accounts payable                                                     |               | 250,292           | 5   | 392,596           | 8   |
| 2180                                                                     | Accounts payable - related parties                                   | 7             | 45,266            | 1   | 39,837            | 1   |
| 2200                                                                     | Other payables                                                       |               | 269,689           | 6   | 247,153           | 5   |
| 2230                                                                     | Current income tax liabilities                                       | 6(21)         | 117,051           | 2   | 126,071           | 3   |
| 2280                                                                     | Lease liabilities - current                                          | 3(1) and 6(8) | 676               | -   | -                 | -   |
| 21XX                                                                     | Total current Liabilities                                            |               | 834,048           | 17  | 935,571           | 19  |
| Non-current liabilities                                                  |                                                                      |               |                   |     |                   |     |
| 2570                                                                     | Deferred income tax liabilities                                      | 6(21)         | 11,868            | -   | 11,733            | -   |
| 2580                                                                     | Lease liabilities - non-current                                      | 3(1) and 6(8) | 33,851            | 1   | -                 | -   |
| 2640                                                                     | Net defined benefit liabilities - non-current                        | 6(11)         | 30,256            | -   | 36,847            | 1   |
| 2645                                                                     | Guarantee deposits received                                          |               | 2,380             | -   | 1,730             | -   |
| 25XX                                                                     | Total non-current liabilities                                        |               | 78,355            | 1   | 50,310            | 1   |
| 2XXX                                                                     | Total Liabilities                                                    |               | 912,403           | 18  | 985,881           | 20  |
| Equity                                                                   |                                                                      |               |                   |     |                   |     |
| Share capital                                                            |                                                                      |               |                   |     |                   |     |
| 3110                                                                     | Share capital - common stock                                         | 6(12)         | 1,599,749         | 32  | 1,599,749         | 33  |
| 3200                                                                     | Capital surplus                                                      | 6(13)         | 23,784            | 1   | 23,784            | 1   |
|                                                                          | Retained earnings                                                    | 6(14)         |                   |     |                   |     |
| 3310                                                                     | Legal reserve                                                        |               | 1,229,453         | 25  | 1,138,765         | 23  |
| 3320                                                                     | Special reserve                                                      |               | 7,000             | -   | -                 | -   |
| 3350                                                                     | Unappropriated retained earnings                                     |               | 1,207,378         | 24  | 1,125,606         | 23  |
| 3400                                                                     | Other equity interest                                                |               | ( 7,000)          | -   | ( 7,000)          | -   |
| 3XXX                                                                     | Total equity                                                         |               | 4,060,364         | 82  | 3,880,904         | 80  |
| Significant contingent liabilities and unrecognized contract commitments |                                                                      | 6(23) and 9   |                   |     |                   |     |
| 3X2X                                                                     | Total liabilities and equity                                         |               | \$ 4,972,767      | 100 | \$ 4,866,785      | 100 |

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

**TTET UNION CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

| Items |                                                                                                                             | Notes                      | For the year ended December 31, |           |                   |           |
|-------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------------|-----------|-------------------|-----------|
|       |                                                                                                                             |                            | 2019                            |           | 2018              |           |
|       |                                                                                                                             |                            | AMOUNT                          | %         | AMOUNT            | %         |
| 4000  | <b>Operating revenue</b>                                                                                                    | 6(15) and 7                | \$ 13,781,934                   | 100       | \$ 13,930,285     | 100       |
| 5000  | <b>Operating costs</b>                                                                                                      | 6(4)(9)(11)(19)(20) and 7  | ( 12,318,913)                   | ( 89)     | ( 12,558,077)     | ( 90)     |
| 5900  | <b>Net operating margin</b>                                                                                                 |                            | <u>1,463,021</u>                | <u>11</u> | <u>1,372,208</u>  | <u>10</u> |
|       | <b>Operating expenses</b>                                                                                                   | 6(9)(11)(19)(20)(23) and 7 |                                 |           |                   |           |
| 6100  | Selling expenses                                                                                                            |                            | ( 227,343)                      | ( 2)      | ( 223,540)        | ( 2)      |
| 6200  | General and administrative expenses                                                                                         |                            | ( 155,055)                      | ( 1)      | ( 149,458)        | ( 1)      |
| 6300  | Research and development expenses                                                                                           |                            | ( 7,297)                        | -         | ( 7,965)          | -         |
| 6450  | Expected credit gain (loss)                                                                                                 | 12                         | 34                              | -         | ( 1,703)          | -         |
| 6000  | <b>Total operating expenses</b>                                                                                             |                            | ( 389,661)                      | ( 3)      | ( 382,666)        | ( 3)      |
| 6900  | <b>Operating profit</b>                                                                                                     |                            | <u>1,073,360</u>                | <u>8</u>  | <u>989,542</u>    | <u>7</u>  |
|       | <b>Non-operating income and expenses</b>                                                                                    |                            |                                 |           |                   |           |
| 7010  | Other income                                                                                                                | 6(16)                      | 18,426                          | -         | 19,990            | -         |
| 7020  | Other gains and losses                                                                                                      | 6(2)(17) and 12            | 10,407                          | -         | 29,128            | -         |
| 7050  | Finance costs                                                                                                               | 6(8)(18)                   | ( 7,617)                        | -         | ( 6,075)          | -         |
| 7070  | Share of profit of subsidiaries, associates and joint ventures accounted for under equity method, net                       | 6(6)                       | <u>99,786</u>                   | <u>1</u>  | <u>79,033</u>     | <u>1</u>  |
| 7000  | <b>Total non-operating income and expenses</b>                                                                              |                            | <u>121,002</u>                  | <u>1</u>  | <u>122,076</u>    | <u>1</u>  |
| 7900  | <b>Profit before income tax</b>                                                                                             |                            | <u>1,194,362</u>                | <u>9</u>  | <u>1,111,618</u>  | <u>8</u>  |
| 7950  | Income tax expense                                                                                                          | 6(21)                      | ( 219,790)                      | ( 2)      | ( 204,738)        | ( 1)      |
| 8200  | <b>Profit for the year</b>                                                                                                  |                            | <u>\$ 974,572</u>               | <u>7</u>  | <u>\$ 906,880</u> | <u>7</u>  |
|       | <b>Other comprehensive income</b>                                                                                           |                            |                                 |           |                   |           |
|       | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                             |                            |                                 |           |                   |           |
| 8311  | Remeasurements of defined benefit obligations                                                                               | 6(11)                      | \$ 5,884                        | -         | \$ 3,443          | -         |
| 8330  | Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method | 6(6)                       | 56                              | -         | ( 408)            | -         |
| 8349  | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss              | 6(21)                      | ( 1,177)                        | -         | ( 477)            | -         |
| 8300  | <b>Other comprehensive income for the year</b>                                                                              |                            | <u>\$ 4,763</u>                 | <u>-</u>  | <u>\$ 2,558</u>   | <u>-</u>  |
| 8500  | <b>Total comprehensive income for the year</b>                                                                              |                            | <u>\$ 979,335</u>               | <u>7</u>  | <u>\$ 909,438</u> | <u>7</u>  |
|       | <b>Earnings per share (in dollars)</b>                                                                                      | 6(22)                      |                                 |           |                   |           |
| 9750  | <b>Basic</b>                                                                                                                |                            | \$ 6.09                         |           | \$ 5.67           |           |
| 9850  | <b>Diluted</b>                                                                                                              |                            | \$ 6.08                         |           | \$ 5.66           |           |

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

**TTET UNION CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

|                                              | Notes | Share capital -<br>common stock | Capital surplus  | Legal reserve       | Special reserve | Unappropriated<br>retained<br>earnings | Retained Earnings                                                                                                              |               | Total equity        |
|----------------------------------------------|-------|---------------------------------|------------------|---------------------|-----------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------|---------------------|
|                                              |       |                                 |                  |                     |                 |                                        | Unrealised gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Other Equity  |                     |
| <b>For the year ended December 31, 2018</b>  |       |                                 |                  |                     |                 |                                        |                                                                                                                                |               |                     |
| Balance at January 1, 2018                   |       | \$ 1,599,749                    | \$ 23,784        | \$ 1,057,040        | \$ -            | \$ 1,090,768                           | \$ -                                                                                                                           | \$ -          | \$ 3,771,341        |
| Effects of retrospective application         |       | -                               | -                | -                   | -               | 7,000                                  | (7,000)                                                                                                                        | -             | -                   |
| Balance at January 1, 2018 after adjustments |       | <u>1,599,749</u>                | <u>23,784</u>    | <u>1,057,040</u>    | -               | <u>1,097,768</u>                       | (7,000)                                                                                                                        | -             | <u>3,771,341</u>    |
| Net income for 2018                          |       | -                               | -                | -                   | -               | 906,880                                | -                                                                                                                              | -             | 906,880             |
| Other comprehensive income for 2018          |       | -                               | -                | -                   | -               | 2,558                                  | -                                                                                                                              | -             | 2,558               |
| Total comprehensive income for 2018          |       | -                               | -                | -                   | -               | <u>909,438</u>                         | -                                                                                                                              | -             | <u>909,438</u>      |
| Distribution of 2017 net income:             |       |                                 |                  |                     |                 |                                        |                                                                                                                                |               |                     |
| Legal reserve                                |       | -                               | -                | 81,725              | -               | (81,725)                               | -                                                                                                                              | -             | -                   |
| Cash dividends                               | 6(14) | -                               | -                | -                   | -               | (799,875)                              | -                                                                                                                              | -             | (799,875)           |
| Balance at December 31, 2018                 |       | <u>\$ 1,599,749</u>             | <u>\$ 23,784</u> | <u>\$ 1,138,765</u> | <u>\$ -</u>     | <u>\$ 1,125,606</u>                    | <u>(\$ 7,000)</u>                                                                                                              | <u>(\$ -)</u> | <u>\$ 3,880,904</u> |
| <b>For the year ended December 31, 2019</b>  |       |                                 |                  |                     |                 |                                        |                                                                                                                                |               |                     |
| Balance at January 1, 2019                   |       | \$ 1,599,749                    | \$ 23,784        | \$ 1,138,765        | \$ -            | \$ 1,125,606                           | (\$ 7,000)                                                                                                                     | \$ -          | \$ 3,880,904        |
| Net income for 2019                          |       | -                               | -                | -                   | -               | 974,572                                | -                                                                                                                              | -             | 974,572             |
| Other comprehensive income for 2019          |       | -                               | -                | -                   | -               | 4,763                                  | -                                                                                                                              | -             | 4,763               |
| Total comprehensive income for 2019          |       | -                               | -                | -                   | -               | <u>979,335</u>                         | -                                                                                                                              | -             | <u>979,335</u>      |
| Distribution of 2018 net income:             |       |                                 |                  |                     |                 |                                        |                                                                                                                                |               |                     |
| Legal reserve                                |       | -                               | -                | 90,688              | -               | (90,688)                               | -                                                                                                                              | -             | -                   |
| Special reserve                              |       | -                               | -                | -                   | 7,000           | (7,000)                                | -                                                                                                                              | -             | -                   |
| Cash dividends                               | 6(14) | -                               | -                | -                   | -               | (799,875)                              | -                                                                                                                              | -             | (799,875)           |
| Balance at December 31, 2019                 |       | <u>\$ 1,599,749</u>             | <u>\$ 23,784</u> | <u>\$ 1,229,453</u> | <u>\$ 7,000</u> | <u>\$ 1,207,378</u>                    | <u>(\$ 7,000)</u>                                                                                                              | <u>(\$ -)</u> | <u>\$ 4,060,364</u> |

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

**TTET UNION CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

|                                                                                                  | Notes       | For the years ended December 31, |              |
|--------------------------------------------------------------------------------------------------|-------------|----------------------------------|--------------|
|                                                                                                  |             | 2019                             | 2018         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                      |             |                                  |              |
| Profit before tax                                                                                |             | \$ 1,194,362                     | \$ 1,111,618 |
| Adjustments                                                                                      |             |                                  |              |
| Adjustments to reconcile profit (loss)                                                           |             |                                  |              |
| Loss (gain) on financial assets at fair value through profit or loss                             |             | 7,014 (                          | 4,679 )      |
| Expected credit (gain) loss                                                                      | 12          | ( 34 )                           | 1,703        |
| (Reversal of allowance) provision for inventory market price decline                             | 6(4)        | ( 882 )                          | 685          |
| Share of profit of subsidiaries, associates and joint ventures accounted for under equity method | 6(6)        | ( 99,786 ) (                     | 79,033 )     |
| Property, plant and equipment recognized as expense                                              | 6(7)        | 8,021                            | 1,523        |
| Depreciation                                                                                     | 6(7)(8)(19) | 103,153                          | 83,467       |
| Losses on disposal of property, plant and equipment                                              | 6(17)       | 558                              | 1,682        |
| Amortization                                                                                     | 6(9)(19)    | 1,406                            | 1,380        |
| Dividend income                                                                                  | 6(16)       | - (                              | 412 )        |
| Interest income                                                                                  | 6(16)       | ( 8,195 ) (                      | 7,503 )      |
| Finance costs                                                                                    | 6(18)       | 7,617                            | 6,075        |
| Changes in operating assets and liabilities                                                      |             |                                  |              |
| Changes in operating assets                                                                      |             |                                  |              |
| Notes receivable                                                                                 |             | 42,395                           | 2,564        |
| Accounts receivable                                                                              |             | 42,844 (                         | 32,473 )     |
| Accounts receivable - related parties                                                            |             | ( 8,859 ) (                      | 4,547 )      |
| Other receivables                                                                                |             | 5,580 (                          | 6,659 )      |
| Inventories                                                                                      |             | 39,534                           | 511,002      |
| Prepayments                                                                                      |             | 2,672 (                          | 49,162 )     |
| Changes in operating liabilities                                                                 |             |                                  |              |
| Current contract liabilities                                                                     |             | ( 42,908 )                       | 47,395       |
| Notes payable                                                                                    |             | 4,389                            | -            |
| Accounts payable                                                                                 |             | ( 142,304 ) (                    | 223,963 )    |
| Accounts payable - related parties                                                               |             | 5,429 (                          | 11,592 )     |
| Other payables                                                                                   |             | 22,522                           | 33,608       |
| Net defined benefit liabilities - non-current                                                    |             | ( 707 ) (                        | 246 )        |
| Cash inflow generated from operations                                                            |             | 1,183,821                        | 1,382,433    |
| Dividend received from investment accounted for under equity method                              | 6(6)        | 60,200                           | 48,160       |
| Dividends received                                                                               |             | -                                | 412          |
| Interest received                                                                                |             | 8,195                            | 5,078        |
| Interest paid                                                                                    |             | ( 7,603 ) (                      | 6,067 )      |
| Income tax paid                                                                                  |             | ( 229,770 ) (                    | 151,323 )    |
| Net cash flows from operating activities                                                         |             | 1,014,843                        | 1,278,693    |

(Continued)

TTET UNION CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

|                                                     | Notes | For the years ended December 31, |               |
|-----------------------------------------------------|-------|----------------------------------|---------------|
|                                                     |       | 2019                             | 2018          |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>         |       |                                  |               |
| Acquisition of property, plant and equipment        | 6(7)  | (\$ 112,802 )                    | (\$ 125,999 ) |
| Increase in intangible assets                       | 6(9)  | ( 1,136 )                        | ( 1,732 )     |
| Increase in guarantee deposits paid                 |       | ( 2,702 )                        | ( 3,564 )     |
| Net cash flows used in investing activities         |       | ( 116,640 )                      | ( 131,295 )   |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>         |       |                                  |               |
| Increase (decrease) in short-term borrowings        | 6(24) | 52,888                           | ( 26,923 )    |
| Repayment of principal portion of lease liabilities | 6(24) | ( 10,418 )                       | -             |
| Increase in guarantee deposit received              | 6(24) | 650                              | 200           |
| Payment of cash dividends                           | 6(14) | ( 799,875 )                      | ( 799,875 )   |
| Net cash flows used in financing activities         |       | ( 756,755 )                      | ( 826,598 )   |
| Net increase in cash and cash equivalents           |       | 141,448                          | 320,800       |
| Cash and cash equivalents at beginning of year      | 6(1)  | 1,669,685                        | 1,348,885     |
| Cash and cash equivalents at end of year            | 6(1)  | \$ 1,811,133                     | \$ 1,669,685  |

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

TTET UNION CORPORATION  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

**1. HISTORY AND ORGANIZATION**

- (1) TTET Union Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1982. The Company is primarily engaged in the manufacture, sales, processing, import and export of a variety of vegetable oils and engaged in cogeneration plant business, etc.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since February 1996.

**2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION**

These parent company only financial statements were authorized for issuance by the Board of Directors on March 20, 2020.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

| New Standards, Interpretations and Amendments                                | Effective date by<br>International<br>Accounting<br>Standards Board<br>(IASB) |
|------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Amendments to IFRS 9, ‘Prepayment features with negative compensation’       | January 1, 2019                                                               |
| IFRS 16, ‘Leases’                                                            | January 1, 2019                                                               |
| Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’            | January 1, 2019                                                               |
| Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’ | January 1, 2019                                                               |
| IFRIC 23, ‘Uncertainty over income tax treatments’                           | January 1, 2019                                                               |
| Annual improvements to IFRSs 2015-2017 cycle                                 | January 1, 2019                                                               |

- A. Expect for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.
- B. The relevant explanations regarding the application of IFRS 16, ‘Leases’ for 2019 are as follows:
- (a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures

to be provided by lessors.

- (b) The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ and ‘lease liability’ both by \$42,505 on January 1, 2019.
- (c) The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- I. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - II. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - III. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$762 was recognized for the year ended December 31, 2019.
  - IV. The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
  - V. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- (d) The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 0.89%.
- (e) The Company recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

|                                                                        |           |
|------------------------------------------------------------------------|-----------|
| Operating lease commitments disclosed by applying IAS 17               |           |
| as at December 31, 2018                                                | \$ 43,831 |
| Less: Short-term leases                                                | ( 315)    |
| Total lease contracts amount recognized as lease liabilities           |           |
| by applying IFRS 16 on January 1, 2019                                 | \$ 43,516 |
| Incremental borrowing interest rate at the date of initial application | 0.89%     |
| Lease liabilities recognized as at January 1, 2019 by applying IFRS 16 | \$ 42,505 |

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

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

| New Standards, Interpretations and Amendments                                | Effective date by IASB |
|------------------------------------------------------------------------------|------------------------|
| Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material' | January 1, 2020        |
| Amendments to IFRS 3, 'Definition of a business'                             | January 1, 2020        |
| Amendments to IFRS 9, IAS 39 and IFRS7, 'Interest rate benchmark reform'     | January 1, 2020        |

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

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

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

| New Standards, Interpretations and Amendments                                                                             | Effective date by IASB   |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by IASB |
| IFRS 17, 'Insurance contracts'                                                                                            | January 1, 2021          |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'                                            | January 1, 2022          |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as

endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions 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.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are 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, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within “Other gains and losses”.

(4) Classification of current and non-current items

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

they are classified as non-current liabilities:

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

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(7) Accounts and notes receivable

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

(8) Inventories

Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. Inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realizable value, the amount of any write-down of inventories recognized as cost of sales during the period; and the amount of any reversal of inventory write-down is recognized as a reduction in cost of sales during the period.

(9) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities

which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has not retained control of the financial asset.

(12) Investments accounted for under equity method / associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses between the Company and its subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", 'profit for the year' and 'other comprehensive income for the year' reported in an entity's parent company only statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| <u>Asset</u>             | <u>Useful lives</u> |
|--------------------------|---------------------|
| Buildings                | 2~40 years          |
| Machinery                | 2~25 years          |
| Transportation equipment | 2~12 years          |
| Other equipment          | 2~19 years          |

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

Effective 2019

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(15) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets.

Computer software and trademarks are stated at cost and amortized on a straight-line basis over their estimated useful life of 3 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these

financial liabilities at fair value with any gain or loss recognized in profit or loss.

(20) Accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

II. Remeasurement arising on defined benefit plan is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

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

estimates. If employees' compensation is distributed by shares, the Company calculated the number of shares based on the closing market price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are

approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

A. Sales of merchandise and finished goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.
- (b) Revenue from these sales is recognized based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 7~ 45 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (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.

B. Sales of services

The Company provides processing services. Revenue from processing services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

(1) Critical judgments in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to fluctuations in the price of international soybean futures, the Company evaluates the amounts of market price decline due to price fluctuations, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the estimated selling price of the inventory on the measurement date. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2019, the carrying amount of inventories was \$1,409,859.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

|                                       | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash:                                 |                          |                          |
| Cash on hand                          | \$ 466                   | \$ 402                   |
| Checking accounts and demand deposits | <u>341, 369</u>          | <u>249, 758</u>          |
|                                       | <u>341, 835</u>          | <u>250, 160</u>          |
| Cash equivalents:                     |                          |                          |
| Time deposits                         | 900, 000                 | 1, 100, 000              |
| Commercial paper                      | <u>569, 298</u>          | <u>319, 525</u>          |
|                                       | <u>1, 469, 298</u>       | <u>1, 419, 525</u>       |
|                                       | <u>\$ 1, 811, 133</u>    | <u>\$ 1, 669, 685</u>    |

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

B. The Company has no cash and cash equivalents pledged to others as of December 31, 2019 and 2018.

(2) Financial assets and liabilities at fair value through profit or loss-current

|                                                                               | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|-------------------------------------------------------------------------------|--------------------------|--------------------------|
| Financial assets mandatorily measured<br>at fair value through profit or loss |                          |                          |
| Non-hedging derivatives                                                       | <u>\$ -</u>              | <u>\$ 223</u>            |
|                                                                               | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
| Financial liabilities held for trading                                        |                          |                          |
| Non-hedging derivatives                                                       | <u>\$ 6, 791</u>         | <u>\$ -</u>              |

A. The Company recognized net (loss) gain (shown as "Other gains and losses") on financial assets and liability mandatorily measured at fair value amounting to (\$759) and \$33,671 for the years ended December 31, 2019 and 2018, respectively.

B. The Company entered into contracts relating to derivative financial assets and liability which were not accounted for under hedge accounting. The information is listed below:

| December 31, 2018                  |                                         |                          |
|------------------------------------|-----------------------------------------|--------------------------|
| Derivative instruments             | Contract amount<br>(Notional principal) | Contract period          |
| Current asset items:               |                                         |                          |
| Forward foreign exchange contracts | USD 5,076                               | 2018. 11. 16~2019. 2. 12 |

The Company has no forward foreign exchange contracts (current asset item) as of December 31, 2019.

| December 31, 2019                  |                                         |                         |
|------------------------------------|-----------------------------------------|-------------------------|
| Derivative instruments             | Contract amount<br>(Notional principal) | Contract period         |
| Current liability items:           |                                         |                         |
| Forward foreign exchange contracts | USD 25,134                              | 2019. 11. 12~2020. 3. 2 |

The Company has no forward foreign exchange contracts (current liability item) as of December 31, 2018.

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

(3) Notes and accounts receivable

|                                              | December 31, 2019 | December 31, 2018 |
|----------------------------------------------|-------------------|-------------------|
| Notes receivable                             | \$ 107,084        | \$ 149,479        |
| Less: Allowance for uncollectible accounts ( | 326)              | 334)              |
|                                              | <u>\$ 106,758</u> | <u>\$ 149,145</u> |
|                                              | December 31, 2019 | December 31, 2018 |
| Accounts receivable                          | \$ 299,181        | \$ 342,025        |
| Accounts receivable-related parties          | 118,260           | 109,401           |
|                                              | 417,441           | 451,426           |
| Less: Allowance for uncollectible accounts ( | 1,343)            | 1,369)            |
|                                              | <u>\$ 416,098</u> | <u>\$ 450,057</u> |

A. The ageing analysis of notes receivable and accounts receivable are as follows:

|                   | December 31, 2019   |                        | December 31, 2018   |                        |
|-------------------|---------------------|------------------------|---------------------|------------------------|
|                   | Notes<br>receivable | Accounts<br>receivable | Notes<br>receivable | Accounts<br>receivable |
| Not past due      | \$ 107,084          | \$ 417,441             | \$ 149,479          | \$ 451,426             |
| Less than 30 days | -                   | -                      | -                   | -                      |
| 31~60 days        | -                   | -                      | -                   | -                      |
| 61~90 days        | -                   | -                      | -                   | -                      |
| 91~Over 120 days  | -                   | -                      | -                   | -                      |
|                   | <u>\$ 107,084</u>   | <u>\$ 417,441</u>      | <u>\$ 149,479</u>   | <u>\$ 451,426</u>      |

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$566,449.

C. The Company holds certificates of time deposit and land as security for accounts receivable as of December 31, 2019 and 2018.

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was the book value.

E. The Company has no notes and accounts receivable pledged to others as of December 31, 2019 and 2018.

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

#### (4) Inventories

|                             | December 31, 2019   |                                       |                     |
|-----------------------------|---------------------|---------------------------------------|---------------------|
|                             | Cost                | Allowance for<br>market price decline | Book value          |
| Merchandise                 | \$ 4,643            | (\$ 121)                              | \$ 4,522            |
| Raw materials               | 225,971             | -                                     | 225,971             |
| Raw materials in transit    | 499,514             | -                                     | 499,514             |
| Supplies                    | 28,698              | ( 340)                                | 28,358              |
| Work in progress            | 56,047              | -                                     | 56,047              |
| Work in progress in transit | 116,917             | -                                     | 116,917             |
| Finished goods              | 479,725             | ( 1,195)                              | 478,530             |
|                             | <u>\$ 1,411,515</u> | <u>(\$ 1,656)</u>                     | <u>\$ 1,409,859</u> |

|                          | December 31, 2018     |                                       |                       |
|--------------------------|-----------------------|---------------------------------------|-----------------------|
|                          | Cost                  | Allowance for<br>market price decline | Book value            |
| Merchandise              | \$ 2, 049             | (\$ 506)                              | \$ 1, 543             |
| Raw materials            | 204, 214              | -                                     | 204, 214              |
| Raw materials in transit | 806, 622              | -                                     | 806, 622              |
| Supplies                 | 22, 959               | ( 1, 645)                             | 21, 314               |
| Work in progress         | 101, 763              | -                                     | 101, 763              |
| Finished goods           | 313, 442              | ( 387)                                | 313, 055              |
|                          | <u>\$ 1, 451, 049</u> | <u>(\$ 2, 538)</u>                    | <u>\$ 1, 448, 511</u> |

The cost of inventories recognized as expense for the year:

|                                                                         | For the years ended December 31, |                        |
|-------------------------------------------------------------------------|----------------------------------|------------------------|
|                                                                         | 2019                             | 2018                   |
| Cost of goods sold                                                      | \$ 11, 958, 531                  | \$ 12, 202, 087        |
| (Reversal of allowance) provision for<br>inventory market price decline | ( 882)                           | 685                    |
| Loss on scrapped inventories                                            | 82                               | 35                     |
| (Gain) loss on physical inventory                                       | 5                                | ( 436)                 |
|                                                                         | <u>\$ 11, 957, 736</u>           | <u>\$ 12, 202, 371</u> |

(5) Financial assets at fair value through other comprehensive income-non-current

|                      | December 31, 2019 | December 31, 2018 |
|----------------------|-------------------|-------------------|
| Equity instruments   |                   |                   |
| Unlisted stocks      | \$ 8, 275         | \$ 8, 275         |
| Valuation adjustment | ( 7, 000)         | ( 7, 000)         |
|                      | <u>\$ 1, 275</u>  | <u>\$ 1, 275</u>  |

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,275 both as at December 31, 2019 and 2018.
- B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$1,275.
- C. The Company has no financial assets at fair value through other comprehensive income pledged to others.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(6) Investments accounted for under equity method

Movement of investments accounted for under equity method is as follows:

|                                                                        | For the years ended December 31, |                          |
|------------------------------------------------------------------------|----------------------------------|--------------------------|
|                                                                        | 2019                             | 2018                     |
| At January 1                                                           | \$ 249,649                       | \$ 219,184               |
| Share of profit of investments accounted for under equity method       | 99,786                           | 79,033                   |
| Earnings distribution of investments accounted for under equity method | (60,200)                         | (48,160)                 |
| Changes in other equity items                                          | 56                               | (408)                    |
| At December 31                                                         | <u>\$ 289,291</u>                | <u>\$ 249,649</u>        |
|                                                                        | <u>December 31, 2019</u>         | <u>December 31, 2018</u> |
| Subsidiaries                                                           | <u>\$ 289,291</u>                | <u>\$ 249,649</u>        |

- A. For information relating to the Company's subsidiaries, please refer to Note 4(3), 'Basis of consolidation' of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2019.
- B. The Company has no investments accounted for under equity method pledged to others as of December 31, 2019 and 2018.

(7) Property, plant and equipment

|                              | Land             | Buildings         | Machinery         | Transportation<br>equipment | Other<br>equipment | Construction<br>in progress | Total             |
|------------------------------|------------------|-------------------|-------------------|-----------------------------|--------------------|-----------------------------|-------------------|
| January 1, 2019              |                  |                   |                   |                             |                    |                             |                   |
| Cost                         | \$ 44,244        | \$ 891,822        | \$ 3,197,424      | \$ 12,085                   | \$ 44,935          | \$ 29,573                   | \$ 4,220,083      |
| Accumulated depreciation     | -                | ( 693,456)        | ( 2,917,728)      | ( 11,097)                   | ( 34,412)          | -                           | ( 3,656,693)      |
|                              | <u>\$ 44,244</u> | <u>\$ 198,366</u> | <u>\$ 279,696</u> | <u>\$ 988</u>               | <u>\$ 10,523</u>   | <u>\$ 29,573</u>            | <u>\$ 563,390</u> |
| For the year ended           |                  |                   |                   |                             |                    |                             |                   |
| December 31, 2019            |                  |                   |                   |                             |                    |                             |                   |
| At January 1                 | \$ 44,244        | \$ 198,366        | \$ 279,696        | \$ 988                      | \$ 10,523          | \$ 29,573                   | \$ 563,390        |
| Additions                    | -                | 9,171             | 46,725            | 850                         | 1,438              | 54,618                      | 112,802           |
| Transferred after acceptance | -                | 1,220             | 18,824            | -                           | 175                | ( 20,219)                   | -                 |
| Expensed                     | -                | -                 | -                 | -                           | -                  | ( 8,021)                    | ( 8,021)          |
| Depreciation                 | -                | ( 27,331)         | ( 62,519)         | ( 336)                      | ( 2,407)           | -                           | ( 92,593)         |
| Disposals-Cost               | -                | -                 | ( 6,978)          | -                           | ( 1,056)           | -                           | ( 8,034)          |
| -Accumulated<br>depreciation | -                | -                 | 6,420             | -                           | 1,056              | -                           | 7,476             |
| At December 31               | <u>\$ 44,244</u> | <u>\$ 181,426</u> | <u>\$ 282,168</u> | <u>\$ 1,502</u>             | <u>\$ 9,729</u>    | <u>\$ 55,951</u>            | <u>\$ 575,020</u> |
| December 31, 2019            |                  |                   |                   |                             |                    |                             |                   |
| Cost                         | \$ 44,244        | \$ 902,213        | \$ 3,255,995      | \$ 12,935                   | \$ 45,492          | \$ 55,951                   | \$ 4,316,830      |
| Accumulated depreciation     | -                | ( 720,787)        | ( 2,973,827)      | ( 11,433)                   | ( 35,763)          | -                           | ( 3,741,810)      |
|                              | <u>\$ 44,244</u> | <u>\$ 181,426</u> | <u>\$ 282,168</u> | <u>\$ 1,502</u>             | <u>\$ 9,729</u>    | <u>\$ 55,951</u>            | <u>\$ 575,020</u> |

|                                         | January 1, 2018 | Land      | Buildings  | Machinery    | Transportation<br>equipment | Other<br>equipment | Construction<br>in progress | Total        |
|-----------------------------------------|-----------------|-----------|------------|--------------|-----------------------------|--------------------|-----------------------------|--------------|
| Cost                                    | \$ 44,244       | \$ 44,244 | \$ 888,016 | \$ 3,074,241 | \$ 12,085                   | \$ 41,651          | \$ 58,369                   | \$ 4,118,606 |
| Accumulated depreciation                |                 | -         | ( 666,699) | ( 2,884,316) | ( 10,696)                   | ( 32,832)          | -                           | ( 3,594,543) |
|                                         | \$ 44,244       | \$ 44,244 | \$ 221,317 | \$ 189,925   | \$ 1,389                    | \$ 8,819           | \$ 58,369                   | \$ 524,063   |
| For the year ended<br>December 31, 2018 |                 |           |            |              |                             |                    |                             |              |
| At January 1                            | \$ 44,244       | \$ 44,244 | \$ 221,317 | \$ 189,925   | \$ 1,389                    | \$ 8,819           | \$ 58,369                   | \$ 524,063   |
| Additions                               | -               | -         | 3,806      | 38,135       | -                           | 4,021              | 80,037                      | 125,999      |
| Transferred after acceptance            | -               | -         | -          | 107,310      | -                           | -                  | ( 107,310)                  | -            |
| Expensed                                | -               | -         | -          | -            | -                           | -                  | ( 1,523)                    | ( 1,523)     |
| Depreciation                            | -               | ( 26,757) | ( 53,992)  | ( 401)       | ( 2,317)                    | -                  | -                           | ( 83,467)    |
| Disposals-Cost                          | -               | -         | ( 22,262)  | -            | -                           | ( 737)             | -                           | ( 22,999)    |
| -Accumulated<br>depreciation            | -               | -         | -          | 20,580       | -                           | 737                | -                           | 21,317       |
| At December 31                          | \$ 44,244       | \$ 44,244 | \$ 198,366 | \$ 279,696   | \$ 988                      | \$ 10,523          | \$ 29,573                   | \$ 563,390   |
| December 31, 2018                       |                 |           |            |              |                             |                    |                             |              |
| Cost                                    | \$ 44,244       | \$ 44,244 | \$ 891,822 | \$ 3,197,424 | \$ 12,085                   | \$ 44,935          | \$ 29,573                   | \$ 4,220,083 |
| Accumulated depreciation                |                 | -         | ( 693,456) | ( 2,917,728) | ( 11,097)                   | ( 34,412)          | -                           | ( 3,656,693) |
|                                         | \$ 44,244       | \$ 44,244 | \$ 198,366 | \$ 279,696   | \$ 988                      | \$ 10,523          | \$ 29,573                   | \$ 563,390   |

A. The Company's property, plant and equipment are all owner-occupied as at December 31, 2019 and 2018.

B. The Company has not capitalized any interest for the years ended December 31, 2019 and 2018.

C. For more information regarding the Company's property, plant and equipment pledged to others as at December 31, 2019 and 2018, please refer to Note 8, "Pledged assets".

(8) Leasing arrangements — lessee

Effective 2019

- A. The Company leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

|                          | December 31, 2019 | For the year ended<br>December 31, 2019 |
|--------------------------|-------------------|-----------------------------------------|
|                          | Carrying amount   | Depreciation charge                     |
| Buildings                | \$ 24, 893        | \$ 6, 363                               |
| Transportation equipment | 9, 492            | 4, 197                                  |
|                          | <u>\$ 34, 385</u> | <u>\$ 10, 560</u>                       |

- D. For the year ended December 31, 2019, the additions to right-of-use assets was \$2,440.

- E. The information on income and expense accounts relating to lease contracts is as follows:

|                                       | For the year ended<br>December 31, 2019 |
|---------------------------------------|-----------------------------------------|
| <u>Items affecting profit or loss</u> |                                         |
| Interest expense on lease liabilities | \$ 334                                  |
| Expense on short-term lease contracts | 762                                     |

- F. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$11,514 .

(9) Intangible assets

|                                       | 2019             | 2018             |
|---------------------------------------|------------------|------------------|
| <u>At January 1</u>                   |                  |                  |
| Cost                                  | \$ 6, 536        | \$ 4, 804        |
| Accumulated amortization              | ( 4, 494 )       | ( 3, 114 )       |
|                                       | <u>\$ 2, 042</u> | <u>\$ 1, 690</u> |
| <u>For the year ended December 31</u> |                  |                  |
| At January 1                          | \$ 2, 042        | \$ 1, 690        |
| Additions — acquired separately       | 1, 136           | 1, 732           |
| Amortization charge                   | ( 1, 406 )       | ( 1, 380 )       |
| At December 31                        | <u>\$ 1, 772</u> | <u>\$ 2, 042</u> |
| <u>At December 31</u>                 |                  |                  |
| Cost                                  | \$ 7, 672        | \$ 6, 536        |
| Accumulated amortization              | ( 5, 900 )       | ( 4, 494 )       |
|                                       | <u>\$ 1, 772</u> | <u>\$ 2, 042</u> |

Details of amortization on intangible assets are as follows:

|                         | For the years ended December 31, |                 |
|-------------------------|----------------------------------|-----------------|
|                         | 2019                             | 2018            |
| Operating costs         | \$ 215                           | \$ 190          |
| Selling expenses        | 465                              | 443             |
| Administrative expenses | 726                              | 747             |
|                         | <u>\$ 1,406</u>                  | <u>\$ 1,380</u> |

(10) Short-term borrowings

|                           | December 31, 2019 | Interest rate range | Collateral |
|---------------------------|-------------------|---------------------|------------|
| Bank unsecured borrowings | <u>\$ 123,837</u> | 2.43%~2.90%         | None       |
|                           | December 31, 2018 | Interest rate range | Collateral |
| Bank unsecured borrowings | <u>\$ 70,949</u>  | 3.12%~3.55%         | None       |

For interest expense recognized in profit or loss for the years ended December 31, 2019 and 2018, please refer to Note 6(18).

(11) Pensions

A. The Company has defined benefit pension plans in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4%(6% in the first two months of 2017) of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March. The information on the Company's defined benefit pension plan is as follows:

(a) The amounts recognized in the balance sheet are as follows:

|                                                  | December 31, 2019  | December 31, 2018  |
|--------------------------------------------------|--------------------|--------------------|
| Present value of defined benefit obligations (\$ | 249,996)           | (\$ 252,233)       |
| Fair value of plan assets                        | 219,740            | 215,386            |
| Net defined benefit liability                    | <u>(\$ 30,256)</u> | <u>(\$ 36,847)</u> |

(b) Movements in net defined benefit liabilities are as follows:

|                                                                                        | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
|----------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------|----------------------------------|
| <u>For the year ended December 31, 2019</u>                                            |                                                    |                              |                                  |
| Balance at January 1                                                                   | (\$ 252,233)                                       | \$ 215,386                   | (\$ 36,847)                      |
| Current service cost                                                                   | ( 2,402)                                           | -                            | ( 2,402)                         |
| Interest (expense) income                                                              | ( 1,836)                                           | 1,572                        | ( 264)                           |
|                                                                                        | ( 256,471)                                         | 216,958                      | ( 39,513)                        |
| Remeasurements:                                                                        |                                                    |                              |                                  |
| Return on plan assets<br>(excluding amounts included in<br>interest income or expense) | -                                                  | 8,291                        | 8,291                            |
| Change in financial assumptions                                                        | ( 1,180)                                           | -                            | ( 1,180)                         |
| Experience adjustments                                                                 | ( 1,227)                                           | -                            | ( 1,227)                         |
|                                                                                        | ( 2,407)                                           | 8,291                        | 5,884                            |
| Pension fund contribution                                                              | -                                                  | 3,373                        | 3,373                            |
| Paid pension                                                                           | 8,882                                              | ( 8,882)                     | -                                |
| Balance at December 31                                                                 | (\$ 249,996)                                       | \$ 219,740                   | (\$ 30,256)                      |

|                                                                                        | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
|----------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------|----------------------------------|
| <u>For the year ended December 31, 2018</u>                                            |                                                    |                              |                                  |
| Balance at January 1                                                                   | (\$ 254,003)                                       | \$ 213,467                   | (\$ 40,536)                      |
| Current service cost                                                                   | ( 2,799)                                           | -                            | ( 2,799)                         |
| Interest (expense) income                                                              | ( 2,487)                                           | 2,098                        | ( 389)                           |
|                                                                                        | ( 259,289)                                         | 215,565                      | ( 43,724)                        |
| Remeasurements:                                                                        |                                                    |                              |                                  |
| Return on plan assets<br>(excluding amounts included in<br>interest income or expense) | -                                                  | 6,525                        | 6,525                            |
| Change in financial assumptions                                                        | ( 6,075)                                           | -                            | ( 6,075)                         |
| Experience adjustments                                                                 | 2,993                                              | -                            | 2,993                            |
|                                                                                        | ( 3,082)                                           | 6,525                        | 3,443                            |
| Pension fund contribution                                                              | -                                                  | 3,434                        | 3,434                            |
| Paid pension                                                                           | 10,138                                             | ( 10,138)                    | -                                |
| Balance at December 31                                                                 | (\$ 252,233)                                       | \$ 215,386                   | (\$ 36,847)                      |

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined

benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

|                         | For the years ended December 31, |       |
|-------------------------|----------------------------------|-------|
|                         | 2019                             | 2018  |
| Discount rate           | 0.70%                            | 0.75% |
| Future salary increases | 2.00%                            | 2.00% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance Industry 5th Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

|                                                       | Discount rate  |                | Future salary increases |                |
|-------------------------------------------------------|----------------|----------------|-------------------------|----------------|
|                                                       | Increase 0.25% | Decrease 0.25% | Increase 0.25%          | Decrease 0.25% |
| December 31, 2019                                     |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 5,823)     | \$ 6,027       | \$ 5,934                | (\$ 5,764)     |
| December 31, 2018                                     |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 6,075)     | \$ 6,298       | \$ 6,204                | (\$ 6,016)     |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amounts to \$3,332.

(f) As of December 31, 2019, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

|               |    |                |
|---------------|----|----------------|
| Within 1 year | \$ | 16,707         |
| 2-5 years     |    | 41,634         |
| Over 6 years  |    | <u>207,409</u> |
|               | \$ | <u>265,750</u> |

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$4,505 and \$4,402, respectively.

(12) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

|                              | <u>For the years ended December 31,</u> |                |
|------------------------------|-----------------------------------------|----------------|
|                              | <u>2019</u>                             | <u>2018</u>    |
| Beginning and ending balance | <u>159,975</u>                          | <u>159,975</u> |

B. As of December 31, 2019, the Company’s authorized capital was \$1,778,000 and the paid-in capital was \$1,599,749, consisting of 159,975 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(13) Capital surplus

Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Movements of the Company’s capital surplus for the years ended December 31, 2019 and 2018 are as follows:

| For the year ended December 31, 2019 |               |                                |            |
|--------------------------------------|---------------|--------------------------------|------------|
|                                      | Share premium | Treasury share<br>transactions | Total      |
|                                      |               |                                |            |
| Beginning and ending balance         | \$ 154        | \$ 23, 630                     | \$ 23, 784 |

  

| For the year ended December 31, 2018 |               |                                |            |
|--------------------------------------|---------------|--------------------------------|------------|
|                                      | Share premium | Treasury share<br>transactions | Total      |
|                                      |               |                                |            |
| Beginning and ending balance         | \$ 154        | \$ 23, 630                     | \$ 23, 784 |

(14) Retained earnings

- A. Pursuant to the Company Act, the current year's after-tax earnings should set aside 10% of the remaining earnings as legal reserve until the balance of legal reserve is equal to that of paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve, and set aside or reverse special reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budgets to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. The percentage of stock dividends shall not be more than 50% of dividends distributed.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. For the years ended December 31, 2019 and 2018, the Company recognized dividends distributed to owners amounting to \$799,875 (\$5 (in dollars) per share as cash dividend) for both years. On March 20, 2020, the Board of Directors proposed for the distribution of dividends from 2019 earnings in the amount of \$799,875 at \$5 (in dollars) per share.

(15) Operating revenue

|                                       | For the years ended December 31, |               |
|---------------------------------------|----------------------------------|---------------|
|                                       | 2019                             | 2018          |
| Revenue from contracts with customers | \$ 13,781,934                    | \$ 13,930,285 |

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

|                               | For the years ended December 31, |                      |
|-------------------------------|----------------------------------|----------------------|
|                               | 2019                             | 2018                 |
| Sales revenue                 | \$ 13,340,688                    | \$ 13,503,165        |
| Processing revenue            | 441,246                          | 427,120              |
|                               | <u>\$ 13,781,934</u>             | <u>\$ 13,930,285</u> |
| Timing of revenue recognition |                                  |                      |
| At a point in time            | \$ 13,340,688                    | \$ 13,503,165        |
| Over time                     | 441,246                          | 427,120              |
|                               | <u>\$ 13,781,934</u>             | <u>\$ 13,930,285</u> |

B. Contract liabilities

(a) As of December 31, 2019 and 2018 and as of January 1, 2018, the Company has recognized the revenue-related liabilities amounting to \$16,057, \$58,965 and \$11,570, respectively.

(b) Revenue recognized that were included in the contract liabilities balance at the beginning of 2019 and 2018 amounted to \$58,956 and \$11,540, respectively.

(16) Other income

|                                   | For the years ended December 31, |                  |
|-----------------------------------|----------------------------------|------------------|
|                                   | 2019                             | 2018             |
| Dividend income                   | \$ -                             | \$ 412           |
| Interest income:                  |                                  |                  |
| Interest income from bank deposit | 6,325                            | 5,849            |
| Other interest income             | 1,870                            | 1,654            |
| Other income                      | <u>10,231</u>                    | <u>12,075</u>    |
|                                   | <u>\$ 18,426</u>                 | <u>\$ 19,990</u> |

(17) Other gains and losses

|                                                                    | For the years ended December 31, |                  |
|--------------------------------------------------------------------|----------------------------------|------------------|
|                                                                    | 2019                             | 2018             |
| Net (loss) gain on financial assets at fair through profit or loss | (\$ 759)                         | \$ 33,671        |
| Loss on disposals of property, plant and equipment                 | ( 558)                           | ( 1,682)         |
| Net currency exchange gain (loss)                                  | 12,728                           | ( 2,861)         |
| Other losses                                                       | ( 1,004)                         | -                |
|                                                                    | <u>\$ 10,407</u>                 | <u>\$ 29,128</u> |

(18) Finance costs

|                                       | For the years ended December 31, |                 |
|---------------------------------------|----------------------------------|-----------------|
|                                       | 2019                             | 2018            |
| Interest expense                      |                                  |                 |
| Bank borrowings                       | \$ 7,283                         | \$ 6,075        |
| Interest expense on lease liabilities | 334                              | -               |
|                                       | <u>\$ 7,617</u>                  | <u>\$ 6,075</u> |

(19) Expenses by nature

|                          | For the years ended December 31, |                   |                  |                  |                   |                  |
|--------------------------|----------------------------------|-------------------|------------------|------------------|-------------------|------------------|
|                          | 2019                             |                   |                  | 2018             |                   |                  |
|                          | Operating cost                   | Operating expense | Total            | Operating cost   | Operating expense | Total            |
| Employee benefit expense | <u>\$101,404</u>                 | <u>\$171,895</u>  | <u>\$273,299</u> | <u>\$100,152</u> | <u>\$167,121</u>  | <u>\$267,273</u> |
| Depreciation             | <u>\$ 90,326</u>                 | <u>\$ 12,827</u>  | <u>\$103,153</u> | <u>\$ 80,479</u> | <u>\$ 2,988</u>   | <u>\$ 83,467</u> |
| Amortization             | <u>\$ 215</u>                    | <u>\$ 1,191</u>   | <u>\$ 1,406</u>  | <u>\$ 190</u>    | <u>\$ 1,190</u>   | <u>\$ 1,380</u>  |

(20) Employee benefit expense

|                                    | For the years ended December 31, |                   |                  |                  |                   |                  |
|------------------------------------|----------------------------------|-------------------|------------------|------------------|-------------------|------------------|
|                                    | 2019                             |                   |                  | 2018             |                   |                  |
|                                    | Operating cost                   | Operating expense | Total            | Operating cost   | Operating expense | Total            |
| Wages and salaries                 | \$ 90,784                        | \$ 134,644        | \$ 225,428       | \$ 89,730        | \$ 130,427        | \$ 220,157       |
| Labor and health insurance expense | 5,370                            | 8,083             | 13,453           | 5,203            | 7,778             | 12,981           |
| Pension costs                      | 3,258                            | 3,913             | 7,171            | 3,213            | 4,377             | 7,590            |
| Directors' remuneration            | -                                | 16,137            | 16,137           | -                | 15,327            | 15,327           |
| Other personnel expenses           | <u>1,992</u>                     | <u>9,118</u>      | <u>11,110</u>    | <u>2,006</u>     | <u>9,212</u>      | <u>11,218</u>    |
|                                    | <u>\$101,404</u>                 | <u>\$171,895</u>  | <u>\$273,299</u> | <u>\$100,152</u> | <u>\$167,121</u>  | <u>\$267,273</u> |

- A. As of December 31, 2019 and 2018, the Company had 154 and 155 employees and 8 non-employee directors for both years.
- B. For the years ended December 31, 2019 and 2018, the average employee benefit expense were \$1,761 and \$1,714, respectively.
- C. For the years ended December 31, 2019 and 2018, the average wages and salaries were \$1,544 and \$1,498, respectively.
- D. For the years ended December 31, 2019, the Company calculated the adjustment of average employee salary rate is 3.07%.
- E. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- F. For the years ended December 31, 2019 and 2018, employees' compensation were accrued at \$24,756 and \$23,070, respectively; while directors' and supervisors' remuneration were accrued at \$18,566 and \$17,300, respectively. The aforementioned amounts were recognized in salary expenses and estimated and accrued based on the distributable net profit of current year for the year ended December 31, 2019 calculated by the percentage prescribed under the Articles of Incorporation of the Company. On March 20, 2020, the employees' compensation and directors' remuneration as resolved by the Board of Directors were \$24,754 and \$18,565, respectively, and the employees' compensation will be distributed in the form of cash. The actual amount resolved by the Board of Directors for employees' compensation and directors' and supervisors' remuneration for 2018 was \$40,320 , which is different from the estimated amount recognized in the 2018 financial statements of \$40,370, by (\$50). Such difference was recognized in profit and loss for the year ended December 31, 2019. Information about employees' compensation and directors' and supervisors' remuneration of the Company as proposed by the board of directors and resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

|                                                   | For the years ended December 31, |                   |
|---------------------------------------------------|----------------------------------|-------------------|
|                                                   | 2019                             | 2018              |
| Current tax:                                      |                                  |                   |
| Current tax on profits for the year               | \$ 219,806                       | \$ 205,763        |
| Tax on undistributed earnings                     | 944                              | -                 |
| Total current tax                                 | <u>220,750</u>                   | <u>205,763</u>    |
| Deferred tax:                                     |                                  |                   |
| Origination and reversal of temporary differences | (960)                            | 754               |
| Impact of change in tax rate                      | -                                | (1,779)           |
| Income tax expense                                | <u>\$ 219,790</u>                | <u>\$ 204,738</u> |

(b) The income tax charge relating to components of other comprehensive income is as follows:

|                                              | For the years ended December 31, |               |
|----------------------------------------------|----------------------------------|---------------|
|                                              | 2019                             | 2018          |
| Remeasurement of defined benefit obligations | \$ 1,177                         | \$ 688        |
| Impact of change in tax rate                 | -                                | (211)         |
|                                              | <u>\$ 1,177</u>                  | <u>\$ 477</u> |

B. Reconciliation between income tax expense and accounting profit

|                                                                  | For the years ended December 31, |                   |
|------------------------------------------------------------------|----------------------------------|-------------------|
|                                                                  | 2019                             | 2018              |
| Tax calculated based on profit before tax and statutory tax rate | \$ 238,872                       | \$ 222,323        |
| Effects from items disallowed by tax regulation                  | (20,026)                         | (15,806)          |
| Tax on undistributed earnings                                    | 944                              | -                 |
| Effect from changes in tax rate                                  | -                                | (1,779)           |
| Income tax expense                                               | <u>\$ 219,790</u>                | <u>\$ 204,738</u> |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

| For the year ended December 31, 2019                |                    |                                 |                                                   |                    |
|-----------------------------------------------------|--------------------|---------------------------------|---------------------------------------------------|--------------------|
|                                                     | January 1          | Recognized in<br>profit or loss | Recognized<br>in other<br>comprehensive<br>income | December 31        |
| Temporary differences:                              |                    |                                 |                                                   |                    |
| Deferred tax assets:                                |                    |                                 |                                                   |                    |
| Allowance for doubtful accounts                     | \$ 944             | \$ -                            | \$ -                                              | \$ 944             |
| Unrealized loss on inventory market value decline   | 508                | (177)                           | -                                                 | 331                |
| Unrealized expense                                  | 1,488              | (86)                            | -                                                 | 1,402              |
| Unrealized loss on financial assets and liabilities | -                  | 1,358                           | -                                                 | 1,358              |
| Actuarial loss                                      | 20,621             | -                               | (1,177)                                           | 19,444             |
|                                                     | <u>\$ 23,561</u>   | <u>\$ 1,095</u>                 | <u>(\$ 1,177)</u>                                 | <u>\$ 23,479</u>   |
| Deferred tax liabilities:                           |                    |                                 |                                                   |                    |
| Unrealized gain on financial assets and liabilities | (\$ 45)            | \$ 45                           | \$ -                                              | \$ -               |
| Pensions                                            | (11,627)           | (141)                           | -                                                 | (11,768)           |
| Unrealized exchange gain                            | (61)               | (39)                            | -                                                 | (100)              |
|                                                     | <u>(\$ 11,733)</u> | <u>(\$ 135)</u>                 | <u>\$ -</u>                                       | <u>(\$ 11,868)</u> |
|                                                     | <u>\$ 11,828</u>   | <u>\$ 960</u>                   | <u>(\$ 1,177)</u>                                 | <u>\$ 11,611</u>   |

| For the year ended December 31, 2018                      |                   |                                 |                                                   |                    |
|-----------------------------------------------------------|-------------------|---------------------------------|---------------------------------------------------|--------------------|
|                                                           | January 1         | Recognized in<br>profit or loss | Recognized<br>in other<br>comprehensive<br>income | December 31        |
| Temporary differences:                                    |                   |                                 |                                                   |                    |
| Deferred tax assets:                                      |                   |                                 |                                                   |                    |
| Allowance for<br>doubtful accounts                        | \$ 803            | \$ 141                          | \$ -                                              | \$ 944             |
| Unrealized loss on<br>inventory market value<br>decline   | 315               | 193                             | -                                                 | 508                |
| Unrealized expense                                        | 1,215             | 273                             | -                                                 | 1,488              |
| Unrealized loss on<br>financial assets and<br>liabilities | 757               | (757)                           | -                                                 | -                  |
| Actuarial loss                                            | 18,113            | 2,985                           | (477)                                             | 20,621             |
|                                                           | <u>\$ 21,203</u>  | <u>\$ 2,835</u>                 | <u>(\$ 477)</u>                                   | <u>\$ 23,561</u>   |
| Deferred tax liabilities:                                 |                   |                                 |                                                   |                    |
| Unrealized gain on<br>financial assets and<br>liabilities | \$ -              | (\$ 45)                         | \$ -                                              | (\$ 45)            |
| Pensions                                                  | (9,841)           | (1,786)                         | -                                                 | (11,627)           |
| Unrealized exchange gain                                  | (82)              | 21                              | -                                                 | (61)               |
|                                                           | <u>(\$ 9,923)</u> | <u>(\$ 1,810)</u>               | <u>\$ -</u>                                       | <u>(\$ 11,733)</u> |
|                                                           | <u>\$ 11,280</u>  | <u>\$ 1,025</u>                 | <u>(\$ 477)</u>                                   | <u>\$ 11,828</u>   |

- D. As of March 20, 2020, the Company's income tax returns through 2017 have been assessed by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority.
- E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(22) Earnings per share

| For the year ended December 31, 2019                                                                                    |                   |                                                                                       |                                       |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------|---------------------------------------|
|                                                                                                                         | Amount after tax  | Weighted average<br>number of ordinary<br>shares outstanding<br>(shares in thousands) | Earnings per<br>share<br>(in dollars) |
| <u>Basic earnings per share</u>                                                                                         |                   |                                                                                       |                                       |
| Profit attributable to ordinary<br>shareholders                                                                         | <u>\$ 974,572</u> | <u>159,975</u>                                                                        | <u>\$ 6.09</u>                        |
| <u>Diluted earnings per share</u>                                                                                       |                   |                                                                                       |                                       |
| Profit attributable to ordinary<br>shareholders                                                                         | \$ 974,572        | 159,975                                                                               |                                       |
| Assumed conversion of all dilutive<br>potential ordinary shares<br>Employees' compensation                              | <u>-</u>          | <u>261</u>                                                                            |                                       |
| Profit attributable to ordinary<br>shareholders plus assumed<br>conversion of all dilutive<br>potential ordinary shares | <u>\$ 974,572</u> | <u>160,236</u>                                                                        | <u>\$ 6.08</u>                        |

| For the year ended December 31, 2018                                                                                    |                   |                                                                                       |                                       |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------|---------------------------------------|
|                                                                                                                         | Amount after tax  | Weighted average<br>number of ordinary<br>shares outstanding<br>(shares in thousands) | Earnings per<br>share<br>(in dollars) |
| <u>Basic earnings per share</u>                                                                                         |                   |                                                                                       |                                       |
| Profit attributable to ordinary<br>shareholders                                                                         | <u>\$ 906,880</u> | <u>159,975</u>                                                                        | <u>\$ 5.67</u>                        |
| <u>Diluted earnings per share</u>                                                                                       |                   |                                                                                       |                                       |
| Profit attributable to ordinary<br>shareholders                                                                         | \$ 906,880        | 159,975                                                                               |                                       |
| Assumed conversion of all dilutive<br>potential ordinary shares<br>Employees' compensation                              | <u>-</u>          | <u>297</u>                                                                            |                                       |
| Profit attributable to ordinary<br>shareholders plus assumed<br>conversion of all dilutive<br>potential ordinary shares | <u>\$ 906,880</u> | <u>160,272</u>                                                                        | <u>\$ 5.66</u>                        |

(23) Operating leases

Prior to 2019

The Company leases buildings under non-cancellable operating lease agreements. The lease terms

are between 2012 and 2031, and all these lease agreements are renewable at the end of the lease period. The Company recognized rental expenses of \$4,457 for these leases in profit or loss (shown as “operating expenses”) for the year ended December 31, 2018.

(24) Changes in liabilities from financing activities

|                                                   | Short-term<br>borrowings | Guarantee<br>deposits<br>received | Lease<br>liabilities | Liabilities<br>from financing<br>activities-gross |
|---------------------------------------------------|--------------------------|-----------------------------------|----------------------|---------------------------------------------------|
| At January 1, 2019                                | \$ 70,949                | \$ 1,730                          | \$ -                 | \$ 72,679                                         |
| Effects on retrospective<br>application           | -                        | -                                 | 42,505               | 42,505                                            |
| Increase in lease liabilities                     | -                        | -                                 | 2,440                | 2,440                                             |
| Changes in cash flow<br>from financing activities | <u>52,888</u>            | <u>650</u>                        | <u>( 10,418)</u>     | <u>43,120</u>                                     |
| At December 31, 2019                              | <u>\$ 123,837</u>        | <u>\$ 2,380</u>                   | <u>\$ 34,527</u>     | <u>\$ 160,744</u>                                 |

  

|                                                   | Short-term<br>borrowings | Guarantee<br>deposits<br>received | Liabilities<br>from financing<br>activities-gross |
|---------------------------------------------------|--------------------------|-----------------------------------|---------------------------------------------------|
| At January 1, 2018                                | \$ 97,872                | \$ 1,530                          | \$ 99,402                                         |
| Changes in cash flow<br>from financing activities | <u>( 26,923)</u>         | <u>200</u>                        | <u>( 26,723)</u>                                  |
| At December 31, 2018                              | <u>\$ 70,949</u>         | <u>\$ 1,730</u>                   | <u>\$ 72,679</u>                                  |

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

| <u>Names of related parties</u>         | <u>Relationship with the Company</u>                                        |
|-----------------------------------------|-----------------------------------------------------------------------------|
| Uni-President Enterprises Corp.         | Key management individuals                                                  |
| Great Wall Enterprise Co., Ltd.         | "                                                                           |
| Tai Hwa Oil Industrial Co., Ltd.        | "                                                                           |
| May Lan Lei Co., Ltd.                   | An entity controlled by key management individuals                          |
| Total Nutrition Technologies Co., Ltd.  | "                                                                           |
| Ton-Yi Industrial Corp.                 | "                                                                           |
| President Nisshin Corp.                 | "                                                                           |
| President Kikkoman Inc.                 | "                                                                           |
| Mech-President Corporation              | "                                                                           |
| Uni-President Superior Commissary Corp. | "                                                                           |
| Mister Donut Taiwan Co., Ltd.           | "                                                                           |
| Afternoon Tea Taiwan Corp.              | "                                                                           |
| Uni-President Oven Bakery Corp.         | "                                                                           |
| Tung-Ho Development Co., Ltd.           | "                                                                           |
| Tait Marketing & Distribution Co., Ltd. | "                                                                           |
| 21 Century Co., Ltd.                    | "                                                                           |
| Weilih Food Industrial Co., Ltd.        | Investee of key management individual accounted for under the equity method |
| Kuang Chuan Dairy Co., Ltd              | "                                                                           |
| Master Channels Corporation             | Subsidiary                                                                  |

(2) Significant related party transactions

A. Sales and processing revenue

|                                                                               | For the years ended December 31, |                     |
|-------------------------------------------------------------------------------|----------------------------------|---------------------|
|                                                                               | 2019                             | 2018                |
| Sales of merchandise and finished goods:                                      |                                  |                     |
| — Key management individuals                                                  | \$ 495,722                       | \$ 510,463          |
| — Subsidiaries                                                                | 300,902                          | 304,249             |
| — An entity controlled by key management individuals                          | 285,402                          | 314,233             |
| — Investee of key management individual accounted for under the equity method | 41,847                           | 7,645               |
|                                                                               | <u>1,123,873</u>                 | <u>1,136,590</u>    |
| Processing revenue:                                                           |                                  |                     |
| — May Lan Lei Co., Ltd.                                                       | 333,671                          | 312,081             |
| — Tai Hwa Oil Industrial Co., Ltd.                                            | 91,325                           | 87,514              |
| — Other entities controlled by key management individuals                     | 15,800                           | 27,000              |
| — Other key management individuals                                            | 450                              | 525                 |
|                                                                               | <u>441,246</u>                   | <u>427,120</u>      |
|                                                                               | <u>\$ 1,565,119</u>              | <u>\$ 1,563,710</u> |

The collection period for related parties was 7~45 days after sales of goods, 10~45 days for sales to regular customers. Except for the above collection periods, other terms of sales were the same for related and third parties. The terms of providing processing services to related parties were the same with regular customers. The above related parties close their accounts at the end of each month and made payment within 15 days after. The pricing depends on the contract and management methods.

B. Purchases

|                                                    | For the years ended December 31, |                   |
|----------------------------------------------------|----------------------------------|-------------------|
|                                                    | 2019                             | 2018              |
| An entity controlled by key management individuals | \$ 385,809                       | \$ 385,183        |
| Key management individuals                         | 83,677                           | 155,838           |
|                                                    | <u>\$ 469,486</u>                | <u>\$ 541,021</u> |

The terms of purchases and payments (7~30 days after receipt ) to related parties were the same with third party suppliers, except for an entity controlled by key management individuals, wherein payments are made in 15~30 days after receipt.

C. Accounts receivable

|                                                                             | December 31, 2019 | December 31, 2018 |
|-----------------------------------------------------------------------------|-------------------|-------------------|
| Key management individuals                                                  | \$ 45,700         | \$ 34,414         |
| An entity controlled by key management individuals                          | 36,039            | 44,475            |
| Subsidiaries                                                                | 32,558            | 29,750            |
| Investee of key management individual accounted for under the equity method | 3,963             | 762               |
|                                                                             | <u>\$ 118,260</u> | <u>\$ 109,401</u> |

D. Accounts payable

|                                                         | December 31, 2019 | December 31, 2018 |
|---------------------------------------------------------|-------------------|-------------------|
| Ton-Yi Industrial Corp.                                 | \$ 35,476         | \$ 33,711         |
| Key management individuals                              | 9,790             | 1,021             |
| Other entities controlled by key management individuals | -                 | 5,105             |
|                                                         | <u>\$ 45,266</u>  | <u>\$ 39,837</u>  |

(3) Key management compensation

|                                                 | For the years ended December 31, |                  |
|-------------------------------------------------|----------------------------------|------------------|
|                                                 | 2019                             | 2018             |
| Salaries and other short-term employee benefits | <u>\$ 49,307</u>                 | <u>\$ 50,665</u> |

8. PLEDGED ASSETS

The Company's assets pledged as collateral were as follows:

| Assets pledged          | Book Value        |                   | Purpose of collateral |
|-------------------------|-------------------|-------------------|-----------------------|
|                         | December 31, 2019 | December 31, 2018 |                       |
| Land (Note 1)           | \$ 44,244         | \$ 44,244         | (Note 2)              |
| Buildings, net (Note 1) | 107,904           | 117,190           | "                     |
|                         | <u>\$ 152,148</u> | <u>\$ 161,434</u> |                       |

(Note 1) Recognized as "Property, plant, and equipment".

(Note 2) The associated debt has been repaid but the designation of 'Property, plant, and equipment' as collateral has not yet been removed.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2019 and 2018, the unused letters of credit amounted to \$1,030,265 and \$1,078,851, respectively.

(2) Capital expenditures contracted for but not yet incurred

|                               | December 31, 2019 | December 31, 2018 |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | \$ 68,355         | \$ 60,865         |

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Company are described in Note 6.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(b) Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

(i) Some purchases and sales are valued in US dollars, therefore the fair value changes with market exchange rate.

(ii) Management has set up a policy to require the Company to manage the foreign exchange risk against the functional currency. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

- (iii) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| December 31, 2019                          |                                           |               |            |
|--------------------------------------------|-------------------------------------------|---------------|------------|
|                                            | Foreign currency<br>amount (in thousands) | Exchange rate | Book value |
| (Foreign currency: functional<br>currency) |                                           |               |            |
| <u>Financial assets</u>                    |                                           |               |            |
| <u>Monetary items</u>                      |                                           |               |            |
| USD : NTD                                  | \$ 354                                    | 30.03         | \$ 10,637  |
| <u>Financial liabilities</u>               |                                           |               |            |
| <u>Monetary items</u>                      |                                           |               |            |
| USD : NTD                                  | 4,124                                     | 30.03         | 123,837    |
| December 31, 2018                          |                                           |               |            |
|                                            | Foreign currency<br>amount (in thousands) | Exchange rate | Book value |
| (Foreign currency: functional<br>currency) |                                           |               |            |
| <u>Financial assets</u>                    |                                           |               |            |
| <u>Monetary items</u>                      |                                           |               |            |
| USD : NTD                                  | \$ 33                                     | 30.77         | \$ 1,008   |
| <u>Financial liabilities</u>               |                                           |               |            |
| <u>Monetary items</u>                      |                                           |               |            |
| USD : NTD                                  | 2,306                                     | 30.77         | 70,949     |

- (iv) As of December 31, 2019 and 2018, if the NTD:USD exchange rate appreciates/depreciates by 1% with all other factors remaining constant, the after-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by \$906 and \$560, respectively.
- (v) The unrealized exchange gain arising from significant foreign exchange variation on monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to \$498 and \$303, respectively.

## II. Price risk

The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company has set various stop loss points to ensure that the Company is not exposed to significant market risks.

The Company's investments in equity securities comprise unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 2% with all other variables held constant, there is no significant effect on other components of equity for the years ended December 31, 2019 and 2018.

III. Cash flow and fair value interest rate risk

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no significant effect on after-tax profit for the years ended December 31, 2019 and 2018.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- II. The Company manages their credit risk taking into consideration the Company's concern. For banks and financial institutions, only independently rated parties with a certain rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- IV. The Company adopts the assumption under IFRS 9, whereby the default occurs when the contract payments are past due over 90 days.
- V. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Company uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, and expected loss rate range is 0.3% to 100%. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

|                        | For the year ended December 31, 2019 |                     |
|------------------------|--------------------------------------|---------------------|
|                        | Notes receivable                     | Accounts receivable |
| At January 1           | \$ 334                               | \$ 1,369            |
| Reversal of impairment | ( 8)                                 | ( 26)               |
| At December 31         | <u>\$ 326</u>                        | <u>\$ 1,343</u>     |

|                                 | For the year ended December 31, 2018 |                     |
|---------------------------------|--------------------------------------|---------------------|
|                                 | Notes receivable                     | Accounts receivable |
| At January 1_IAS 39             | \$ -                                 | \$ -                |
| Adjustments under new standards | -                                    | -                   |
| At January 1_IFRS 9             | -                                    | -                   |
| Provision for impairment        | 334                                  | 1,369               |
| At December 31                  | <u>\$ 334</u>                        | <u>\$ 1,369</u>     |

(c) Liquidity risk

- I. Cash flow forecasting is performed in Finance Division of the Company. Finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- II. Forward exchange agreement which the Company is engaged in will be the item of cash outflow, amounting to US\$25,134 thousand dollars. There is no significant risk because the rate of forward exchange agreement had already been confirmed.
- III. The Company has the following undrawn borrowing facilities:

|                          | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--------------------------|--------------------------|--------------------------|
| Floating rate:           |                          |                          |
| Expiring within one year | <u>\$ 4,787,123</u>      | <u>\$ 5,647,531</u>      |

- IV. The table below analyses the Company's non-derivative financial liabilities and gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| December 31, 2019                     | Less than<br>1 year | Between 1 and<br>2 years | Between 2 and<br>5 years | More than<br>5 years |
|---------------------------------------|---------------------|--------------------------|--------------------------|----------------------|
| Non-derivative financial liabilities: |                     |                          |                          |                      |
| Short-term borrowings                 | \$ 123,897          | \$ -                     | \$ -                     | \$ -                 |
| Notes payable                         | 4,389               | -                        | -                        | -                    |
| Accounts payable                      | 295,558             |                          |                          |                      |
| Other payables                        | 269,689             | -                        | -                        | -                    |
| Lease liabilities                     | 8,520               | 7,360                    | 16,355                   | 2,987                |
| Guarantee deposits received           | -                   | 2,380                    | -                        | -                    |
| Derivative financial liabilities:     |                     |                          |                          |                      |
| Forward foreign exchange contracts    | 6,791               | -                        | -                        | -                    |
| December 31, 2018                     | Less than<br>1 year | Between 1 and<br>2 years | Between 2 and<br>5 years | More than<br>5 years |
| Non-derivative financial liabilities: |                     |                          |                          |                      |
| Short-term borrowings                 | \$ 70,995           | \$ -                     | \$ -                     | \$ -                 |
| Accounts payable                      | 432,433             | -                        | -                        | -                    |
| Other payables                        | 247,153             | -                        | -                        | -                    |
| Guarantee deposits received           | -                   | 1,730                    | -                        | -                    |

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in forward foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received) are based on their book value which approximates fair value.

- C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

| <u>December 31, 2019</u>                                          | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------------------------------------|----------------|----------------|----------------|--------------|
| <u>Assets</u>                                                     |                |                |                |              |
| <u>Recurring fair value measurements</u>                          |                |                |                |              |
| Financial assets at fair value through other comprehensive income |                |                |                |              |
| Equity securities - non-current                                   | \$ -           | \$ -           | \$ 1,275       | \$ 1,275     |
| <u>Liabilities</u>                                                |                |                |                |              |
| <u>Recurring fair value measurements</u>                          |                |                |                |              |
| Financial liabilities at fair value through profit or loss        |                |                |                |              |
| Forward foreign exchange contract                                 | \$ -           | \$ 6,791       | \$ -           | \$ 6,791     |
| <u>December 31, 2018</u>                                          | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Assets</u>                                                     |                |                |                |              |
| <u>Recurring fair value measurements</u>                          |                |                |                |              |
| Financial assets at fair value through profit or loss             |                |                |                |              |
| Forward foreign exchange contract                                 | \$ -           | \$ 223         | \$ -           | \$ 223       |
| Financial assets at fair value through other comprehensive income |                |                |                |              |
| Equity securities - non-current                                   | \$ -           | \$ -           | \$ 1,275       | \$ 1,275     |

- D. The methods and assumptions the Company used to measure fair value are as follows:  
The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward foreign exchange contracts are usually valued based on the current forward exchange rate.
- E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. The following is the movement of Level 3 for the years ended December 31, 2019 and 2018:
- |                                      |                          |
|--------------------------------------|--------------------------|
|                                      | <u>Equity Securities</u> |
| For the year ended December 31, 2019 | \$ 1,275                 |
|                                      | <u>Equity Securities</u> |
| For the year ended December 31, 2018 | \$ 1,275                 |
- G. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.
- H. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of

information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

### 13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2019.

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiary, associates and joint ventures): Refer to Table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to Table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Note 6(2), "Financial assets at fair value through profit or loss - current".
- J. Significant inter-company transactions during the reporting periods: Refer to Table 3.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to Table 4.

#### (3) Information on investments in Mainland China

- A. Basic information: Refer to Table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

### 14. SEGMENT INFORMATION

None

TTET Union Corporation

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures).

December 31, 2019

Expressed in thousands of NTD

Table 1

| Securities held by     | Marketable securities     | Relationship with the securities issuer | General ledger account                                                          | As of December 31, 2019 |            |           | Note     |
|------------------------|---------------------------|-----------------------------------------|---------------------------------------------------------------------------------|-------------------------|------------|-----------|----------|
|                        |                           |                                         |                                                                                 | Number of shares        | Book value | Ownership |          |
| TTET Union Corporation | Stock:<br>FOOD CHINA INC. | —                                       | Financial assets at fair value through other comprehensive income - non-current | 400,000                 | \$ 1,275   | \$ 1.08%  | 1,275 -- |

TTET Union Corporation

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

| Purchase/sale company  | Counterparty                           | Relationship with the counterparty                                                           | Description of transaction |              |                                                         | Description and reasons for difference in transaction terms compared to non-related party transactions |            |             | Notes or accounts receivable/(payable) |                                                         |
|------------------------|----------------------------------------|----------------------------------------------------------------------------------------------|----------------------------|--------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------|------------|-------------|----------------------------------------|---------------------------------------------------------|
|                        |                                        |                                                                                              | Purchases/(sales)          | Amount       | Percentage of total purchases/(sales)                   | Credit term                                                                                            | Unit price | Credit term | Balance                                | Percentage of total notes/accounts receivable/(payable) |
| TTET Union Corporation | Uni-President Enterprises Corp.        | The investor of the Company                                                                  | (Sales)                    | (\$ 170,069) | (1%)                                                    | 15 days after sales                                                                                    | \$ -       | (Note 1)    | \$ 13,549                              | 3%                                                      |
|                        | Great Wall Enterprise Co., Ltd.        | The director of the Company                                                                  | (Sales)                    | ( 325,653)   | (2%)                                                    | 10 days after sales                                                                                    | -          | (Note 1)    | 15,110                                 | 3%                                                      |
|                        | Master Channels Corporation            | An investee company accounted for under the equity method                                    | (Sales)                    | ( 300,902)   | (2%)                                                    | Closes its accounts each half month, notes due in 20 days                                              | -          | (Note 1)    | 32,558                                 | 6%                                                      |
|                        | Ton-Yi Industrial Corp.                | An investee company of Uni-President Enterprises Corp. accounted for under the equity method | Purchases                  | 346,192      | 3%                                                      | 30 days after acceptance                                                                               | -          | (Note 2)    | ( 35,476)                              | (12%)                                                   |
|                        | Total Nutrition Technologies Co., Ltd. | An investee company of Great Wall Enterprise Co., Ltd. accounted for under the equity method | (Sales)                    | ( 128,063)   | (1%)                                                    | 10 days after sales                                                                                    |            | (Note 1)    | 1,121                                  | -                                                       |
| May Lan Lei Co., Ltd.  |                                        | An investee company of Great Wall Enterprise Co., Ltd. accounted for under the equity method | (Sales)                    | ( 108,446)   | (1%)                                                    | 10 days after sales                                                                                    |            | (Note 1)    | -                                      | -                                                       |
|                        |                                        | (Processing revenue)                                                                         | ( 333,671)                 | (76%)        | Closes its accounts 15 days after the end of each month | -                                                                                                      | -          | -           | 29,826                                 | 6%                                                      |

| Description and reasons for difference in transaction terms compared to non-related party transactions |                        |                                    |                   |                               |          |                                                           |            |             |             |                                                         |      |  |
|--------------------------------------------------------------------------------------------------------|------------------------|------------------------------------|-------------------|-------------------------------|----------|-----------------------------------------------------------|------------|-------------|-------------|---------------------------------------------------------|------|--|
| Description of transaction                                                                             |                        |                                    |                   |                               |          |                                                           |            |             |             |                                                         |      |  |
| Purchase/sale company                                                                                  | Counterparty           | Relationship with the counterparty | Purchases/(sales) | Percentage of total purchases |          | Credit term                                               | Unit price | Credit term | Balance     | Percentage of total notes/accounts receivable/(payable) | Note |  |
|                                                                                                        |                        |                                    |                   | Amount                        | /(sales) |                                                           |            |             |             |                                                         |      |  |
| Master Channels Corporation                                                                            | TTET Union Corporation | The parent company                 | Purchases         | \$ 300,902                    | 9%       | Closes its accounts each half month, notes due in 20 days | \$         | -           | (\$ 32,558) | (7%)                                                    | -    |  |

Note 1: The collection period for third parties was 10~45 days after sales of goods.

Note 2: Payments to third parties were made in 7~30 days after receipt of goods.

TTET Union Corporation

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD

| Number<br>(Note 1) | Company name           | Counterparty                   | Relationship<br>(Note 2) | Transaction terms      |              |                                                                 | Percentage of total consolidated<br>revenues or total assets (Note 3) |
|--------------------|------------------------|--------------------------------|--------------------------|------------------------|--------------|-----------------------------------------------------------------|-----------------------------------------------------------------------|
|                    |                        |                                |                          | General ledger account | Amount       | Transaction terms                                               |                                                                       |
| 0                  | TTET Union Corporation | Master Channels<br>Corporation | 1                        | Sales                  | (\$ 300,902) | Closes its accounts each<br>half month, notes due<br>in 20 days | (2%)                                                                  |
|                    |                        |                                |                          | Accounts receivable    | 32,558       | —                                                               | 1%                                                                    |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.)

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated revenues or total assets, it is computed based on period-end balance of transaction to consolidated assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

TTET Union Corporation

Information on investees (not including investees in China)

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

| Investor               | Investee                    | Location | Main business activities | Initial investment amount       |                                 | Shares held as at December 31, 2019 |           |            | Net profit (loss) of the investee for the year ended December 31, 2019 | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Note       |
|------------------------|-----------------------------|----------|--------------------------|---------------------------------|---------------------------------|-------------------------------------|-----------|------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------|
|                        |                             |          |                          | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares                    | Ownership | Book value |                                                                        |                                                                                         |            |
| TTET Union Corporation | Master Channels Corporation | Taiwan   | Wholesale of food        | \$ 138,585                      | \$ 138,585                      | 12,039,999                          | 80.27     | \$ 289,291 | \$ 124,319                                                             | \$ 99,786                                                                               | Subsidiary |

TTTET Union Corporation

Information on investments in Mainland China

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

| Investee in<br>Mainland China                                        | Main business<br>activities                 | Paid-in<br>capital | Investment<br>method<br>(Note) | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China<br>as of January 1,<br>2019 | Amount remitted from Taiwan to<br>Mainland China/                         |                                            | Accumulated<br>amount<br>of remittance<br>from Taiwan to<br>Mainland China<br>as of December<br>31, 2019 | Net income of<br>investee for the<br>year ended<br>December 31,<br>2019 | Ownership<br>held by<br>the<br>Company<br>(direct or<br>indirect) | Investment income<br>(loss) recognized<br>by the Company<br>for the year ended<br>December 31, 2019 | Book value of<br>investments as<br>of December 31,<br>2019 | Accumulated<br>amount<br>of investment<br>income<br>remitted back to<br>Taiwan as of<br>December 31,<br>2019 | Note |
|----------------------------------------------------------------------|---------------------------------------------|--------------------|--------------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------|
|                                                                      |                                             |                    |                                |                                                                                                        | Amount remitted back<br>to Taiwan for the year ended<br>December 31, 2019 | Remitted to<br>Mainland China<br>to Taiwan |                                                                                                          |                                                                         |                                                                   |                                                                                                     |                                                            |                                                                                                              |      |
| Beijing<br>FoodChina<br>Online<br>Information and<br>Technology Ltd. | Program planning,<br>System design,<br>etc. | \$ 42,042          | (2)                            | \$ 7,207                                                                                               | \$ -                                                                      | \$ -                                       | \$ 7,207                                                                                                 | (\$ 6,933)                                                              | 1.08%                                                             | \$ -                                                                                                | \$ 1,275                                                   | \$ -                                                                                                         | -    |

Note : Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Indirect investment in PRC through the existing company (FOOD CHINA INC.) located in the third area.
- (3) Others

| Company name               | Accumulated<br>investment<br>balance from<br>Taiwan to<br>Mainland China | Amount<br>approved by<br>MOEA | Ceiling amount of<br>investments in<br>Mainland China<br>imposed by<br>MOEA (Note 1) |               |
|----------------------------|--------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------------------|---------------|
|                            |                                                                          |                               | MOEA                                                                                 | MOEA (Note 1) |
| TTTET Union<br>Corporation | \$ 7,207                                                                 | \$ 7,207                      | \$ 2,478,891                                                                         |               |

Note 1: The ceiling amount is 60% of consolidated net worth.

Note 2: Foreign currencies were translated into New Taiwan Dollars using the exchange rate as of report date as follows: USD:NTD 1:30.03.

TTET UNION CORPORATION  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2019

Expressed in thousands of NTD

| Item                              | Description                                                       | Amount              |
|-----------------------------------|-------------------------------------------------------------------|---------------------|
| Cash                              |                                                                   |                     |
| Cash on hand                      |                                                                   | \$ 466              |
| Checking accounts                 |                                                                   | 220,700             |
| Demand deposits—New Taiwan Dollar |                                                                   | 110,032             |
| — Foreign currency deposits       | US\$ 354 thousand dollars @30.03                                  | 10,637              |
|                                   |                                                                   | <u>341,835</u>      |
| Cash equivalents:                 |                                                                   |                     |
| Time deposits                     | Expiration by 2020.1.2~2020.2.22<br>interest rate at 0.60%~0.675% | 900,000             |
| Commerical paper                  | Expiration by 2020.1.3~2020.1.31<br>interest rate at 0.42%        | 569,298             |
|                                   |                                                                   | <u>1,469,298</u>    |
|                                   |                                                                   | <u>\$ 1,811,133</u> |

TTET UNION CORPORATION  
STATEMENT OF NOTES RECEIVABLE, NET  
DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Client Name</u>                    | <u>Description</u> | <u>Amount</u>     | <u>Remark</u> |
|---------------------------------------|--------------------|-------------------|---------------|
| Xing Dayi Co., Ltd.                   | Notes receivable   | \$ 13,211         | —             |
| Lian Hsing Oil Trading Company        | "                  | 10,266            | —             |
| Zhu Fa Limited Company                | "                  | 4,489             | —             |
| Xincheng Enterprise                   | "                  | 3,732             | —             |
| Ying Tin Enterprise Co., Ltd.         | "                  | 3,475             | —             |
| Kuang Yuang Soybean Co., Ltd.         | "                  | 3,462             | —             |
| Zhicheng Industrial Co., Ltd.         | "                  | 3,364             | —             |
| Others (less than 3%)                 | "                  | <u>65,085</u>     | —             |
|                                       |                    | 107,084           |               |
| Less: Allowance for doubtful accounts |                    | ( 326)            |               |
|                                       |                    | <u>\$ 106,758</u> |               |

TTET UNION CORPORATION  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Client Name</u>                               | <u>Description</u>  | <u>Amount</u>     | <u>Remark</u> |
|--------------------------------------------------|---------------------|-------------------|---------------|
| Non-related parties:                             |                     |                   |               |
| Taiwan Sugar Corp.                               | Accounts receivable | \$ 40,205         | —             |
| Cargill Taiwan Corp.                             | "                   | 36,707            | —             |
| Charoen Pokphand Enterprise<br>(Taiwan) Co.,Ltd. | "                   | 33,335            | —             |
| Others (less than 5%)                            | "                   | <u>188,934</u>    | —             |
|                                                  |                     | 299,181           |               |
| Less: Allowance for doubtful accounts            |                     | ( <u>1,343</u> )  |               |
|                                                  |                     | <u>297,838</u>    |               |
| Related parties:                                 |                     |                   |               |
| Master Channels Corporation                      | "                   | 32,558            | —             |
| May Lan Lei Co.,Ltd                              | "                   | 29,826            | —             |
| Tai Hwa Oil Industrial Co.,Ltd                   | "                   | 17,041            | —             |
| Great Wall Enterprises Corp.                     | "                   | 15,110            | —             |
| Uni-President Enterprises Corp.                  | "                   | 13,549            | —             |
| Others (less than 5%)                            | "                   | <u>10,176</u>     | —             |
|                                                  |                     | <u>118,260</u>    |               |
|                                                  |                     | <u>\$ 416,098</u> |               |

TTET UNION CORPORATION  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2019

Expressed in thousands of NTD

| Item                                     | Description | Amount              |                      | Remark |
|------------------------------------------|-------------|---------------------|----------------------|--------|
|                                          |             | Cost                | Net Realizable Value |        |
| Merchandise                              | —           | \$ 4,643            | \$ 4,675             | (Note) |
| Raw materials                            | —           | 225,971             | 225,836              | "      |
| Raw materials in transit                 | —           | 499,514             | 499,514              | "      |
| Supplies                                 | —           | 28,698              | 29,389               | "      |
| Work in progress                         | —           | 56,047              | 56,047               | "      |
| Work in progress in transit              | —           | 116,917             | 116,917              | "      |
| Finished goods                           | —           | <u>479,725</u>      | <u>507,287</u>       | "      |
|                                          |             | 1,411,515           | <u>\$ 1,439,665</u>  |        |
| Less: Allowance for market price decline | —           | ( <u>1,656</u> )    |                      |        |
|                                          |             | <u>\$ 1,409,859</u> |                      |        |

Note : Please refer to Note 4(8) for the method to determine the net realizable value.

TTET UNION CORPORATION  
STATEMENT OF PREPAYMENTS  
DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Item</u>               | <u>Description</u> | <u>Amount</u>     | <u>Remark</u> |
|---------------------------|--------------------|-------------------|---------------|
| Overpaid sales tax        | —                  | \$ 179,812        | —             |
| Supplies inventory        |                    |                   |               |
| factory supplies          | —                  | 81,108            | —             |
| Prepaid expense           | —                  | 22,825            | —             |
| Prepayment for purchases  |                    |                   |               |
| Prepaid foreign purchases | Soybean etc.       | <u>3,814</u>      | —             |
|                           |                    | <u>\$ 287,559</u> |               |

TTET UNION CORPORATION  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

| Name                        | Balance, January 1, 2019 |            | Additions in Investment  |           | Decrease in Investment   |             | Balance, December 31, 2019 |            | Market Value or<br>Net Assets Value |              | Collateral<br>or<br>Pledge | Remark |
|-----------------------------|--------------------------|------------|--------------------------|-----------|--------------------------|-------------|----------------------------|------------|-------------------------------------|--------------|----------------------------|--------|
|                             | Shares<br>(In Thousands) | Amount     | Shares<br>(In Thousands) | Amount    | Shares<br>(In Thousands) | Amount      | Shares<br>(In Thousands)   | Amount     | Unit Price<br>(NT\$)                | Total Amount |                            |        |
| Master Channels Corporation | 12,040                   | \$ 249,649 | -                        | \$ 99,842 | -                        | (\$ 60,200) | 12,040                     | \$ 289,291 | \$                                  | -            | None                       | --     |

TTET UNION CORPORATION  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Please refer to Note 6(7) for the information related to property, plant and equipment.

TTET UNION CORPORATION  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
-ACCUMULATED DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Please refer to Note 6(7) for the information related to property, plant and equipment, and Note 4(13) for the method to determine depreciation and useful lives for assets.

TTET UNION CORPORATION  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2019

Expressed in thousands of NTD

| Type           | Description                       | Balance,<br>End of Year | Contract Period           | Range of<br>Interest Rates<br>(%) | Credit Line                            | Collateral   |        |
|----------------|-----------------------------------|-------------------------|---------------------------|-----------------------------------|----------------------------------------|--------------|--------|
|                |                                   |                         |                           |                                   |                                        | or<br>Pledge | Remark |
| Purchase loans | O-Bank Co., Ltd.                  | \$ 38,869               | 2019. 8. 13~2020. 8. 12   | 2. 43%~2. 85%                     | comprehensive credit line of \$300,000 | None         | —      |
|                | Taiwan Business Bank Co., Ltd.    | 24,209                  | 2019. 11. 19~2020. 11. 19 | 2. 85%                            | comprehensive credit line of \$650,000 | "            | —      |
|                | CTBC Bank Co., Ltd                | 23,221                  | 2019. 7. 31~2020. 7. 31   | 2. 45%~2. 90%                     | comprehensive credit line of \$500,000 | "            | —      |
|                | Taiwan Cooperative Bank Co., Ltd. | 16,085                  | 2019. 1. 15~2020. 1. 8    | 2. 74%                            | comprehensive credit line of \$900,000 | "            | —      |
|                | First Commercial Bank             | 11,518                  | 2019. 6. 13~2020. 6. 13   | 2. 58%                            | comprehensive credit line of \$300,000 | "            | —      |
|                | Chang Hwa Bank                    | 7,013                   | 2019. 3. 19~2020. 3. 31   | 2. 54%                            | comprehensive credit line of \$800,000 | "            | —      |
|                | Hua Nan Bank                      | 2,922                   | 2019. 1. 25~2020. 1. 25   | 2. 54%                            | comprehensive credit line of \$500,000 | "            | —      |
|                |                                   | <u>\$ 123,837</u>       |                           |                                   |                                        |              |        |

TTET UNION CORPORATION  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Client Name</u>              | <u>Description</u> | <u>Amount</u>     | <u>Remark</u> |
|---------------------------------|--------------------|-------------------|---------------|
| Non-related parties             |                    |                   |               |
| CHS INC                         | Accounts payable   | \$ 43,585         | —             |
| CARGILL AUSTRALIA LIMITED       | "                  | 40,333            | —             |
| NISSHIN SHOKAI CO.,LTD          | "                  | 38,841            | —             |
| LANSING TRADE GROUP,LLC         | "                  | 31,648            | —             |
| mitsui& CO.,LTD                 | "                  | 29,095            | —             |
| ARCHER DANIELS MIDLAND COMPANY  | "                  | 16,410            | —             |
| Others (less than 5%)           | "                  | <u>50,380</u>     | —             |
|                                 |                    | <u>250,292</u>    |               |
| Related parties                 |                    |                   |               |
| Ton Yi Industrial Corp.         | "                  | 35,476            | —             |
| Tai Hwa Oil Industrial Co.,Ltd. | "                  | <u>9,790</u>      | —             |
|                                 |                    | <u>45,266</u>     |               |
|                                 |                    | <u>\$ 295,558</u> |               |

TTET UNION CORPORATION  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Item</u>                                                             | <u>Description</u> | <u>Amount</u>     | <u>Remark</u> |
|-------------------------------------------------------------------------|--------------------|-------------------|---------------|
| Wages and salaries payable                                              | —                  | \$ 98,701         | —             |
| Fuel payable                                                            | —                  | 52,162            | —             |
| Employees' compensation and<br>directors' and supervisors' remuneration | —                  | 43,322            | —             |
| Freight payable                                                         | —                  | 18,500            | —             |
| Others (less than 5%)                                                   | —                  | 57,004            | —             |
|                                                                         |                    | <u>\$ 269,689</u> |               |

TTET UNION CORPORATION  
STATEMENT OF CURRENT INCOME TAX LIABILITIES  
DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Item</u>                   | <u>Description</u> | <u>Amount</u>     | <u>Remark</u> |
|-------------------------------|--------------------|-------------------|---------------|
| Corporate profit tax          | —                  | \$ 116,107        | —             |
| Tax on undistributed earnings | —                  | <u>944</u>        | —             |
|                               |                    | <u>\$ 117,051</u> |               |

TTET UNION CORPORATION  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Item</u>                       | <u>Quantity (tons)</u> | <u>Amount</u>        | <u>Remark</u> |
|-----------------------------------|------------------------|----------------------|---------------|
| Sales revenue                     |                        |                      |               |
| Soybean flour                     | 537,163                | \$ 7,064,771         | —             |
| Refined salad oil                 | 90,572                 | 2,399,922            | —             |
| Others(less than 10%)             | —                      | <u>3,911,388</u>     | —             |
|                                   |                        | 13,376,081           |               |
| Less: Sales returns and discounts |                        | ( <u>35,393</u> )    | —             |
| Net sales revenue                 |                        | 13,340,688           |               |
| Net processing revenue            |                        | <u>441,246</u>       | —             |
| Operating revenue                 |                        | <u>\$ 13,781,934</u> |               |

TTET UNION CORPORATION  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

| Item                                                                | Amount       |
|---------------------------------------------------------------------|--------------|
| Merchandise at January 1, 2019                                      | \$ 2, 049    |
| Add : Merchandise purchased                                         | 105, 383     |
| Less : Transfer to other expenses                                   | ( 3, 893)    |
| Merchandise at December 31, 2019                                    | ( 4, 643)    |
| Merchandise sold                                                    | 98, 896      |
| Raw materials and material in transit at January 1, 2019            | 1, 010, 836  |
| Add : Raw materials purchased                                       | 9, 289, 222  |
| Less : Raw materials sold                                           | ( 32)        |
| Raw materials and material in transit at December 31, 2019          | ( 725, 485)  |
| Raw materials used                                                  | 9, 574, 541  |
| Supplies at January 1, 2019                                         | 22, 959      |
| Add : Supplies purchased                                            | 551, 912     |
| Less: Transferred to processing cost                                | ( 61, 593)   |
| Scrapped supplies                                                   | ( 82)        |
| Supplies at December 31, 2019                                       | ( 28, 698)   |
| Supplies used                                                       | 484, 498     |
| Direct labor                                                        | 30, 792      |
| Less: Transferred to processing cost                                | ( 10, 768)   |
| Manufacturing expense                                               | 702, 114     |
| Less: Transferred to processing cost                                | ( 269, 954)  |
| Manufacturing cost                                                  | 10, 511, 223 |
| Work in process at January 1, 2019                                  | 101, 763     |
| Add : Work in process purchased                                     | 1, 289, 027  |
| Less : Work in process sold                                         | ( 984)       |
| Work in process and work in process in transit at December 31, 2019 | ( 172, 964)  |
| Cost of goods manufactured                                          | 11, 728, 065 |
| Finished goods and work in process in transit at January 1, 2019    | 313, 442     |
| Add : Finished goods purchased                                      | 312, 072     |
| Loss on physical inventory                                          | ( 5)         |
| Less: Transferred to other expenses                                 | ( 15, 230)   |
| Finished goods at December 31, 2019                                 | ( 479, 725)  |
| Cost of products sold                                               | 11, 858, 619 |

TTET UNION CORPORATION  
STATEMENT OF OPERATING COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

| Item                                                     | Amount        |
|----------------------------------------------------------|---------------|
| Cost of raw materials sold                               | \$ 32         |
| Cost of work in process sold                             | 984           |
| Cost of goods sold                                       | 11,958,531    |
| Loss on scrapped inventories                             | 82            |
| Loss on physical inventory                               | 5             |
| Reversal of allowance for inventory market price decline | ( 882)        |
| Costs of sold                                            | 11,957,736    |
| Processing costs                                         | 342,315       |
| Other operating costs                                    | 18,862        |
| Operating costs                                          | \$ 12,318,913 |

TTET UNION CORPORATION  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Item</u>            | <u>Description</u> | <u>Amount</u>     | <u>Remark</u> |
|------------------------|--------------------|-------------------|---------------|
| Wages and salaries     | —                  | \$ 63,250         | —             |
| Freight                | —                  | 32,955            | —             |
| Repair and maintenance | —                  | 45,541            | —             |
| Utilities              | —                  | 130,704           | —             |
| Depreciation           | —                  | 90,326            | —             |
| Fuel                   | —                  | 275,424           | —             |
| Others (less than 3%)  | —                  | 63,914            | —             |
|                        |                    | <u>\$ 702,114</u> |               |

TTET UNION CORPORATION  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Item</u>           | <u>Description</u> | <u>Amount</u>     | <u>Remark</u> |
|-----------------------|--------------------|-------------------|---------------|
| Wages and salaries    | —                  | \$ 50,897         | —             |
| Freight               | —                  | 104,530           | —             |
| Depreciation          | —                  | 9,527             | —             |
| Employee benefits     | —                  | 6,909             | —             |
| Commission            | —                  | 24,066            | —             |
| Export expenses       | —                  | 11,378            | —             |
| Others (less than 3%) | —                  | <u>20,036</u>     | —             |
|                       |                    | <u>\$ 227,343</u> |               |

TTET UNION CORPORATION  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

| <u>Item</u>               | <u>Description</u> | <u>Amount</u>      | <u>Remark</u> |
|---------------------------|--------------------|--------------------|---------------|
| Wages and salaries        | —                  | \$ 105, 178        | —             |
| Insurance                 | —                  | 6, 219             | —             |
| Professional service fees | —                  | 6, 011             | —             |
| Others (less than 3%)     | —                  | <u>37, 647</u>     | —             |
|                           |                    | <u>\$ 155, 055</u> |               |

TTET UNION CORPORATION  
STATEMENT OF OTHER GAINS AND LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Please refer to Note 6(17) for the information related to other gains or losses.

TTET UNION CORPORATION  
STATEMENT OF FINANCIAL COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Please refer to Note 6(18) for the information related to finance costs.

TTET UNION CORPORATION  
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS,  
DEPRECIATION, DEPLETION AND AMORTIZATION BY NATURE  
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Please refer to Note 6(19) for the additional information related to expenses by nature and  
Note 6(20) for the information related to employee benefits.