

Yummy Town (Cayman) Holdings
Corporation and its Subsidiaries

Consolidated Financial Statements
and Independent Auditors' Report
For the Years Ended December 31, 2021 and
2020

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Independent Auditors' Report

To Yummy Town (Cayman) Holdings Corporation:

Audit Opinion

We have audited the consolidated balance sheets of Yummy Town (Cayman) Holdings Corporation and its subsidiaries (hereinafter referred to as the "Yummy Town Group and its subsidiaries") as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to consolidated financial statements (including the Summary of Significant Accounting Policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of Yummy Town Group and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission (FSC).

Basis for Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibility under those standards is further described in the section titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements". We are independent of Yummy Town (Cayman) Holdings Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key Audit Matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of Yummy Town Group and its subsidiaries for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of Yummy Town Group and its subsidiaries for the year ended December 31, 2021 are stated as follows:

Recognition of sales of commodities

The operating revenue of Yummy Town Group and its subsidiaries in 2021 was \$1,458,788 thousand, of which the transaction type is selling raw materials to the franchisee for consideration, resulting in \$727,161 thousand of sales which represents 50% of total operating revenue. As the franchisees come from various regions and there are many business locations, considering that the sales of commodities of Yummy Town Group and subsidiaries has a significant impact on the consolidated financial report, the accountant assesses that the risk of income recognition lies in whether the revenue of specific customers with a significant amount of sales actually occurs. It is considered a key audit matter in the audit of consolidated financial statements for the year ended December 31, 2021. For details, please refer to Notes IV (XV) and V.

The audit procedures conducted by the CPA for the recognition of the above revenue are as follows:

1. Understand the internal control system related to sales transactions, and evaluate and test the effectiveness of its design and implementation.
2. Conduct the confirmatory test of the sales transaction of the specific customer mentioned above. The procedures include confirming the delivery documents, the export declaration forms, the invoices and whether the payments are received on schedule according to the transaction conditions, and checking the POS information to confirm whether the franchisee has the turnover in the current month.

Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements

The responsibilities of management are to prepare the consolidated financial statements with a fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed by the FSC with effective dates, and to maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Yummy Town Group and subsidiaries in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Yummy Town Group and subsidiaries or cease the operations, or has no realistic alternative but to do so.

The governance bodies of Yummy Town Group and subsidiaries (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute counter-measures in response to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from the error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yummy Town Group and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubts on Yummy Town Group and subsidiaries' ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need 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 Yummy Town Group and subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes) and whether the consolidated financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within Yummy Town Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters of Yummy Town Group and its subsidiaries' consolidated financial statements for the year ended December 31, 2021. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan

CPA Wu-Ke-Chang

CPA Huang-I-Min

Financial Supervisory Commission
Approval Document No.
Jin-Guan-Zheng-Shen-Zi No.
1000028068

Financial Supervisory Commission Approval
Document No.
Jin-Guan-Zheng-Shen-Zi No. 1030024438

March 28, 2022

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: Thousands of NT Dollars

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 335,995	24	\$ 400,358	22
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	4,361	-	127,209	7
1136	Financial assets at amortized cost - current (Notes IV, VI, VIII and XXX)	157,576	11	208,192	12
1170	Accounts receivable (Notes IV and IX)	20,905	2	35,879	2
1180	Accounts receivable - related parties (Notes IV, IX and XXIX)	9	-	57	-
1200	Other receivables	48,261	3	33,401	2
1220	Current income tax assets (Notes IV and XXIII)	8,618	1	799	-
130X	Inventories (Notes IV and X)	107,425	8	85,180	5
1479	Other current assets - others (Notes VI and XXX)	48,399	4	72,566	4
11XX	Total Current Assets	<u>731,549</u>	<u>53</u>	<u>963,641</u>	<u>54</u>
	NON-CURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes IV and XI)	8,047	1	-	-
1535	Financial assets at amortized cost - non-current (Notes IV, VI, VIII and XXX)	-	-	118,179	7
1551	Investments accounted for using the equity method (Notes IV and XIII)	107,242	8	121,708	7
1600	Property, plant and equipment (Notes IV, XIV and XXX)	135,020	10	146,618	8
1755	Right-of-use assets (Notes IV and XV)	248,598	18	292,754	16
1780	Intangible assets (Notes IV and XVI)	30,796	2	32,929	2
1840	Deferred tax assets (Notes IV and XXIII)	45,488	3	29,156	2
1920	Refundable deposits	67,646	5	71,709	4
15XX	Total Non-current Assets	<u>642,837</u>	<u>47</u>	<u>813,053</u>	<u>46</u>
1XXX	Total Assets	<u>\$ 1,374,386</u>	<u>100</u>	<u>\$ 1,776,694</u>	<u>100</u>
Code	Liabilities and Equity	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current liabilities				
2100	Short-term loans (Note XVII)	\$ 170,059	12	\$ 282,447	16
2170	Accounts payable	64,572	5	93,968	5
2180	Accounts payable - related parties (Note XXIX)	-	-	226	-
2219	Other payables (Note XVIII)	123,493	9	111,779	6
2230	Current income tax liabilities (Notes IV and XXIII)	5,818	-	6,971	1
2280	Lease liabilities - current (Notes IV and XV)	117,021	9	165,022	9
2320	Long-term borrowings due within one year (Note XVII)	51,762	4	-	-
2399	Other current liabilities	42,486	3	49,895	3
21XX	Total Current Liabilities	<u>575,211</u>	<u>42</u>	<u>710,308</u>	<u>40</u>
	Non-current liabilities				
2527	Contract liabilities - non-current (Notes IV and XXI)	15,858	1	26,380	2
2540	Long-term borrowings (Note XVII)	-	-	53,258	3
2570	Deferred income tax liabilities (Notes IV and XXIII)	8,438	1	7,444	-
2580	Lease liabilities - non-current (Notes IV and XV)	138,538	10	147,313	8
2645	Guarantee deposits received	117,177	8	143,497	8
25XX	Total Non-current Liabilities	<u>280,011</u>	<u>20</u>	<u>377,892</u>	<u>21</u>
2XXX	Total Liabilities	<u>855,222</u>	<u>62</u>	<u>1,088,200</u>	<u>61</u>
	Equity Attributable to owners of the Company (Note XX)				
	Share capital				
3110	Common stocks	357,852	26	365,544	21
3200	Capital surplus	215,838	16	235,182	13
	Retained earnings				
3310	Legal reserve	68,193	5	64,306	4
3320	Special reserve	82,230	6	75,253	4
3350	Unappropriated earnings	(95,065)	(7)	61,191	3
3300	Total Retained Earnings	<u>55,358</u>	<u>4</u>	<u>200,750</u>	<u>11</u>
	Other equity				
3410	Exchange differences in translation of foreign operations	(99,856)	(8)	(82,230)	(5)
3420	Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income	(424)	-	-	-
3490	Unearned employee benefits	-	-	(699)	-
3400	Total Other Equity	<u>(100,280)</u>	<u>(8)</u>	<u>(82,929)</u>	<u>(5)</u>
3500	Treasury stock	<u>(29,605)</u>	<u>(2)</u>	<u>(64,037)</u>	<u>(3)</u>
31XX	Total Equity Attributable to Shareholders of the Parent	<u>499,163</u>	<u>36</u>	<u>654,510</u>	<u>37</u>
36XX	Non-controlling interests (Note XX)	<u>20,001</u>	<u>2</u>	<u>33,984</u>	<u>2</u>
3XXX	Total Equity	<u>519,164</u>	<u>38</u>	<u>688,494</u>	<u>39</u>
	Total Liabilities and Equity	<u>\$ 1,374,386</u>	<u>100</u>	<u>\$ 1,776,694</u>	<u>100</u>

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

Chairman: Wu-Po-Chao

President: Chang-Miao-Ling

Accountant Supervisor: Lin-Zhe-Ji

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

Code		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes IV, V, XXI and XXIX)	\$ 1,458,788	100	\$ 1,580,237	100
5000	Operating costs (Notes X, XXII, and XXIX)	<u>777,185</u>	<u>53</u>	<u>788,275</u>	<u>50</u>
5900	Gross Profit	<u>681,603</u>	<u>47</u>	<u>791,962</u>	<u>50</u>
	Operating expenses (Note XXII)				
6100	Sales and marketing expenses	501,235	35	459,030	29
6200	General and administrative expenses	276,016	19	298,753	19
6300	Research and development expenses	<u>17,710</u>	<u>1</u>	<u>11,923</u>	<u>-</u>
6000	Total operating expenses	<u>794,961</u>	<u>55</u>	<u>769,706</u>	<u>48</u>
6900	Net operating income (loss)	(<u>113,358</u>)	(<u>8</u>)	<u>22,256</u>	<u>2</u>
	Non-operating income and expenses (Note XXII)				
7100	Interest income	7,957	-	6,736	-
7010	Other income	15,739	1	23,663	2
7020	Other gains and losses	(1,102)	-	18,315	1
7050	Finance costs	(15,640)	(1)	(17,987)	(1)
7770	Share of profit of associates accounted for using the equity method (Notes IV and XIII)	<u>11,409</u>	<u>1</u>	<u>5,102</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>18,363</u>	<u>1</u>	<u>35,829</u>	<u>2</u>
7900	Net income (loss) before tax	(94,995)	(7)	58,085	4
7950	Income tax expenses (Notes IV and XXIII)	(<u>1,765</u>)	<u>-</u>	(<u>25,047</u>)	(<u>2</u>)
8200	Net income (loss) for the period	(<u>96,760</u>)	(<u>7</u>)	<u>33,038</u>	<u>2</u>

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Code		2021		2020	
		Amount	%	Amount	%
	Other comprehensive income (loss)				
8310	Items that may be reclassified to profit or loss				
8316	Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income	(\$ 424)	-	\$ -	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences in translation of foreign operations	(15,572)	(1)	(6,110)	-
8370	Share of other comprehensive income of associates accounted for using the equity method	(2,742)	-	(837)	-
8300	Total other comprehensive income	(18,738)	(1)	(6,947)	-
8500	Total comprehensive income for the period	(\$ 115,498)	(8)	\$ 26,091	2
	Net income (loss) attributable to				
8610	owners of the parent	(\$ 94,106)	(7)	\$ 38,871	2
8620	Non-controlling interests	(2,654)	-	(5,833)	-
8600		(\$ 96,760)	(7)	\$ 33,038	2
	Total comprehensive income (loss) attributable to				
8710	owners of the parent	(\$ 112,156)	(8)	\$ 31,894	2
8720	Non-controlling interests	(3,342)	-	(5,803)	-
8700		(\$ 115,498)	(8)	\$ 26,091	2
	Earnings (deficit) per share (Note XXIV)				
9710	Basic	(\$ 2.65)		\$ 1.09	
9810	Diluted	(\$ 2.65)		\$ 1.09	

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

Chairman: Wu-Po-Chao President: Chang-Miao-Ling Accountant Supervisor: Lin-Zhe-Ji

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020

Unit: Thousands of NT Dollars

		Equity Attributable to owners of the Company											
		Share capital		Retained earnings			Exchange differences in translation of foreign operations	Other equity	Unearned employee benefits	Treasury stock	Total	Non-controlling interests	Total Equity
Code		Share Capital - Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings		Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income					
A1	Balance as of January 1, 2020	\$ 349,085	\$ 234,600	\$ 51,369	\$ 50,361	\$ 162,393	(\$ 75,253)	\$ -	(\$ 3,635)	(\$ 57,279)	\$ 711,641	\$ 14,136	\$ 725,777
	Appropriation of earnings for 2019 (Note XX)												
B1	Recognition of legal reserve	-	-	12,937	-	(12,937)	-	-	-	-	-	-	-
B3	Recognition of special reserve	-	-	-	24,892	(24,892)	-	-	-	-	-	-	-
B5	Distribution of cash dividends	-	-	-	-	(85,203)	-	-	-	-	(85,203)	-	(85,203)
B9	Distribution of stock dividends	17,041	-	-	-	(17,041)	-	-	-	-	-	-	-
D1	Net income (loss) for the year ended December 31, 2020	-	-	-	-	38,871	-	-	-	-	38,871	(5,833)	33,038
D3	Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(6,977)	-	-	-	(6,977)	30	(6,947)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	38,871	(6,977)	-	-	-	31,894	(5,803)	26,091
L1	Treasury shares buyback (Note XX)	-	-	-	-	-	-	-	-	(6,758)	(6,758)	-	(6,758)
N1	Cancellation of employee restricted stocks (Notes XX and XXV)	(582)	582	-	-	-	-	-	-	-	-	-	-
N1	Compensation cost of employee restricted stocks (Note XXV)	-	-	-	-	-	-	-	2,936	-	2,936	-	2,936
O1	Changes in non-controlling interests (Note XX)	-	-	-	-	-	-	-	-	-	-	25,651	25,651
Z1	Balance as of December 31, 2020	365,544	235,182	64,306	75,253	61,191	(82,230)	-	(699)	(64,037)	654,510	33,984	688,494
	Appropriation of earnings for 2020 (Note XX)												
B1	Recognition of legal reserve	-	-	3,887	-	(3,887)	-	-	-	-	-	-	-
B3	Recognition of special reserve	-	-	-	6,977	(6,977)	-	-	-	-	-	-	-
B5	Distribution of cash dividends	-	-	-	-	(17,839)	-	-	-	-	(17,839)	-	(17,839)
D1	Net loss for the year ended December 31, 2021	-	-	-	-	(94,106)	-	-	-	-	(94,106)	(2,654)	(96,760)
D3	Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(17,626)	(424)	-	-	(18,050)	(688)	(18,738)
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(94,106)	(17,626)	(424)	-	-	(112,156)	(3,342)	(115,498)
L1	Treasury shares buyback (Note XX)	-	-	-	-	-	-	-	-	(13,577)	(13,577)	-	(13,577)
L1	Treasury shares cancellation (Note XX)	(7,200)	(7,362)	-	-	(33,447)	-	-	-	48,009	-	-	-
N1	Cancellation of employee restricted stocks (Notes XX and XXV)	(492)	492	-	-	-	-	-	-	-	-	-	-
N1	Compensation cost of employee restricted stocks (Note XXV)	-	(14,012)	-	-	-	-	-	699	-	(13,313)	-	(13,313)
N1	Gain on exercise of vesting rights	-	17	-	-	-	-	-	-	-	17	-	17
O1	Changes in percentage of ownership interests in subsidiaries	-	1,521	-	-	-	-	-	-	-	1,521	(1,521)	-
O1	Changes in non-controlling interests (Note XX)	-	-	-	-	-	-	-	-	-	-	(9,120)	(9,120)
Z1	Balance as of December 31, 2021	<u>\$ 357,852</u>	<u>\$ 215,838</u>	<u>\$ 68,193</u>	<u>\$ 82,230</u>	<u>(\$ 95,065)</u>	<u>(\$ 99,856)</u>	<u>(\$ 424)</u>	<u>\$ -</u>	<u>(\$ 29,605)</u>	<u>\$ 499,163</u>	<u>\$ 20,001</u>	<u>\$ 519,164</u>

The accompanying notes are an integral part of the consolidated financial statements.
President: Chang-Miao-Ling

Chairman: Wu-Po-Chao

Accountant Supervisor: Lin-Zhe-Ji

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

Unit: Thousands of NT Dollars

Code		2021	2020
	Cash flows from operating activities		
A10000	Income (loss) before income tax for the period	(\$ 94,995)	\$ 58,085
A20010	Income and expense items		
A20100	Depreciation expense	218,953	233,906
A20200	Amortization	3,569	3,622
A20400	Net gain on financial assets at fair value through profit or loss	(2,006)	(9,158)
A20900	Interest expense	15,640	17,987
A21200	Interest income	(7,957)	(6,736)
A21900	Employee compensation cost	(13,313)	2,936
A22300	Share of loss of associates accounted for using equity method	(11,409)	(5,102)
A22500	Loss on disposal of property, plant and equipment	7,913	6,199
A23200	Gain on disposal of investments	(422)	-
A23700	Write-downs of inventories	547	931
A29900	Gains on lease modification	(5,368)	(2,270)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets are mandatorily measured at fair value through profit or loss	124,854	344,539
A31150	Accounts receivables	14,974	12,156
A31160	Accounts receivables - related parties	48	86
A31180	Other receivables	(12,581)	773
A31200	Inventory	(22,792)	15,409
A31240	Other current assets - others	12,463	22,958
A32125	Contract liabilities	(10,522)	(8,276)
A32150	Accounts payable	(29,396)	(24,256)
A32160	Accounts payable - related parties	(226)	226
A32180	Other payables	10,345	1,099
A32230	Other current liabilities	(7,409)	6,947
A33000	Cash generated from operations	190,910	672,061
A33100	Interest received	5,678	5,055
A33300	Interest paid	(15,640)	(17,987)
A33500	Income tax paid	(26,075)	(31,065)
AAAA	Net cash generated by operating activities	154,873	628,064

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Code		2021	2020
	Cash flows from investing activities		
B00010	Acquisition on financial assets at fair value through other comprehensive income	(\$ 8,041)	\$ -
B00040	Net decrease (increase) in financial assets at amortized cost	168,795	(235,025)
B01800	Acquisition of investments accounted for using the equity method	-	(102,583)
B01900	Proceeds from disposal of investments accounted for using equity method	7,522	-
B02200	Net cash outflow from subsidiaries (Note XXVI)	-	(32,145)
B02700	Acquisition of property, plant and equipment	(39,568)	(28,257)
B02800	Proceeds from disposal of property, plant and equipment	1,366	1,377
B03800	Decrease in refundable deposits	4,063	4,202
B04500	Acquisition of intangible assets	(2,283)	(3,094)
B06600	Decrease (increase) in other current assets - others	11,704	(4,602)
B07600	Dividend received	<u>16,003</u>	<u>-</u>
BBBB	Net cash flows generated by (used in) investing activities	<u>159,561</u>	<u>(400,127)</u>
	Cash flows from financing activities		
C00100	(Decrease) Increase in short-term loans	(112,388)	49,698
C01600	Proceeds from long-term loans	-	53,258
C03100	Decrease in guarantee deposits received	(26,320)	(11,065)
C04020	Principal repayment of lease liabilities	(186,184)	(182,372)
C04500	Distribution of cash dividends	(17,839)	(85,203)
C04900	Costs for treasury stock buyback	(13,577)	(6,758)
C05800	Net changes in non-controlling interests	(9,120)	22,873
C09900	Exercise of vesting rights	<u>17</u>	<u>-</u>
CCCC	Net cash used in financing activities	<u>(365,411)</u>	<u>(159,569)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(13,386)</u>	<u>(1,517)</u>
EEEE	Net (decrease) increase in cash and cash equivalents	(64,363)	66,851
E00100	Cash and cash equivalents at beginning of year	<u>400,358</u>	<u>333,507</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 335,995</u>	<u>\$ 400,358</u>

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

Chairman: Wu-Po-Chao President: Chang-Miao-Ling

Accountant Supervisor: Lin-Zhe-Ji

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Yummy Town (Cayman) Holdings Corporation (hereinafter referred to as the Company) was incorporated in the British Cayman Islands in December 2009 as an investment holding company. The Company and subsidiaries (hereinafter referred to as the Consolidated Entity) mainly engage in the catering business and the collection of franchise fees and royalties.

The Company's shares have been listed on the Taipei Exchange (TPEx) since December 24, 2014.

The Consolidated Entity's number of employees were 765 and 920 as of December 31, 2021 and 2020, respectively.

The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

II. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 24, 2022.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereafter referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (hereafter referred to as the "FSC"), which has no material impact on this consolidated financial statements.

(II) FSC-endorsed IFRSs that are applicable from 2022 onward

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to the business combinations with an acquisition date during the annual reporting period and starting after January 1, 2022.

Note 3: The amendments are applicable to property, plant, and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts that have not fulfilled all obligations on January 1, 2022.

The Consolidated Entity continues to assess that no material effect of amendments to other standards or interpretations on the financial status and performance up until the publishing date of the consolidated financial statements.

(III) Standards issued by IASB but not yet endorsed and issued into effect by FSC

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 "Insurance Contracts"	January 1,2023
Amendment to IFRS 17	January 1,2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1,2023
Amendments to IAS1 "Classification of Liabilities as Current or Non-current"	January 1,2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendment to IAS 8 "Definition of Accounting Estimation"	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless otherwise specified, the aforementioned New/Revised/Amended Standards and Interpretations shall be effective for the annual period after the specified dates.

Note 2: The amendments are applicable to the deferral during the annual reporting period starting after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and accounting policies that occur during the annual reporting period starting after January 1, 2023.

Note 4: The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred income tax on temporary differences in leases and decommissioning obligations on January 1, 2022.

The Consolidated Entity continues to assess the effects of amendments to other standards or interpretations on the financial status and performance up until the publishing date of the consolidated financial statements. Relevant effects will be disclosed when assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued into effect by FSC.

(II) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

The fair value measurement is classified into three levels based on the observability and importance of related input:

1. Level 1 inputs: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
3. Level 3 inputs: Unobservable inputs for the assets or liabilities.

(III) Standards for classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;

2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the publication of the financial statements are also deemed as current liabilities); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments, do not affect its classification.

The Company shall classify all other assets or liabilities that are not specified above as non-current.

(IV) Basis of consolidation

The consolidated financial statements include the financial reports of the Company and its wholly owned entities (subsidiaries). Profits and losses of subsidiaries acquired or disposed of are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The financial statements of subsidiaries have been adjusted to ensure consistency between their accounting policies and the Consolidated Entity's accounting policies. When compiling the consolidated financial statements, all transactions, account balances, income and expenses between the entities were eliminated. A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests have deficit balances in the process.

When a change in the Consolidated Entity's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be treated as an equity transaction. The carrying amounts of the Consolidated Entity and its non-controlling interests have been adjusted to reflect the relative changes in the interest of the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or collected

shall be directly recognized in equity attributable to the shareholders of the Company.

Please refer to Note XII and Table V and Table VI for detailed information on subsidiaries, including percentages of ownership and main businesses.

(V) Business Combinations

Business combinations are handled by the acquisition method. Costs associated with the acquisition are recognized as expenses in the current period when costs are incurred and labor services received.

Goodwill is measured by the total amount of the fair value of the consideration transferred, the amount of non-controlling interests of the acquired and the fair value of the interests of the acquired previously owned by the acquirer on the acquisition date, which exceeds the net amount of the identifiable assets and assumed liabilities on acquisition date. If after reassessment, the net amount of identifiable assets and assumed liabilities acquired on the acquisition date still exceeds the total amount of consideration transferred, non-controlling interest of the acquiree, and fair value of the acquiree equity previously held by the acquirer on the acquisition date, the difference is the gain on bargain purchase, which is immediately recognized in profit or loss.

Non-controlling interests that have present ownership interests in the acquiree and entitlement to the proportionate share of the entity's net assets in the event of liquidation are measured at fair value. Other non-controlling interests are measured at fair value.

When the consideration transferred by the consolidated company in the business combination includes the assets or liabilities arising from the contingent consideration agreement, the contingent consideration is measured at fair value on the acquisition date and is part of the transfer consideration paid in exchange for the acquiree. If the change in the fair value of the contingent consideration is an adjustment of the measurement period, it is a retrospective adjustment of the acquisition cost and a relative adjustment of the goodwill. The adjustment of the measurement period refers to the adjustment generated during the "measurement period" (no more than one year from the acquisition date) due to the acquisition of additional information of existing facts and circumstances on the acquisition date.

(VI) Foreign currency

When preparing the financial statements, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are converted into the functional currency at the rates of exchange prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries, associates or branch offices located in different countries or using currencies other than the Company's functional currency) are translated into New Taiwan Dollars at the rate of exchange prevailing on the balance sheet dates. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognized in other comprehensive income (attributable to owners of the Company and non-controlling interests as appropriate).

On the disposal of the entire interest in the foreign operation, or part of the interest in subsidiaries of the foreign operation with a loss of control, or when the retained interests upon the disposal of foreign operation's associates are financial assets and accounted for using the accounting policies for financial instruments, all of the accumulated exchange differences attributable to shareholders of the Company and associated with the foreign operation are reclassified to profit or loss.

If the partial disposal of a subsidiary of the foreign operation does not result in a loss of control, the accumulated exchange differences are reattributed in proportion to the non-controlling interests of the subsidiary and not recognized in profit or loss. For all other situations of partial disposal of a foreign operation, the

accumulated exchange difference is reclassified to profit or loss by disposal percentage.

(VII) Inventories

Inventories include raw materials and merchandise inventories. The value of inventory shall be determined based on the cost and net realizable value (NRV), whichever is lower. With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. The cost of inventory is calculated using the weighted average method. At the end of the period, appropriate loss allowances are provided based on the analysis of inventory aging and turnover.

(VIII) Investments in associates

An associate is an entity over which the Consolidated Entity has significant influence but is not a subsidiary nor a joint venture.

The Consolidated Entity accounts for investments in associates using the equity method.

Under the equity method, the investment is initially recognized at cost. After the acquisition date, the carrying amount of the investment is adjusted based on the Consolidated Entity's share of profit or loss and other comprehensive income and the profit distribution of the associates. In addition, changes in the interests of associates are recognized based on the shareholding percentage.

Any excess of acquisition cost over the Consolidated Entity's share of the net fair value of the identifiable assets and liabilities of the associates at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment but not allowed for amortization. If the Consolidated Entity's share of the net fair value of identifiable assets and liabilities exceeds acquisition cost, the excessive amount is recognized in profit or loss.

When the associate issues new shares, if the Consolidated Entity does not subscribe according to its shareholding percentage, its shareholder percentage changes, and the net equity value of the investment increases or decreases accordingly, the increase or decrease is

adjusted through the capital reserve - changes in the net equity value of associates accounted for using the equity method and investments accounted for using equity method. If the amount of ownership interests in associates decreases because the Consolidated Entity fails to subscribe or acquire shares according to its

shareholding percentage, the amount recognized in other comprehensive income associated with the associates is reclassified according to the percentage of decrease, and its basis of accounting treatment is the same as the one used for direct disposal of relevant assets and liabilities by the associates. If capital reserve shall be debited in the said adjustment and the amount of capital reserve generated by the investments accounted for using the equity method is insufficient, the difference is credited to retained earnings.

When the Consolidated Entity's share of loss equals or exceeds its share of interests in the associates (including the carrying amount of the investments in associates accounted for using the equity method and other long-term interests in the Consolidated Entity's net investment in associates in substance), the Consolidated Entity would cease recognizing losses any further. The Consolidated Entity only recognizes extra losses and liabilities to the extent that there is a legal obligation, constructive obligation, or payments on behalf of the associates.

When the Consolidated Entity performs impairment assessments, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with the carrying amount. The impairment loss recognized would not be allocated to assets that form part of the investment's carrying amount, including goodwill. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Consolidated Entity shall cease the use of the equity method when the investment is no longer an associate. Its retained interest in the associate is measured at fair value, and the difference between the fair value and proceeds from disposal, and the carrying amount of the investment on the date the entity stops using the equity method is recognized in profit or loss for the period. In addition, the Consolidated Entity shall account for all the amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. When investments in associates become investments in joint ventures, or vice versa, the Consolidated Entity would continue to adopt the equity method and not to remeasure the retained interests.

Profit or loss in upstream, downstream, and lateral transactions between the Consolidated Entity and the associates is recognized in the consolidated financial reports to the extent that it does not affect the Consolidated Entity's interests in the associates.

(IX) Property, plant and equipment

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

PP&E are depreciated using the straight-line method over their useful lives. Each major component is depreciated separately. The Consolidated Entity shall conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods. The effects of changes in accounting estimates shall be applied prospectively.

When derecognizing PP&E, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(X) Goodwill

The goodwill received through business combinations is recognized as the cost according to the amount of goodwill recognized on the acquisition date and then measured by the amount of cost minus accumulated impairment loss.

To test impairment, goodwill is allocated to various cash-generating units or groups of cash-generating units which the Consolidated Entity expects to benefit from the comprehensive effect of the business combinations.

Each year (and when there are signs of impairment), the impairment test of the cash-generating units of the allocated goodwill is conducted by comparing the carrying amount of the unit containing goodwill with its recoverable amount. If the goodwill allocated to the cash-generating units or groups of cash-generating units is obtained from the business combinations in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss is considered as the loss in the current year. The impairment loss of goodwill shall not be reversed in subsequent periods.

(XI) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment. Intangible assets are amortized using straight-line method over the useful life. The Consolidated Entity would conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods. The effects of changes in accounting estimates shall be applied prospectively. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

On derecognition of an intangible asset, the difference between the net proceeds of disposal and the carrying amount of the asset is recognized in profit or loss.

(XII) For impairment of property, plant, equipment, right-of-use assets and intangible assets (excluding goodwill), the Consolidated Entity has to assess if there are any signs of possible impairment in property, plant, equipment, right-of-use assets, and intangible assets (excluding goodwill) on daily basis. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Consolidated Entity must determine the recoverable amount for the asset's cash-generating unit. Corporate assets are allocated to each cash generating unit on a reasonable and consistent basis.

For intangible assets with indefinite useful life and ones that are not yet available for use, they are subject to impairment tests at least annually and at the time when there are indications of impairment.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount will be reduced to the recoverable amount and the impairment loss will be recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit shall be increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) of the asset or cash-generating unit that was not impaired in the previous years. The reversed impairment loss shall be recognized in profit or loss.

(XIII) Financial Instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Consolidated Entity becomes a party to the financial instrument contract.

Financial assets and financial liabilities not at fair value through profit or loss are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Consolidated Entity are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, and financial assets at fair value through other comprehensive income (FVTOCI).

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated by the Consolidated Entity to be at fair value through other comprehensive income and investments in debt instruments that are not qualified as to be measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising from remeasurement recognized in profit or loss. Please refer to Note XXVIII for the determination of fair value.

B. Financial assets at amortized cost

When the Consolidated Entity's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- a. Held under a certain business model of which the objective of holding the financial assets is to collect contractual cash flows; and
- b. The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost (including cash and cash equivalents and accounts receivable at amortized cost) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any exchange gains or losses are recognized in profit or loss.

Except for the following two circumstances, interest income is calculated using the effective interest rate times the gross carrying amount of the financial assets:

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- b. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest income shall be calculated by applying the effective interest rate to the amortized cost of the financial assets in the reporting period following the credit impairment.

Financial assets are deemed as credit-impaired when the issuer or debtor has experienced significant financial difficulties, defaults have occurred, the debtor is likely to claim bankruptcy or other financial reorganization, or the active market for financial assets has disappeared due to financial difficulties.

Cash equivalents include time deposits with a maximum maturity of 3 months, which are highly liquid, can be converted into a fixed amount of cash at any time and have relatively low risk in price changes. They are used for satisfying short-term cash commitments.

C. Investments in equity instruments at fair value through other comprehensive income

The Consolidated Entity may make an irrevocable election at initial recognition, and designated the investments in equity instruments that is not held for trading and that is not contingent consideration recognized by acquirer of business combination at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, with changes in fair value recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

Dividends of investments in equity instruments measured at fair value through other comprehensive income are recognized in profit and loss when the Consolidated Entity's right to receive payments is established unless the dividend clearly represents the recovery of part of the investment cost.

(2) Impairment of financial assets

The Consolidated Entity assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Loss allowance of accounts receivable is measured at an amount equal to lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in risks, loss allowance is recognized at an amount equal to a 12-month expected credit loss. If the risks have increased significantly, loss allowance shall be at an amount equal to lifetime expected credit loss.

The expected credit loss is the weighted average credit loss with the risk of default as the weight. The 12-month expected credit losses represent the expected credit losses from possible defaults of the financial instrument within 12 months after the reporting date. The lifetime expected credit losses represent the expected credit losses from all possible defaults of the financial instrument during the expected period of existence.

For the purpose of internal credit risk management, the Consolidated Entity, without considering the collateral on hand, determines that the following situations represent defaults of the financial assets:

- A. Internal or external information indicates that it is not possible for the debtor to settle the debt.
- B. Overdue for more than 90 days, unless there is reasonable and corroborable information showing that a postponed default benchmark is more appropriate.

The Consolidated Entity recognizes impairment losses of all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(3) Derecognition of financial assets

The Consolidated Entity derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the entity transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the consideration received is recognized in profit or loss. When derecognizing a debt instrument at fair value through other comprehensive income in its entirety, the difference between the carrying amount and the sum of consideration received and receivable and the cumulative gain or loss already recognized in other comprehensive income is recognized in profit or loss. When derecognizing an equity

instrument at fair value through other comprehensive income in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

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

The equity instrument issued by the Consolidated Entity shall be recognized at the proceeds received net of the direct cost of issuance.

The repurchase of equity instruments issued by the Company is recognized and deducted under equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost by the effective interest method.

(2) Derecognition of financial assets

When derecognizing financial liabilities, the difference between its carrying amount and the consideration paid (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(XIV) Provisions

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Provision is measured at the discounted cash flows estimated to settle the obligation.

(XV) Revenue recognition

After the Consolidated Entity identifies its performance obligations in contracts with customers, it shall allocate the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

1. Commodity and catering revenues

Commodity and catering revenues come from the sales of raw materials and drinks catering. When a customer has the right to use the product and bears

the risk of obsolescence, the Consolidated Entity transfers the control over products to the customer and recognizes the revenue and accounts receivable. The customer loyalty program gives customers reward points upon purchases for future purchases or redemption of the products. These reward points provide important rights. Contract liabilities are recognized when the transaction price allocated to the reward points is collected, and reclassified to revenue when the reward points are redeemed or expire.

2. Brand revenue

For a franchise transaction, as the major risk and rewards are transferred to the franchisee at the time when his/her business commences, a certain percentage of the royalty fee received is recognized as brand revenue when the franchisee opens his/her business. The remaining royalties will be recognized on a straight-line basis over the franchising period.

The commercial practice of the Consolidated Entity's franchising business is to continuously analyze consumers' product preferences and launch new products, conduct pricing analysis and marketing activities accordingly; and the franchisees must cooperate with the launch of new products. As the aforementioned commercial practice does not involve the transfer of goods or services to the franchisees, the continuing franchise fees calculated based on sales are recognized as brand revenue only when the franchisees make actual sales.

(XVI) Leases

The Consolidated Entity assesses whether a contract is (or contains) a lease on the establishment date of the contract.

1. The Consolidated Entity is a lessor

If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis over the relevant lease period. The initial direct costs arising from the acquisition of operating leases are added to the carrying amount of the underlying assets, and an expense is recognized for the lease on a straight-line basis over the lease term.

Rental changes in lease agreements that do not depend on indices or rates are recognized income in the period in which they are incurred.

2. The Consolidated Entity is a lessee

Right-of-use assets and lease liabilities are recognized for all leases at the inception date of such leases, except for leases qualified for recognition exemption, e.g. leases with low-value assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.

A right-of-use asset is initially measured at cost (including the initially measured number of lease liability, the amount of lease payments made to the lessors fewer lease incentives received prior to the inception of the lease, and initial direct costs and the estimated costs of restored underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment, adjusted for any remeasurements of the lease liability. Right-of-use assets are expressed separately in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If the assessments on lease terms, amounts expected to be paid under residual value guarantees and purchase option of the underlying assets; or changes in the index or rate which determines the lease payments result in changes in future lease payments, the Consolidated Entity would remeasure the lease liabilities with a corresponding adjustment on the right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are expressed separately in the consolidated balance sheets.

The Consolidated Entity and the lessor conducted rent negotiations directly related to the COVID-19, resulting in a decrease in rent through adjusting the rent due before June 30, 2021, and these negotiations did not significantly change other lease terms. The Consolidated Entity chooses to adopt a

practical expedient method to deal with rent negotiation meeting the aforementioned conditions and does not assess whether the negotiation is a lease modification, but recognizes the reduction in lease payment as profit and loss when the concession event or situation occurs, and reduces the lease liabilities relatively.

Changes in leases that do not depend on an index or a rate in lease agreements are recognized as expenses in the period in which they take place.

(XVII) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XVIII) Government subsidies

Government subsidies are only recognized when it can be reasonably assured that the Consolidated Entity shall comply with the conditions imposed by government subsidies and that such subsidies can be received.

If the government subsidy is used to compensate fees or losses that had occurred, or is given to the Consolidated Entity for the purpose of immediate financial support without related future costs, it can be recognized in profit or loss within the collectible period.

(XIX) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution retirement plan, the amount of pension contribution is recognized as expenses during the employee's service period.

The Company's subsidiaries in mainland China would contribute a certain percentage to the pension fund on a monthly basis in accordance with local regulations. The Company's subsidiaries in Taiwan adopt the defined contribution retirement plan, i.e. the amount of pension contribution is recognized as expenses during the employee's service period. As there are no

mandatory requirements in the local laws and regulations of the remaining overseas subsidiaries where post-employment benefits are concerned, the Consolidated Entity does not set up any post-employment benefit rules.

(XX) Share-based payment arrangement

1. Restricted shares are provided to employees and others who provide similar services

Restricted shares for employees are expensed on a straight-line basis over the vesting period based on the fair value of the equity instruments at the grant date and the best estimate of the number of shares expected to ultimately vest. At the same time, the other equity (unearned employee benefits) is adjusted. If vested at the grant date, the expense is recognized in full at the same date.

When restricted shares for employees are issued, the Company recognizes other equity (unearned employee benefits) on the grant date and adjusts capital reserve - restricted shares for employees at the same time. If restricted shares for employees are granted for consideration and employees shall return them upon resignation, relevant payables shall be recognized.

On each balance sheet date, the Company revises its estimated number of restricted shares expected to vest. If the original estimate is revised, the effect is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, and the capital reserve – restricted shares for employees is adjusted accordingly.

2. Cash-settled share-based payment arrangement

The cash-settled share-based payment is recognized as liabilities arising from the acquisition of goods or services, and is measured at the fair value of liabilities assumed at initial recognition. The fair value of liabilities is remeasured on each balance sheet date and settlement date before the settlement with changes in fair value recognized in profit or loss.

(XXI) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

The Group determines the current income (loss) in accordance with the laws and regulations established by each income tax jurisdiction and calculates the income tax payable (recoverable) based on it.

The additional income tax on the unappropriated earnings pursuant to the Income Tax Law of the Republic of China act by the Company's subsidiaries in Taiwan is recognized in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when there are likely to be taxable income against which the deductible temporary differences and loss credits can be utilized. Temporary differences are not recognized as deferred income tax assets and liabilities if they arise from the original recognition of other assets and liabilities (excluding business combinations) and the transaction does not affect taxable income or accounting profits at that time.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Consolidated Entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred income tax assets from deductible temporary differences associated with these types of investments and interests are recognized only to the extent that it is likely there will be sufficient taxable income to realize the benefits of temporary differences and it is within the scope expected to be reversed in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced to the extent that it is no longer likely to have sufficient taxable income to recover all or part of the assets. Assets that have not been recognized as deferred income tax assets are re-examined at each balance sheet date and the carrying amount is increased for assets that are likely to generate sufficient taxable income to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred income tax liabilities and assets reflects the tax consequences generated by the expected manner of recovery or repayment of the carrying amount of the assets and liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income taxes are recognized in other comprehensive income or directly in equity, respectively.

V. Significant Accounting Judgments, Estimates, and Key Sources of Uncertainty over Assumptions

When the Consolidated Entity adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The Consolidated Entity takes into account the recent developments of the COVID-19 in our country and the possible impact on the economic environment , including consideration of critical accounting estimates related to cash flow estimation, growth rate, discount rate, profitability, etc, and the management shall continue to review the estimates and basic assumptions.. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

Revenue recognition

The Consolidated Entity assesses whether performance obligations are fulfilled over time or at a certain point in time in accordance with the contracts with customers and the applicable relevant regulations.

In making such judgments, the management considers the income recognition conditions, especially whether the Consolidated Entity has transferred the control of the goods to the buyer.

VI. Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 2,476	\$ 2,594
Check and demand deposits	302,375	288,414
Cash equivalents		
Time deposits with original maturity dates within 3 months	<u>31,144</u>	<u>109,350</u>
	<u>\$ 335,995</u>	<u>\$ 400,358</u>

As of December 31, 2021 and 2020, time deposits with original maturity dates within 3 months of \$4,152 thousand and \$15,856 thousand were provided to banks as collateral for short-term loans, respectively, and recognized as other current assets – others. Please refer to Notes XVII and XXX for details.

As of December 31, 2021 and 2020, the time deposits with original maturity dates over 3 months were \$157,576 thousand and \$326,371 thousand, respectively. They were classified as financial assets at amortized costs. Of which, \$152,040 thousand and \$207,143 thousand were provided to banks as collateral for long/short-term loans, respectively. Please refer to Notes VIII, XVII, and XXX for details.

VII. Financial assets at fair value through profit or loss - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Beneficiary certificates	\$ 4,361	\$ 20,687
Wealth management products	<u>-</u>	<u>106,522</u>
	<u>\$ 4,361</u>	<u>\$ 127,209</u>

For the years ended December 31, 2021 and 2020, net gains on financial assets at fair value through profit or loss were \$2,006 thousand and \$9,158 thousand, respectively.

As of December 31, 2021 and 2020, \$0 thousand and \$39,988 thousand of wealth management products were provided to banks as collateral for short-term loans. Please refer to Notes XVII and XXX for details.

VIII. Financial assets at amortized cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Time deposit with original maturity date over 3 months	\$ 157,576	\$ 208,192
Less: Loss allowance	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 157,576</u>	<u>\$ 208,192</u>
<u>Non-current</u>		
Time deposit with original maturity date over 3 months	\$ -	\$ 118,179
Less: Loss allowance	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ -</u>	<u>\$ 118,179</u>

- (I) As of December 31, 2021 and 2020, the interest rate ranges of time deposits with original maturity dates over 3 months were 0.12% to 2.8% and 0.26% to 4.18%, respectively.
- (II) The Consolidated Entity's current credit risk rating mechanism and the gross carrying amount of investments in debt instruments at different credit ratings are as follows:

Credit Rating	Definition	Basis of Recognition of Expected Credit Loss	Gross Carrying Amount on December 31, 2021	Gross Carrying Amount on December 31, 2020
Normal	The debtor has low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	<u>\$ 157,576</u>	<u>\$ 326,371</u>

IX. Accounts receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Accounts receivables</u>		
Measured at amortized cost Gross carrying amount	\$ 20,905	\$ 35,879
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 20,905</u>	<u>\$ 35,879</u>
Accounts receivables - related parties (Note XXIX)		
Measured at amortized cost Gross carrying amount	\$ 9	\$ 57
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 9</u>	<u>\$ 57</u>

The Consolidated Entity's average collection term for sales of goods is 30 days. Accounts receivable do not bear interest. The policy adopted by the Consolidated Entity is to obtain sufficient guarantee deposits to mitigate the risk of financial losses due to arrears. In addition, the Consolidated Entity uses the publicly available financial information and historical transaction records to rate major customers, continuously monitors exposures to credit risk and the credit ratings of counterparties, and disperses the total transaction amount to different customers with qualified credit ratings. Also, it manages credit risk with annual reviews and evaluations of counterparties' credit limits.

To lower credit risk, management of the Consolidated Entity appoints a dedicated team to handle decisions on credit limits, credit approvals, and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Consolidated Entity would review the recoverable amount of each receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Company's management concluded that the credit risk of the Consolidated Entity is significantly reduced.

The Consolidated Entity adopts the simplified approach stipulated in IFRS 9 and recognizes loss allowance for accounts receivables based on lifetime expected credit loss. The lifetime expected credit loss is calculated using the aging loss rate, which takes into account the customer's past history of default and current financial conditions, as well as the guarantee deposits received. Since the Consolidated Entity's historical experience on credit loss indicates no significant difference in the loss patterns between various customer segments, the loss rate is not set at the customer segment level. Instead, it is determined based on the overdue days of accounts receivables.

The Consolidated Entity writes off accounts receivable when there is evidence indicating that the counterparty is experiencing severe financial difficulty and there is no realistic prospect in collecting these receivables. However, the Consolidated Entity would continue to engage in enforcement activity in an attempt to recover the receivables written off and the amount recovered would be recognized in profit or loss.

Loss allowance on accounts receivables measured by the provisional matrix is as follows:

December 31, 2021

	Not past due	1 to 90 Days Past Due	91 to 180 Days Past Due	Overdue over 180 Days	Overdue over 365 Days	Total
Expected credit loss rate						
Gross carrying amount	\$ 19,667	\$ 1,104	\$ 29	\$ 103	\$ 2	\$ 20,905
Loss allowance (lifetime expected credit loss)	-	-	-	-	-	-
Amortized cost	<u>\$ 19,667</u>	<u>\$ 1,104</u>	<u>\$ 29</u>	<u>\$ 103</u>	<u>\$ 2</u>	<u>\$ 20,905</u>

December 31, 2020

	Not past due	1 to 90 Days Past Due	91 to 180 Days Past Due	Overdue over 180 Days	Overdue over 365 Days	Total
Expected credit loss rate						
Gross carrying amount	\$ 31,677	\$ 3,167	\$ 679	\$ 332	\$ 24	\$ 35,879
Loss allowance (lifetime expected credit loss)	-	-	-	-	-	-
Amortized cost	<u>\$ 31,677</u>	<u>\$ 3,167</u>	<u>\$ 679</u>	<u>\$ 332</u>	<u>\$ 24</u>	<u>\$ 35,879</u>

The aging analysis above is based on the number of past due days.

The above-mentioned overdue accounts receivables have been assessed by the Consolidated Entity as having received sufficient guarantee deposits and being collectible. Thus, no loss of expected credit is recognized.

The loss allowance for doubtful receivables for the years ended December 31, 2021 and 2020 remained unchanged.

X. Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 73,124	\$ 59,227
Merchandise inventories	<u>34,301</u>	<u>25,953</u>
	<u>\$ 107,425</u>	<u>\$ 85,180</u>

The cost of goods sold associated with inventories were \$659,161 thousand and \$705,947 thousand for the years ended December 31, 2021 and 2020, respectively.

The cost of goods sold, including write-downs of inventories and impairment loss were \$547 thousand and \$931 thousand for the years ended December 31, 2021 and 2020, respectively.

XI. Financial assets at fair value through other comprehensive income - non-current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-TWSE/TPEX listed companies'</u>		
<u>Stocks</u>		
Meng Qiqi Technology (Shanghai) Co., Ltd.	<u>\$ 8,047</u>	<u>\$ -</u>

The Consolidated Entity invests in common stocks of the above mentioned companies under the medium and long-term strategy and expects to make profits through long-term investment. The management of the Consolidated Entity considers that the short-term fair value of the investments will be included in the profit or loss and is not consistent with the long-term investment planning as the above-mentioned, and, therefore, the designation of such investments is not in line with the fair value of the investment in other comprehensive income.

XII. Subsidiary

Subsidiaries included in the consolidated financial statements

Entities included in the consolidated financial statements are as follows:

Name of Investor	Name of subsidiaries	Nature of Business	Percentage of Ownership		Remark
			December 31, 2021	December 31, 2020	
Yummy Town (Cayman) Holdings Corporation	Yen Mei Enterprise Limited	Trading of beverages, collection of franchise fees and royalties	100.00	100.00	
Yummy Town (Cayman) Holdings Corporation	RBT Enterprise Limited	Trademark rights management	100.00	100.00	
Yummy Town (Cayman) Holdings Corporation	RBT Holdings Limited	Investment holding and trading of raw materials for catering	100.00	100.00	
Yen Mei Enterprise Limited	Yen Chun International Co., Ltd.	Operation of food and beverage outlets	100.00	100.00	
RBT Holdings Limited	RBT Resources Limited	Trading of raw materials for catering	100.00	100.00	
RBT Holdings Limited	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Catering shop, trading of beverages, collection of franchise fees and royalties	100.00	100.00	
RBT Holdings Limited	Happy Lemon HK Limited	Trading of beverages, collection of franchise fees and royalties	100.00	100.00	
RBT Holdings Limited	Yummytown UK Ltd	Investment holding	100.00	100.00	
RBT Holdings Limited	Happy Lemon (M) Sdn	Trading of beverages, collection	51.00	51.00	Note 3

Yummytown UK Ltd	Bhd Yummytown USA LLC	of franchise fees and royalties Trading of beverages, collection of franchise fees and royalties	100.00	100.00	
Yummytown USA LLC	Happy Lemon West Inc.	Trading of beverages	70.00	70.00	Note 5
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Shanghai Tai Quan Trading Co., Ltd.	Trading of raw materials for catering	100.00	100.00	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Catering shop, collection of franchise fees and royalties	100.00	100.00	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	100.00	100.00	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	Operation of food and beverage outlets	55.50	55.50	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	Operation of food and beverage outlets	100.00	100.00	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	Trading of beverages, collection of franchise fees and royalties	100.00	60.00	Note 1
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	100.00	100.00	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Meng Qiqi Food & Beverage Management (Shanghai) Co., Ltd.	Operation of food and beverage outlets	-	41.00	Note 2
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Fengfu Food & Beverage Management (Shanghai) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	100.00	-	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Zhuoyue Catering Management (Xiamen)Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	100.00	-	Note 6
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Yibang Health Technology (Shanghai) Co., Ltd.	Food marketing	100.00	-	
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	100.00	100.00	
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	Cacha Prince Intelligent Technology (Shanghai) Co., Ltd.	Catering equipment sales	51.00	-	Note 8

Note 1: This company was established on January 2, 2020, and the percentage of shares held by the Consolidated Entity was 60%. In September 2021, the Consolidated Entity acquired a 40% equity from a non-related party at RMB 1, and the percentage of shares increased from 60% to 100% with paid-in capital amounted to RMB 2,950,000.

Note 2: This company was established on June 19, 2020 with paid-in capital amounted to RMB 5,000,000, and the percentage of shares held by the Consolidated Entity was 41%. As the Consolidated Entity obtained more than half of the board seats, it has the control ability; this company was dissolved and liquidated by the resolution of the board of directors on July 20, 2021, and the liquidation procedure was completed in September 2021.

- Note 3: The company was established on April 30, 2020, with a paid-in capital of MYR\$2,500,000, and the Consolidated Entity's shareholding percentage is 51%.
- Note 4: The company was established on February 3, 2021, with a paid-in capital of RMB1,300,000, and the Consolidated Entity's shareholding percentage is 100%.
- Note 5: The company was established on February 12, 2020. Referring to the equity evaluation report, the Consolidated Entity obtained 70% of the equity from T Rock Inc., a non-related party, for US\$1,134,000 in August 2020, with the acquisition date of August 12, 2020. Please refer to Note XXVI.
- Note 6: This company was established on June 22, 2021, and it was not yet funded as of December 31, 2021.
- Note 7: The company was established on April 28, 2021, with a paid-in capital of RMB210,000, and the Consolidated Entity's shareholding percentage is 100%.
- Note 8: The company was established on August 17, 2021, with a paid-in capital of RMB1,000,000, and the Consolidated Entity's shareholding percentage is 51%.
- Note 9: The financial statements of subsidiaries included in the consolidated financial statements for the years ended December 31, 2021 and 2020 were all based on audited financial statements.

XIII. Investments accounted for using the equity method

Investments in associates

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Significant associates</u>		
Yong Chun Cheng Co., Ltd.	\$ 93,240	\$ 93,024
<u>Associates not individually material</u>		
Freshtea Japan CO., LTD.	14,002	21,006
Happy Lemon California, Inc.	-	7,678
	<u>14,002</u>	<u>28,684</u>
	<u>\$ 107,242</u>	<u>\$ 121,708</u>

All the aforementioned associates are accounted for using the equity method by the consolidated entity.

(I) Significant associates

<u>Name of Company</u>	<u>Nature of Business</u>	<u>Area of operations</u>	<u>Shareholding Percentage</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
Yong Chun Cheng Co., Ltd.	Operation of food and beverage outlets	Taichung	20%	20%

The summary financial information of Yong Chun Cheng Co., Ltd. is prepared on the basis of the financial reports of associates; goodwill as of December 31, 2020 is a provisional amount, while the financial information as of December 31, 2021 had reflected adjustments made when the fair value of identifiable assets was applied using the equity method.

<u>Yong Chun Cheng Co., Ltd.</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 188,780	\$ 191,496
NON-CURRENT ASSETS	249,298	7,812
Current liabilities	(49,258)	(73,406)
Equity	<u>\$ 388,820</u>	<u>\$ 125,902</u>
Percentage of shares held by the Group	20%	20%
Interests of the Group	\$ 77,764	\$ 25,181
Goodwill	<u>15,476</u>	<u>67,843</u>
Investment carrying amount	<u>\$ 93,240</u>	<u>\$ 93,024</u>

	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 471,783</u>	<u>\$ 418,438</u>
Net profit for this period	\$ 114,427	\$ 104,965
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 114,427</u>	<u>\$ 104,965</u>
Equity enjoyed by the Consolidated Entity	<u>\$ 16,219</u>	<u>\$ 13,024</u>

In order to achieve the benefits of future business expansion and operation scale expansion, the Consolidated Entity passed a resolution of the board of directors on May 20, 2020, to acquire 20% of the equity of Yong Chun Cheng CO., LTD for a total price of \$80,000 thousand, which has significant influence; on the same day, the Consolidated Entity signed an equity trading agreement with non-related parties. The price was based on the fair market price assessed by external experts on the basis of March 31, 2020, in accordance with the market law, and the payment was made on June 1, 2020.

(II) Summary of information of associates not individually material

<u>Name of Company</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Freshtea Japan CO., LTD. (Note 1)	40%	40%
Happy Lemon California, Inc. (Note 2)	-	49%

Please refer to Table VI for information on the nature of business, area of operations, and country of company registry of the above associates.

	<u>2021</u>	<u>2020</u>
Share owned by the Consolidated Entity		
Net loss for the period	(\$ 4,389)	(\$ 7,922)
Other comprehensive income (loss)	(2,465)	(837)
Total comprehensive income	(\$ <u>6,854</u>)	(\$ <u>8,759</u>)

Note 1: The Consolidated Entity, RBT Holdings Limited, Ltd., increased its investment in Freshtea Japan CO., LTD. in April 2020 by JPY80,000 thousand (NT\$22,583 thousand). In May 2020, the company reduced its capital to make up for its losses, with a share capital of JPY200,000 thousand (NT\$56,020 thousand) to offset the deficits as of December 31, 2019, the shareholding percentage of the consolidated entity remains 40%, and the amount of capital reduction in accordance with the shareholding percentage to make up for the losses is NT\$22,408 thousand.

Note 2: In June 2021, RBT Holdings Limited of the Consolidated Entity disposed of all shares of Happy Lemon California, Inc. to non-related parties with the sale price amounted to USD 270 thousand (NTD 7,522 thousand), and \$422 thousand of the gain on disposal of investments was recognized.

(III) The investments in associates accounted for using equity method and the Consolidated Entity's share of profit or loss and other comprehensive income of those investments as of December 31, 2021 and 2020, except for the significant associates - Yong Chun Cheng Co., Ltd.'s financial statements for 2021 and 2020 recognized as financial statements audited by CPAs, were calculated based on unaudited financial statements. As those amounts were not material, they shall not have a significant influence on the consolidated financial statements.

XIV. Property, plant and equipment

	Freehold Land	Buildings	Machinery & equipment	Leasehold improvements	Other equipment	Total
<u>Cost</u>						
Balance as of January 1, 2020	\$ 40,779	\$ 39,552	\$ 84,781	\$ 154,501	\$ 22,878	\$ 342,491
Additions	-	-	6,879	20,298	2,169	29,346
Disposals	-	-	(10,240)	(25,605)	(3,410)	(39,255)
Acquired by business combinations	-	-	4,060	9,460	1,060	14,580
Net exchange differences	(1,864)	(1,809)	1,030	840	88	(1,715)
Balance as of December 31, 2020	<u>\$ 38,915</u>	<u>\$ 37,743</u>	<u>\$ 86,510</u>	<u>\$ 159,494</u>	<u>\$ 22,785</u>	<u>\$ 345,447</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2020	\$ -	\$ 5,273	\$ 54,453	\$ 107,020	\$ 14,253	\$ 180,999
Depreciation expense	-	783	10,811	25,605	4,236	41,435
Disposals	-	-	(9,407)	(20,900)	(1,372)	(31,679)
Acquired by business combinations	-	-	3,325	2,228	869	6,422
Net exchange differences	-	(269)	751	1,081	89	1,652
Balance as of December 31, 2020	<u>\$ -</u>	<u>\$ 5,787</u>	<u>\$ 59,933</u>	<u>\$ 115,034</u>	<u>\$ 18,075</u>	<u>\$ 198,829</u>
Net balance as of December 31, 2020	<u>\$ 38,915</u>	<u>\$ 31,956</u>	<u>\$ 26,577</u>	<u>\$ 44,460</u>	<u>\$ 4,710</u>	<u>\$ 146,618</u>
<u>Cost</u>						
Balance as of January 1, 2021	\$ 38,915	\$ 37,743	\$ 86,510	\$ 159,494	\$ 22,785	\$ 345,447
Additions	-	-	6,324	22,337	12,276	40,937
Disposals	-	-	(16,028)	(50,851)	(5,346)	(72,225)
Net exchange differences	(1,314)	(1,274)	(841)	(2,065)	(360)	(5,854)
Balance as of December 31, 2021	<u>\$ 37,601</u>	<u>\$ 36,469</u>	<u>\$ 75,965</u>	<u>\$ 128,915</u>	<u>\$ 29,355</u>	<u>\$ 308,305</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2021	\$ -	\$ 5,787	\$ 59,933	\$ 115,034	\$ 18,075	\$ 198,829
Depreciation expense	-	740	10,263	24,717	3,965	39,685
Disposals	-	-	(13,758)	(44,343)	(4,845)	(62,946)
Net exchange differences	-	(206)	(554)	(1,305)	(218)	(2,283)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 6,321</u>	<u>\$ 55,884</u>	<u>\$ 94,103</u>	<u>\$ 16,977</u>	<u>\$ 173,285</u>
Net amount as of December 31, 2021	<u>\$ 37,601</u>	<u>\$ 30,148</u>	<u>\$ 20,081</u>	<u>\$ 34,812</u>	<u>\$ 12,378</u>	<u>\$ 135,020</u>

The property, plant, and equipment of the consolidated entity are depreciated on a straight-line basis over their useful lives listed below:

Buildings

Main building 50 years

Machinery & equipment 3 to 5 years

Leasehold improvements 1.5 to 3 years

Other equipment 3 to 5 years

The net amount of the Consolidated Entity's partial property, plant and equipment has been pledged to banks as collateral for short-term borrowings. Please refer to Notes XVII and XXX.

XV. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of right-of-use assets		
Buildings	\$ 248,138	\$ 292,754
Other equipment	<u>460</u>	<u>-</u>
	<u>\$ 248,598</u>	<u>\$ 292,754</u>
	<u>2021</u>	<u>2020</u>
Addition of right-of-use assets	<u>\$ 172,698</u>	<u>\$ 179,942</u>
Disposal of right-of-use assets	<u>(\$ 33,641)</u>	<u>(\$ 53,512)</u>
Net exchange difference on right-of-use assets	<u>(\$ 3,945)</u>	<u>\$ 401</u>
Depreciation expenses of right-of-use assets		
Buildings	\$ 178,656	\$ 191,815
Other equipment	<u>612</u>	<u>656</u>
	<u>\$ 179,268</u>	<u>\$ 192,471</u>

(II) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of lease liabilities		
Current	<u>\$ 117,021</u>	<u>\$ 165,022</u>
Non-current	<u>\$ 138,538</u>	<u>\$ 147,313</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	4%	4%
Other equipment	4%	4%

(III) Other lease information

	<u>2021</u>	<u>2020</u>
Expenses of short-term leases	<u>\$ 7,459</u>	<u>\$ 12,918</u>
the expense of leases of low-value assets	<u>\$ 31</u>	<u>\$ 31</u>
Variable lease payments not included in lease liability measurement	<u>\$ 25,045</u>	<u>\$ 29,986</u>
Total cash (outflow) from lease	<u>(\$ 218,719)</u>	<u>(\$ 225,307)</u>

The Consolidated Entity elects to apply the recognition exemptions to some buildings and other equipment that qualify as a short-term lease or lease with low-value assets, respectively. Consequently, it does not recognize any right-of-use assets or lease liabilities for the said leases.

XVI. Intangible assets

(I) Goodwill

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 26,030	\$ -
Acquisition through business combinations	-	26,953
Net exchange differences	(<u>730</u>)	(<u>923</u>)
Ending Balance	<u>\$ 25,300</u>	<u>\$ 26,030</u>

The goodwill arising from the acquisition of 70% equity of Happy Lemon West Inc. by the Consolidated Entity on August 12, 2020, was \$26,953 thousand. Please refer to Note XXVI.

(II) Other intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2020	\$ 8,987	\$ 27,302	\$ 36,289
Additions	768	2,326	3,094
	(2,416)		(2,416)
Disposals		-	
	(<u>276</u>)		
Net exchange differences		<u>508</u>	<u>232</u>
Balance as of December 31, 2020	<u>\$ 7,063</u>	<u>\$ 30,136</u>	<u>\$ 37,199</u>
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2020	\$ 6,303	\$ 22,500	\$ 28,803
Amortization	671	2,951	3,622
	(2,416)		(2,416)
Disposals		-	
	(<u>150</u>)		
Net exchange differences		<u>441</u>	<u>291</u>
Balance as of December 31, 2020	<u>\$ 4,408</u>	<u>\$ 25,892</u>	<u>\$ 30,300</u>
Net balance as of December 31, 2020	<u>\$ 2,655</u>	<u>\$ 4,244</u>	<u>\$ 6,899</u>
<u>Cost</u>			
Balance as of January 1, 2021	\$ 7,063	\$ 30,136	\$ 37,199
Additions	112	2,171	2,283
Disposals	(104)	-	(104)

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
	(<u>239</u>)		
Net exchange differences		(<u>226</u>)	(<u>465</u>)
Balance as of December 31, 2021	<u>\$ 6,832</u>	<u>\$ 32,081</u>	<u>\$ 38,913</u>
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2021	\$ 4,408	\$ 25,892	\$ 30,300
Amortization	519	3,050	3,569
	(104)		(104)
Disposals		-	
	(<u>155</u>)	(<u>193</u>)	
Net exchange differences			(<u>348</u>)
Balance as of December 31, 2021	<u>\$ 4,668</u>	<u>\$ 28,749</u>	<u>\$ 33,417</u>
Net amount as of December 31, 2021	<u>\$ 2,164</u>	<u>\$ 3,332</u>	<u>\$ 5,496</u>

The intangible assets of the Consolidated Entity are amortized on a straight-line basis over the following useful lives:

Trademarks	8 to 15 years
Computer software	1 to 5 years

XVII. Borrowings

(I) Short-term loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured loans</u>		
Bank loans	<u>\$ 170,059</u>	<u>\$ 282,447</u>
Interest rate	<u>0.75%~1.271%</u>	<u>0.83%~1.655%</u>

The above-mentioned secured borrowings are mainly borrowings denominated in US dollars, and new Taiwan dollars, with bank deposits, wealth management products, freehold land, and buildings as collateral, as well as jointly guaranteed by the Company's Chairman. Please refer to Notes VI, VII, VIII, XVI, XXIX and XXX for details.

(II) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured loans</u>		
Bank loans	\$ 51,762	\$ 53,258
Less: Current portion matured in 1 year	(<u>51,762</u>)	-
	<u>\$ -</u>	<u>\$ 53,258</u>

The Consolidated Entity's borrowings include:

<u>Bank loans</u>	<u>Redemption method</u>	<u>Contract period</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured loans</u>				
The Bank of East Asia	Monthly interest payment and principal repayment in full upon maturity	2020.5.26~2022.5.20	\$ 44,012	\$ 45,283
"	Monthly interest payment and principal repayment in full upon maturity	2020.5.28~2022.5.20	<u>7,750</u>	<u>7,975</u>
			<u>\$ 51,762</u>	<u>\$ 53,258</u>

The interest rate for long-term borrowings was 1.50% and 1.55% on December 31, 2021 and 2020. The above-mentioned secured borrowings are mainly borrowings denominated in US dollars, with bank deposits as collateral, as well as jointly guaranteed by the Company's Chairman. Please refer to Notes VI, XXIX, and XXX for details.

XVIII. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payroll and bonus payable	\$ 61,797	\$ 56,796
Untaken leave payable	11,353	10,242
Business tax payable	2,131	2,915
Social security and provident fund payable	5,776	4,400
Professional service fee payable	3,897	3,838
Payables on equipment	5,945	4,576
Others	<u>32,594</u>	<u>29,012</u>
	<u>\$ 123,493</u>	<u>\$ 111,779</u>

XIX. Provisions - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Employee benefits (under other payables)	<u>\$ 11,353</u>	<u>\$ 10,242</u>

Provision for employee benefits includes the estimate of employees' vested leaves.

XX. Equity

(I) Share capital

Common stocks

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized shares (in thousands)	<u>100,000</u>	<u>100,000</u>
Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>35,785</u>	<u>36,554</u>
Issued share capital	<u>\$ 357,852</u>	<u>\$ 365,544</u>

The par value of common stocks issued is \$10 per share. Each stock is entitled to one vote and the right to receive dividends.

Due to the resignation of some employees, the new shares issued by the Company that restricted the rights of employees were withdrawn by the board of directors in 2021 and 2020, respectively, with 49 thousand shares and 58 thousand shares, totaling \$492 thousand and \$582 thousand.

On November 12, 2021, the board of directors resolved to cancel 720 thousand treasury stocks, and set the capital reduction base date on November 15, 2021.

On June 23, 2020, the Company passed the resolution of the shareholders' meeting to convert the surplus into a capital increase of \$17,041 thousand, totaling 1,704 thousand shares, and the base date of the capital increase was July 20, 2020.

On April 26, 2021, the Company's board of directors passed the resolution in order to further increase the net worth of shareholders' equity in response to long-term operational development, expansion of operating scale and market territory, and planned to issue common stocks through private placement for cash capital increase within the limit of 5,000 thousand common stocks. On March 24, 2022, the Company's board of directors decided not to proceed with the private placement of common stocks approved by the 2021 annual shareholders' meeting.

(II) Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
It may be used to offset the deficits, distributed as cash dividends, or transferred to share capital (1)		
Stock issuance premium	\$ 62,552	\$ 63,811
Premium on conversion of corporate bonds	151,748	154,801
Treasury stock transaction	-	3,050
<u>It may be used to offset the deficits (2)</u>		
Recognized value of changes in equity of ownership of subsidiaries	1,521	-
Gain on exercise of vesting rights	17	-
Not for any purpose (3)		
Employee restricted stocks	-	13,520
	<u>\$ 215,838</u>	<u>\$ 235,182</u>

1. Capital reserve related to the income derived from the issuance of shares at a premium may be used to offset the deficits. When the Company has no deficit, it may be distributed as cash dividends or transferred to share capital. The transfer is limited to a certain percentage of the Company's paid-in capital of the year.
2. This type of capital surplus refers to the affected amount of equity transaction recognized due to changes in the subsidiary's equity when the Company has not actually acquired or disposed of equity in a subsidiary.
3. The restricted shares for employees were from the Company's issuance of restricted shares for employees, and they shall not be used for any purpose.

(III) Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the Company shall use earnings for the year, if any, to offset accumulated losses from prior years, capital surplus pursuant to the Articles of Incorporation, allocate 10% as legal surplus in accordance with regulations applicable to public companies (except where the accumulated surplus equals the total paid-in capital) and surplus required by competent authorities in the Republic of China before the remaining balance can be used for earnings distribution. Dividends paid shall not be lower than 5%. The Company's board of directors can, by a resolution approved by more than two-thirds of the directors' present and half of the directors' present, distribute cash dividends from the accumulated unappropriated earnings or the legal reserve. For details on the

Company's policies of compensation to employees and remuneration to Directors in the Articles of Incorporation, please refer to Note XXII(VII).

The deficit recovery plan for the year ended December 31, 2021 proposed by the board of directors of the Company on March 24, 2022 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 15, 2022.

The Company's proposal for earnings appropriation for 2020 and 2019 is as follows :

	Earnings Appropriation		Dividend per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 3,887	\$ 12,937	\$ -	\$ -
Special reserve	6,977	24,892	-	-
Cash dividends	17,839	85,203	0.50	2.50
Stock dividend	-	17,041	-	0.50

The above cash dividends have been distributed by the resolution of the board of directors on March 19, 2021 and March 26, 2020, respectively, and the remaining earnings appropriation items for 2020 and 2019 were resolved at the shareholders' general meeting on July 8, 2021 and June 23, 2020, respectively.

(IV) Special reserve

	December 31, 2021	December 31, 2020
Beginning balance	\$ 75,253	\$ 50,361
Recognition of special reserve		
Deduction in other equity	6,977	24,892
Ending Balance	<u>\$ 82,230</u>	<u>\$ 75,253</u>

(V) Other equity

1. Exchange differences in translation of foreign operations

Exchange difference from the translation of foreign operations' net assets denominated in its functional currency into the consolidated entity's presentation currency (NTD) is directly recognized under other comprehensive income as exchange differences on translation of foreign operations. The cumulative exchange differences in translation of foreign operations are reclassified to profit or loss upon the disposal of foreign operations.

2. Unearned employee benefits

	2021	2020
Beginning balance	(\$ 699)	(\$ 3,635)
Share-based payment	699	2,936
Ending Balance	<u>\$ -</u>	<u>(\$ 699)</u>

(VI) Treasury stock

Unit: In Thousand Share

Reason for Recovery - To be Transferred to Employees	2021	2020
Beginning balance	831	720
Increase	333	111
Decrease	(720)	-
Ending balance	<u>444</u>	<u>831</u>

In order to motivate employees and enhance their loyalty, the Company resolved in the Board of Directors' meeting on August 24, 2021 and March 26, 2020, to repurchase 500 thousand shares and 1,000 thousand shares, respectively, shares of the Company's common stocks at the price range of \$31 to \$89 and \$42 to \$82, respectively, per share (the buyback continues even when the market price is below the lower limit of the price range) between August 25, 2021 and October 22, 2021 and between March 27, 2020, to May 26, 2020, and 333 thousand shares and 111 thousand shares have been repurchased as of December 31, 2021 and 2020. The Company considers the market mechanism and buy-back in batches depending on changes in stock prices, trading volume and the effective use of funds, and therefore it has not been fully implemented.

On November 12, 2021, the board of directors resolved to cancel 720 thousand treasury shares with the cost of treasury shares amounted to \$48,009 thousand, the capital reserve amounted to \$7,362 thousand and the retained surplus amounted to \$33,447 thousand, and set the capital reduction base date on November 15, 2021.

Treasury stocks held by the Company may not be pledged nor assigned rights to dividend appropriation and voting in accordance with the Securities and Exchange Act.

(VII) Non-controlling interests

	2021	2020
Beginning balance	\$ 33,984	\$ 14,136
Increase	1,798	-
Decrease	(14,548)	-
Net loss for the period	(2,654)	(5,833)
Other comprehensive income (loss) for the year		
Exchange differences in translation of foreign operations	(688)	30
Increase in non-controlling Interests from Acquisition of Subsidiaries (Notes XII and XXVI)	<u>2,109</u>	<u>25,651</u>
Ending Balance	<u>\$ 20,001</u>	<u>\$ 33,984</u>

XXI. Operating Revenue

	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Sales revenue	\$ 727,161	\$ 820,947
Catering revenue	527,273	521,430
Brand revenue	135,127	162,364
Other operating revenues	<u>69,227</u>	<u>75,496</u>
	<u>\$ 1,458,788</u>	<u>\$ 1,580,237</u>

(I) Contract balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities - non-current		
Brand revenue	\$ 14,144	\$ 24,729
Customer loyalty program under catering revenue	<u>1,714</u>	<u>1,651</u>
	<u>\$ 15,858</u>	<u>\$ 26,380</u>

(II) Disaggregation of revenue from contracts with customers

2021

	<u>Reportable Segment</u>		
	<u>Catering</u>	<u>Trade</u>	<u>Total</u>
Product type			
Sales Revenue of			
Commodities	\$ -	\$ 727,161	\$ 727,161
Catering revenue	527,273	-	527,273
Brand revenue	135,127	-	135,127
Other operating revenues	<u>64,778</u>	<u>4,449</u>	<u>69,227</u>
	<u>\$ 727,178</u>	<u>\$ 731,610</u>	<u>\$ 1,458,788</u>

2020

	<u>Reportable Segment</u>		
	<u>Catering</u>	<u>Trade</u>	<u>Total</u>
Product type			
Sales Revenue of			
Commodities	\$ -	\$ 820,947	\$ 820,947
Catering revenue	521,430	-	521,430
Brand revenue	162,364	-	162,364
Other operating revenues	<u>70,821</u>	<u>4,675</u>	<u>75,496</u>
	<u>\$ 754,615</u>	<u>\$ 825,622</u>	<u>\$ 1,580,237</u>

XXII. Net (Loss) Income of Continuing Operations

(I) Interest income

	<u>2021</u>	<u>2020</u>
Bank deposit	<u>\$ 7,957</u>	<u>\$ 6,736</u>

(II) Other income

	2021	2020
Government subsidy income (Note XXXI)	\$ 9,562	\$ 21,252
Others	<u>6,177</u>	<u>2,411</u>
	<u>\$ 15,739</u>	<u>\$ 23,663</u>

(III) Other gains and losses

	2021	2020
Loss on disposal of property, plant and equipment	(\$ 7,913)	(\$ 6,199)
Gain on disposal of investments (Note XIII)	422	-
Gains on lease modification	5,368	2,270
Net foreign exchange gain	9,373	18,118
Gain on financial assets at fair value through profit or loss (Note VII)	2,006	9,158
Others	(<u>10,358</u>)	(<u>5,032</u>)
	<u>(\$ 1,102)</u>	<u>\$ 18,315</u>

(IV) Finance costs

	2021	2020
Interest on bank loans	\$ 3,905	\$ 5,220
Interest on lease liabilities	<u>11,735</u>	<u>12,767</u>
	<u>\$ 15,640</u>	<u>\$ 17,987</u>

(V) Depreciation and amortization

	2021	2020
Property, plant, and equipment	\$ 39,685	\$ 41,435
Right-of-use assets	179,268	192,471
Intangible Assets	<u>3,569</u>	<u>3,622</u>
	<u>\$ 222,522</u>	<u>\$ 237,528</u>
Depreciation expense summarized by function		
Operating costs	\$ 4,041	\$ 7,813
Operating expenses	<u>214,912</u>	<u>226,093</u>
	<u>\$ 218,953</u>	<u>\$ 233,906</u>
Amortized cost summarized by function		
Operating expenses	<u>\$ 3,569</u>	<u>\$ 3,622</u>

(VI) Employee benefits expenses

	2021	2020
Short-term employee benefits	\$ 373,577	\$ 321,307
Post-employment benefits	3,087	2,853
	<u>\$ 376,664</u>	<u>\$ 324,160</u>
Summarized by functions		
Operating costs	\$ 83,039	\$ 59,267
Operating expenses	293,625	264,893
	<u>\$ 376,664</u>	<u>\$ 324,160</u>

(VII) Compensation to employee and remuneration to Directors

The Company's employee compensation and remuneration to Directors shall be capped at 3% of the income before income tax and the deduction of employee compensation and remuneration to Directors of the year, and the remuneration to Directors shall be distributed in cash.

If there are changes made to the amount after the issuance of consolidated annual financial statements, the changes shall be accounted for as changes in accounting estimates and recognized in the financial statements of the following year.

The Company's Board of Directors' meetings on March 19, 2021, and March 26, 2020, resolved not to distribute employee compensation and remuneration to Directors, which is the same as the amount recognized in the consolidated financial statements for the years ended December 31, 2020, and 2019, respectively.

Please access the "Market Observation Post System" of the Taiwan Stock Exchange for information on the Company's employee compensation and remuneration to Directors in the 2021 and 2020 Board of Directors' meetings.

XXIII. Income Tax Expense

(I) Details of the Company's income tax expenses (benefits) are as follows:

	2021	2020
Current income tax expense	\$ 16,341	\$ 29,464
Adjustment on income taxes of prior years	762	(1,041)
Adjustment on deferred income tax	(15,338)	(3,376)
	<u>\$ 1,765</u>	<u>\$ 25,047</u>

(II) The reconciliation of accounting profit and taxable income was as follows:

	<u>2021</u>	<u>2020</u>
Income before income tax (Note)	<u>\$ 92,393</u>	<u>\$ 112,108</u>
Income tax expense at the statutory rate (Note)	\$ 19,516	\$ 31,204
Tax effects of reconciled items Other permanent differences	(<u>3,175</u>)	(<u>1,740</u>)
Current income tax expense	<u>\$ 16,341</u>	<u>\$ 29,464</u>

Note: For entities at various regions which use their operating results as the net income before tax, it is the aggregate of net income before tax times the applicable tax rate.

The Company was established in the British Cayman Islands; thus, there are no relevant taxes. The individual tax rate of the income tax law of the Republic of China applicable to the consolidated entity is 20%, the tax rate in Hong Kong is 16.5%; the tax rate in mainland China is 25%; the tax rate in the United States is 21%; and the tax rate in Malaysia is 24%.

(III) The components of income tax assets (liabilities) for the current period are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current income tax assets	<u>\$ 8,618</u>	<u>\$ 799</u>
Current income tax liabilities	(<u>\$ 5,818</u>)	(<u>\$ 6,971</u>)

(IV) The components of deferred income tax assets (liabilities) are as follows:

2020

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Directly recognized in profit or loss</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
Temporary differences				
Deferred income	\$ 7,261	(\$ 779)	\$ -	\$ 6,482
Loss carryforward	14,539	5,372	-	19,911
Other book-tax differences	<u>2,819</u>	(<u>56</u>)	-	<u>2,763</u>
	<u>\$ 24,619</u>	<u>\$ 4,537</u>	<u>\$ -</u>	<u>\$ 29,156</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Withholding earnings from subsidiaries				
Withholding tax on remitted	\$ 5,462	(\$ 250)	\$ -	\$ 5,212
Deferred income	<u>821</u>	<u>1,411</u>	-	<u>2,232</u>
	<u>\$ 6,283</u>	<u>\$ 1,161</u>	<u>\$ -</u>	<u>\$ 7,444</u>

2021

	Beginning balance	Recognized in profit or loss	Directly recognized in profit or loss	Ending balance
<u>Deferred income tax assets</u>				
Temporary differences				
Deferred income	\$ 6,482	(\$ 2,441)	\$ -	\$ 4,041
Loss carryforward	19,911	17,500	-	37,411
Other book-tax differences	<u>2,763</u>	<u>1,273</u>	<u>-</u>	<u>4,036</u>
	<u>\$ 29,156</u>	<u>\$ 16,332</u>	<u>\$ -</u>	<u>\$ 45,488</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Withholding earnings from subsidiaries				
Withholding tax on remitted	\$ 5,212	(\$ 175)	\$ -	\$ 5,037
Deferred income	<u>2,232</u>	<u>1,169</u>	<u>-</u>	<u>3,401</u>
	<u>\$ 7,444</u>	<u>\$ 994</u>	<u>\$ -</u>	<u>\$ 8,438</u>

(V) Income tax assessments

The income tax declaration cases for profitable businesses of Zhan Xin Resources Enterprise CO., LTD. Taiwan Branch in 2018, YEN MEI International CO., LTD. in 2019, and YEN MEI Enterprise Limited before 2019 have been approved by the tax authorities.

XXIV. Earnings (deficit) per share

	2021	2020
Basic earnings (deficit) per share	<u>(\$ 2.65)</u>	<u>\$ 1.09</u>
Diluted earnings (deficit) per share	<u>(\$ 2.65)</u>	<u>\$ 1.09</u>

Unit: NT\$ per share

The (deficit) earnings and the weighted average number of common stocks for the purpose of calculating (deficit) earnings per share are as follows:

Net income (loss) for the period

	2021	2020
To calculate the net (loss) profit in the (deficit) earnings per share	<u>(\$ 94,106)</u>	<u>\$ 38,871</u>

Number of shares Unit: In thousands

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Weighted average number of common stocks for the purpose of calculating basic (deficit) earnings per share	35,574	35,715
Impact of common stocks with dilutive effect:		
New restricted employee shares	<u>-</u>	<u>15</u>
Weighted average number of common stocks for the purpose of calculating diluted (deficit) earnings per share	<u>35,574</u>	<u>35,730</u>

Due to the employee restricted stocks issued by the Company, there was an anti-dilution effect for the year ended December 31, 2021, so it was not included in the calculation of diluted loss per share.

XXV. Share-based Payment Arrangement

New restricted employee shares

The Company's shareholders' meeting on June 14, 2017, resolved to issue 350 thousand shares of new employee restricted stocks with a total of \$3,500 thousand. The application was approved by FSC to take effect on July 31, 2017, and be issued in installments.

On August 10, 2017, the Company's Board of Directors resolved to issue 269 thousand bonus shares. The actual distribution date was August 10, 2017 and the stock's closing price on the grant day was \$99.5. The vesting percentage of employees awarded on May 1, 2018 is 20%, with another 25%, 25% and 30% for every additional full-year service rendered. Moreover, the employee shall remain an employee at the end of each time period stipulated with performance maintain at a certain level for the vesting to take effect.

The Company's Board of Directors' meeting on March 22, 2018 resolved to issue the second new restricted stocks of 81 thousand shares. The actual distribution date was April 30, 2018 and the stock's closing price on the grant day was \$83.6. The vesting percentage of employees awarded on May 1, 2019 is 31.25%, with another 31.25% and 37.5% for every additional full-year service rendered. Moreover, the employee shall serve at the Company at the end of each time period stipulated with performance maintaining at a certain level for the vesting to take effect.

Restricted rights of new shares distributed to employees before vesting conditions are fulfilled:

- (I) The employee may not sell, pledge, transfer, provide as a gift to other party, use as collateral or use other means to dispose of the new restricted shares.

- (II) Employees shall attend, propose, speak, vote and elect in the shareholders' meeting according to the trust or custody contract.
- (III) During the vesting period, the new restricted stocks cannot participate in the stock or dividend distribution nor share subscription in right issue.

As of December 31, 2021 and 2020, the relevant information on new restricted stocks is as follows:

	2021	2020
	Number of Shares (in thousands)	Number of Shares (in thousands)
Outstanding, the beginning of the year	49	107
Retrieved	(49)	(58)
Outstanding, end of year	=	49

When the employee fails to meet the vesting conditions, the Company would retrieve the employee's new restricted stocks and cancel them. The Company's board of directors withdrawn in 2021 and 2020, respectively, with 49 thousand shares and 58 thousand shares, totaling \$492 thousand and \$582 thousand.

The compensation costs (reversed) recognized by the Company for the years ended December 31, 2021 and 2020 were \$(13,313) thousand and \$2,936 thousand, respectively.

Cash-settled share-based payment

The Company's Board of Directors' meeting on August 10, 2017 approved the employee stock appreciation right rules and is expected to issue 150 thousand units. Upon exercise, employees would receive a cash payment calculated using the price difference between the closing price of the Company's stocks and the exercise price times the exercised number of units.

The Company granted the first batch of employee stock appreciation rights of 105 thousand units in August, 2017 and retrieved 5 thousand and 10 thousand units in May, 2018 and December 2017, respectively. The vesting percentage of employees awarded on May 1, 2018 is 20%, with another 25%, 25% and 30% for every additional full-year service rendered. Moreover, the employee shall remain an employee at the end of each time period stipulated with performance maintain at a certain level for the vesting to take effect.

The Company granted the second batch of employee stock appreciation rights of 41 thousand units in March, 2018. The vesting percentage of employees awarded on May 1, 2019 is 31.25%, with another 31.25% and 37.5% for every additional full-year service rendered. Moreover, the employee shall serve at the Company at the end of each time period stipulated with performance maintaining at a certain level for the vesting to take effect.

As of December 31, 2021 and 2020, the number of stock appreciation rights outstanding is as follows:

	<u>2021</u>	<u>2020</u>
	<u>Unit (in thousands)</u>	<u>Unit (in thousands)</u>
Outstanding, the beginning of the year	33	61
Retrieved	(<u>33</u>)	(<u>28</u>)
Outstanding, end of year	<u>-</u>	<u>33</u>

As of December 31, 2021, the vested period for the basic payment of cash-delivered shares issued by the Company was expired, and there was no value-added value of employee stock tickets in circulation.

The compensation costs recognized by the Company for the years ended December 31, 2021 and 2020 were \$379 thousand and \$1,523 thousand, respectively.

XXVI. Business Combinations

(I) Acquisition of subsidiaries

Yummytown USA LLC, the Consolidated Entity, signed an equity trading contract with T Rock Inc. on July 1, 2020, to transfer 70% of the equity of Happy Lemon West Inc. to the combined company on August 12, 2020, in order to quickly establish the US direct sales system, material procurement platform, North American marketing mode and cultivate local talents. However, if the Company's CEO's KPI fails to meet the standard, he needs to buy back 10% of the equity as agreed.

(II) Transfer price

The transfer price is US\$1,134,000 (equivalent to NT\$33,442 thousand), which is the fair market price assessment conducted by external experts on the basis of market law on June 30, 2020.

(III) Assets acquired and liabilities assumed upon acquisition date

Current assets	
Cash and cash equivalents	\$ 1,297
Accounts receivables	628
Other receivables	340
Inventory	241
Other current assets	225
NON-CURRENT ASSETS	
Property, plant, and equipment	8,158
Refundable deposits	921
Current liabilities	
Other payables	(2,148)
Current income tax liabilities	(395)
	<u>\$ 9,267</u>

(IV) Non-controlling interests

The non-controlling interests of \$2,778 thousand are measured by the book value of the identifiable net assets on the acquisition date.

(V) Goodwill arising from the acquisition

Transfer price	\$ 33,442
Add:	
Non-controlling interests	2,778
Less:	
Fair value of identifiable assets acquired	(9,267)
Goodwill arising from the acquisition	<u>\$ 26,953</u>

(VI) Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	(\$ 33,442)
Add: Cash and cash equivalents in the consolidated statements of cash flows acquired	<u>1,297</u>
	<u>(\$ 32,145)</u>

XXVII. Capital Risk Management

The Consolidated Entity manages its capital to ensure the continued operations of the entities within. By optimizing its debts and liabilities, it can maximize return for stakeholders.

The capital structure of the Consolidated Entity is composed of net liabilities (i.e. loans less cash and cash equivalents) and equity attributable to the shareholders of the Company (i.e. capital, capital reserve, retained earnings, and other equity items).

The Consolidated Entity is not subject to any other external capital requirements.

The Consolidated Entity's key management reassesses its capital structure quarterly. Items assessed include the cost and related risks of various capitals. In accordance with advice from the Consolidated Entity's key management, the Entity balances its overall capital structure through dividend payments, issuance of new stocks, and repayment of old debts.

XXVIII. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value

The carrying amounts of the Consolidated Entity's financial assets and financial liabilities not measured at fair value approach their fair values. As of December 31, 2021 and 2020, there were no material differences between the carrying amounts and fair values.

(II) Fair value information - financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Beneficiary certificates	<u>\$ 4,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,361</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 20,687	\$ -	\$ -	\$ 20,687
Wealth management products	<u>-</u>	<u>106,522</u>	<u>-</u>	<u>106,522</u>
	<u>\$ 20,687</u>	<u>\$ 106,522</u>	<u>\$ -</u>	<u>\$ 127,209</u>

There was no transfer between Levels 1 and 2 fair value measurements for the years ended December 31, 2021 and 2020.

(III) Financial risk management objectives and policy

The Consolidated Entity's main financial instruments consist of investments in debt instruments, accounts receivable, accounts payable, and loans. The financial management department of the Consolidated Entity provides services to the business units, coordinates the operation in the domestic and international financial market, and supervises and manages the financial risks related to the operation of the Consolidated Entity based on the internal risk reports which analyses risk exposures according to the degree and breadth of risks. Such risks include market risk, credit risk, and liquidity risk.

1. Market risks

The main market risks assumed by the Consolidated Entity are foreign exchange risk and interest rate risk.

The financial instruments' exposure to market risk and the management and measurement of such exposure remains unchanged for the Consolidated Entity.

(1) Foreign exchange risk

Foreign exchange risk arises from the Consolidated Entity's engagement in deposits and borrowings denominated in foreign currencies.

Please refer to Note XXXIII for details on the carrying amount of monetary assets and monetary liabilities not expressed in functional currency on the balance sheet date.

Sensitivity analysis

The Consolidated Entity's sensitivity analysis includes only the outstanding net monetary items denominated in foreign currencies and an adjustment on the end-of-period translation with a 10% change in the exchange rate against New Taiwan dollars. The following table shows the increase (decrease) in the Consolidated Entity's net income before tax with a 10% appreciation in foreign currencies.

	<u>Impact of USD</u>		<u>Impact of RMB</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Effect on profit or loss	(\$ 7,394)	(\$ 20,232)	\$ 2,556	\$ 5,872

(2) Interest rate risk

The interest rate risk of the Consolidated Entity mainly comes from time deposits and bank loans with floating interest rates.

The carrying amount of financial assets and financial liabilities exposed to interest rate risks on the balance sheet date is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash flow interest rate risks		
Financial assets	\$ 192,872	\$ 451,577
Financial liabilities	221,821	335,705

The sensitivity analysis of interest rate risk is based on the changes in the fair value of financial assets and financial liabilities with floating interest rates at the end of the financial reporting period. If the interest rate drops by 1%, the Consolidated Entity's cash inflows will (decrease) increase by \$289 thousand and \$(1,159) thousand for the years ended December 31, 2021 and 2020, respectively.

2. Credit risk

Credit risks refer to risks that cause financial loss to the Consolidated Entity due to the counterparty's delay in honoring contractual obligations.

The Consolidated Entity has the right to request collateral or other guarantees from major transaction counterparties and thus effectively reduce its credit risk. Management of the Consolidated Entity appoints a dedicated team to handle decisions on credit limits, credit approvals, and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Consolidated Entity would review the recoverable amount of each receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Consolidated Entity's management concluded that the credit risk of the Consolidated Entity is significantly reduced.

3. Liquidity risk

The Consolidated Entity has sufficient working capital. Thus, there is no liquidity risk arising from insufficient capital to fulfill contractual obligations.

The anticipated maturity dates of the Consolidated Entity's non-derivative financial liabilities with the agreed repayment period are as follows:

	December 31, 2021			
	Within 1 year	1 to 3 years	Over 3 years	Total
<u>Non-derivative</u>				
<u>financial liabilities</u>				
Non-interest-bearing liabilities	\$ 237,801	\$ 40,850	\$ 26,591	\$ 305,242
Lease liabilities	117,021	106,285	32,253	255,559
Liabilities with floating interest rates	<u>221,821</u>	<u>-</u>	<u>-</u>	<u>221,821</u>
	<u>\$ 576,643</u>	<u>\$ 147,135</u>	<u>\$ 58,844</u>	<u>\$ 782,622</u>

	December 31, 2020			
	Within 1 year	1 to 3 years	Over 3 years	Total
<u>Non-derivative</u> <u>financial liabilities</u>				
Non-interest-bearing liabilities				
Lease liabilities	\$ 251,925	\$ 52,177	\$ 45,368	\$ 349,470
Liabilities with floating interest rates	165,022	127,083	20,230	312,335
	<u>282,447</u>	<u>53,258</u>	<u>-</u>	<u>335,705</u>
	<u>\$ 699,394</u>	<u>\$ 232,518</u>	<u>\$ 65,598</u>	<u>\$ 997,510</u>

XXIX. Related Party Transactions

All transactions, account balances, income and expenses between the Company and its subsidiaries (related parties of the Company) are eliminated upon consolidation. Thus, they are not shown in this Note. In addition to the information disclosed in Supplementary Disclosures, transactions between the Consolidated Entity and other related parties are as follows.

(I) The names and relationships of related parties

<u>Name of Related Party</u>	<u>Relationship with the Consolidated Entity</u>
Yong Chun Cheng Co., Ltd.	Associates
Freshtea Japan CO., LTD.	Associates
Happy Lemon California, Inc.	Associates
T Rock Inc.	Investors of significant influence (Note)
Mr. Wu-Po-Chao	Chairman of the Company

Note: T Rock Inc. holds a 30% of the equity of Happy Lemon West Inc.

(II) Operating Revenue

<u>Financial Statement Account</u>	<u>Category of Related Parties/Name</u>	<u>2021</u>	<u>2020</u>
Sales revenue	Associates		
	Freshtea Japan CO., LTD.	\$ 353	\$ 314
	Yong Chun Cheng Co., Ltd.	-	1,000
Brand revenue	Freshtea Japan CO., LTD.	80	1,425
	Happy Lemon California, Inc.	<u>60</u>	<u>266</u>
		<u>\$ 493</u>	<u>\$ 3,005</u>

The prices of sales between the Consolidated Entity and its related parties are not significantly different from that of general customers. The collection terms of general customers are delivery upon cash receipt or one month from end of month. The collection terms of related parties are delivery upon cash receipt or three months from end of month, which are not significantly different from general customers.

(III) Purchases

Category of Related Parties/Name	2021	2020
Investors of significant influence		
T Rock Inc.	<u>\$ 10,232</u>	<u>\$ 3,073</u>

The prices of purchases between the Consolidated Entity and its related parties are not significantly different from that of general suppliers. The payment terms of general suppliers are 30 to 60 days from end of month whereas the payment terms of related parties are 60 days from end of month.

(IV) Operating expenses

Category of Related Parties/Name	2021	2020
Investors of significant influence		
T Rock Inc.	<u>\$ 1,751</u>	<u>\$ -</u>

The prices of service expenditures between the Consolidated Entity and its related parties are not significantly different from that of general suppliers.

(V) Receivables from related parties (excluding loans to related parties)

Financial Statement Account	Category of Related Parties/Name	December 31, 2021	December 31, 2020
Accounts receivables - related parties	Associates		
	Happy Lemon California, Inc.	\$ -	\$ 26
	Freshtea Japan CO., LTD.	<u>9</u>	<u>31</u>
		<u>\$ 9</u>	<u>\$ 57</u>

The outstanding amount of receivables - related parties is not guaranteed, and the expected credit loss is also not recognized for receivables.

(VI) Accounts payable - related parties

Financial Statement Account	Category of Related Parties/Name	December 31, 2021	December 31, 2020
Accounts payable - related parties	Investors of significant influence		
	T Rock Inc.	\$ <u>-</u>	\$ <u>226</u>

(VII) Loans

For loans between the Company and its subsidiaries, please refer to Table I.

(VIII) Endorsement and guarantee

For endorsement and guarantee between the Company and its subsidiaries, please refer to Table II.

(IX) Loan guarantee

The Consolidated Entity's long/short-term loans were guaranteed by the Chairman, Wu-Po-Chao.

(X) Compensation to key management

	2021	2020
Short-term employee benefits	\$ 29,581	\$ 27,226
Share-based payments	<u>-</u>	<u>2,018</u>
	<u>\$ 29,581</u>	<u>\$ 29,244</u>

The remuneration to Directors and other key management is determined by the Remuneration Committee based on personal performance and market trends.

XXX. Pledged Assets

The following assets of the Consolidated Entity have been provided to financial institutions as collateral for long/short-term loans:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Restricted bank deposits (recognized under other current assets - others) (Note VI)	\$ 4,152	\$ 15,856
Restricted bank deposits (recognized under financial assets at amortized cost) (Note VI)	152,040	207,143
Wealth management products (Note VII)	-	39,988
Freehold land (Note XIV)	37,601	38,915
Buildings (Note XIV)	<u>30,148</u>	<u>31,956</u>
	<u>\$ 223,941</u>	<u>\$ 333,858</u>

XXXI. Others

Although the Consolidated Entity suffered losses due to the impact of the COVID-19 pandemic, in response to the impact of the pandemic, the Consolidated Entity took the following actions, which did not have a significant impact on the Consolidated Entity's ability to continue operating, asset impairment and financing risks, etc.

(I) Adjust operation strategy

1. Adjust menus for catering stores and increase cooperation with major delivery channel platforms.
2. For the training of the franchisees in each region, the video communication mode is adopted instead, and the training will be adjusted according to the epidemic situation.
3. Due to the impact of the pandemic, the new franchise business in Southeast Asia was then carried out by the Taiwan headquarters. The enhanced franchise trainings enable franchised stores to obtain more headquarters supports.
4. To expand operations in the U.S. market, to accelerate investment and franchise programs, and to strengthen logistics, distribution, and warehousing in all continents of the U.S. make the supply of raw materials more efficient.

(II) Financing strategy

Due to the uncertainty of the complete control of the COVID-19 pandemic and the challenge of the catering industry's operating model, the Consolidated Entity cannot accurately assess the time when the operation is restored to normal. Due to the size of the Consolidated Entity, and the brand image is easy to identify and is competitive, we are able to obtain financing solutions with better conditions, maintain certain credit lines with existing cooperative banks during the epidemic, and actively negotiate to improve credit lines.

(III) Government subsidy income

In 2021 and 2020, the Consolidated Entity had received \$9,562 thousand and \$21,252 thousand of subsidy income including salaries, insurance premiums, operating subsidies, etc. which were accounted for under other income.

XXXII. Significant Subsequent Events

In order to enrich the working capital to meet the long-term operation and development strategy, the board of directors of the Consolidated Entity decided on March 24, 2022 to dispose of all the equity of Yong Chun Cheng Co., Ltd. to non-related parties with the total sale price amounted to \$150,000 thousand.

XXXIII. Significant Assets and Liabilities Denominated in Foreign Currencies

The following summary is presented in foreign currencies other than the functional currencies of entities within the Consolidated Entity. The exchange rates disclosed are the ones used to translate amount in foreign currencies to the functional currency.

	Unit: Foreign currency/in thousands of NT\$					
	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 4,403,213	27.68	\$ 121,881	\$ 3,770,633	28.48	\$ 107,388
RMB	5,883,738	4.344	25,559	13,414,980	4.377	58,717
<u>Non-monetary items</u>						
JPY	58,222,800	0.2405	14,002	76,028,400	0.2763	21,006
USD	-	-	-	269,577	28.48	7,678
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	7,074,443	27.68	195,821	10,874,443	28.48	309,704

The Company's foreign exchange gains, including unrealized and realized portions, were \$9,373 thousand and \$18,118 thousand for the years ended December 31, 2021 and 2020, respectively. Due to a large number of foreign currency transactions and functional currencies within the entities, gains or losses cannot be disclosed by foreign currencies with significant impact.

XXXIV. Supplementary Disclosures

(I) Information on significant transactions and

(II) Information on reinvestment:

No.	Item	Remark
1.	Financing provided to others	Table I
2.	Endorsement and guarantee provided to others	Table II
3.	Marketable securities held at the end of year (excluding investments in subsidiaries, associates and joint ventures)	Table III
4.	The cumulative purchase or sale of the same securities amounted to NTD 300 million or 20% and above of the paid-in capital.	None
5.	The amount of property acquired reached NTD 300 million or 20% and above of the paid-in capital.	None
6.	The amount of property disposal reached NTD 300 million or 20% and above of the paid-in capital.	None
7.	The amount of purchases or sales with related parties reached NTD 100 million or 20% and above of the paid-in capital.	None
8.	Receivables from related parties amounted to NTD 100 million or 20% and above of paid-in capital.	None
9.	Engaging in derivatives trading	None
10.	Business Relationships and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries	Table IV
11.	Information on investees	Table V

(III) Information on investments in mainland China:

No.	Item	Remark
1.	Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income/loss of investees, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income/loss, and limit on the amount of investment in mainland China.	Table VI
2.	Significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses.	Table VI

(IV) Information of major shareholders:

No.	Item	Remark
1.	The names, shareholding amount, and proportion of shareholders with a shareholding percentage of 5% or more	Table VII

XXXV. Segment information

The information is provided to the chief business decision-maker to allocate resources and assess the performance of each segment, focusing on the type of product or service delivered or provided. Reportable segments of the consolidated entity are as follows:

Catering segment - direct sales to consumers

Trade segment - wholesale sales to franchisees

Other segment - other

The chief business decision-makers consider the constituent entities within the group as individual operating segments. However, when compiling the consolidated financial report, the Consolidated Entity considers the following factors and treats operating segments with the following features as a single operating entity:

- (I) These operating segments have similar long-term gross profits;
- (II) The methods for generating cash flows are similar; and
- (III) Daily operations are similar.

Segment revenues and the results of operations

The segment revenue and operation results of the Consolidated Entity are analyzed by reportable segments as follows:

	2021					
	Catering	Trade	Others	Total	Adjustments and Elimination	Total
Operating Revenue	<u>\$ 761,624</u>	<u>\$ 925,900</u>	<u>\$ 22,728</u>	<u>\$ 1,710,252</u>	<u>(\$ 251,464)</u>	<u>\$ 1,458,788</u>
Net operating income (loss)	<u>(\$ 143,706)</u>	<u>\$ 16,831</u>	<u>\$ 16,304</u>	<u>(\$ 110,571)</u>	<u>(\$ 2,787)</u>	<u>(\$ 113,358)</u>
Interest income						7,957
Other income						15,739
Other gains and losses						(1,102)
Finance costs						(15,640)
Shares of loss of associates accounted for using the equity method						11,409
Net loss before tax						<u>(\$ 94,995)</u>

	2020					
	Catering	Trade	Others	Total	Adjustments and Elimination	Total
Operating Revenue	<u>\$ 803,764</u>	<u>\$ 961,640</u>	<u>\$ 21,498</u>	<u>\$ 1,786,902</u>	<u>(\$ 206,665)</u>	<u>\$ 1,580,237</u>
Operating income	<u>(\$ 36,538)</u>	<u>\$ 57,637</u>	<u>(\$ 193)</u>	<u>\$ 20,906</u>	<u>\$ 1,350</u>	<u>\$ 22,256</u>
Interest income						6,736
Other income						23,663
Other gains and losses						18,315
Finance costs						(17,987)
Shares of loss of associates accounted for using the equity method						5,102
Net income before tax						<u>\$ 58,085</u>

Interdepartmental transactions in 2021 and 2020 were eliminated.

Segment income refers to the profits made by each segment and excludes other income, other gains, and losses, finance costs, the share of losses of associates accounted for using the equity method, and income tax expenses. The assessed amount is provided to the chief business decision-maker to allocate resources and assess the performance of each segment.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Financing Provided to Others
2021

Table I Unit: Thousands of NT Dollars/Foreign Currency

No.	Lending company	Borrower	General Ledger Account	Related Party or Not	Maximum Balance for the Period	Ending Balance	Actual Drawdown	Interest Rate Range (%)	Nature of Financing (Note III)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Loss Receivables	Collateral		Limit on the Loan Amount to Individual Counterparty (Note I)	Total Limit on Financing (Note I)
													Title	Value		
0	Yummy Town (Cayman) Holdings Corporation	Yen Mei Enterprise Limited	Receivables from related parties	Yes	\$ 11,072	\$ 11,072	\$ -	-	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 99,864	\$ 199,728
1	RBT Holdings Limited	Yen Chun International Co., Ltd.	Receivables from related parties	Yes	USD 60,896	USD -	USD -	-	2	-	Operating capital	-	-	-	99,864	199,728
		Yummy-town USA LLC	Receivables from related parties	Yes	USD 2,200,000	USD -	USD -	-	2	-	Operating capital	-	-	-	467,055	583,819
		Yummy-town UK Ltd	Receivables from related parties	Yes	USD 41,520	USD -	USD -	-	2	-	Operating capital	-	-	-	467,055	583,819
			Receivables from related parties	Yes	USD 1,500,000	USD -	USD -	-	2	-	Operating capital	-	-	-	467,055	583,819
			Receivables from related parties	Yes	USD 41,520	USD -	USD -	-	2	-	Operating capital	-	-	-	467,055	583,819
		Yen Chun International Co., Ltd.	Receivables from related parties	Yes	USD 69,200	USD 69,200	USD 41,520	-	2	-	Operating capital	-	-	-	116,764	233,528
2	RBT Resources Limited	Yen Mei Enterprise Limited	Receivables from related parties	Yes	USD 2,500,000	USD 2,500,000	USD 1,500,000	-	2	-	Operating capital	-	-	-	116,764	233,528
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	USD 500,000	USD 500,000	USD 400,000	-	2	-	Operating capital	-	-	-	71,222	89,028
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	HKD 10,647	HKD 10,647	HKD -	-	2	-	Operating capital	-	-	-	59,198	73,997
3	Happy Lemon HK Limited	RBT Holdings Limited	Receivables from related parties	Yes	HKD 3,000,000	HKD 3,000,000	HKD -	-	2	-	Operating capital	-	-	-	59,198	73,997
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	HKD 17,745	HKD 17,745	HKD -	-	2	-	Operating capital	-	-	-	59,198	73,997
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	HKD 5,000,000	HKD 5,000,000	HKD -	-	2	-	Operating capital	-	-	-	36,218	45,272
4	Shanghai Tai Quan Trading Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	HKD 28,392	HKD 28,392	HKD 28,392	-	2	-	Operating capital	-	-	-	36,218	45,272
		Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	HKD 8,000,000	HKD 8,000,000	HKD 8,000,000	-	2	-	Operating capital	-	-	-	36,218	45,272
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Receivables from related parties	Yes	RMB 86,880	RMB 21,720	RMB -	-	2	-	Operating capital	-	-	-	36,218	45,272
5	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	RMB 20,000,000	RMB 5,000,000	RMB 13,032	-	2	-	Operating capital	-	-	-	36,218	45,272
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	RMB 8,688	RMB 8,688	RMB 8,688	-	2	-	Operating capital	-	-	-	36,218	45,272
		Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	RMB 2,000,000	RMB 2,000,000	RMB 2,000,000	-	2	-	Operating capital	-	-	-	208,185	260,231
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Receivables from related parties	Yes	RMB 8,688	RMB 8,688	RMB 6,082	-	2	-	Operating capital	-	-	-	208,185	260,231
		Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	RMB 2,000,000	RMB 2,000,000	RMB 1,400,000	-	2	-	Operating capital	-	-	-	208,185	260,231
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Receivables from related parties	Yes	RMB 8,688	RMB 8,688	RMB 2,172	-	2	-	Operating capital	-	-	-	208,185	260,231
5	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	RMB 8,688	RMB 8,688	RMB 4,344	-	2	-	Operating capital	-	-	-	208,185	260,231
		Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	RMB 2,000,000	RMB 2,000,000	RMB 1,000,000	-	2	-	Operating capital	-	-	-	208,185	260,231
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Receivables from related parties	Yes	RMB 8,688	RMB 8,688	RMB 2,172	-	2	-	Operating capital	-	-	-	208,185	260,231

Note 1:

- According to the Company's procedures for loaning capital to others, the total amount of capital loans from the Company to others shall not exceed 40% of the net value of the latest financial statement (financial statement on December 31, 2021). Among them, the limit of the capital loan for a single enterprise to others shall not exceed 20% of the net value of the latest financial statements.
- According to the Company's non-Taiwan subsidiary's procedures for loaning capital to others, the total amount of capital loans from subsidiaries to others shall not exceed 100% of the net value of the latest financial statement (statement on December 31, 2021). Among them, the limit of the capital loan to a single enterprise shall not exceed 80% of the net value of the latest financial statements.
- According to the Company's non-Taiwan subsidiary's procedures for loaning capital to others, the total amount of capital loans from RBT Holdings Limited to Yen Chun International Co., Ltd. and Yen Mei Enterprise Limited shall not exceed 40% of the net value of the latest financial statement (statement on December 31, 2021). Among them, the limit of the capital loan to a single enterprise shall not exceed 20% of the net value of the latest financial statements.

Note 2: The exchange rate on December 31, 2021 was USD: NTD = 1: 27.68; HKD: NTD = 1: 3.549; RMB: NTD = 1: 4.344.

Note 3: Nature of financing:

- Trading partner
- Short-term financing is needed.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Endorsement and Guarantee Provided to Others
2021

Table II Unit: Thousands of NT Dollars/Foreign Currency

No.	Name of Endorsement/Guarantee Provider	Subject of Endorsements/Guarantees		Limit on Endorsements/Guarantees Provided to a Single Party (Note I)	Maximum Balance for Endorsements and Guarantees this Period	Endorsement/Guarantee Ending Balance	Actual Drawdown	Amount of Endorsement/Guarantee Collateralized by Properties	Accumulated Endorsements/Guarantees to Net Worth per Latest Financial Statement (%)	Endorsements/Guarantees Provided by Parent Company to A Subsidiary	Endorsements/Guarantees Provided by A Subsidiary to Parent Company	Endorsements/Guarantees Provided to Subsidiaries in mainland China	Maximum Endorsement/Guarantee Amount Allowance (Note I)
		Name of Company	Relationship (Note III)										
1	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Yummy Town (Cayman) Holdings Corporation	3	\$ 520,462	\$ 757,688 USD 19,600,000 RMB 15,000,000 NTD 150,000	\$ 279,568 USD 10,100,000 RMB - NTD -	\$ 108,629 USD 3,924,443	\$ 108,629	107	-	V	-	\$ 780,693
2	RBT Resources Limited	Yummy Town (Cayman) Holdings Corporation	3	178,056	68,000	34,000	31,832	31,832	38	-	V	-	267,084
		RBT Resources Limited Taiwan Branch	4	178,056	52,000	26,000	26,000	26,000	29	-	-	-	267,084
3	RBT Holdings Limited	Yummy Town (Cayman) Holdings Corporation	3	1,167,638	80,000	27,680 USD 1,000,000	27,680 USD 1,000,000	-	5	-	V	-	1,751,457

Note 1: The maximum limit of the Company's endorsement and guarantee to external parties is \$249,582 thousand = Net worth of \$499,163 thousand x 50%, and to a single company is \$99,833 thousand = Net worth of \$499,163 thousand x 20%. This restriction does not apply to where the endorsement and guarantee are provided between companies 100% voting rights-owned by the subsidiaries and by the Company, either directly or indirectly. However, the individual objects are limited to not exceeding 200% of the endorsement and guarantee of the Company's net worth, and the total amount is limited to not exceeding 300% of the endorsement and guarantee of the Company's net worth.

Note 2: The exchange rate on December 31, 2021 was USD: NTD=1: 27.68; HKD: NTD=1: 3.549; RMB: NTD= 4.344.

Note 3: The relationships between the endorsement and guarantee provider and subject are as follows:

1. Trading partner
2. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
3. Companies that directly and indirectly hold more than 50% of the voting shares in the Company.
4. Between companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. Mutually guaranteed companies among peers or co-constructors based on the need for undertaking projects.
6. The company is guaranteed by all shareholders in proportion to their shareholdings due to the joint investment relationship.
7. Joint and several securities between peers for performance guarantees of pre-construction homes under the Consumer Protection Act.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Marketable Securities Held at the End of Year
December 31, 2021

Table III

Unit: Thousands of NT Dollars/Foreign Currency

Holding Company Name	Type and Name of Securities	Relationship with the Issuer of the Securities	Financial Statement Account	Ending Balance				Remark
				Number of Shares / Unit (Note I)	Carrying Amount	Shareholding Percentage (%)	Market Value or Net Worth	
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	<u>Beneficiary certificates</u> Heartland Investment Great China No. 1 Through Train Private Investment Fund	None	Financial assets at fair value through profit or loss - current	855,285.67	\$ 4,361	-	\$ 4,361	

Note 1: It is listed by the share of the original investment unit.

Note 2: For information on investments in subsidiaries, associates, and joint ventures, please refer to Table V and Table VI.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Business Relationships and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries
2021

Table IV

Unit: Thousands of NT Dollars

No. (Note I)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Terms (Note IV)	% to Consolidated Total Revenue or Total Assets (Note III)
1	Shanghai Tai Quan Trading Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Sales	\$ 46,488	No major differences from non-related parties	3
			"	Accounts receivables	3,229	"	-
		Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	3	Sales	31,038	"	2
			"	Accounts receivables	5,943	"	-
			"	Receivables from advances to related parties	13,032	"	1
		Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	3	Sales	42,563	"	3
			"	Accounts receivables	13,938	"	1
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	3	Sales	10,631	"	1
			"	Accounts receivables	2,464	"	-
			"	Receivables from advances to related parties	8,688	"	1
		Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	3	Sales	8,702	"	1
			"	Accounts receivables	4,381	"	-
		RBT Holdings Limited	3	Sales	1,050	"	-
		RBT Resources Limited	3	Sales	9,812	"	1
			"	Accounts receivables	1,636	"	-
		Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	3	Sales	1,241	"	-
			"	Accounts receivables	70	"	-
		Fengfu Food & Beverage Management (Shanghai) Co., Ltd.	3	Sales	972	"	-
			"	Accounts receivables	33	"	-
		Happy Lemon (M) Sdn Bhd	3	Sales	287	"	-
2	RBT Resources Limited	Cacha Prince Intelligent Technology (Shanghai) Co., Ltd.	3	Sales	15	"	-
		Happy Lemon HK Limited	3	Sales	17,669	"	1
			"	Service income	15	"	-
			"	Accounts receivables	1,896	"	-
		Shanghai Tai Quan Trading Co., Ltd.	3	Sales	15,447	"	1
		Yen Mei Enterprise Limited	3	Sales	582	"	-
			"	Rent income	228	"	-

(Continued)

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No. (Note 1)	Company Name	Counterparty	Relationship with the trader (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Terms (Note IV)	Ratio to Consolidated Total Revenue or Total Assets (Note 3)
2	RBT Resources Limited	Happy Lemon (M) Sdn Bhd	3	Sales	\$ 1,508	No major differences from non-related parties	-
			"	Accounts receivables	462	"	-
		Yummy town USA LLC	3	Sales	18,424	"	1
			"	Accounts receivables	9,963	"	1
		Happy Lemon West Inc.	3	Sales	13,704	"	1
			"	Accounts receivables	9,807	"	1
3	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	3	Receivables from advances to related parties	6,082	"	1
		Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	3	Receivables from advances to related parties	4,344	"	-
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	3	Receivables from advances to related parties	2,172	"	-
4	RBT Holdings Limited	RBT Resources Limited	3	Sales	1,635	"	-
			"	Accounts receivables	36	"	-
		Yen Chun International Co., Ltd.	3	Receivables from advances to related parties	41,544	"	3
		Yen Mei Enterprise Limited	3	Receivables from advances to related parties	11,078	"	1
5	RBT Enterprise Limited	Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	3	Royalty income	3,402	"	-
			"	Accounts receivables	1,567	"	-
		Happy Lemon HK Limited	3	Royalty income	1,105	"	-
			"	Service income	212	"	-
			"	Accounts receivables	1,088	"	-
		Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	3	Royalty income	6,700	"	-
			"	Accounts receivables	6,698	"	-
		Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Royalty income	11,521	"	1
			"	Accounts receivables	5,445	"	-
6	Happy Lemon HK Limited	Yummy Town (Cayman) Holdings Corporation	2	Receivables from advances to related parties	28,392	"	2
7	Yen Mei Enterprise Limited	Happy Lemon (M) Sdn Bhd	3	Royalty income	634	"	-
			"	Service income	1,009	"	-
			"	Accounts receivables	22	"	-
		Happy Lemon West Inc.	3	Service income	305	"	-
		RBT Resources Limited	3	Sales	8	"	-
			"	Accounts receivables	2	"	-
8	Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	3	Service income	15	"	-
		Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Service income	7	"	-
9	Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Service income	197	"	-
10	Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Service income	54	"	-
11	Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Service income	96	"	-
12	Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Service income	73	"	-
13	Cacha Prince Intelligent Technology (Shanghai) Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Sales	101	"	-

(Continued)

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No. (Note I)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Terms (Note IV)	% to Consolidated Total Revenue or Total Assets (Note III)
14	Yummy town USA LLC	Happy Lemon West Inc.	3	Royalty income	\$ 842	No major differences from non-related parties	-
15	Happy Lemon West Inc.	Yummy town USA LLC	“	Accounts receivables	59	“	-
			3	Service income	3,922	“	-
			“	Accounts receivables	224	“	-

- Note 1: The information on business dealings between the parent company and subsidiaries shall be numbered in the "Code" column with the following coding method:
- 1. Parent company will be coded "0".
 - 2. The subsidiaries are coded from "1" in the order presented in the table above.
- Note 2: Relations with counterparty can be any one of the following three types:
- 1. Parent company to subsidiary.
 - 2. Subsidiary to parent company.
 - 3. Between subsidiaries.
- Note 3: Regarding the percentage of the transaction amount to consolidated revenue or total assets, it is computed based on the ending balance to the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated revenue for profit or loss items.
- Note 4: The collection terms for sales to related parties are delivery upon cash receipt or three months from end of month, and to non-related parties are delivery upon cash receipt or one month from end of month.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Names, Locations, etc. of Investees
2021

Table V

Unit: Thousands of NT Dollars/Foreign Currency

Name of Investor	Name of investee	Location	Principal Business Activities	Original Investment Amount		Ending Balance			Profit or Loss of Investee	Share of Profit or Loss	Remark
				End of This Period	End of Last Period	Number of Shares (Note I)	Percentage	Carrying Amount			
Yummy Town (Cayman) Holdings Corporation	Non-TWSE/TPEX listed companies										
	RBT Holdings Limited	Hong Kong	Investment holding and trading of raw materials for catering	\$ 203,626	\$ 203,626	HKD 50,200,000	100	\$ 583,819	(\$ 117,206)	(\$ 117,206)	Subsidiary
	RBT Enterprise Limited	Hong Kong	Trademark rights management	37	37	HKD 8,800	100	30,515	9,259	9,259	Subsidiary
Yen Mei Enterprise Limited	Yen Mei Enterprise Limited	Taiwan	Trading of beverages, collection of franchise fees and royalties	89,127	89,127	90,000	100	65,858	5,553	5,553	Subsidiary
	Non-TWSE/TPEX listed companies										
Yen Mei Enterprise Limited	Yen Chun International Co., Ltd.	Taiwan	Operation of food and beverage outlets	50,000	50,000	2,500,000	100	70,427	13,650	13,650	Second-tier subsidiary
Yen Chun International Co., Ltd.	Non-TWSE/TPEX listed companies										
	Yong Chun Cheng Co., Ltd.	Taiwan	Trading of beverages	80,000	80,000	200,000	20	93,240	114,427	16,219	Associate accounted for using the equity method
RBT Holdings Limited	Non-TWSE/TPEX listed companies										
	Happy Lemon HK Limited	Hong Kong	Trading of beverages, collection of franchise fees and royalties	27,857	27,857	HKD 7,000,000	100	73,997	17,927	17,927	Second-tier subsidiary
	RBT Resources Limited	Hong Kong	Trading of raw materials for catering	105,354	105,354	HKD 26,000,000	100	89,028	10,561	9,895	Second-tier subsidiary
	Yummytown UK Ltd	United Kingdom	Investment holding	41,696	41,696	GBP 1,100,000	100	56,308	10,016	10,016	Second-tier subsidiary
	Happy Lemon (M) Sdn Bhd	Malaysia	Trading of beverages, collection of franchise fees and royalties	8,572	6,946	MYR 1,275,000	51	2,381	(6,349)	(3,238)	Second-tier subsidiary
	Freshtea Japan CO., LTD.	Japan	Trading of beverages	19,893	19,893	4,800	40	14,002	(11,351)	(4,540)	Associate accounted for using the equity method
	Happy Lemon California, Inc.	United States	Trading of beverages	- (Note 4)	22,557	-	-	-	(552)	(270)	Associate accounted for using the equity method
Yummytown UK Ltd	Non-TWSE/TPEX listed companies										
	Yummytown USA LLC	United States	Trading of beverages, collection of franchise fees and royalties	39,194	39,194	USD 1,310,628	100	54,837	10,030	10,030	Second-tier subsidiary
Yummytown USA LLC	Non-TWSE/TPEX listed companies										
	Happy Lemon West Inc.	United States	Trading of beverages	33,442	33,442	USD 208,821	70	35,855	4,246	2,972	Second-tier subsidiary

Note 1: Except for Freshtea Japan Co., Ltd., Yen Chun International Co., Ltd., and Yong Chun Cheng Co., Ltd. where the balance is shown by the number of shares, the balances of other investees are shown by the paid-in capitals as of December 31, 2021.

Note 2: Entities' investment gain/loss accounted for using equity method, investors' investments accounted for using equity method and investees' net equity value are fully eliminated in the preparation of consolidated financial statements.

Note 3: Please refer to Table VI for information on investments in mainland China.

Note 4: In June 2021, the Consolidated Entity disposed of all shares of Happy Lemon California, Inc. to non-related parties in June 2021.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Information on investments in mainland China

2021

Table VI

Unit: Thousands of NT Dollars/Foreign Currency

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain/loss, carrying amount of the investment and repatriations of investment income/loss:

Name of Investee in mainland China	Principal Business Activities	Paid-in Capital	Method of Investment	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Outward or Inward Remittance Investment Amount in the Current Period		Ending Balance of Accumulated Outflow of Investment from Taiwan	Profit or Loss of Investee	The Company's Percentage of Ownership, Directly or Indirectly	Share of Profit or Loss (Note I)	Carrying Amount of the Investment as of the End of the Period	Repatriations of Investment Income/Loss as of the End of the Period
					Outflow	recovery						
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Catering shop, collection of franchise fees and royalties	USD 3,500,000	Reinvested in mainland China by setting up a holding company in a third-place	\$ -	\$ -	\$ -	\$ -	(\$ 143,556)	100	(\$ 141,642)	\$ 258,316	\$ -
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	Operation of food and beverage outlets	RMB 20,000,000	"	-	-	-	-	(164)	55.5	(91)	14,227	-
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	Operation of food and beverage outlets	RMB 6,700,000	"	-	-	-	-	(696)	100	(696)	11,717	-
Shanghai Tai Quan Trading Co., Ltd.	Trading of raw materials for catering	RMB 1,000,000	"	-	-	-	-	11,750	100	11,750	45,272	-
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Catering shop, collection of franchise fees and royalties	RMB 1,000,000	"	-	-	-	-	(15,779)	100	(15,779)	(11,649)	-
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	RMB 1,000,000	"	-	-	-	-	(30,799)	100	(30,799)	(32,293)	-
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	RMB 3,000,000	"	-	-	-	-	(41,989)	100	(41,989)	(45,439)	-
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	RMB 1,000,000	"	-	-	-	-	(18,652)	100	(18,652)	(19,145)	-
Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	Trading of beverages, collection of franchise fees and royalties	RMB 2,950,000	"	-	-	-	-	(5,166)	100	(4,404)	4,699	-
Meng Qiqi Food & Beverage Management (Shanghai) Co., Ltd. (Note 2)	Operation of food and beverage outlets	RMB 5,000,000	"	-	-	-	-	620	-	254	-	-
Fengfu Food & Beverage Management (Shanghai) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	RMB 1,300,000	"	-	-	-	-	(6,185)	100	(6,185)	(542)	-
Zhuoyue Catering Management (Xiamen)Co., Ltd. (Note 3)	Trading of beverages, collection of franchise fees and royalties	-	"	-	-	-	-	-	100	-	-	-
Yibang Health Technology (Shanghai) Co., Ltd.	Food marketing	RMB 210,000	"	-	-	-	-	(4)	100	(4)	908	-
Cacha Prince Intelligent Technology (Shanghai) Co., Ltd.	Catering equipment sales	RMB 1,000,000	"	-	-	-	-	(707)	51	(360)	1,855	-

Note 1: The investment gains and losses recognized in this period are based on the audited financial statements.

Note 2: This company was liquidated in September 2021.

Note 3: This company was established in June 2021, and it was not yet funded as of December 31, 2021.

1. Limits for investments in mainland China

Accumulated investment remitted from Taiwan to mainland China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	The upper limit on investment authorized by the Investment Commission of MOEA
(Note 4)	(Note 4)	(Note 4)

- Note 4: As the Company is an offshore company to the Republic of China, the limits on investments in mainland China do not apply.
- 2. Significant transactions with investees in mainland China, either directly or indirectly through the third region: Please refer to Table V.
 - 3. Provision of endorsement, guarantee, or collaterals to investees in mainland China, either directly or indirectly through the third region: Please refer to Table II.
 - 4. Financing provided to investees in mainland China, either directly or indirectly through the third region: Please refer to Table I.
 - 5. Other transactions that have a significant impact on the profit or loss or financial status of the current period: None.

Yummy Town (Cayman) Holdings Corporation
Information of Major Shareholders
December 31, 2021

Table VII

Name of Major Shareholders	Shares	
	Number of Shares Held	Shareholding Percentage
Special investment account of Yummy Town International Ltd. under the custody of Yuanta Commercial Bank	6,878,683	19.22%
Wu Po-Chao	5,316,930	14.85%
Chun-Chung Cheng	1,962,888	5.48%
Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.	1,891,562	5.28%

Note 1: The major shareholders in this table are shareholders holding 5% or greater of the ordinary and preference shares that have completed delivery without physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

Note 2: If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.