

Stock Code : 2726



Yummy Town (Cayman) Holdings Corporation

2020 Annual Report

Notice to readers

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

Market Observation Post System Website: <http://mops.twse.com.tw>

Company Website: <http://www.yummy-town.tw/>

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V. Name of Stock Exchange for Overseas Listed Securities and Method for Enquiry of Overseas Securities Information: None

VI. Company Website: www.yummy-town.tw

VII. List of Members of Board of Directors

Name	Title	Nationality or Place of Registration	Academic Qualifications and Experience
Wu, Po-Chao	Chairman	R.O.C.	Retired Air Force Captain Chairman, Committee of Catering, China Chain Store & Franchise Association (CCFA) Vice Chairman, Chain Store Committee, Shanghai Association of Taiwan Vice Chairman, Huangpu District, Shanghai Association of Taiwan

Name	Title	Nationality or Place of Registration	Academic Qualifications and Experience
Chen, Yu-Chen	Director	R.O.C.	Bachelor of Business Administration, Chihlee University of Technology Coordinator, New Card Review Department, American Express Senior Coordinator, Risk Management Department, Citibank
Wu, Hua-Chao	Director	R.O.C.	Yu Da High School of Commerce and Home Economics Purchasing and Sales Director, Purchasing and Marketing Department, Yummy Town (Cayman) Holdings Corporation
Yummy Town International Ltd. (Samoa)	Director	Samoa/ R.O.C.	Bachelor of Electronics Engineering, Chien Hsin University of Science and Technology Director, The Fifth Credit Cooperation Of Hsinchu Chairman, Eowg Kuang Soap Co., Ltd.
Representative: Yen, Hsien-Ming			
Hsu, Shih-Chun	Independent director	R.O.C.	Doctor of Business Administration, University of Michigan, USA Professor and First Dean, College of Management, National Taiwan University Chairman, Taiwan Institute of Directors Chairman, Taiwan Assessment and Evaluation Association Chairman, Chinese Management Association
Hsu, Yi-Fang	Independent director	R.O.C.	Executive Master of Business Administration, University of Arizona, USA CPA, Auditing Division in Taiwan and Shanghai, EY Taiwan
Chen, Cheng-Chong	Independent director	R.O.C.	Master of Hospitality and Tourism Management, School of Hospitality and Tourism Management, National Kaohsiung University of Science and Technology Chef, Private Members Club, Lai Lai Sheraton Hotel, Taipei Chef, Executive Club, Grand Hi Lai Hotel, Kaohsiung Consultant, Toong Mao Resorts & Hotels Top 10 Cross-Strait Food and Beverage Master in 2015

VIII. Name, Title, Telephone Number and E-mail Address of Designated Domestic Agent

Agent

Name: Chen, Yu-Chen

Title: Director

Tel: (02)2790-0689

E-mail: carrie_chen@yummy-town.com

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Chapter 1. Letter to Shareholders

Dear shareholders,

The COVID-19 pandemic in 2020, along with changes in the international political situation, had a significant impact on global economic development this year. In the face of such a severe situation, Yummy Town Group quickly adjusted its response and business strategy. Led by its corporate vision of building the best entrepreneurship platform in the global tea and beverage industry, the Group insisted on keeping a steady pace in store expansion and worked hand in hand with franchise partners all over the world to overcome this crisis together. The Group opened 311 stores throughout 2020. Looking ahead to 2021, the Group maintains a cautious and conservative attitude toward global economic development in the first half of the year as the epidemic situation in both Europe and the US remains severe. Nevertheless, with the advent of COVID-19 vaccines, a recent report published by Morgan Stanley also estimated that the global economy will show a V-shaped recovery trend. Led by three clear directions, namely "store expansion," "investment in mergers and acquisitions," and "international cooperation alliance," the Group will keep advancing its global store expansion plan in line with the trend using tactics flexibly. As regards improving management effectiveness, the Group will speed up the construction of a digital operating system to provide strong, scientific support for establishing the Group's globalized operations management and strategic directions.

2020 Business Report

Unit: NT\$ thousands

Item	2020	2019	Growth
Consolidated revenue	1,580,237	2,217,112	-28.41%
Consolidated net profit (Note)	38,871	129,368	-69.95%
Earnings per share (after tax) (NT\$)	1.09	3.62	-69.89%

Note: It refers to the consolidated net profit attributable to the owners of the Company.

In 2020, the Group's consolidated revenue declined by 28.73%, mainly because stores in various regions were not able to operate normally due to the impact of the COVID-19 pandemic, thus causing a fall in revenue and profit. During the COVID-19 pandemic, the Group actively implemented process optimization internally and benefited from cost reduction, which in turn led to a decline in various types of cost and expenses. Coupled with the fruits it bore through its expansion development strategy in multiple areas, the Group began generating a profit in the second half of the year and still managed to record a consolidated net profit for 2020; however, the Group's consolidated net profit and earnings per share fell by 69.95% and 69.89% compared to the same period last year, respectively.

Operational Directions and Outlook in 2021

In 2021, the Group will continue to strongly support its core brand, Happy Lemon as we will further penetrate into the Mainland China market and accelerate our expansion into third and fourth-tier cities in China, as well as focus more on our efforts to accelerate store expansion in three major regions in overseas markets, namely North America, Japan, and Southeast Asia. Multiple brands under the Group will also accumulate strength to pursue profitable business models. Based on the consensus to enhance brand development and accumulate brand consumer group assets, all the departments under the Group work as one and are committed to improving system and personnel efficiency, thereby becoming the greatest support for the Group toward the era of rapid development.

I. Happy Lemon to create a new landscape in the tea and beverage industry through alliances and collaborations

In 2021, Happy Lemon will continue its store expansion strategy in third- and fourth-tier cities in China through downward expansion from multiple directions in 2020, and incorporate a business model with new channels to break with the fixed old path of brand development in the fast-moving beverage industry and create a new landscape in the tea and beverage industry.

Further substantial progress has been made in its campus store expansion project. In 2021, Happy Lemon will become the first brand to open a store in Shanghai International Studies University located in Songjiang District, Shanghai and will put more campus stores into operation subsequently. Happy Lemon will also realize more channels through the cross-industry alliance model as follows: "Happy Lemon Tetra Pak Products," a product line that will penetrate more deeply into the consumer group to provide customers with a quicker and more convenient way to purchase its products; "Milk Tea Solution," a solution provided to other food and beverage operators by making good use of Happy Lemon's advantage of engaging in strong product development and having an excellent operations management team, with more micro-stores to begin operations through offline channels established through multiple cross-industry collaborations throughout the country in 2021; and "Multiple Placement of Brand IP," a channel in which Happy Lemon engages in multiple placement of its brand's IP by means of authorization according to the characteristics of its target customers, i.e. young people who love fun, refreshing, and innovative marketing methods, with a view to expanding brand exposure to its target customers.

II. Xian Zong Lin to undergo brand upgrade for a strong return

After upgrading and transforming the Xian Zong Lin brand, Xian Zong Lin opened a pop-up store at Shanghai TX Huaihai Center in 2020, with its simple and strong slogan that reads, "Natural tastes good." Xian Zong Lin returns invoked good memories of the brand among Xian Zong Lin fans in Shanghai. The trendy design of the pop-up store, together with a modern touch in its renovation and product design with innovative flavors, attracted lots of inquiries from startup investors during the operation of the pop-up store. In 2021, Xian Zong Lin is expected to open new company-operated stores and franchise stores in Shanghai and expand stores into regions outside Shanghai through the regional agent model while continuously emphasizing brand style and new brand image by launching pop-up stores with different themes each quarter.

III. Overseas expansion to the large US market and Southeast Asia

Despite the impact of the COVID-19 pandemic, Yummy Town Group will continue its overseas store expansion plan for 2020 in 2021 by mainly focusing on developing two markets, mainly the North American market and the ASEAN market and expanding into each market through three models, namely "joint venture," "alliance," and "cooperation."

The US market remains the top priority among overseas markets as Yummy Town Group has laid its foundation in the US for many years. At present, the Group continues to expand into major markets, from Seattle, Portland, San Francisco, Los Angeles, San Diego, Las Vegas, Denver, and Chicago, to Texas and Arizona in the future through its subsidiaries, joint ventures and major partner elite program in the US as well as the combination of local resources and manpower under each elite agents. Aside from opening company-operated stores, the Group will also focus on franchising single stores in various regions in order to expand the market share of the Happy Lemon brand in the North American tea and beverage market.

In the ASEAN market, the Group's joint venture in Malaysia continues to demonstrate outstanding performance in the COVID-19 pandemic this year as it opened four stores in less than half a year since its founding. In addition to continuously investing in and speeding up store expansion in 2021, the Group will also expand cooperation to partners that intend to form alliances in ASEAN countries so as to facilitate the Group's expansion into the ASEAN economic region. At present, agents from various markets, such as the Philippines, Indonesia, and Australia have also actively joined and participated in the Group's expansion plan.

IV. Digital empowerment to construct a management system in the Internet era

In 2021, Yummy Town Group will initiate the incorporation, optimization, and upgrading of numerous major system projects, with a view to engaging in meticulous deployment of digital and smart management. Yummy Town Group has established the Smart Digital Marketing Headquarters in 2021 and will integrate different talent capabilities in both areas to implement the operation of private domain traffic for brands. At the same time, the Group has also set up the Joint Finance Center to build a digital operating system with a new "one core, two systems" model, so as to form a closed loop by connecting various processes in brand operations to the operations of the supply chain and various departments, such as finance, via the system. When these processes are completed automatically, there is no need for manual operation, thereby streamlining the Group's organization and manpower and enabling digital empowerment and scientific management.

In 2021, Yummy Town Group will continue to increase the number of stores through multiple business strategies, including "store expansion," "investment in mergers and acquisitions," and "international cooperation alliance," based on its vision of building the best entrepreneurship platform in the global tea and beverage industry. At the same time, the Group will also incorporate digital management systems and schemes, which will enhance the Group's ability to grow its brands globally.

Chairman: Wu, Po-Chao

President: Chang, Miao-Ling

Chapter 2. Company Profile

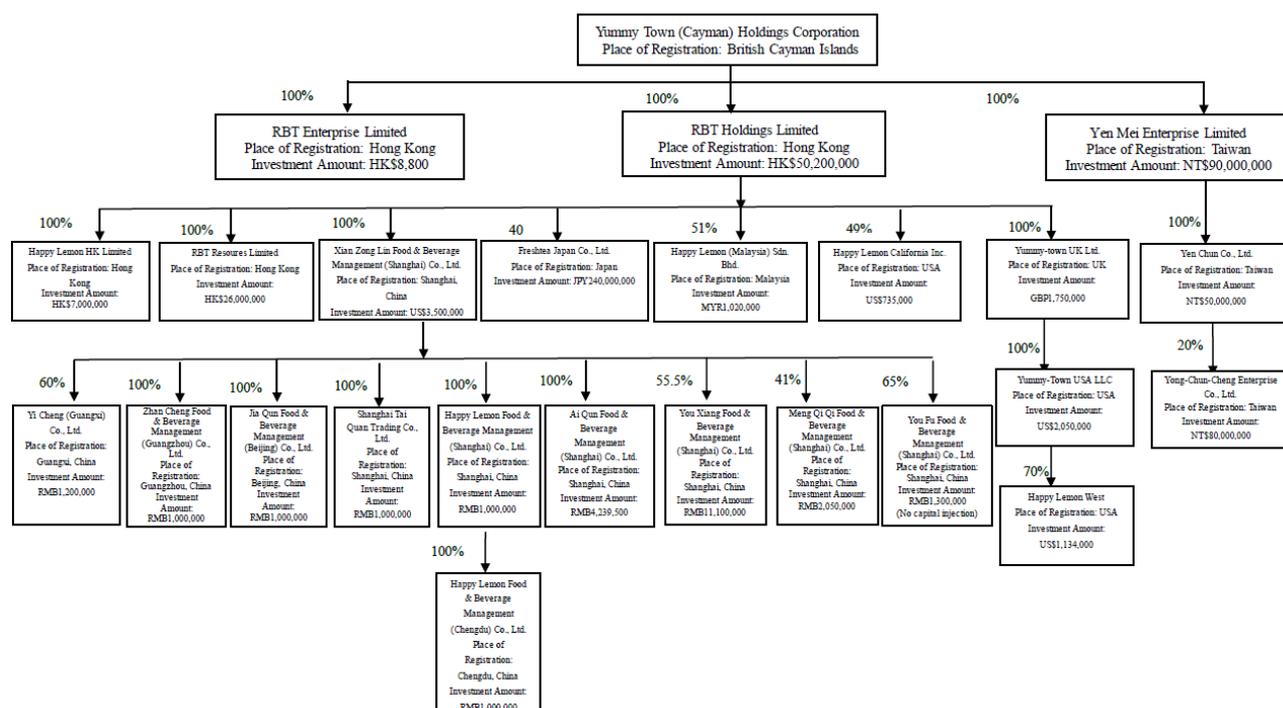
I. Introduction to the Company and the Group

(I) Date of Establishment and Company Profile

Yummy Town (Cayman) Holdings Corporation (hereinafter referred to the Company, the Group or Yummy Town) is a holding company established in British Cayman Islands on December 22, 2009. The Company's reinvested companies mainly engage in sales and services in food and beverage chains, selling a variety of leisure tea and beverages, snacks, and light meals. The Company's two brands, namely Real Brew Tea (RBT) and Happy Lemon are operated in parallel via methods including regular chain, franchise or regional franchise, where the Happy Lemon brand has expanded to all over Mainland China, Taiwan, Hong Kong, Japan, the Philippines, South Korea, USA, UK, Australia, and the Middle East and has become one of the well-known brands in the food and beverage chain system in Mainland China. In 2015, we cooperated with Keio Group from Japan to launch the brand "The Spiceland", which specializes in Japanese style curry cuisine. In 2016, we created our own high-end tea brand named "Tea Opal" and Spanish snack down named "Alma," which are currently operated via regular chain. In 2017, the Company launched the brand "Hippo Bobatea," which specializes in brown sugar bubble tea with tapioca pearls. After two to three years of development, we have grown brand awareness gradually. Having been widely popular by consumers, the Company has planned to constantly expand our business and develop our franchise business.

(II) Structure of the Group

March 31, 2021



(III) Risk Items: Kindly refer to Section VI in Chapter 7.

II. Company History

- 1996 ● The brand "Real Brew Tea" (RBT) was established in Hong Kong.
- 1998 ● The Hong Kong Special Administrative Region Government awarded the inaugural Newly Established Small and Medium-Sized Enterprise Award jointly organized by the Hong Kong Productivity Council and the Hong Kong General Chamber of Commerce to RBT.
- 1999 ● Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. was established.
- 2000 ● RBT was given the "Outstanding Enterprise Award" by Standard Chartered Bank during the Standard Chartered Startup Award.
- 2002 ● Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. successfully passed the ISO 9001 quality control verification.
- 2003 ● The Guangzhou Management Team was set up and actively developed markets in South China.
- 2005 ● RBT won the "Shanghai Most Influential Franchise Brand" award.
- 2006 ● The brand "Happy Lemon" was created and Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd. was established, with the first regular chain store (Tianyaoqiao Store) set up in Shanghai.
 - Happy Lemon International Ltd. was established and entered the Hong Kong market.
 - RBT won the "Shanghai Most Influential Franchise Brand" award.
- 2008 ● Shanghai Tai Quan Trading Co., Ltd. was established.
 - Happy Lemon established Jia Qun Food & Beverage Management (Beijing) Co., Ltd. to expand its business to East China and North China. Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd. was established to expand its business in South China.
- 2009 ● Yummy Town (Cayman) Holdings Corporation was established.
 - RBT won the "Shanghai Most Influential Franchise Brand" award.
- 2010 ● RBT and Happy Lemon were the food and beverage service providers at the Expo 2010 Shanghai China.
 - Happy Lemon entered overseas markets by setting up franchise stores in Singapore, Sydney in Australia, and Manila in the Philippines.
- 2012 ● Happy Lemon expanded its business to Southwest China and established Chengdu Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.
 - Happy Lemon actively expanded its business to Southeast Asia by setting up franchise stores in Bangkok, Thailand.
- 2013 ● Happy Lemon set up its first regular chain (Yanji Store) in Taipei, Taiwan.
 - Happy Lemon launched its first franchise store in Seoul, South Korea.
 - Happy Lemon was awarded the "Shanghai Fresh Beverage Model Brand" in 2013 by Shanghai Beverage Association.

- 2014 ● Happy Lemon launched its franchise store in New York City, USA.
- Happy Lemon was awarded the "Shanghai Fresh Beverage Model Brand" in 2014 by Shanghai Beverage Association.
- Yummy Town's shares were publicly listed on Taipei Exchange on December 24, 2014.
- 2015 ● You Xiang Food & Beverage Management (Shanghai) Co, Ltd., a joint venture in collaboration with Keio Group from Japan, was established to expand the curry brand business.
- Freshtea Japan Co., Ltd., a joint venture in collaboration with Keio Group from Japan, was established to formally enter the Japanese market
- Happy Lemon in Europe opened its first franchise store in London.
- 2016 ● Happy Lemon California, Inc., a joint venture in collaboration with Sunmerry Foods Ltd., was established to expand into the European market.
- Happy Lemon Trading UK Ltd., a joint venture in collaboration with Happy Lemon Holdings UK Ltd., was established.
- The brand "Tea Opal" was established, with its first regular chain (Meiluocheng Store) set up in Shanghai.
- The Spanish snack brand named "Alma" was established, with its first regular chain (Shanghai Joy City Store) set up in Shanghai. The brand was awarded the Most Affordable Cuisine recommended by Bib Gourmand.
- 2017 ● The brand "Hippo Bobatea" was established, with its first regular chain (Zhengtong Road Store) set up in Shanghai.
- Tea Opal won the "Champion Award in the Beverage Category Selected by Shanghai's Most Unique Restaurants" and the Top 10 Internet Celebrity Store for Trendy Beverages, as well as the "Most Popular Trendy Beverage Award," the "Annual Top Selling Single Product Award," and the "Trendy Beverage Gold Quality Award."
- Happy Lemon was awarded the "Most Influential Franchise Brand" and "China's Outstanding Franchise Brand."
- RBT was awarded "China's Outstanding Franchise Brand."
- The Spanish snack brand named "Alma" was once again awarded the Most Affordable Cuisine recommended by Bib Gourmand since 2016.
- Yummy Town Group was awarded the inaugural "4A Franchise Enterprise."
- 2018 ● Tea Opal was once again awarded the Top 10 Internet Celebrity Store for Trendy Beverages and won the Best Quality Award.
- RBT was awarded "China's Outstanding Franchise Brand."
- Happy Lemon was awarded the "Best Brand Partner" by Koubei New Catering.
- Happy Lemon won the "2018 China Chain Store & Franchise Association (CCFA) Chain Food & Beverage Best Practice and Innovation Awards."

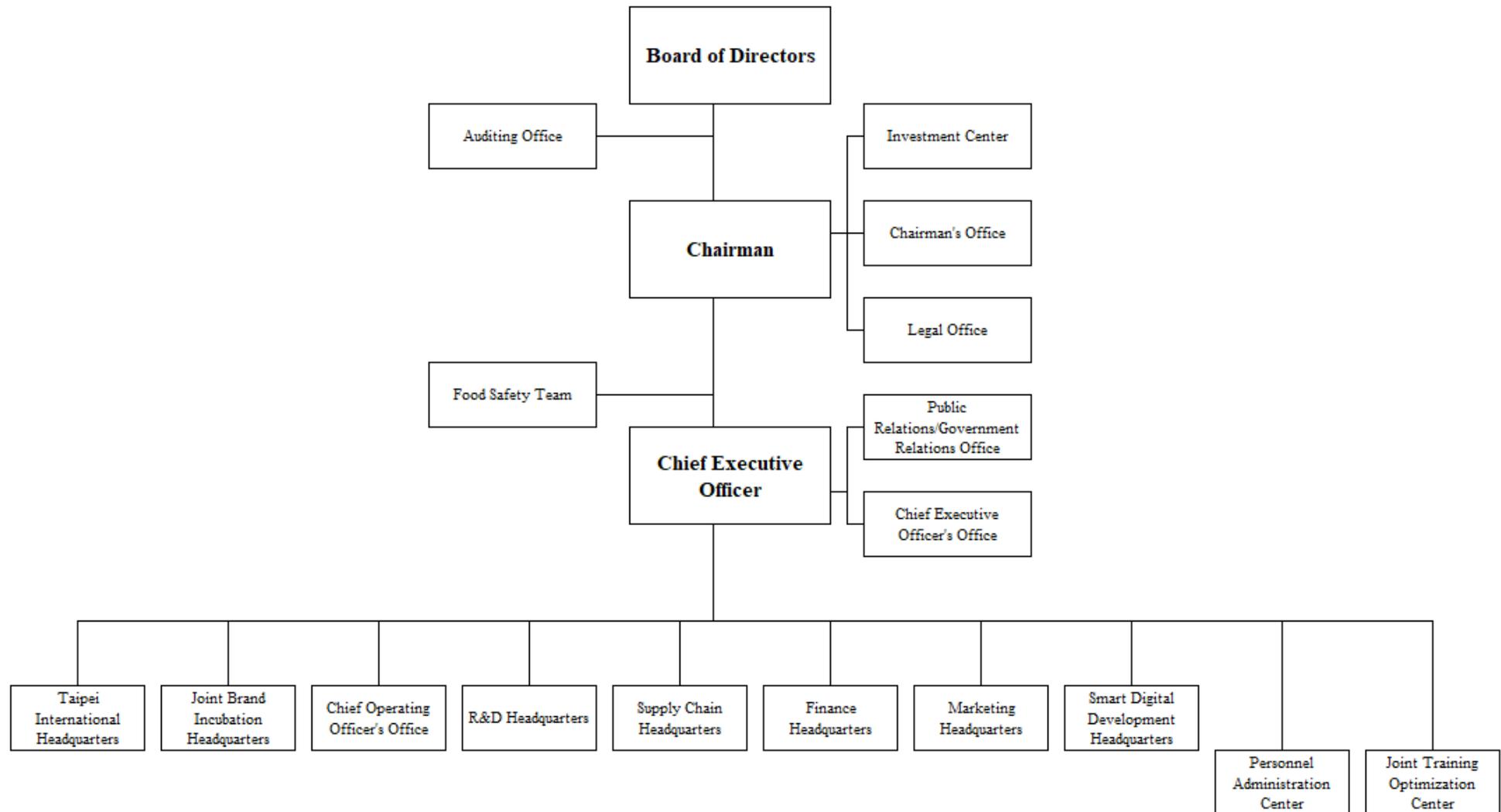
- Happy Lemon was awarded "China's Outstanding Franchise Brand" and won the "Digital Innovation Award" in the chain food and beverage industry.
 - The Spanish snack brand named "Alma" was once again awarded the Most Affordable Cuisine recommended by Bib Gourmand, gaining recognition from Shanghai Michelin Guide for three consecutive years.
 - Hippo Bobatea won the 2018 Popular Beverage Award selected by Shanghai BANG Media.
 - Hippo Bobatea and its brown sugar bubble tea with stir-fried tapioca pearls celebrated its first anniversary. As the brand's series of beverages with stir-fried tapioca pearls gain wide recognition from consumers and the media in Shanghai, the brand was given by the 2018 Popular Beverage Award as selected by Shanghai BANG Media in December 2018.
- 2019
- Happy Lemon won the "2019 CCFA Chain Food & Beverage Innovation Award."
 - Happy Lemon was awarded "China's Outstanding Franchise Brand."
 - Tea Opal's Changning Laifu Store won the first prize in the food and beverage category in the Asia Pacific Space Design Award (APSDA).
 - Tea Opal ranked No. 1 in Funai Soken's Regional Product of the Year.
 - CNBC, CBS, and Food Network in USA conducted exclusive interviews with Happy Lemon on its expansion in the US market.
 - Happy Lemon was awarded the "2019 Shanghai Fresh Beverage Gold Product Brand."
 - Happy Lemon was awarded the "2019 Best Popular Brand" by the 2019 China Beverage Innovation Top 50.
 - Tea Opal's Changning Laifu Store won the first prize in the food and beverage category in the Asia Pacific Space Design Award (APSDA).
 - Tea Opal ranked No. 1 in Funai Soken's Regional Product of the Year.
 - Tea Opal was awarded the Shanghai champion in the 7th Shanghai International Fashion Drinks Competition.
 - Tea Opal was awarded the Best 100 selected by Shanghai's popular restaurants.
- 2020
- Entering its second year, Hippo Bobatea expanded its stores to third- and fourth-tier cities in Mainland China, and opened new franchise stores in Daqing and Mudanjiang, Heilongjiang; Zibo, Shandong; and Changchun, Jilin.
 - The Spiceland was given the honor to become the food and beverage partner of the Kidswear supermodel event during the Shanghai Fashion Week.
 - Happy Lemon was awarded the Certificate of Appreciation by the Shanghai Association of Taiwan for its charitable effort during the COVID-19 outbreak.
 - Happy Lemon was named in "China's Top 100 Food and Beverage Franchises in 2020."
 - Happy Lemon was named in "China's Top 50 Trendy Food and Beverage Brands in 2020."

- Happy Lemon won the "Content Marketing Award" for the excellent "Happy Lemon x Tibet 5100 Natural Glacial Mineral Water" effort.
- Xian Zong Lin was named in the "China's Top 100 Food and Beverage Franchises in 2020."
- Happy Lemon's Information Center won the "Outstanding Information Team Award in the Consumer Goods Industry" in the 2020 Zhihong Cup.
- Happy Lemon won the "2019-2020 Smart Food and Beverage Digital Operation Innovation Practice Award."
- Happy Lemon won the "Best Retail Digital Transformation and Innovation Award" at the 6th World Retail Elite (WRE) Digital Transformation Summit.
- Happy Lemon, along with Keio Corporation, participated in the capital increase plan for Freshtea Japan Co., Ltd. to continuously expand Happy Lemon stores along the Keio Railway routes.
- The Company invested in Kebuke Tea Company, a famous beverage brand in Taiwan, to compete in the "International Cup" together.
- Yummy-town USA LLC established a joint venture named HL West Inc. with local agents in North America to strengthen business development in North America.
- In response to continuous growth in the Asia Pacific region, the Company established a joint venture in Malaysia to not only expand into the ASEAN market, but also take a major step into Muslim countries.
- The Company established Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd. to penetrate into the campus market in China.
- Happy Lemon was awarded the GoGo Shanghai 2021 Popular Creative Summer Drink.
- Happy Lemon was named in "China's Food and Beverage Franchise List in 2020" by the China Chain Store & Franchise Association and Meituan Dianping.
- Xian Zong Lin was named in "China's Food and Beverage Franchise List in 2020" by the China Chain Store & Franchise Association and Meituan Dianping.
- Li, Yang became an official member of the SME CIO Alliance as the China Association of Small and Medium Enterprises awarded the Certificate of Alliance Membership to him.
- Tea Opal was named the "High-Quality Tea and Beverage Outlet Recommended by Millions of Fans."

Chapter 3. Corporate Governance Report

I. Organizational System

1. Organizational Structure of the Company



2. Duties and Responsibilities of Major Departments

Department	Duties and Responsibilities
Chairman's Office	Set the Company's strategic policies for overall corporation operations, evaluate legal risks, implement CSR, and make important operating decisions.
Chief Executive Officer's Office	Fully implement the Company's overall business plans and achieve the overall business objectives of the Company
Auditing Office	Assess deficiencies in the Company's internal control system and measure operating efficiency, submit audit reports, put forward suggestions for improvement in a timely manner to reasonably ensure the continuous and effective implementation of the internal control system persistently, and assist the management in fulfilling its responsibilities.
Legal Office	Conduct legal risk assessments with respect to various decisions made by the Company.
Food Safety Team	Establish the Group's food product policies, enhance product and brand value, provide consumers with healthier, better-quality, and safe products, and create a food culture with honesty and integrity in the society.
Investment Center	Assist the Group in collaboration, alliance, investment, and mergers and acquisitions with external parties to expand the operations of the Group, create shareholder wealth, and protect shareholders' rights and interests.
Public Relations/Government Relations Office	Responsible for building good relations with the government and related parties to enhance the popularity and reputation of the Company.
Taipei International Headquarters	Serve as the Group's overseas operation center, which is responsible for global expansion, operations, store expansion, training, and supply chain management mainly in three markets, namely North America, Asia Pacific, and Europe and Australia.
Brand Incubation Headquarters	Assist the Group in the development and incubation of food brands, optimize and innovate the operations of brands under the Group in response to different regional and consumption attributes, and also launch newly incubated brands to enhance the Group's competitiveness in the food and beverage industry.
Chief Operating Officer's Office	Formulate business models for each brand framework and brand as the basis for meeting the needs of customers and consumers according to the brand development goals and business strategies set by the Company, in order to achieve the business goals of each brand.
R&D Headquarters	Design, research, and develop various types of food and beverage under the Company's various brands.
Supply Chain Headquarters	Responsible for the overall planning of customers' needs for raw materials and delivery.
Finance Headquarters	Responsible for capital movement and accounting work to ensure the financial stability and security of the Company, improve the quality of decision-making with correct and objective financial data and management information, and strictly control all data.
Smart Digital Development Headquarters	Responsible for building, managing, and maintaining the image of brands under the Company as well as public relations, system technical support, and digital tools for these brands.
Personnel Administration Center	Optimize the business model and organizational and operational framework of each brand in accordance with the product and business policies formulated by the Company, in order to assist each brand in achieving company-wide business goals. Organize and formulate the Group's human resources plan, as well as guide and coordinate human resources management in each subsidiary of the Group, in order to meet each subsidiary's needs for talents and ensure that the Company's overall strategic goals are achieved. Formulate sound company regulations and systems, as well as handle and respond to emergencies.
Joint Training Optimization Center	Responsible for planning training for the Group and various brands and assisting each department in optimizing work processes.

II. Information on Directors, Supervisors, President, Vice Presidents, Senior Manager and Managers of Each Department and Branch

(I) Information on Directors and Supervisors

1. 1. Name, Nationality or Place of Registration, Academic Qualifications and Experience, Shareholding and Its Nature

As of April 19, 2021; Unit: shares; %

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date First Elected (Note 2)	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse or Minors		Shares Held in the Name of Others		Academic Qualifications and Experience	Positions Currently Held in the Company and Other Companies	Executives, Directors or Supervisors who are Spouses or within the Second Degree of Kinship			Remark		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation			
Chairman	R.O.C.	Wu, Po-Chao	Male	2018.06.15	3 years	2009.12.22	4,989,956	14.83%	5,316,930	14.55%	18,902	0.05%	—	—	Retired Air Force Captain Chairman, Committee of Catering, China Chain Store & Franchise Association (CCFA); Vice Chairman, Chain Store Committee, Shanghai Association of Taiwan; Vice Chairman, Huangpu District, Shanghai Association of Taiwan	Note 1	Director	Chen, Yu-Chen	Spouse	—		
Director	R.O.C.	Chen, Yu-Chen	Female	2018.06.15	3 years	2009.12.22	—	—	18,902	0.05%	5,316,930	14.55%	—	—	Bachelor of Business Administration, Chihlee University of Technology Coordinator, New Card Review Department, American Express Senior Coordinator, Risk Management Department, Citibank	Note 2	Chairman	Wu, Po-Chao	Spouse	—		
Director	Samoa	Legal entity: Yummy Town International Ltd.		2018.06.15	3 years	2012.02.06	5,950,583	17.69%	6,878,683	18.82%	—	—	—	—	—	—	—	—	—	—		
	R.O.C.	Representative: Chan, Wen-Liang (Note 3)	Male				—	—	—	—	—	—	—	—	—	—	President, Yuanta Venture Capital Co., Ltd. Senior Vice President and Director of Investment Division, Yuanta Venture Capital Co., Ltd. Vice President and Director of Investment Division, Grand Asia Capital Services Pte. Ltd.	—	—	—	—	—
	R.O.C.	Representative: Yen, Hsien-Ming (Note 3)	Male				—	—	630	0.00%	804,046	2.20%	—	—	—	—	Director, The Fifth Credit Cooperation Of Hsinchu Director and Supervisor, Cermarx	Note 4	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date First Elected (Note 2)	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse or Minors		Shares Held in the Name of Others		Academic Qualifications and Experience	Positions Currently Held in the Company and Other Companies	Executives, Directors or Supervisors who are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
														Co., Ltd. Chairman, Yen Garage						
Director	R.O.C.	Wu, Hua-Chao	Female	2020.06.23	3 years	2020.06.23	582,980	1.67%	460,659	1.26%	—	—	—	—	Purchasing and Sales Director, Purchasing and Marketing Department, Yummy Town (Cayman) Holdings Corporation	Note 5	Chairman	Wu, Po-Chao	Sister	—
Independent director	R.O.C.	Hsu, Shih-Chun	Male	2018.06.15	3 years	2012.02.06	—	—	—	—	—	—	—	Doctor of Business Administration, University of Michigan, USA Professor and First Dean, College of Management, National Taiwan University Chairman, Taiwan Institute of Directors Chairman, Taiwan Assessment and Evaluation Association Chairman, Chinese Management Association	Note 6	—	—	—	—	
Independent director	R.O.C.	Hsu, Yi-Fang	Female	2018.06.15	3 years	2012.02.06	—	—	—	—	—	—	—	Executive Master of Business Administration, University of Arizona, USA CPA, Auditing Division in Taiwan and Shanghai, EY Taiwan	Note 7	—	—	—	—	
Independent director	R.O.C.	Chen, Cheng-Chong	Male	2018.06.15	3 years	2012.02.06	—	—	—	—	—	—	—	Master of Hospitality and Tourism Management, School of Hospitality and Tourism Management, National Kaohsiung University of Science and Technology Chef, Private Members Club, Lai Lai Sheraton Hotel, Taipei Chef, Executive Club, Grand Hi Lai Hotel, Kaohsiung Consultant, Toong Mao Resorts & Hotels	Note 8	—	—	—	—	

Note 1: Positions held concurrently in the Company and other companies at present: Director, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd., Shanghai Tai Quan Trading Co., Ltd., Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd., Jia Qun Food & Beverage Management (Beijing) Co., Ltd., RBT Enterprise Limited, RBT Resources Limited, RBT Holdings Limited, Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd., Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd., and Happy Lemon California, Inc.; Chairman, You Xiang Food & Beverage Management (Shanghai) Co., Ltd. and Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.

Note 2: Positions held concurrently in the Company and other companies at present: Director, RBT Enterprise Limited, RBT Holdings Limited, RBT Resources Limited, Happy Lemon HK Limited, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd., Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd., Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd., Yen Chun International Co., Ltd., Yummy-town UK Ltd., Happy Lemon California, Inc., Yummy-town USA LLC, Happy Lemon West Inc., Happy Lemon (M) Sdn. Bhd., and Freshtea Japan Co., Ltd.; Supervisor, Shanghai Tai Quan Trading Co., Ltd., Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd., Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd., Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd., You Xiang Food & Beverage Management (Shanghai) Co., Ltd., and Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.; Litigation and Non-Litigation Agent, Yummy Town International Ltd.

Note 3: A new legal representative has been appointed on January 16, 2020

Note 4: Positions held concurrently in the Company and other companies at present: Chairman, Eowg Kuang Soap Co., Ltd.

Note 5: Positions held concurrently in the Company and other companies at present: Director, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. and Zhan Cheng Food and Beverage Management (Guangzhou) Co., Ltd.; Consultant, Purchasing and Marketing Department, Yummy Town International Ltd.

Note 6: Positions held concurrently in the Company and other companies at present: Director, Far Eastern International Bank, Far Eastern Electronic Toll Collection Co. (not listed on TWSE or TPEX), and FETC International Co., Ltd. (not listed on TWSE or TPEX); Independent Director, The Eslite Spectrum Corporation; Chair Professor, Feng Chia University; Adjunct Professor, Department of Business Administration, National Cheng Chi University; and Adjunct Professor, Department of Business Administration, National Taiwan University.

Note 7: Positions held concurrently in the Company and other companies at present: CPA, Ting Li Accounting & Tax Service Inc.; and Director, TCM Biotech International Corporation.

Note 8: Positions held concurrently in the Company and other companies at present: Professor, Department of Chinese Culinary Arts, National Kaohsiung University of Hospitality and Tourism.

2. Major Shareholders of Juristic-Person Shareholders

As of April 30, 2021

Name of Juristic-Person Shareholder	2. Major Shareholders of Juristic-Person Shareholders
Yummy Town International Ltd.	Wu, Po-Chao (50%) (R.O.C.) and Chen, Yu-Chen (50%) (R.O.C.)

3. Major Shareholders of Juristic-Person Shareholders Which Are Juristic Persons: Not applicable

4. Professional Qualifications and Independence of Directors or Supervisors

As of April 30, 2021

Name	Meets one of the following professional qualifications, with at least five years of work experience			Meets the status of independence (Note 1)												Number of other public companies where the individual is concurrently serving as an independent director	
	Criteria	Currently serving as an instructor or in higher positions in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10	11		12
Wu, Po-Chao			√							√	√		√		√	√	0
Chen, Yu-Chen			√							√	√		√		√	√	0
Yummy Town International Ltd. Representative: Yen, Hsien-Ming			√	√	√	√	√	√	√	√	√	√	√	√	√	√	0
Wu, Hua-Chao			√							√	√		√		√	√	0
Hsu, Shih-Chun	√		√	√	√	√	√	√	√	√	√	√	√	√	√	√	1
Hsu, Yi-Fang		√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	0
Chen, Cheng-Chong	√		√	√	√	√	√	√	√	√	√	√	√	√	√	√	0

Note 1: For any director or supervisor who fulfill the relevant criteria two years before being elected or during the term of office, please tick (√) the field under the corresponding criteria. ✓

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not serving as a director or supervisor of the Company or any affiliated company (however, this does not apply in cases where the person is an independent director of the Company, its parent or subsidiary established pursuant to this law or local laws).
- (3) Not a natural person shareholder who holds more than one percent of the total number of shares issued or is ranked top 10 in terms of the total number of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the manager listed in (1) or employee listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total shares issued by the Company, ranks as one of its top five shareholders or designates a representative as the director or supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (however, this does not apply in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company,

subsidiaries, or any company that shares the same parent company with it).

- (6) Not a director, supervisor, or employee of another company whose half of the seats of directors or shares with voting rights is controlled by the same person as the Company (however, this does not apply in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it).
- (7) Not a director (member of the governing board), supervisor (member of the supervisory board) or employee of another company or institution that the Chairman, President or person holds an equivalent position of it are the same person or the spouse of the person holding the aforementioned positions of the Company (however, this does not apply in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it).
- (8) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding five percent or more of shares of a specified company or institution that has a financial or business relationship with the Company (however, this does not apply in cases where the company or institution holds more than 20% but no more than 50 percent of the total shares issued by the Company and where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it).
- (9) Not a professional individual who, or an owner, partner, director (member of the governing board), supervisor (member of the supervisory board), or managerial officer of a sole proprietorship, partnership, company, or institution, that provides audit services, or commercial, legal, financial, accounting or related services from which a cumulative amount of remuneration not exceeding NT\$500,000 has been obtained in the most recent two years, to the Company or to any of its affiliates, or a spouse thereof. However, this does not apply in cases where the person is a member of the remuneration committee, the public tender offer review committee or the special committee for merger/consolidation and acquisition who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within the second degree of kinship to any other director of the Company.
- (11) Where none of the circumstances specified in Article 30 of the Company Act applies.
- (12) Where the person is not elected in the capacity of the government, a juristic person or a representative thereof as provided in Article 27 of the Company Act.

(II) Information on President, Vice President, Senior Manager and Managers of Each Department and Branch

Title	Nationality	Name	Gender	Date Elected (Appointed)	Number of Shares Held		Shares Held by Spouse or Minors		Shares Held in the Name of Others		Academic Qualifications and Experience	Positions Currently Held in Other Companies	Managers who are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
Chief Executive Officer	R.O.C.	Chang, Miao-Ling	Female	2016.10.11	24,783	0.07%	—	—	—	—	Executive Master of Business Administration, Royal Roads University, Canada Senior Manager, McDonald's Taiwan	Director and President, Ai Qun Food & Beverage Management (Shanghai) Co., Ltd. Director and President, You Xiang Food & Beverage Management (Shanghai) Co., Ltd. Director, Freshtea Japan Co., Ltd. Director, Happy Lemon (Malaysia) Sdn. Bhd.	—	—	—	—
Vice President	R.O.C.	Huang, Hsin-Lin	Male	2012.11.02	14,205	0.04%	—	—	—	—	Diploma in Mechanical Engineering, Kun Shan Industrial Junior College F&B Manager at Headquarters, Cashbox Partyworld Co., Ltd., Taiwan	—	—	—	—	
Vice President	Hong Kong	Huang, Jo-Han	Male	2013.09.30	—	—	—	—	—	—	Diploma in Languages, New Method College, Hong Kong Operations Manager for China Region, Pacific Coffee, Hong Kong	—	—	—	—	
Vice President	R.O.C.	Wang, Pei-Chun	Female	2016.09.06	16,382	0.04%	—	—	—	—	Bachelor of Business Administration, National Taiwan University Senior Supervisors, McDonald's Taiwan Professor, McDonald's Hamburger University, China Director, Fa Shun Frost Cream, Taiwan	—	—	—	—	
Chief Investment Officer	R.O.C.	Chen, Sheng-Chung	Male	2019.12.2	50,555	0.14%	—	—	—	—	President, Sino Tactful Co., Ltd. President, Ray Shi Capital Co., Ltd. Vice President, Pao Lai Funds Co., Ltd.	—	—	—	—	
Chief Operating Officer	China	Shen, Xue-Mei (Note 1)	Female	2018.01.02	—	—	—	—	—	—	Bachelor of Business Administration, Jiangnan University, China Manager, Real Estate Division, Shanghai McDonald's Co., Ltd., China	—	—	—	—	

Title	Nationality	Name	Gender	Date Elected (Appointed)	Number of Shares Held		Shares Held by Spouse or Minors		Shares Held in the Name of Others		Academic Qualifications and Experience	Positions Currently Held in Other Companies	Managers who are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
Vice President	R.O.C.	Lin, Wan-Ting	Female	2017.06.19	6,458	0.02%	—	—	—	—	Master of Arts in Modern British Culture, University of Warwick, UK Senior Financial Reporter/Anchor in Shanghai, TVBS News	—	—	—	—	—
Vice President	R.O.C.	Li, Yi-Hsing	Male	2017.11.22	12,601	0.03%	—	—	—	—	Bachelor of Textile, Feng Chia University Special Assistant to the President for the Mainland China Region, CoCo Fresh Tea & Juice Manager, Franchise Development Division, McDonald's Operations and Training Consultant, McDonald's	—	—	—	—	—
Vice President and Accounting Supervisor	R.O.C.	Wu, Tsung-Ju (Note 2)	Male	2019.08.12	—	—	—	—	—	—	Financial Director, Maxim Label and Packaging Co., Ltd. Senior Finance Manager, Win-Win Precision Technology Co., Ltd. Assistant Controller, ASML (Taiwan)	—	—	—	—	—
Vice President and Accounting Supervisor	R.O.C.	Lin, Che-Chi (Note 2)	Male	2020.06.23	—	—	—	—	—	—	Master of Financial Management, Seattle University, USA Bachelor of Accounting, Eastern Washington University, USA Chief Financial Officer, Golden Biotechnology Corp. Chief Financial Officer and Vice President of Operations, Antec Inc. Deputy Head of Finance Division, GIGA-BYTE Technology Co., Ltd.	—	—	—	—	—
Vice President	R.O.C.	Li, Tsung-Yi (Note 3)	Male	2017.08.23	12,000	0.03%	—	—	—	—	Bachelor of Mass Communication, Fu Jen Catholic University Director, CoCo Fresh Tea & Juice Director, Xin Pin Yin Xiang (Shanghai) Co., Ltd. Senior Manager, Tianjin Dingqiao Catering Service Consulting Co., Ltd. (Dicos) Senior Manager, McDonald's Taiwan	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected (Appointed)	Number of Shares Held		Shares Held by Spouse or Minors		Shares Held in the Name of Others		Academic Qualifications and Experience	Positions Currently Held in Other Companies	Managers who are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
Audit Supervisor	R.O.C.	Chen, Tsui-Ling (Note 4)	Female	2013.03.31	—	—	—	—	—	—	Bachelor of Accounting, Chung Yuan Christian University Audit Supervisor and Acting Spokesperson, Shun On Electronic Co., Ltd. Audit Supervisor and Supervisor at Logistics Center, Kunshan Eson Precision Engineering Co., Ltd.	—	—	—	—	—
Audit Supervisor	R.O.C.	Liu, Yu-Chieh (Note 4)	Male	2020.09.30	—	—	—	—	—	—	Bachelor of Accounting and Information Systems, Chang Jung Christian University Internal Auditor, UltraChip Inc. Audit Manager, Humax East Co., Ltd. Audit Manager, Kuangli Photoelectric Technology Co., Ltd.	—	—	—	—	—
Vice President	R.O.C.	Li, Yun-Chu (Note 5)	Female	2018.03.01	8,000	0.02%	—	—	—	—	Bachelor of Accounting, Providence University Vice President, International Division Ococo International Co., Ltd. Assistant Manager, Franchise Operations Division, McDonald's	—	—	—	—	—
Special Assistant	R.O.C.	Han, Ding-Guo (Note 6)	Male	2019.8.12	—	—	—	—	—	—	Vice President of Operations and Planning, McDonald's Taiwan; Chairman, Burger King Taiwan; Chief Operating Officer, Greater China, Yum! Brands, Inc.; President, Yum Restaurants International (Thailand) Co.,Ltd.; and President, KFC Taiwan	—	—	—	—	—
Acting Spokesperson	R.O.C.	Hsu, Mei-Hua	Female	2019.8.12	—	—	—	—	—	—	Master of International Business, Tamkang University Supervisor, Financial Planning Section, SinoPac Securities	—	—	—	—	—

Note 1: Vice President Shen Xue-Mei was promoted to the position of Chief Operating Officer on December 31, 2020.

Note 2: Vice President Wu, Tsung-Ju underwent position adjustment and was appointed Special Assistant on June 23, 2020. Special Assistant Lin, Che-Chi was appointed Vice President and Accounting Supervisor, Finance Headquarters on June 23, 2020.

Note 3: Vice President Li, Tsung-Yi resigned on July 17, 2020.

Note 4: Director Chen, Tsui-Ling underwent position adjustment on September 30, 2020. Liu, Yu-Chieh was appointed Audit Supervisor on September 30, 2020.

Note 5: Vice President Li, Yun-Chu resigned on May 31, 2020.

Note 6: Chief Strategy Officer Han, Ding-Guo underwent position adjustment and was appointed Special Assistant on February 20, 2020.

III. Remuneration Paid to Directors, Supervisors, President and Vice President in the Most Recent Year

1. Remuneration Paid to Directors in 2020

Unit: NT\$ thousands; shares; %

Title	Name	Remuneration for Directors								Percentage of the Sum of Four Items Including A, B, C, and D in Terms of Net Profit After Tax		Relevant Remuneration Received by Directors Who Concurrently Serve As Employees						Percentage of the Sum of Seven Items Including A, B, C, D, E, F, and G in Terms of Net Profit After Tax		Whether or Not The Director Receives Remuneration from Reinvested Companies Other Than Subsidiaries of the Company		
		Compensation (A)		Severance Pay and Pension (B)		Directors' Bonus (C)		Expenses for Performance of Duty (D)		Salary, Rewards and Special Allowances (E)		Retirement Pension (F)		Employee Bonus (G)								
		(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company		All the Companies Listed in the Financial Statements		(I) Parent Company	All the Companies Listed in the Financial Statements			
														Amount of Cash	Amount of Shares	Amount of Cash	Amount of Shares					
Directors	Wu, Po-Chao	-	-	-	-	-	-	-	-	-	-	-	3,943	-	46	-	-	-	0	-	12.08%	None
	Chen, Yu-Chen	-	-	-	-	-	-	-	-	-	-	-	2,768	-	-	-	-	-	-	-	8.38%	None
	Yummy Town International Ltd. (Note 1) Representative: Chan, Wen-Liang Representative: Yen, Hsien-Ming	-	345	-	-	-	-	-	24	-	1.12%	-	-	-	-	-	-	-	-	-	1.12%	None
	Wu, Hua-Chao (Note 2)	-	-	-	-	-	-	-	-	-	-	-	648	-	40	-	-	-	-	-	2.08%	None
Independent director	Hsu, Shih-Chun	-	600	-	-	-	-	-	24	-	1.89%	-	-	-	-	-	-	-	-	-	1.89%	None
	Hsu, Yi-Fang	-	600	-	-	-	-	-	12	-	1.85%	-	-	-	-	-	-	-	-	-	1.85%	None
	Chen, Cheng-Chong	-	600	-	-	-	-	-	24	-	1.89%	-	-	-	-	-	-	-	-	-	1.89%	None

1. Please indicate the remuneration payment policy, system, criteria, and structure for independent directors, and indicate the correlation between various factors, such as duties and responsibilities, risk, and time invested, and the amount of remuneration paid: Remuneration paid to the Company's independent directors are set in accordance with the Regulations Governing Payment of Compensation and Remuneration to Directors.

2. Remuneration received in the most recent year by the directors of the Company for rendering services (such as serving as a non-employed consultant) to all companies listed in the financial statements: None

Note 1: Yummy Town International Ltd. appointed Mr. Yen, Hsien-Ming to replace Mr. Chan, Wen-Liang on January 16, 2020.

Note 2: Wu, Hua-Chao was appointed director on June 23, 2020.

Range of Remuneration

Range of Remuneration Paid to Directors	Number of Directors			
	Sum of the First Four Types of Remuneration (A+B+C+D)		Sum of the Seven Types of Remuneration (A+B+C+D+E+F+G)	
	(I) Parent Company	All the Companies Listed in the Financial Statements (H)	(I) Parent Company	All the Companies Listed in the Financial Statements (H)
Less than NT\$1,000,000	—	Yen, Hsien-Ming; Wu, Hua-Chao; Hsu, Shih-Chun; Chen, Cheng-Chong; Hsu, Yi-Fang; Chen, Yu-Chen; and Wu, Po-Chao	—	Yen, Hsien-Ming; Wu, Hua-Chao; Hsu, Shih-Chun; Chen, Cheng-Chong; and Hsu, Yi-Fang
NT\$1,000,000 (inclusive) to NT\$2,000,000	—		—	Chen, Yu-Chen
NT\$2,000,000 (inclusive) to NT\$3,500,000	—		—	Wu, Po-Chao
NT\$3,500,000 (inclusive) to NT\$5,000,000	—		—	—
NT\$5,000,000 (inclusive) to NT\$10,000,000	—	—	—	—
NT\$10,000,000 (inclusive) to NT\$15,000,000	—	—	—	—
NT\$15,000,000 (inclusive) to NT\$30,000,000	—	—	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000	—	—	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000	—	—	—	—
NT\$100,000,000 and above	—	—	—	—
Total	—	7	—	7

Note: Yummy Town International Ltd. has appointed Mr. Yen, Hsien-Ming as its new representative on January 16, 2020.

2. Remuneration Paid to Supervisors in 2020: The Company has not appointed any supervisor. Hence, this section is not applicable.

3. Remuneration Paid to President and Vice President in 2020

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay and Pension (B)		Rewards and Allowances (C)		Employee Bonus (D)				Percentage of the Sum of Four Items Including A, B, C, and D in Terms of Net Profit After Tax (%)	Whether or Not The Director Receives Remuneration from Reinvested Companies Other Than Subsidiaries of the Company		
		(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company	All the Companies Listed in the Financial Statements	(I) Parent Company		All the Companies Listed in the Financial Statements				The Company.	All the Companies Listed in the Financial Statements
								Amount of Cash	Amount of Shares	Amount of Cash	Amount of Shares				
Chief Executive Officer	Chang, Miao-Ling	-	12,694	-	449	-	12,228	-	-	-	-	-	76.79%	-	
Chief Operating Officer	Shen, Xue-Mei														
R&D Headquarters Vice President	Huang, Hsin-Lin														
Vice President, Hong Kong Subsidiary and International Business Development (IBD) Center	Huang, Jo-Han														
Special Assistant to the Chairman	Wu, Tsung-Ju (Note 1)														
Finance Headquarters Vice President	Lin, Che-Chi (Note 1)														
Special Assistant to the CEO	Wang, Pei-Chun														
Chief Investment Officer	Chen, Sheng-Chung														
Vice President, Vice President	Lin, Wan-Ting														
Supply Chain Headquarters Vice President	Li, Yi-Hsing														
Vice President, Happy Lemon Brand Headquarters	Li, Yun-Chu (Note 4)														
Special Assistant	Han, Ding-Guo (Note 5)														

Range of Remuneration

Range of Remuneration Paid to President and Vice Presidents of the Company	Name of President and Vice President	
	(I) Parent Company	All the Companies Listed in the Financial Statements
Less than NT\$1,000,000	—	Li, Tsung-Yi; Han, Ding-Guo; and Lin, Che-Chi
NT\$1,000,000 (inclusive) to NT\$2,500,000	—	Li, Yun-Chu; Wu, Tsung-Ju; Lin, Wan-Ting; Huang, Jo-Han; and Chen, Sheng-Chung
NT\$2,000,000 (inclusive) to NT\$3,500,000	—	Wang, Pei-Chun; Huang, Hsin-Lin; Li, Yi-Hsing; and Shen, Xue-Mei
NT\$3,500,000 (inclusive) to NT\$5,000,000	—	Chang, Miao-Ling
NT\$5,000,000 (inclusive) to NT\$10,000,000	—	—
NT\$10,000,000 (inclusive) to NT\$15,000,000	—	—
NT\$15,000,000 (inclusive) to NT\$30,000,000	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000	—	—
NT\$100,000,000 and above	—	—
Total	—	13

Note 1: Vice President Shen Xue-Mei was promoted to the position of Chief Operating Officer on December 31, 2020.

Note 2: Vice President Wu, Tsung-Ju underwent position adjustment on June 23, 2020. Che-Chi was appointed Vice President on June 23, 2020.

Note 3: Vice President Li, Tsung-Yi resigned on July 17, 2020.

Note 4: Vice President Li, Yun-Chu resigned on May 31, 2020.

Note 5: Chief Strategy Officer Han, Ding-Guo underwent position adjustment and was appointed Special Assistant on February 20, 2020.

4. Managerial Officers with the Top Five Highest Remuneration Amount

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chief Executive Officer	Chang, Miao-Ling	-	1,439	-	0	-	2,237	-	-	-	-	3,677	11%	-
Special Assistant to the CEO	Wang, Pei-Chun	-	953	-	0	-	1,731	-	-	-	-	2,685	8%	-
Supply Chain Headquarters Vice President	Li, Yi-Hsing	-	1,356	-	0	-	1,108	-	-	-	-	2,465	7%	-
Chief Operating Officer	Shen, Xue-Mei	-	1,182	-	0	-	1,102	-	-	-	-	2,431	7%	-
Chief R&D Officer	Huang, Hsin-Lin	-	1,520	-	0	-	848	-	-	-	-	2,420	7%	-

5. Name of Managers to Whom Employee Bonus is Paid and Distribution of Dividends in 2020: None

6. Compare and Analyze the Percentage of Total Remuneration Paid to Directors, Supervisors, President, and Vice Presidents of the Company in the Two Most Recent Years by the Company and All the Companies Listed in the Consolidated Financial Statements in Terms of Net Profit After Tax Specified in the Parent Company-only or Individual Financial Statements, and Explain the Correlations of Remuneration Payment Policy, Criteria and Packages, and Procedures for Determining Remuneration with Business Performance and Future Risks.

(1) Total Remuneration Paid to Directors, Supervisors, President, and Vice Presidents of the Company in the Two Most Recent Years in Terms of Net Profit After Tax

Unit: NT\$ thousands

Title	Item	2020		2019	
		(I) Parent Company	Consolidated Financial Statements	(I) Parent Company	Consolidated Financial Statements
Amount of Remuneration for Directors		—	9,674	—	14,947
Percentage of Total Remuneration for Directors in Terms of Net Profit After Tax		—	29.28%	—	12.12%
Total Remuneration for President and Vice Presidents		—	25,371	—	33,618
Total Remuneration for President and Vice Presidents in Terms of Net Profit After Tax		—	76.79%	—	27.25%

(2) Correlations of Remuneration Payment Policy, Criteria and Packages, and the Procedures for Determining Remuneration with Business Performance and Future Risks:

The Company has set up the Remuneration Committee which is fully composed of independent directors. The Remuneration Committee is responsible for formulating and regularly reviewing performance appraisal for directors and managers, as well as salary and compensation policies, systems, criteria, and structures, while regularly assessing and determining the salary and remuneration of directors and managers. Remuneration for directors are approved and paid based on their positions in the Company, their participation in the Company's operations, and their contributions to the Company's operations. Remuneration for President and Vice Presidents are mainly handled based on their positions and their contributions to the Company and by referring to the pay levels of the industry, in accordance with the Company's personnel regulations.

IV. Implementation of Corporate Governance

(I) Operation of Board of Directors

1. The Board of Directors convened eight meetings (A) in the most recent year (2020), and directors' attendance is listed as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Percentage of Attendance in Person (%) (B/A)	Remark
Chairman	Wu, Po-Chao	7	1	87.5%	
Director	Chen, Yu-Chen	8	0	100%	
Juristic-Person Director	Yummy Town International Ltd.	8	0	100%	
Director	Wu, Hua-Chao	4	0	100%	Elected on 2020/6/23 Required attendance: 4 times
Independent director	Hsu, Yi-Fang	8	0	100%	
Independent director	Hsu, Shih-Chun	8	0	100%	
Independent director	Chen, Cheng-Chong	6	2	75%	

Other Matters to be Noted:

- I. If any of the following applies to the operation of the Board of Directors, the date and session of the Board of Directors' meeting, the content of proposals, independent directors' opinions and the Company's actions in response to independent directors' opinions shall be stated:
 - (I) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up the Audit Committee. Kindly refer to "Operation of Audit Committee" for more details.
 - (II) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an independent director expressed a dissenting or qualified opinion that have been recorded or stated in writing: In 2020, the independent directors made no dissenting or qualified opinion.
- II. For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process:
 - (I) During the Board of Directors' meeting on January 16, 2020, Chairman Wu, Po-Chao, Director Chen, Yu-Chen, and related managers recused themselves from discussions on the 2019 year-end bonus distribution plan for individual managers (including directors who concurrently serve as managers) due to conflict of interest. This plan has been agreed and approved by other directors.
 - (II) During the Board of Directors' meeting on March 26, 2020, Chairman Wu, Po-Chao, Director Chen, Yu-Chen, and related managers recused themselves from discussions on the 2019 employee remuneration and directors' remuneration distribution plans and the Group's 2020 salary adjustment plan for individual managers (including directors who concurrently serve as managers) due to conflict of interest. This proposal have been agreed and approved by other directors.

III. Companies listed on TWSE or TPEX shall disclose information on the self-evaluation (or peer evaluation) of the Board of Directors, such as the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation content. The implementation of Board evaluation is as follows:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content
Once a year	Evaluate directors' performance from January 1, 2020 to December 31, 2020	Performance evaluation of the Board of Directors, individual directors, and functional committees	Internal self-evaluation of the Board of Directors and self-evaluation of directors	<ol style="list-style-type: none"> 1. Performance evaluation for the Board of Directors: Including level of participation in the Company's operations, quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, appointment of directors and their continuing education, internal control, etc. 2. Performance evaluation for individual directors: Including command of the Company's goals and tasks, understanding of directors' responsibilities, level of participation in the Company's operations, internal relationship management and communication, directors' professional and continuing education, internal control, etc. 3. Performance evaluation for functional committees: Including level of participation in the Company's operations, understanding of the responsibilities of functional committees, quality of decision-making by functional committees, composition of functional committees and appointment of committee members, internal control, etc.

IV. Evaluation of the goals (e.g., establishing the Audit Committee and enhancing information transparency) for strengthening the functions of the Board of Directors in the current year and the most recent years, and the implementation of such goals:

1. On February 14, 2012, the Company's Board of Directors has approved the establishment of the Audit Committee and the Remuneration Committee.
2. In order to strengthen operational knowledge and enhance legal knowledge, the Company has arranged relevant training courses for directors and supervisors.
3. Results for the performance evaluation of the Board of Directors in 2020 have been reported to the Board of Directors on January 15, 2021 and used as a reference in the remuneration of individual directors as well as the nomination and election of directors.

2. Training Courses for Directors in 2020

Director	Course Title	Hours	Training Unit
Wu, Po-Chao	Case Analysis of Illegal Securities Transactions from Fraudulent Foreign Investors and Discussion on Legal Liabilities	3	Accounting Research and Development Foundation
	Common Corporate Governance Deficiencies and Analysis of Related Laws and Regulations	3	
Chen, Yu-Chen	Case Analysis of Illegal Securities Transactions from Fraudulent Foreign Investors and Discussion on Legal Liabilities	3	Accounting Research and Development Foundation
	2020 Seminar on Corporate Governance and Ethical Corporate Management for Directors and Supervisors	3	Taipei Exchange
Legal Representative Yen, Hsien-Ming	Seminar on Insider Ownership in OTC and Emerging Stock Companies	3	Taipei Exchange
	2020 Seminar on Corporate Governance and Ethical Corporate Management for Directors and Supervisors	3	Taipei Exchange
	How Internal Auditors Deal with Common Deficiencies in the Preparation of IFRS Financial Statements	6	Accounting Research and Development Foundation
Wu, Hua-Chao	Practical Workshop for Directors, Supervisors (including Independent Directors), and Corporate Governance Officers	12	Securities and Futures Institute
Hsu, Shih-Chun	2020 Annual Meeting of Taiwan Institute of Directors: A Turning Point in the Strategies of Taiwanese Companies in a Pandemic	3	Taiwan Institute of Directors
	Summit on "Corporate Governance 3.0 - Sustainable Development Roadmap" for OTC Companies	3	Taipei Exchange
Hsu, Yi-Fang	Advanced Seminar for Directors and Supervisors (including Independent Directors) and Corporate Governance Officers - Functions and Powers of Board of Directors From the Perspective of Corporate Fraud Prevention	3	Securities and Futures Institute
	Summit on "Corporate Governance 3.0 - Sustainable Development Roadmap" for OTC Companies	3	Taipei Exchange
Chen, Cheng-Chong	Labor Law Compliance Practices and Case Analysis in the COVID-19 Pandemic	6	Accounting Research and Development Foundation

(II) Operation of Audit Committee:

The Audit Committee convened eight meetings (A) in the most recent year (2020), and directors' attendance is listed as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Percentage of Attendance in Person (%) (B/A)	Remark
Independent director	Hsu, Yi-Fang	8	0	100%	
Independent director	Hsu, Shih-Chun	8	0	100%	
Independent director	Chen, Cheng-Chong	6	2	75%	

Other Matters to be Noted:

I. If any of the following applies to the operation of the Audit Committee, the date and session of the Board of Directors' meeting, the content of proposals, resolutions of the Audit Committee and the Company's actions in response to opinions from the Audit Committee shall be stated.

Meeting Date and Session	Proposal	Opinions of All Independent Directors and the Company's Actions
January 16, 2020 (11th meeting of the 3rd Audit Committee)	<ol style="list-style-type: none"> 1. Deliberation on the 2020 Business Plan and Financial Budget 2. Evaluation of the independence of CPAs and the appointment and remuneration of CPAs attesting the Company's 2020 financial statements 3. Proposal to change the relevant investment conditions for the Company's subsidiary, Yummy-town USA LLC, which is a joint venture established in San Francisco, USA 4. Proposal to participate in capital increase for Freshtea Japan Co., Ltd. through the Company's subsidiary, RBT Holdings Limited 5. Proposal to establish a joint venture in Malaysia through the Company's subsidiary, RBT Holdings Limited 6. Proposal to establish a joint venture with investors such as Nicky Wu Qilong through the Company's subsidiary, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. 7. Ratification of lifting of non-compete restrictions against managers of the Company 	The proposals were unanimously approved by all the independent directors
March 26, 2020 (12th meeting of the 3rd Audit Committee)	<ol style="list-style-type: none"> 1. The Company's 2019 Business Report and Consolidated Financial Statements 2. The Company's 2019 Earnings (Cash Dividend) Distribution Plan 3. Discussion on the issuance of new shares for capital increase by earnings 4. The Company's 2019 Statement on Internal Control System 5. Amendments to the 2020 Audit Plan 6. Proposal to establish a joint venture in Indonesia through the Company's subsidiary, RBT Holdings Limited 7. Proposal to apply for a loan commitment of US\$3 million to Taishin International Bank in consideration of the Company's working capital needs 8. Amendments to the Company's "Articles of Incorporation" 9. Amendments to the Company's "Rules of Procedure for Board of Directors' Meetings" 10. Amendments to the Company's "Rules of Procedure for Shareholders' Meetings" 11. Amendments to the Company's "Audit Committee Charter" 	The proposals were unanimously approved by all the independent directors

<p>May 8, 2020 (13th meeting of the 3rd Audit Committee)</p>	<ol style="list-style-type: none"> 1. Determination of dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction as well as recovery of stock appreciation rights 2. Proposal to apply for renewal of loan commitment to Chang Hwa Bank in consideration of the Group's working capital needs 3. Proposal to apply for renewal of loan commitment to Taipei Fubon Bank in consideration of the Company's working capital needs 4. Proposal to apply for renewal of loan commitment to CTBC Bank in consideration of the Company's working capital needs 5. Proposal to apply for a loan commitment of US\$7 million to E.SUN Bank in consideration of the Company's working capital needs 6. Proposal to apply for adjustment of loan commitment to The Bank of East Asia in consideration of the Group's working capital needs 7. Increase in limit of funds loaned between the Company's reinvested companies based on future operating needs 	<p>The proposals were unanimously approved by all the independent directors</p>
<p>May 20, 2020 (14th meeting of the 3rd Audit Committee)</p>	<p>Proposal to acquire 20% equity of Yong-Chun-Cheng Enterprise Co., Ltd.</p>	<p>The proposals were unanimously approved by all the independent directors</p>
<p>June 23, 2020 (15th meeting of the 3rd Audit Committee)</p>	<ol style="list-style-type: none"> 1. Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees" 2. Proposal to cancel the individual limit on funds loaned to Yummy-town UK Limited 3. Proposal to acquire 70% equity of Happy Lemon West Inc. through the Company's sub-subsidiary, Yummy-town USA LLC 4. Change of Chief Financial Officer and Accounting Supervisor of the Company 	<p>The proposals were unanimously approved by all the independent directors</p>
<p>August 12, 2020 (16th meeting of the 3rd Audit Committee)</p>	<ol style="list-style-type: none"> 1. Acquisition of 70% equity of Happy Lemon West Inc. through the Company's subsidiary, Yummy-town USA LLC 2. Amendments to the Company's "Rules Governing the Scope of Powers of Independent Directors" 3. Amendments to the Company's "Rules of Procedure for Board of Directors' Meetings" 4. Change of managers of the Company and determination of the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction 	<p>The proposals were unanimously approved by all the independent directors</p>
<p>September 30, 2020 (17th meeting of the 3rd Audit Committee)</p>	<ol style="list-style-type: none"> 1. Proposal to issue the 2nd round of domestic secured convertible corporate bonds in Taiwan 2. Proposal to apply for an additional bank guarantee limit of NT\$120 million to CTBC Bank in consideration of the purpose of issuing convertible corporate bond guarantee 3. Proposal to apply for an additional bank guarantee limit of RMB25 million to E.SUN Bank in consideration of the purpose of issuing convertible corporate bond guarantee 4. Proposal to apply for an additional loan commitment of HK\$20 million to Taishin International Bank 5. Proposal to amend the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees" 6. Proposal to establish a joint venture in China through the Company's subsidiary, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. 7. Change of Audit Supervisor of the Company 	<p>The proposals were unanimously approved by all the independent directors</p>

<p>November 12, 2020 (18th meeting of the 3rd Audit Committee)</p>	<ol style="list-style-type: none"> 1. Proposal to apply for bank guarantee limit for the issuance of secured convertible corporate bonds to Taishin International Bank 2. Proposal to apply for bank guarantee limit for the issuance of secured convertible corporate bonds to CTBC Bank 3. Proposal to apply for an additional standby letter of guarantee (SBLC) limit of RMB45 million to Bank SinoPac Nanjing Branch in response to the Company's need to issue the 2nd round of secured convertible corporate bonds and enrich working capital 4. Proposal to increase endorsements/guarantees provided by RBT Enterprise Limited to the Company in response to the Company's need to issue the 2nd round of secured convertible corporate bonds 5. Proposal to apply for adjustment of bank guarantee or SBLC limit to NT\$150 million to CTBC Bank in consideration of the purpose of issuing the second round of secured convertible corporate bonds 6. Proposal to Increase limit of funds loaned between the Company's reinvested companies based on future operating needs 7. Proposal to apply for a loan commitment of US\$3 million to Cathay United Bank in consideration of the Company's working capital needs 8. Proposal to formulate the Company's 2021 Audit Plan 9. Proposal to amend the Company's "Process Flow for Preparation of Financial Statements" 10. Proposal to amend the Company's "Procedures for Repurchase of Treasury Shares" 11. Proposal to determine the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction. 	<p>The proposals were unanimously approved by all the independent directors</p>
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- (I) Items listed in Article 5 of the Securities and Exchange Act: The Company shall ensure, in accordance with the regulations, that the proposal is first approved by the Audit Committee before it is submitted to the Board of Directors for discussion.
- (II) Except the aforementioned matters, other resolutions approved by two-thirds or more of all the directors but yet to be approved by the Audit Committee: None
- II. With regard to the recusal of independent directors from voting due to conflict of interests, the name of independent directors, the content of proposals, reasons for recusal due to conflict of interests and participation in voting shall be stated: None
- III. Communication between independent directors and the internal audit supervisor and CPAs (including material issues, audit methods and results relating to the Company's finances and business): The Company has established an internal control system and related regulations that comply with the "Regulation Governing Establishment of Internal Control Systems by Public Companies", and has set up an internal audit unit which is placed directly under the Board of Directors. The Company's internal audit unit prepares the annual internal audit plan in accordance with the regulations set forth by the competent authority, submits the monthly audit reports to the Chairman for approval and delivers them to each independent director, as well as carries out internal audit report on the Board of Directors. Hence, the Chairman, independent directors, and the Board of Directors can understand the implementation of the Company's internal control system. In addition, when regularly reviewing the Company's financial statements, the independent directors will also communicate with CPAs when necessary, and guide the Company's relevant units to conduct reviews and make improvements.

(III) Implementation of Corporate Governance, Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies, and Related Reasons

Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
I. Does the Company establish and disclose its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"?	V		The Company has established the "Corporate Governance Best Practice Principles" and disclosed the principles on its corporate website. At the same time, the Company has established the Audit Committee in accordance with the spirit of the Company Act and the implementation of laws and regulations related to corporate governance, in order to continue to actively promote the operation of corporate governance through various measures, such as amending related management regulations, enhancing information transparency, and strengthening the functions and powers of the Board of Directors.	No significant difference
II. Shareholding Structure and Shareholders' Equity (I) Has the Company established an internal operating procedure for handling matters related to shareholders' recommendations, doubts, disputes and lawsuits, and implemented them accordingly?	V		The Company has appointed a dedicated shareholder service agent in Taiwan to handle stock-related matters. The Company has also appointed a spokesperson and an acting spokesperson, as well as dedicated personnel in charge of investor relations to handle recommendations proposed by shareholders.	No significant difference
(II) Does the Company maintain a list of major shareholders who have actual control over the Company and persons who have ultimate control over the major shareholders?	V		The Company has appointed dedicated personnel to manage related information and is able to keep abreast of the list of major shareholders which have actual control over the Company and the ultimate controllers of these major shareholders.	No significant difference
(III) Has the Company established and implemented risk control and firewall mechanisms among its affiliated companies?	V		The Company has established the "Operating Procedures for Group Company, Specific Company, and Related Party Transactions" to clearly specify operational, business, and financial dealings with related companies. In addition, auditors regularly supervise the implementation of these procedures according to the Company's internal control system. Thus, the Company has complied with the risk control mechanism.	No significant difference
(IV) Has the Company formulated internal regulations that prohibit insiders of the company from trading securities using undisclosed information in the market?	V		The Company has established the "Operating Procedures for Preventing Insider Trading," which clearly specifies that insiders are prohibited from using information yet to be published in the market to conduct purchase and sale of securities or providing such information to anyone for stock or equity trading. Thus, the Company has complied with the risk control mechanism.	No significant difference

Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons																																																
	Yes	No	Summary																																																	
III. Composition and Responsibilities of the Board of Directors (I) Does the Board of Directors draw up policies on diversity of its members and implemented them?	V		<p>1. The Company's directors possess expertise in different areas, and take into account diversity in order to assist in the Company's development and operations. The Company has seven directors (including three independent directors), and their professional skills are listed as follows:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Gender</th> <th>Business Leadership</th> <th>Industrial Knowledge</th> <th>International Perspective</th> <th>Financial and Accounting Analysis</th> </tr> </thead> <tbody> <tr> <td>Wu, Po-Chao</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Chen, Yu-Chen</td> <td>Female</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Yummy Town International Ltd. Representative: Yen, Hsien-Ming</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Wu, Hua-Chao</td> <td>Female</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Hsu, Shih-Chun</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Hsu, Yi-Fang</td> <td>Female</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Chen, Cheng-Chong</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> </tbody> </table> <p>2. The Company has elected three female directors. 3. The Company has established regulations for the election of directors. The Company elects talents with different professional backgrounds as directors and conducts elections in accordance with these regulations.</p>	Name	Gender	Business Leadership	Industrial Knowledge	International Perspective	Financial and Accounting Analysis	Wu, Po-Chao	Male	✓	✓	✓		Chen, Yu-Chen	Female	✓	✓	✓	✓	Yummy Town International Ltd. Representative: Yen, Hsien-Ming	Male	✓	✓	✓		Wu, Hua-Chao	Female	✓	✓	✓		Hsu, Shih-Chun	Male	✓	✓	✓		Hsu, Yi-Fang	Female	✓	✓	✓	✓	Chen, Cheng-Chong	Male	✓	✓	✓		No significant difference
Name	Gender	Business Leadership	Industrial Knowledge	International Perspective	Financial and Accounting Analysis																																															
Wu, Po-Chao	Male	✓	✓	✓																																																
Chen, Yu-Chen	Female	✓	✓	✓	✓																																															
Yummy Town International Ltd. Representative: Yen, Hsien-Ming	Male	✓	✓	✓																																																
Wu, Hua-Chao	Female	✓	✓	✓																																																
Hsu, Shih-Chun	Male	✓	✓	✓																																																
Hsu, Yi-Fang	Female	✓	✓	✓	✓																																															
Chen, Cheng-Chong	Male	✓	✓	✓																																																
(II) In addition to the legally required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?		V	The Company currently has no plans to set up other functional committees.	No significant difference																																																
(III) Has the Company established any rules and methods for evaluating the performance of the Board of Directors? Does the Company perform such evaluations every year, submit the results of performance evaluation to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination for re-election?	V		The Company has approved "Regulations Governing the Performance Appraisal of Board of Directors" during the Board of Directors' meeting. Results for the performance evaluation of the Board of Directors have been reported to the Board of Directors on January 15, 2021 and used as a reference in the remuneration of individual directors as well as the nomination and election of directors.	No significant difference																																																

Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
(IV) Regular Assessment of CPAs' Independence	V		The Company has approved the assessment of CPAs' independence and competence during the Board of Directors' meeting held on January 15, 2021. Besides, the Company has obtained the "Statement on Auditor and CPA Independence," which stipulates that both CPAs and auditors shall comply with the regulations governing their independence, in order to maintain their independence and impartiality during audit and attestation.	No significant difference
IV. Has the TWSE or TPEX listed company appointed the appropriate number of qualified corporate governance personnel and designated the corporate governance supervisor to be in charge of corporate governance affairs (including but not limited to furnishing information required for performance of duties by directors and supervisors, handling matters related to Board of Directors' meetings and shareholders' meetings, handling company registration and change registration, and producing minutes of Board of Directors' meetings and shareholders' meetings)?	V		The Company has yet to appoint a Chief Governance Officer; however, the Company has designated relevant competent personnel to take charge of matters related to corporate governance; provide directors and members of the Audit Committee with information they need to perform their duties; assist directors and independent directors in legal compliance; engage in matters related to shareholders' meetings, Board of Directors' meetings, Audit Committee meetings, and Remuneration Committee meetings; prepare the minutes of Board of Directors' meetings and shareholders' meetings; regularly arrange continuing education courses for directors; and carry out company registration and approval registration.	No significant difference
V. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on material corporate social responsibility issues?	V		The Company provides adequate information to financial institutions and creditors and has also established smooth communication channels with employees. Besides, the Company discloses information on the Market Observation Post System (MOPS) in accordance with the regulations for stakeholders to make their own judgments, so as to maintain their rights and interests. The Company has set up and featured the relevant e-mail address and phone number for contact purposes, where different personnel have been assigned to provide the appropriate response and take the appropriate actions.	No significant difference
VI. Has the Company appointed a professional shareholder service agent to deal with shareholder affairs?	V		The Company has appointed CTBC Bank Co., Ltd. as the Company's shareholder service agent.	No significant difference
VII. Information Disclosure (I) Has the Company set up a website to disclose information on financial operations and corporate governance?	V		The Company has appointed dedicated personnel, in accordance with the relevant regulations, to disclose the relevant information on MOPS in accordance with the regulations set forth by the competent authority.	No significant difference

Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	V		The Company has set up its official website (http://yummy-town.tw/) to disclose information related to financial operations and corporate governance, as well as established a spokesperson system and implemented the system in accordance with the relevant laws and regulations.	No significant difference
(III) Does the Company publish and report its annual financial statements within two months after the end of a fiscal year, as well as publish and report its financial statements for the first, second, and third quarters and its operating status for each month before the specified deadline?		V	The Company publishes and report its financial statements for the first, second, and third quarters and the whole year as well as its monthly operating situation before the specified deadline.	No significant difference
VIII. Does the Company provide other important information that can help establish a better understanding of the state of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, continuing education among directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors of the Company)?	V		<ol style="list-style-type: none"> (1) The Company implements matters related to employee rights, employee care, investor relations, supplier relations, and stakeholder rights in accordance with its internal control system and management regulations and fulfills its corporate social responsibilities in accordance with the relevant laws and regulations. (2) Directors of the Company are equipped with relevant professional expertise and regularly participate in continuing education courses every year. (3) Upholding a high degree of self-discipline, directors of the Company may not participate in voting if a proposal included in a Board of Directors' meeting is in conflict with their interests. (4) The Company purchases liability insurance for all directors every year. The period of liability insurance for directors in the most recent year is from October 20, 2020 to October 20, 2021. The purchase of liability insurance was reported to the Board of Directors on November 12, 2020. (5) The management of the Company regularly reports the operating condition of the Company. The Board of Directors offers professional advice on the risks faced by the management for reference. As regards internal control, an audit plan is proposed each year according to risk measurement and assessment and submitted to the Board of 	No significant difference

Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons				
	Yes	No	Summary					
			Directors for approval before it is implemented. Members of the Audit Committee review the actual audit status and report for each quarter and report these matters to the Board of Directors. In addition, the Company's Statement on Internal Control System is approved after the relevant departments of the Company complete the annual self-assessment of internal control.					
<p>IX. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center under the Taiwan Stock Exchange Corporation, and prioritized matters and measures to be improved upon for matters that have not been improved (companies not listed for evaluation do not need to fill in this section):</p> <p>(I) Improvements made:</p> <table border="1"> <thead> <tr> <th>Question</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td>2.11</td> <td>Has the Company disclosed in its annual report the reasons for discussion and the resolutions of the Remuneration Committee as well as the Company's actions in response to opinions from members of the Remuneration Committee?</td> </tr> </tbody> </table> <p>(II) Prioritized matters and improvement measures: The Company is committed to improving the standard of corporate governance and continuously carrying out self-inspection based on the results of corporate governance evaluation, "scoring guidelines," and "reference sample," in order to enhance improvement indicators that can be completed.</p>					Question	Item	2.11	Has the Company disclosed in its annual report the reasons for discussion and the resolutions of the Remuneration Committee as well as the Company's actions in response to opinions from members of the Remuneration Committee?
Question	Item							
2.11	Has the Company disclosed in its annual report the reasons for discussion and the resolutions of the Remuneration Committee as well as the Company's actions in response to opinions from members of the Remuneration Committee?							

(IV) If a remuneration committee has been established by the Company, its composition, responsibilities, and operation shall be disclosed:

1. Composition of Remuneration Committee

On June 15, 2018, the Board of Directors passed a resolution that all the three independent directors, namely Hsu, Yi-Fang; Hsu, Shih-Chun; and Chen, Cheng-Chong were appointed as the members of the third Remuneration Committee, and the convening committee has elected Hsu, Yi-Fang as the convener.

Information on the Remuneration Committee Members

Title	Criteria Name	Meets one of the following professional qualifications, with at least five years of work experience			Meets the status of independence (Note 1)										Number of other public companies where the individual is concurrently serving as an independent director	Remark	
		Currently serving as an instructor or in higher positions in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10			
Independent director	Hsu, Yi-Fang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Hsu, Shih-Chun	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent director	Chen, Cheng-Chong	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: For any director or supervisor who fulfill the relevant criteria two years before being elected or during the term of office, please tick (✓) the field under the corresponding criteria.✓

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not serving as a director or supervisor of the Company or any affiliated company (however, this does not apply in cases where the person is an independent director of the Company, its parent or subsidiary established pursuant to this law or local laws).
- (3) Not a natural person shareholder who holds more than one percent of the total number of shares issued or is ranked top 10 in terms of the total number of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the manager listed in (1) or employee listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total shares issued by the Company, ranks as one of its top five shareholders or designates a representative as the director or supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (however, this does not apply in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it).

- (6) Not a director, supervisor, or employee of another company whose half of the seats of directors or shares with voting rights is controlled by the same person as the Company (however, this does not apply in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it).
- (7) Not a director (member of the governing board), supervisor (member of the supervisory board) or employee of another company or institution that the Chairman, President or person holds an equivalent position of it are the same person or the spouse of the person holding the aforementioned positions of the Company (however, this does not apply in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it).
- (8) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding five percent or more of shares of a specified company or institution that has a financial or business relationship with the Company (however, this does not apply in cases where the company or institution holds more than 20 percent but no more than 50 percent of the total shares issued by the Company and where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it).
- (9) Not a professional individual who, or an owner, partner, director (member of the governing board), supervisor (member of the supervisory board), or managerial officer of a sole proprietorship, partnership, company, or institution, that provides audit services, or commercial, legal, financial, accounting or related services from which a cumulative amount of remuneration not exceeding NT\$500,000 has been obtained in the most recent two years, to the Company or to any of its affiliated companies, or a spouse thereof. However, this does not apply in cases where the person is a member of the remuneration committee, the public tender offer review committee or the special committee for merger/consolidation and acquisition who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Where none of the circumstances specified in Article 30 of the Company Act applies.

2. Responsibilities of Remuneration Committee

The Remuneration Committee shall exercise the care of a good administrator to faithfully fulfill the following functions and power, and submit the relevant suggestions to the Board of Directors for discussion:

- (1) Establish and regularly review the policies, systems, standards and structure of performance evaluation and remuneration for directors and managers.
- (2) Regularly evaluate and determine the remuneration for directors and managers. Remuneration Committee meetings shall be convened by the convener at least twice a year, and the Remuneration Committee may meet at any time whenever necessary.

3. Meetings of Remuneration Committee

- (1) The Company's Remuneration Committee is composed of three people.
- (2) Term of Office: June 15, 2018 to June 14, 2021. A total of six meetings (A) were convened by the Remuneration Committee in 2019. The qualifications and attendance of its members are listed as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Percentage of Attendance in Person (%) (B/A)	Remark
Convener	Hsu, Yi-Fang	6	0	100%	
Member	Hsu, Shih-Chun	6	0	100%	
Member	Chen, Cheng-Chong	5	1	83.33%	

Other Matters to be Noted:

- I. If the Board of Directors does not adopt or amend the recommendations made by the Remuneration Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions from the Remuneration Committee by the Company shall be disclosed (if the remuneration approved by the Board of Directors is better than that recommended by the Remuneration Committee, the differences and related reasons shall be stated): None
- II. If members of the Remuneration Committee has any dissenting opinion or qualified opinion on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions shall be stated: None
- III. Resolutions of the Remuneration Committee:

Meeting Date and Session	Proposal	Resolution	The Company's actions in response to opinions from the Remuneration Committee
January 16, 2020 7th meeting of the 3rd Remuneration Committee	1. Amendments to the Company's "Regulations Governing the Performance Appraisal of Board of Directors" 2. Ratification of the appointment and remuneration of managers of the Company 3. 2019 year-end bonus distribution plan for individual managers (including directors who concurrently serve as managers) at the Company and its subsidiaries	Approved without objection	Approved by the Board of Directors

March 26, 2020 8th meeting of the 3rd Remuneration Committee	<ol style="list-style-type: none"> 1. Amendments to the Company's "Remuneration Committee Charter" 2. 2019 Employee Remuneration and Directors' Remuneration Distribution Plan 3. Adjustments to the compensation of individual managers 	Approved without objection	Approved by the Board of Directors
May 8, 2020 9th meeting of the 3rd Remuneration Committee	Ratification of the appointment and remuneration of managers of the Company	Approved without objection	Approved by the Board of Directors
June 23, 2020 10th meeting of the 3rd Remuneration Committee	Deliberation on the remuneration of managers, Chief Financial Officer, and Auditing Supervisor of the Company	Approved without objection	Approved by the Board of Directors
August 12, 2020 11th meeting of the 3rd Remuneration Committee	Amendments to the Company's "Remuneration Committee Charter"	Approved without objection	Approved by the Board of Directors
September 30, 2020 12th meeting of the 3rd Remuneration Committee	Ratification of the remuneration of newly appointed Auditing Supervisor of the Company	Approved without objection	Approved by the Board of Directors

(V) Implementation of Corporate Social Responsibility

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
I. Has the Company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies?	V		The Company distributes the relevant questionnaires to stakeholders every year. By analyzing these questionnaires, the Company can learn about the material topics for the current year. Moreover, each department can carry out self-assessment and make revisions when preparing its corporate social responsibility report.	No significant difference
II. Has the Company established an exclusively (or concurrently) dedicated unit under supervision of senior management authorized by the Board of Directors to promote CSR and report its implementation to the Board of Directors?	V		The Company has set up a CSR project team. The person in charge of this project shall implement CSR-related activities according to the functions and responsibilities of the team, and regularly reports to the Board of Directors.	No significant difference
III. Environmental Issues (I) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	V		The Company has passed safety, health, and fire control inspections conducted by the relevant competent authorities in accordance with applicable laws and regulations while setting up stores. At the same time, the Company has obtained the relevant compliance certificates, established complete guidelines on quality management, safety and hygiene, environmental protection, etc. Moreover, the Company complies with the inspection standards set forth by the competent authority and meets the public's expectation that the Company will give back to the society.	No significant difference
(II) Is the Company committed to improving resource utilization efficiency and to the use of renewable materials with low environmental impact?	V		In order to effectively reduce the environmental load caused by the Company's products, the Company considers the use of recycled materials so as to minimize the possible impact of the load caused on the environment.	No significant difference
(III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?		V	This item is currently unavailable.	This item is currently unavailable.

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
(IV) Has the Company recorded statistics on greenhouse gas emissions, water consumption, and the total weight of waste over the past two years and established policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	V		It is difficult for the Company to measure these items due to the attributes of the industry we belong to. However, our stores use "biodegradable" packaging made of corn starch instead of plastic, to reduce environmental pollution. The Company recommends that customers hold beverages with their hands to reduce the use of plastic bags and lower the amount of waste produced.	No significant difference
IV. Social Issues (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?	V		The Company has established management rules and regulations in accordance with the relevant laws and regulations, which clearly stipulate the protection of human rights and employee rights. Besides, the Company also provides employees with various types of benefits, thus adhering to the concept of "labor and management as one for coexistence and co-prosperity."	No significant difference
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		The Company collectively considers the current situation of the labor market in various regions as well as its profit data and employee needs to establish an overall compensation model which includes basic salary, bonus, and benefits. - Basic salary: To meet employees' living needs. - Bonus: To motivate employees to progress continuously and improve efficiency. - Benefits: To show care and increase employees' sense of belonging and identity With regard to setting up benefits, the Company has to first meet the requirements of local regulations in its main operating locations. In addition to the requirements of local regulations, the Company has also clearly specified that internal benefits do not differ significantly by gender, race, and age. The Company purchases retirement/endowment insurance for employees in accordance to local laws and regulations.	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
(III) Does the Company provide a safe and healthy work environment and regularly offer safety and health training to its employees?	V		As the Company attaches great importance to employee safety and health, the Company implements pre-employment on-the-job training and regular and irregular in-plant and off-plant training, organize labor safety and fire disaster relief, regularly subsidize employee health checks, and provide appropriate and sufficient protection equipment.	No significant difference
(IV) Has the Company established an effective training program for its employees to cultivate capabilities essential for career development?	V		The Company sets up an annual training plan every year to provide employees with on-the-job training.	No significant difference
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		The Company's products are marketed and labeled in accordance with local regulations and international standards. Besides, the Company has set up a dedicated unit to handle customer complaints and the customer complaint process management program.	No significant difference
(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?	V		1. Before cooperating with a supplier, the Company has assessed whether the qualifications of the supplier meet the Company's requirements. 2. The Company does not enter into a mandatory contract with suppliers. If a supplier violates the Company's policies, the Company can suspend the purchase transaction with the supplier at any time.	No significant difference
V. Does the Company refer to internationally adopted report preparation standards or guidelines to prepare reports that disclose non financial information such as CSR reports? Has the Company obtained assurance opinion on the aforesaid reports from third-party accreditation institutions?	V		The Company is not yet required to prepare the corporate social responsibility report by law.	No significant difference

Assessment Item	Status of Implementation		Summary	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No		
VI. If the company has formulated its own Corporate Social Responsibility Code of Practice in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies," please describe the implementation and its differences between the Principles: None.				
VII. Other important information to facilitate a better understanding of the Company's CSR practices: None. The identity of stakeholders, issues of concern, communication channels, and response methods are listed as follows:				

Stakeholder	Importance	Issue of Concern	Communication Method	Communication Frequency
Consumers	Consumers have a positive impact on brand trust and loyalty. Make every cup of tea attentively, make friends with tea.	<ul style="list-style-type: none"> • Food safety and quality control • Human rights and equality • Product and service innovation 	<ul style="list-style-type: none"> • Weibo Official Account • WeChat Official Account • Alipay Service Channel 	<ul style="list-style-type: none"> • Daily • Weekly • Weekly • Once a month
Employees	Employees are the Company's greatest asset. Satisfied employees will do their best to help the Company achieve great performance.	<ul style="list-style-type: none"> • Food safety and quality control • Human rights and equality • Brand image 	<ul style="list-style-type: none"> • Induction/Introduction to new job • Phone, e-mail, and meetings • Training, seminars and job fairs • Campus recruitment and recruitment website • Food safety training 	<ul style="list-style-type: none"> • As required
Internal Customers	Internal customers have a co-existing and co-prosperous partnership with the Company, and are another driving force for brand continuity. Customer experience and satisfaction and profit making are the foundation for sustainable development and create a win-win situation.	<ul style="list-style-type: none"> • Food safety and quality control • Product and service innovation • Brand image 	<ul style="list-style-type: none"> • Strategic planning meetings • Monthly business management meetings • Information disclosure on the Company's website • Franchise information sessions • Signing of non-disclosure agreement • Participation in social welfare activities 	<ul style="list-style-type: none"> • Once a year • Once a month • Irregular • Once every two weeks • Signing the franchise agreement • Irregular
Government Agencies	Government agencies dynamically publish and offer consultation on relevant regulations so as to establish an understanding of policy requirements.	<ul style="list-style-type: none"> • Legal compliance • Human rights and equality • Food safety and quality control 	<ul style="list-style-type: none"> • Phone consultation • Letter • Forum 	<ul style="list-style-type: none"> • Irregular
Suppliers	As the Company's partners, each supplier plays a vital role in ensuring quantity and quality and real-time supply of goods, cooperating in new product development, jointly handling after-sales issues and public relations in crisis.	<ul style="list-style-type: none"> • Food safety and quality control • Legal compliance • Service quality and customer satisfaction 	<ul style="list-style-type: none"> • On-site review • Supplier self-assessment • Communication on routine procurement • Communication on reconciliation of accounts • Communication on product development and issue handling • Business communication on regular factory audit 	<ul style="list-style-type: none"> • Initial stage of development • Yearly • Irregular • Monthly • Irregular • Yearly

Stakeholder	Importance	Issue of Concern	Communication Method	Communication Frequency
Shareholders	As the Company is listed on TPEX, our overall operating performance is the issue of most concern to shareholders. Meanwhile, shareholders' support is an important key to the Company's future development and continued operation.	<ul style="list-style-type: none"> • Food safety and quality control • Sustainable development strategies • Operating performance 	<ul style="list-style-type: none"> • Financial statements • Public disclosure in annual reports • Shareholders' meeting reports • CSR reports • Company website • Investor conference 	<ul style="list-style-type: none"> • Quarterly • Yearly • Yearly • Yearly • At least once a year
Media	The media is a medium for disseminating and rendering information. Positive and negative information will have different effects on the Company. With a wide variety of media at present, the Company not only has to focus on traditional media, but should also not overlook the influence of online media.	<ul style="list-style-type: none"> • Product and service innovation • Food safety and quality control • Operating performance 	<ul style="list-style-type: none"> • Phone, e-mail, and meetings • Press release • Press conference 	<ul style="list-style-type: none"> • Irregular
Neighboring Communities	Community is the foundation of the Company's development. The vitality of a community can drive business opportunities. The Company actively cares for neighboring communities and participate in their operations with tea.	<ul style="list-style-type: none"> • Food safety and quality control • Customer health and nutrition • Supply chain and source tracing management 	<ul style="list-style-type: none"> • Phone and e-mail • Personal visits 	<ul style="list-style-type: none"> • Irregular

(VI) Implementation of Ethical Corporate Management, Deviations from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies, and Related Reasons

Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
I. Establishment of Ethical Corporate Management Policies and Programs (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," which specify our ethical corporate management policy. These regulations have been approved by the Board of Directors and the shareholders' meeting, and are actively implemented by the management.	No significant difference
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies"?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," which specify the operating procedure for preventing unethical conduct. Besides, the Company ensures that our employees truly understands and comply with these regulations through education and training.	No significant difference
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," which specify the business activities with higher risk	No significant difference

Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
system and implemented them and review the prevention programs on a regular basis?			of unethical conduct within our scope of business. The Company adopts various measures to prevent the acts of receiving and giving bribes and offering illegal political donations.	
II. Implementation of Ethical Corporate Management (I) Does the Company evaluate the ethics records of counterparties to its business dealings, and specify ethical business policies in contracts with counterparties related to its business dealings?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," which specify that employees shall avoid dealing with people with past records of unethical conduct. Besides, the Company also specifies provisions related to ethical conduct in business contracts where necessary.	No significant difference
(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		The Company has established the Auditing Office which is placed under the Board of Directors, and reports to the Board of Directors in a timely manner to ensure that ethical corporate management is implemented. In addition, the Company also clearly specifies that employees shall remain alert to violations of government decrees or code of business ethics, and shall report any violation of government decrees or code of business ethics to independent directors, managers, and internal audit supervisor.	No significant difference
(III) Has the Company established policies to prevent conflicts of interests, provided an appropriate channel for reporting such conflicts and implemented them?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," which specify the policy to prevent conflicts of interest. Besides, the Company encourages employees to report any violation of laws and regulations or code of ethics they suspect or discover to independent directors, managers, and internal audit supervisor.	No significant difference

Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit compliance with prevention programs accordingly or entrusted CPAs to conduct the audit?	V		The Company has established an accounting system and an internal control system. Internal auditors also regularly and irregularly carry out various audits and assessments.	No significant difference
(V) Does the Company regularly conduct internal and external training related to ethical corporate management?	V		The Company has regularly conducted training related to ethical corporate management.	No significant difference
III. Implementation of the Company's Whistleblowing System				
(I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," which encourage employees to report any violation of laws and regulations or code of ethics they suspect or discover to independent directors, managers, and internal audit supervisor, as well as specify related rewards and punishments, grievance system, and disciplinary actions.	No significant difference
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V		The Company has set up specific mailboxes for whistleblowers, and has appointed dedicated personnel to handle whistleblowing cases.	No significant difference
(III) Does the Company take any measures to protect	V		Whistleblowers can file a report to the whistleblowing	No significant

Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary	
whistleblowers so that they are safe from improper treatment?			mailboxes anonymously to avoid improper treatment.	difference
IV. Enhancing Information Disclosure Does the Company disclose its ethical corporate management practices and the effectiveness of its implementation on its official website or MOPS?	V		The Company has disclosed our ethical corporate management best practice principles in our annual reports and on our website.	No significant difference
V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, state the differences between these principles and its implementation: The Company has established the "Ethical Corporate Management Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies", and strictly complies with these principles.				
VI. Other important information that facilitates the understanding of the implementation of ethical corporate management: (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles): When dealing with suppliers, the Company always adheres to the principles of ethical corporate management. Moreover, the Company has strengthened the promotion of these principles during employee training.				

(VII) If the Company has established the corporate governance best practice principles and other relevant regulations, the means to search for these regulations shall be disclosed:

The Company has established the "Code of Ethical Conduct" and disclosed it on MOPS.

(VIII) Implementation of Internal Control System

1. Statement on Internal Control

Yummy Town (Cayman) Holdings Corporation

Statement on Internal Control

Date: March 19, 2021

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2020.

1. The Company acknowledges that the establishment, implementation and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has constructed such system. The objectives of the internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and Aurora takes immediate remedial actions in response to any identified deficiencies.
3. The Company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to the Regulations for the aforementioned categories.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the above assessment results, the Company determined that the Company's internal control system on December 31, 2020 (covering monitoring and management of its subsidiaries) has been effectively designed and implemented and sufficient to ensure that the objectives below are achieved, including understanding the degree of achievement of operational effectiveness and efficiency objectives, reliable, timely and transparent reporting and compliance of applicable rules, laws, regulations and bylaws.
6. This Statement will form an integral part of the Annual Report and the Prospectus of the Company. If the aforementioned content contains illegal matters such as any fraudulent or hidden information, the Company will be in question of breaching Articles 20, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.
7. This Statement has been approved by the Board of Directors on March 19, 2021. Among the seven directors present, no director raised any objection. All of them agreed with the contents of this statement and made this statement.

Yummy Town (Cayman) Holdings Corporation

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

(IX) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent year up to the publication date of this annual report: None

(X) Major resolutions adopted by the shareholders' meeting and the Board of Directors in the most recent year up to the publication date of this annual report

1. Major resolutions adopted by the Board of Directors from 2020 to April 30, 2021:

Date	Item	No.	Important Resolution
2020.1.16	Discussions	1	Deliberation on the 2020 Business Plan and Financial Budget
		2	Evaluation of the independence of CPAs and the appointment and remuneration of CPAs attesting the Company's 2020 financial statements
		3	1. Amendments to the Company's "Regulations Governing the Performance Appraisal of Board of Directors"
		4	2. Ratification of the appointment and remuneration of managers of the Company
		5	Ratification of lifting of non-compete restrictions against managers of the Company
		6	Proposals related to the Remuneration Committee
2020.3.26	Discussions	1	The Company's 2019 Business Report and Consolidated Financial Statements
		2	The Company's 2019 Earnings (Cash Dividend) Distribution Plan
		3	3. Discussion on the issuance of new shares for capital increase by earnings
		4	The Company's 2019 Statement on Internal Control System
		5	Amendments to the 2020 Audit Plan
		6	Proposal to repurchase shares issued by the Company
		7	Amendments to the Company's "Regulations Governing the Transfer of Shares Repurchased by the Company to Employees for the Third Time"
		8	Related investment plans
		9	Bank credit line
		10	Amendments of the Company's "Articles of Incorporation"
		11	Amendments to the Company's "Rules of Procedure for Board of Directors' Meetings"
		12	Amendments to the Company's "Rules of Procedure for Shareholders' Meetings"
		13	Amendments to the Company's "Audit Committee Charter"
		14	Amendments to the Company's "Remuneration Committee Charter"
		15	By-election to elect a member of the third Board of Directors
		16	Proposal for the shareholders to lift non-compete restrictions against the newly appointed directors
		17	Deliberation on the date for accepting nomination for directors, the number of director candidates, the location for accepting nominations and the criteria for reviewing director candidates during the 2020 directors' elections
		18	Determination of the duration and location for accepting directors' proposals in accordance with Article 172-1 of the Company Act
		19	Convening of the Company's 2020 Annual General Shareholders' Meeting
		20	Proposals related to the Remuneration Committee

Date	Item	No.	Important Resolution
2020.05.08	Discussions	1	The Company's 2020 Q1 Consolidated Financial Statements
		2	Determination of dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction as well as recovery of stock appreciation rights
		3	Proposal to apply for renewal of loan commitment to Chang Hwa Bank in consideration of the Group's working capital needs
		4	Proposal to apply for renewal of loan commitment to Taipei Fubon Bank in consideration of the Company's working capital needs
		5	Proposal to apply for renewal of loan commitment to CTBC Bank in consideration of the Company's working capital needs
		6	Proposal to apply for a loan commitment of US\$7 million to E.SUN Bank in consideration of the Company's working capital needs
		7	Proposal to apply for adjustment of loan commitment to The Bank of East Asia in consideration of the Group's working capital needs
		8	Increase in limit of funds loaned between the Company's reinvested companies based on future operating needs
		9	Proposal to approve the list of director candidates nominated by the Company's Board of Directors for the 3rd by-election
		10	Ratification of the appointment and remuneration of managers of the Company
2020.05.20	Discussions	1	Proposal to acquire 20% equity of Yong-Chun-Cheng Enterprise Co., Ltd.
2020.06.23	Discussions	1	Determination of ex-rights date for the issuance of new shares for capital increase by the Company's earnings for 2020
		2	Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"
		3	Cancellation of funds loaned to Yummy-town UK Ltd and individual limit on funds loaned to Yummy-town USA LLC
		4	Change of managers, Chief Financial Officer, and Accounting Supervisor of the Company
		5	Determination of stock appreciation rights recovered by the Company
2020.08.21	Discussions	1	The Company's 2020 Q2 Consolidated Financial Statements
		2	Acquisition of 70% equity of Happy Lemon West Inc. through the Company's subsidiary, Yummy-town USA LLC
		3	Amendments to the Company's "Remuneration Committee Charter"
		4	Amendments to the Company's "Rules Governing the Scope of Powers of Independent Directors"
		5	Amendments to the Company's "Rules of Procedure for Board of Directors' Meetings"
		6	Change of managers of the Company and determination of the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction
		7	Lifting of non-compete restrictions against managers of the Company
2020.09.30	Discussions	1	Issuance of the 2nd round of domestic secured convertible corporate bonds in Taiwan
		2	Application for additional bank guarantee limit to banks in consideration of the Company's issuance of secured convertible corporate bonds
		3	Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"
		4	Establishment of a joint venture in Shanghai through the Company's subsidiary, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.
		5	Change of Audit Supervisor of the Company

Date	Item	No.	Important Resolution
2020.11.12	Discussions	1	Application for bank guarantee limit for the issuance of secured convertible corporate bonds to Taishin International Bank
		2	Application for bank guarantee limit for the issuance of secured convertible corporate bonds to CTBC Bank
		3	Proposal to apply for additional standby letter of guarantee (SBLC) limit to Bank SinoPac Nanjing Branch in response to the Company's need to issue the 2nd round of secured convertible corporate bonds and enrich working capital
		4	Increase in endorsements/guarantees provided by RBT Enterprise Limited to the Company in response to the Company's need to issue the 2nd round of secured convertible corporate bonds
		5	Application for additional bank guarantee or SBLC limit to CTBC Bank in consideration of the Company's issuance of the 2nd round of secured convertible corporate bonds
		6	Increase in limit of funds loaned between the Company's reinvested companies based on future operating needs
		7	Application for additional loan commitment to Cathay United Bank in consideration of the Company's working capital needs
		8	Formulation of the Company's 2021 Audit Plan
		9	Amendments to the Company's "Process Flow for Preparation of Financial Statements"
		10	Amendments to the Company's "Procedures for Repurchase of Treasury Shares"
		11	Determination of the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction
		12	Proposal to determine the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction
2021.01.15	Discussions	1	Deliberation on the 2021 Business Plan and Financial Budget
		2	Evaluation of the independence of CPAs and the appointment and remuneration of CPAs attesting the Company's 2021 financial statements
		3	Discussion on the Cayman Islands Annual Return and Economic Substance Report
		4	Proposal to Increase limit of funds loaned between the Company's reinvested companies based on future operating needs
		5	Discussion on the proposal to establish Yummy Town (Cayman) Holdings Corporation, Taiwan Branch
		6	Proposal to amend the Company's "Regulations Governing Food Safety Management"
		7	Discussion on the proposal to amend the Company's "Internal Audit Implementation Rules (Taiwan)"
		8	Discussion on the ratification of newly appointed Chief Operating Officer of the Company
		9	Discussion on the 2021 salary adjustments for individual managers (including directors who concurrently serve as managers) at the Company and its subsidiaries
		10	Discussion on the 2020 year-end distribution plan for individual managers (including directors who concurrently serve as managers) at the Company and its subsidiaries

Date	Item	No.	Important Resolution
2021.03.19	Discussions	1	The Company's 2020 Business Report and Consolidated Financial Statements
		2	2020 Employee Remuneration and Directors' Remuneration Distribution Plan
		3	The Company's 2020 Earnings Distribution Plan
		4	The Company's 2020 Statement on Internal Control System
		5	Proposal to amend the Company's "Regulations Governing Food Safety Management"
		6	The Company's 4th Election of Directors
		7	Proposal to amend the Company's "Rules of Procedure for Shareholders' Meetings"
		8	Proposal to increase the capital of the Company's subsidiary, Yen Mei Enterprise Limited
		9	Proposal to increase the capital of Yen Chun International Co., Ltd. through the Company's subsidiary, Yen Mei Enterprise Limited
		10	Proposal to change the resolution of the Board of Director on September 30, 2020 to issue the 2nd round of secured domestic convertible corporate bonds in Taiwan
		11	Proposal to apply for bank guarantee limit for the issuance of secured convertible corporate bonds to Yuanta Bank
		12	Proposal to apply for bank guarantee limit for the issuance of secured convertible corporate bonds to CTBC Bank
		13	Proposal to apply for short-term financing and bank guarantee limit for the issuance of secured convertible corporate bonds to Shin Kong Commercial Bank
		14	Proposal to assess land purchase in Shanghai to build a corporate headquarters through the Company's sub-subsidiary, Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.
		15	Proposal to apply for renewal of loan commitment for onshore guarantees for offshore loans to The Bank of East Asia in Hong Kong in consideration of the Group's working capital needs
		16	6. Proposal to Increase limit of funds loaned between the Company's reinvested companies based on future operating needs
		17	Proposal to establish a fully functional two-way cross-border RMB cash pool in the Shanghai Free Trade Zone through Citibank (China) Co., Ltd. in consideration of the Group's working capital needs
		18	Convening of the Company's 2020 Annual General Shareholders' Meeting and matters related to accepting shareholders' proposals and nominations

2. Implementation of resolutions adopted by the 2020 Annual General Shareholders' Meeting (June 19, 2020):

1. Proposal	2019 Business Report and Consolidated Financial Statements
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,309,160 Disapproval votes: 4,223 Invalid votes: 0 Abstention votes/no votes: 1,601,765 Total votes: 23,915,148
2. Proposal	2019 Earnings Distribution Plan
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,307,160 Disapproval votes: 6,223 Invalid votes: 0 Abstention votes/no votes: 1,601,765 Total votes: 23,915,148
3. Proposal	Amendments to the Company's "Articles of Incorporation"
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,309,157 Disapproval votes: 4,225 Invalid votes: 0 Abstention votes/no votes: 1,601,766 Total votes: 23,915,148
4. Proposal	Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,309,157 Disapproval votes: 4,225 Invalid votes: 0 Abstention votes/no votes: 1,601,766 Total votes: 23,915,148
5. Proposal	Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,309,157 Disapproval votes: 4,226 Invalid votes: 0 Abstention votes/no votes: 1,601,765 Total votes: 23,915,148
6. Proposal	Amendments to the Company's "Rules of Procedure for Shareholders' Meetings"
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,309,154 Disapproval votes: 4,229 Invalid votes: 0 Abstention votes/no votes: 1,601,765

	Total votes: 23,915,148								
7. Proposal	Issuance of new shares for capital increase by earnings								
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,309,154 Disapproval votes: 11,230 Invalid votes: 0 Abstention votes/no votes: 1,601,764 Total votes: 23,915,148								
8. Proposal	By-election to elect one director of the Company								
Voting (or Election) Results	List of Elected Director <table border="1"> <thead> <tr> <th>Title</th> <th>Account Number</th> <th>Name of Candidate</th> <th>Number of Votes Won by Elected Director</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>3</td> <td>Wu, Hua-Chao</td> <td>21,309,03</td> </tr> </tbody> </table>	Title	Account Number	Name of Candidate	Number of Votes Won by Elected Director	Director	3	Wu, Hua-Chao	21,309,03
Title	Account Number	Name of Candidate	Number of Votes Won by Elected Director						
Director	3	Wu, Hua-Chao	21,309,03						
9. Proposal	Proposal to lift non-compete restrictions against newly elected managers of the Company								
Voting (or Election) Results	<ul style="list-style-type: none"> The proposal was approved after voting Approval votes: 22,303,008 Disapproval votes: 1,242 Invalid votes: 0 Abstention votes/no votes: 1,601,898 Total votes: 23,915,148								

(XI) Major contents of dissenting opinions or qualified opinions on resolutions passed by the Board of Directors that are made by directors and supervisors, and are documented or issued through written statements, in the most recent year up to the publication date of this annual report: None

(XII) Resignation or dismissal of the Company's Chairman, President, accounting manager, finance manager, internal audit manager, and R&D manager in the most recent year up to the publication date of this annual report:

As of April 30, 2021

TITLE	NAME	DATE APPOINTED	DATE DISCHARGED	REASON FOR RESIGNATION OR DISCHARGE
Vice President/Accounting Supervisor, Finance Headquarters	Wu, Tsung-Ju	June 28, 2019	June 23, 2020	Resigned
Audit Supervisor	Chen, Tsui-Ling	March 31, 2013	September 30, 2020	Position adjustment

V. CPA Fees

Name of Accounting Firm	Name of CPAs	Audit Period	Remark
Deloitte Taiwan	Huang, Yi-Min and Wu, Ker-Chang	2020	None

Unit: NT\$ thousands

Range of Fees		Fee Item	Audit Fee	Non-audit Fee	Total
1	Less than NT\$2,000,000			V	
2	NT\$2,000,000 (inclusive) to NT\$4,000,000				
3	NT\$4,000,000 (inclusive) to NT\$6,000,000		V		V
4	NT\$6,000,000 (inclusive) to NT\$8,000,000				
5	NT\$8,000,000 (inclusive) to NT\$10,000,000				
6	NT\$10,000,000 and above				

Note: CPA fees include travel (or transportation) fee, as well as other advance expenses incurred due to service provision and related taxes.

- (I) Where the non-audit fees paid to CPAs, their accounting firm, and other affiliated companies are one-fourth of the audit fee: Not applicable
- (II) Where the accounting firm was replaced, and the audit fees for the year when replacement was made was less than that in the previous fiscal year before replacement: Not applicable
- (III) Where the audit fees for the year were reduced by more than 15 percent compared to the previous year: Not applicable

VI. Change of CPAs: None**VII. The Company's Chairman, President and Managers in Charge of Finance and Accounting Matters Who Previously Served at the Accounting Firm of the CPAs or Its Affiliated Companies in the Most Recent Year: None**

VIII. Equity Transfer and Changes in Equity Pledge Involving Directors, Supervisors, Managers and the Top 10 Shareholders Whose Shareholding Percentage Exceeds 10 percent in the Most Recent Year up to the Publication Date of this Annual Report

(I) Equity Transfer and Changes in Equity Pledge Involving Directors, Supervisors, Managers and the Top 10 Shareholders Whose Shareholding Percentage Exceeds 10 percent

Unit: shares

Title	Name	2020		Current Year up to April 19 (Book Closure Date)	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged
Chairman	Wu, Po-Chao	253,974	(372,000)	—	(1,009,000)
Director	Chen, Yu-Chen	902	—	—	—
Director	Wu, Hua-Chao	24,679	—	—	(46,000)
Shareholder Concurrently Serving as Director Whose Shareholding Percentage Exceeds 10 percent	Yummy Town International Ltd.	340,002	—	—	—
Independent director	Hsu, Shih-Chun	—	—	—	—
Independent director	Hsu, Yi-Fang	—	—	—	—
Independent director	Chen, Cheng-Chong	—	—	—	—
Chief Executive Officer	Chang, Miao-Ling	1,183	—	—	—
Vice President	Wu, Tsung-Ju (Date Discharged: June 23, 2020)	—	—	—	—
Vice President	Lin, Che-Chi	—	—	—	—
Chief Investment Officer	Chen, Sheng-Chung	33,555	—	20,000	—
Vice President	Huang, Hsin-Lin	(3,988)	—	—	—
Vice President	Huang, Jo-Han	—	—	—	—
Vice President	Wang, Pei-Chun	782	—	—	—
Vice President	Lin, Wan-Ting	738	—	—	—
Vice President	Li, Yi-Hsing	601	—	—	—
Chief Operating Officer	Shen, Xue-Mei	—	—	—	—
Chief Strategy Officer, International Business Develop.	Han Ding-Guo (Date of Position Adjustment: February 20, 2020)	—	—	—	—
Vice President	Li, Tsung-Yi (Date Discharged: July 17, 2020)	—	—	—	—

Title	Name	2020		Current Year up to April 19 (Book Closure Date)	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged
Vice President	Li, Yun-Chu (Date Discharged: May 31, 2020)	—	—	—	—
Auditing Director	Chen, Tsui-Ling (Date Discharged: September 23, 2020)	—	—	—	—
Auditing Director	Liu, Yu-Chieh	—	—	—	—
Acting Spokesperson	Hsu, Mei-Hua	—	—	—	—

(II) Information on Equity Transfer: None

(III) Information on Equity Pledge: None

IX. Information on the Top 10 Shareholders by Number of shares Held Who Are Related Parties or Each Other's Spouses and Relatives within the Second Degree of Kinship

As of April 19, 2021; Unit: shares

Name	Shares Held by the Person		Shares Held by Spouse or Minors		Shares Held in the Name of Others		Title or Name and Relationship of the 10 Shareholders Who Are Related Parties or Each Other's Spouses and Relatives Within the Second Degree of Kinship		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Title (Name)	Relation	
Yummy Town International Ltd. (Samoa) Representative :Yen, Hsien-Ming	6,878,683	18.82%	—	—	—	—	Wu, Po-Chao	Wu, Po-Chao is the director of Yummy Town International Ltd. (Samoa)	
Representative : Yen, Hsien-Ming	—	—	804,046	2.20%	—	—	—	—	
Wu, Po-Chao	5,316,930	14.55%	18,902	0.05%	—	—	Yummy Town International Ltd. (Samoa)	Wu, Po-Chao is the director of Yummy Town International Ltd. (Samoa)	
Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.	1,891,562	5.17%	—	—	—	—	—	—	
Special investment account of Proco International Co., Ltd. under the custody of Far Eastern International Bank	1,572,072	4.30%	—	—	—	—	—	—	
Cheng, Hui-Yi	924,143	2.53%	—	—	—	—	—	—	
Lu, Han-Fen	804,046	2.20%	—	—	—	—	—	—	
Special investment account of Preferred Investment Advisors (HK) Ltd.	785,436	2.15%	—	—	—	—	—	—	
LGT Bank AG under the custody of Standard Chartered	764,518	2.09%	—	—	—	—	—	—	
Hsu, Hsiu-Mei	744,000	2.04%	—	—	—	—	—	—	
Special investment account of Xinle Investment Co., Ltd. under the custody of Cathay United Bank Co., Ltd.	740,844	2.03%	—	—	—	—	—	—	

X. Number of Shares Held by the Company, its Directors, Supervisors, Managers and Reinvested Businesses Either Directly or Indirectly Controlled by the Company and Combined Shareholding Percentage

As of April 30, 2021; Unit: thousand shares; %

Reinvested Company (Note 1)	Investment by the Company		Investment by Directors, Supervisors, Managers, and Companies Either Directly or Indirectly Controlled by the Company		Combined Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
RBT Holdings Limited	50,200	100%	—	—	50,200	100%
RBT Enterprise Limited	8.8	100%	—	—	8.8	100%
Yen Mei Enterprise Limited	Note 2	100%	—	—	Note 2	100%
Yen Chun International Co., Ltd.	2,500	100%	—	—	2,500	100%
Happy Lemon HK Limited	7,000	100%	—	—	7,000	100%
RBT Resources Limited	26,000	100%	—	—	26,000	100%
Yummy-town USA LLC	Note 2	100%	—	—	Note 2	100%
Yummy-town UK Ltd	Note 2	100%	—	—	Note 2	100%
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Note 2	100%	—	—	Note 2	100%
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	Note 2	55.5%	—	—	Note 2	55.5%
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	Note 2	100%	—	—	Note 2	100%
Shanghai Tai Quan Trading Co., Ltd.	Note 2	100%	—	—	Note 2	100%
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Note 2	100%	—	—	Note 2	100%
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	Note 2	100%	—	—	Note 2	100%
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Note 2	100%	—	—	Note 2	100%
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	Note 2	100%	—	—	Note 2	100%
Freshtea Japan Co., Ltd.	Note 1	40%	—	—	Note 2	40%
Happy Lemon California, Inc.	Note 1	49%	—	—	Note 2	49%
Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd.	Note 2	60%			Note 2	60%
Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd.	Note 2	41%			Note 2	41%

Reinvested Company (Note 1)	Investment by the Company		Investment by Directors, Supervisors, Managers, and Companies Either Directly or Indirectly Controlled by the Company		Combined Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Yong-Chun-Cheng Enterprise Co., Ltd.	Note 1	20%			Note 1	20%
Happy Lemon West Inc.	Note 2	70%			Note 2	70%
Happy Lemon (M) Sdn. Bhd.	Note 2	51%			Note 2	51%

Note 1: Invested by the Company using the equity method

Note 2: It is a limited company; thus, no shares have been issued.

Chapter 4 Funding Status

I. Capital and Shares

(I) Sources of Capital

1. Type of Shares

As of April 19, 2021; Unit: shares

Type of Shares	Authorized Capital			Remark
	Number of Outstanding Shares	Number of Unissued Shares	Total	
Registered ordinary shares	36,554,412	63,445,588	100,000,000	—

2. Changes in the Company's Share Capital in the Most Recent Year up to the Publication Date of this Annual Report

Unit: thousand shares; NT\$ thousands

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	(I) Sources of Capital	Capital Increase by Assets Other than Cash	Others
2011.11	10	100,000	1,000,000	16,014	160,144	Issuance of new shares totaling NT\$160,144,000 due to equity restructuring	None	Note 1
2012.05	10	100,000	1,000,000	16,654	166,544	Capital increase by cash totaling NT\$6,400,000	None	Note 1
2012.11	10	100,000	1,000,000	19,985	199,853	Capital increase by earnings and capital surplus totaling NT\$33,309,000	None	Note 1
2013.09	10	100,000	1,000,000	22,983	229,831	Capital increase by earnings totaling NT\$29,978,000	None	Note 1
2014.05	10	100,000	1,000,000	24,132	241,323	Capital increase by earnings totaling NT\$11,492,000	None	Note 1
2014.12	10	100,000	1,000,000	27,350	273,503	Capital increase by cash totaling NT\$32,180,000	None	Date of Approval: November 27, 2014 Approval Document No.: Cheng Kuei Shen Tzu No. 10300308502
2016.01	10	100,000	1,000,000	27,358	273,583	Conversion of convertible corporate bonds	None	
2016.02	10	100,000	1,000,000	27,360	273,603	Conversion of convertible corporate bonds	None	
2016.09	10	100,000	1,000,000	27,434	274,343	Conversion of convertible corporate bonds	None	
2016.09	10	100,000	1,000,000	27,360	300,963	Capital increase by earnings totaling NT\$27,360,000	None	Note 1

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	(I) Sources of Capital	Capital Increase by Assets Other than Cash	Others
2016.10	10	100,000	1,000,000	30,173	301,725	Conversion of convertible corporate bonds	None	
2016.12	10	100,000	1,000,000	30,215	302,151	Conversion of convertible corporate bonds	None	
2017.01	10	100,000	1,000,000	30,257	302,577	Conversion of convertible corporate bonds	None	
2017.02	10	100,000	1,000,000	30,312	303,116	Conversion of convertible corporate bonds	None	
2017.03	10	100,000	1,000,000	30,426	304,259	Conversion of convertible corporate bonds	None	
2017.04	10	100,000	1,000,000	30,435	304,349	Conversion of convertible corporate bonds	None	
2017.06	10	100,000	1,000,000	30,791	307,914	Conversion of convertible corporate bonds	None	
2017.07	10	100,000	1,000,000	30,803	308,029	Conversion of convertible corporate bonds	None	
2017.08	10	100,000	1,000,000	30,831	308,306	Conversion of convertible corporate bonds	None	
	10	100,000	1,000,000	31,100	310,996	Issuance of new restricted employee shares	None	Approved Document No.: Chin Kuan Cheng Fa Tzu No. 1060028289
2017.09	10	100,000	1,000,000	31,980	319,795	Conversion of convertible corporate bonds	None	
2017.10	10	100,000	1,000,000	33,361	333,605	Conversion of convertible corporate bonds	None	
2017.11	10	100,000	1,000,000	33,395	333,952	Conversion of convertible corporate bonds	None	
2017.12	10	100,000	1,000,000	33,439	334,391	Conversion of convertible corporate bonds	None	
	10	100,000	1,000,000	33,404	334,041	Cancellation of new restricted employee shares	None	
2018.01	10	100,000	1,000,000	33,453	334,526	Conversion of convertible corporate bonds	None	
2018.02	10	100,000	1,000,000	33,499	334,987	Conversion of convertible corporate bonds	None	

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	(I) Sources of Capital	Capital Increase by Assets Other than Cash	Others
2018.03	10	100,000	1,000,000	33,545	335,449	Conversion of convertible corporate bonds	None	
	10	100,000	1,000,000	33,626	336,259	Issuance of new restricted employee shares	None	Approved Document No.: Chin Kuan Cheng Fa Tzu No. 1060028289
2018.04	10	100,000	1,000,000	33,647	336,467	Conversion of convertible corporate bonds	None	
2018.05	10	100,000	1,000,000	33,636	336,356	Cancellation of new restricted employee shares	None	
2018.08	10	100,000	1,000,000	33,815	338,145	Conversion of convertible corporate bonds	None	
2018.09	10	100,000	1,000,000	35,008	350,081	Conversion of convertible corporate bonds	None	
2018.10	10	100,000	1,000,000	35,045	350,448	Conversion of convertible corporate bonds	None	
2018.11	10	100,000	1,000,000	35,069	350,694	Conversion of convertible corporate bonds	None	
2019.01	10	100,000	1,000,000	35,005	350,054	Cancellation of new restricted employee shares	None	Note 2
2019.05	10	100,000	1,000,000	34,942	349,415	Cancellation of new restricted employee shares	None	Note 2
2019.08	10	100,000	1,000,000	34,909	349,085	Cancellation of new restricted employee shares	None	Note 2
2020.05	10	100,000	1,000,000	34,860	348,597	Cancellation of new restricted employee shares	None	Note 2
2020.08	10	100,000	1,000,000	36,557	365,574	Capital increase by cash totaling NT\$17,041,000	None	Note 1
						Cancellation of new restricted employee shares	None	Note 2
2020.11	10	100,000	1,000,000	36,554	365,544	Cancellation of new restricted employee shares	None	Note 2

Note:

- The Company was established at Cayman Islands on December 22, 2009. In 2011, new shares totaling NT\$160,144,000 were issued due to equity restructuring. In May 2012, capital was raised through the issuance of new shares totaling NT\$6,400,000. In November 2012, September 2013, May 2014, June 2016, and June 2020 the shareholders' meeting engaged in capital increase by earnings and capital surplus, while the approved documents were not applicable to previous capital increases.

2. Cancellation of new restricted employee shares: 64,000 shares in January 2019; 63,815 shares in May 2019; 33,000 shares in August 2019; 48,815 shares in May 2020; 6,374 shares in August 2020; and 3,000 shares in November 2020.
3. Information on the shelf registration system: Not applicable

(II) Shareholder Structure

As of April 19, 2021

Shareholder Structure Item	Government Agencies	Financial Institutions	Other Juristic Persons	Foreign Institutions and Foreign Natural Persons	Domestic Natural Persons	Treasury Shares	Total
Number of Shareholders	0	4	21	25	3,412	1	3,463
Number of Shares Held (shares)	0	192,196	1,640,681	14,316,571	19,573,394	831,000	36,554,412
Shareholding Percentage (%)	0.00%	0.53%	4.49%	39.17%	53.54%	2.27%	100%

Note: No shares were held by investors from Mainland China.

(III) Distribution of Equity Ownership

1. Common Shares

As of April 19, 2021

(The nominal value of a share is NT\$10)

Shareholding Percentage	Number of Shareholders	Number of Shares Held (shares)	Shareholding Percentage (%)
1 to 999	2,257	68,645	0.19%
1,000 to 5,000	877	1,637,023	4.48%
5,001 to 10,000	123	906,935	2.48%
10,001 to 15,000	59	743,260	2.03%
15,001 to 20,000	25	433,451	1.19%
20,001 to 30,000	23	599,667	1.64%
30,001 to 50,000	30	1,179,394	3.23%
50,001 to 100,000	30	2,027,446	5.55%
100,001 to 200,000	14	2,094,431	5.73%
200,001 to 400,000	7	2,014,005	5.51%
400,001 to 600,000	6	2,966,921	8.12%
600,001 to 800,000	5	3,664,798	10.02%
800,001 to 1,000,000	3	2,559,189	7.00%
1,000,001 and above	4	15,659,247	42.83%
Total	3,463	36,554,412	100%

2. Distribution of Preferred Shares: Not applicable

(IV) List of Major Shareholders

Name, Number of Shares Held by and Shareholding Percentage of Shareholders Who Hold More Than Five Percent of the Company's Shares or Who are the Top 10 Shareholders

As of April 19, 2021; Unit: shares

Name of Major Shareholder	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	18.82%
Wu, Po-Chao		5,316,930	14.55%
Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.		1,891,562	5.17%
Special investment account of Proco International Co., Ltd. under the custody of Far Eastern International Bank		1,572,072	4.30%
Cheng, Hui-Yi		924,143	2.53%
Lu, Han-Fen		804,046	2.20%
Special investment account of Preferred Investment Advisors (HK) Ltd.		785,436	2.15%
LGT Bank AG under the custody of Standard Chartered		764,518	2.09%
Hsu, Hsiu-Mei		744,000	2.04%
Special investment account of Xinle Investment Co., Ltd. under the custody of Cathay United Bank Co., Ltd.		740,844	2.03%

(V) Market Price Per Share, Net Worth Per Share, Earnings Per Share, Dividends Per Share, and Related Information in the Two Most Recent Years

Unit: NT\$ per thousand shares

Year		2019	2020	2021 up to end of March	
Market Price Per Share (Note 1)	Highest	84.40	82.60	85.00	
	Lowest	48.60	46.50	77.40	
	Average	69.18	64.64	80.84	
Net Worth Per Share (Note 2)	Before distribution	19.86	18.33	18.09	
	After distribution	16.86	17.83	—	
Earnings Per Share	Weighted average number of shares		35,828	35,715	35,674
	Earnings Per Share	Before adjustment	3.62	1.09	0.57
		After adjustment	3.61	1.09	0.57
Dividends Per Share	Cash dividends		3	0.5(Note 9)	—
	Stock dividends	Dividends from retained earnings	—	—	
		Dividends from capital surplus	—	—	
	Accumulated unpaid dividends		—	—	—
Return on Investment	Price/earnings ratio		19.11	59.30	141.82
	Price/dividends ratio		23.06	43.09	—
	Cash dividend yield		4.11%	4.64%	—

* In the event of share allotment arising from capital increase by earnings or capital surplus, information on market prices and cash dividends adjusted retrospectively according to the number of shares issued shall be disclosed.

Note 1: The highest and lowest market prices of common shares for each year shall be listed, while the average market price for common shares shall be calculated according to trading value and trading volume.

Note 2: Please fill the related figures with reference to the number of shares issued at the end of the year and according to the status of distribution approved by the shareholders' meeting in the previous year.

Note 3: In the event that retrospective adjustments are required due to stock dividends, earnings per share before and after adjustment shall be listed.

Note 4: If the conditions for equity securities issuance stipulate that unpaid dividends for the current year can be accumulated to subsequent years in which a profit is posted, the accumulated unpaid dividends up to the current year shall be disclosed respectively.

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

Note 6: Price/dividend ratio = Average closing price per share for the current year/Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note 8: The market price per share and earnings per share columns shall be filled based on the information audited (or reviewed) by CPAs for the most recent quarter as of the publication date of this annual report. Other columns shall be filled based on the information for the current year as of the publication date of this annual report.

Note 9: Pending approval from the shareholders' meeting in 2021.

(VI) Dividend Policy and Its Implementation Status

1. Dividend policy stipulated in the Company's Articles of Incorporation

- (1) If the Company posts a profit in the current year, the amount of remuneration distributed to employees shall not exceed three percent of the profit for the current year (i.e. profit before tax excluding remuneration paid to employees and directors), while the amount of remuneration for directors shall not exceed three percent of the profit for the current year. However, when the Company continues to record a cumulative loss, its profit shall first be used to make up for the loss. Employee remuneration may be paid in the form of shares or cash, and may be distributed based on the employee reward plan agreed upon in accordance with the provisions of Article 10(a). Employee remuneration may also be distributed to employees of subordinate companies that meet certain conditions. The distribution of employee remuneration shall be adopted by a majority of the directors present at a Board of Directors' meeting attended by at least two-thirds of all the directors, and shall be reported to the shareholders meeting. Remuneration for directors may only be paid in the form of cash. Directors who concurrently serve as an executive of the Company and/or its subordinate companies may simultaneously receive remuneration for serving as a director and an employee of the company.
- (2) In the event that the Company's shares are traded on any of the stock exchanges in the Republic of China (R.O.C.), the Company shall use net profit after tax for a particular fiscal year as the basis for calculating the amount of earnings to be distributed every fiscal year. Such distribution may only be carried out after (i) making up for the losses accumulated in the previous years (including adjusting undistributed surplus), (ii) setting aside part of the profit as capital surplus in accordance with the Company's Articles of Incorporation, (iii) setting aside 10 percent of capital surplus ("statutory surplus reserve") in accordance with the regulations applicable to public companies (however, this does not apply when the accumulated amount of this surplus reserve has reached the total amount of paid-in capital), and (iv) contributing to the provident fund in accordance with the requirements set forth by the relevant competent authority in R.O.C. (including but not limited to the Financial Supervisory Commission (FSC) or the securities exchange markets in R.O.C.). The Company's net profit after tax every fiscal year after deducting the abovementioned is known as "distributable earnings for the period." Dividends may be distributed from the distributable earnings for the period or retained earnings that has not been distributed in previous years (hereinafter collectively referred to as "accumulated distributable earnings"). Dividends may be distributed to shareholders from the accumulated distributable earnings in the form of cash or through the issuance of new shares. Dividends distributed to shareholders shall not be lower than five percent of the distributable earnings for the period.
- (3) Distribution of dividends or bonuses may not accumulate interest on the Company.

2. Dividend Distribution Proposed (or Deliberated) for This Year

The Company's 2020 earnings distribution proposal was approved by the Board of Directors on March 19, 2021:

Unit: NT\$

Item	Amount	Remark
Accumulated undistributed earnings at the beginning of the period	\$ 22,320,706	
Add: Net profit after tax for the period	38,871,120	
Earnings available for distribution	61,191,826	
Less: Allocation to statutory surplus reserve (10%)	(3,887,112)	
Less: Allocation to special surplus reserve	(6,977,208)	Foreign exchange conversion difference
Distributed items:		
Cash dividends	(17,838,608)	NT\$0.5 distributed per share
Accumulated undistributed earnings at the end of the period	\$ 32,488,898	

Note 1: Pending approval from the shareholders' meeting in 2021.

Note 2: It is calculated based on the number of outstanding shares on February 29, 2021 (excluding treasury shares, restricted shares to be canceled, and vested restricted shares).

The actual amount is calculated based on the actual number of shares on the ex-dividend date.

(VII) Impact of Stock Dividends Proposed by the Shareholders' Meeting This Year on the Company's Business Performance and Earnings Per Share

This section is not applicable as financial forecast for this year has not been publicly disclosed and no stock dividends have been distributed.

(VIII) Employee Bonus and Remuneration for Directors and Supervisors

1. Percentage or Range of Employee Bonus and Remuneration for Directors and Supervisors As Stipulated in the Company's Articles of Incorporation

Yummy Town (Cayman) Holdings Corporation is a holding company. The percentage of employee bonus and remuneration for directors and supervisors as stipulated in the Company's Articles of Incorporation are listed as follows:

- (1) Remuneration for directors shall not exceed three percent of the profit for the current year.
- (2) Employee remuneration to be distributed to all employees of the Company and its subordinate companies shall not exceed three percent of the profit for the current year, and may be distributed in the form of cash or shares. Besides, such remuneration may be distributed based on the employee reward plan agreed upon in accordance with the relevant regulations.
- (3) The shareholders' meeting may adopt the resolution, based on the recommendations of the Board of Directors, that dividends and bonuses shall be distributed through capital increase by issuing new shares. However, the percentage of cash dividends and bonuses shall not be lower than 10 percent of the dividends and bonuses

distributed through capital increase by issuing new shares.

Accounting treatment for the basis of estimating employee bonus and remuneration for directors and supervisors, the basis of calculating the number of shares to be distributed as bonus, and any difference between the actual amount distributed and the estimated figures: None

2. Information on the Proposed Distribution of Employee Bonus Approved by the Board of Directors

(1) Where the amount of employee bonus distributed in the form of cash or shares and remuneration for directors and supervisors exhibit differences with the recognized expenses and annual estimates, the sum, cause, and treatment of such differences shall be disclosed: The Company has proposed not to distribute employee bonus and remuneration for directors and supervisors. Hence, this section is not applicable.

(2) Amount of employee bonus distributed in the form of shares and its percentage in terms of net profit after tax provided in the parent company-only financial statements and the total amount of employee bonus: This section is not applicable as the Company has not distributed bonuses in the form of shares to employees.

(3) Imputation of earnings per share after considering proposing the distribution of employee bonus and remuneration for directors and supervisors: Not applicable

3. Actual distribution of employee bonus and remuneration for directors and supervisors (including the number, amount, and price of shares distributed) in the previous year, as well as the amount, cause, and treatment of difference between the actual amount and recognized amount of employee bonus and remuneration for directors and supervisors shall be described: None

(IX) Repurchase of the Company's own shares:

1. Repurchase of the Company's own shares (completed):

Date: April 30, 2021

Batch Order	3rd Batch
Purpose of the buyback	Transfer of shares to employees
Actual buyback period	2020.3.27~2020.5.26
Price range for buybacks	NT\$42 to NT\$82
Type and number of shares bought back	111,000 shares of common stock
Total value of shares bought back	NT\$6,754,700
The ratio of number of shares bought back to number of expected shares bought back (%)	11.1%
Number of shares that have already been canceled and transferred	198,000
Accumulated number of shares held	831,000

by the Company	
Ratio of the accumulated number of shares held by the Company to the total number of ordinary shares issued (%) (Note)	2.27%

Note: As of April 30, 2021, a total of 36,554,412 shares have been issued

- 2. Repurchase of the Company's own shares (still in progress): None

- II. Corporate Bonds (including Overseas Corporate Bonds): None
- III. Preferred Shares: None
- IV. Participation in Global Depository Receipts: None
- V. Employee Stock Option Certificates: None

VI. Restricted Employee Shares:

As of May 15, 2021

Type of New Restricted Employee Shares: (Note 1)	First Time (Term) New restricted employee shares	
Date of Effective Registration	July 31, 2017	
Issue Date (Note 2)	August 10, 2017	April 30, 2018
Number of New Restricted Employees Shares Issued	269,000	81,000
Issue Price	0	0
Percentage of New Restricted Employee Shares Issued in Terms of the Total Number of Shares Issued	0.74%	0.22%
Vesting Conditions for New Restricted Employee Shares	<p>The actual vested percentage for each employee is calculated in stages based on the product of the following vesting percentages. The number of shares vested can be calculated by multiplying an individual's vested percentage by the number of shares allocated to the individual.</p> <p>A. Vested Percentage of Company Performance</p> <p>(1) If the net profit for the period specified in the CPAs' audit report for the previous year prior to the vested year reaches at least 100 percent of the Company's target performance, the vested percentage of company performance shall be counted as 100 percent.</p> <p>(2) If the net profit for the period specified in the CPAs' audit report for the previous year prior to the vested year reaches at least 90 percent but less than 100 percent of the Company's target performance, the vested percentage of company performance shall be counted as 90 percent.</p> <p>(3) If the net profit for the period specified in the CPAs' audit report for the previous year prior to the vested year reaches at least 80 percent but less than 90 percent of the Company's target performance, the vested percentage of company performance shall be counted as 80 percent.</p> <p>(4) If the net profit for the period specified in the CPAs' audit report for the previous year prior to the vested year does not reach at 80 percent of the Company's target performance, the vested percentage of company performance shall be counted as 0 percent.</p> <p>B. Vested Percentage of Individual Performance</p> <p>(1) Annual Performance Appraisal: Since the year the regulations take effect, an individual's average annual performance has to be at least Grade B. For individuals whose performance is lower than Grade B, the vested percentage of individual performance shall be 0 percent.</p> <p>(2) For individuals whose performance is Grade A, the vested percentage of individual performance shall be 100 percent. For individuals whose performance is Grade A-, the vested percentage of individual performance shall be 90 percent. For individuals whose performance is Grade B+, the vested percentage of individual performance shall be 80 percent. For individuals whose performance is Grade B, the vested percentage of individual performance shall be 60 percent.</p>	

	<p>(3) The abovementioned individual performance appraisal, assessment, and review shall be based on the Company's regulations governing the management of employee performance appraisal.</p> <p>C. Vested Percentage of Continued Service: For employees granted starting May 1, 2018, the vested percentage of continued service shall be 20%. For employees who have served one full year after May 1, 2018, the vested percentage of continued service shall be 25%. For employees who have served another year, the vested percentage of continued service shall be 25%. For employees who have served another two years, the vested percentage of continued service shall be 30%.</p> <p>D. Calculation of Actual Vested Percentage and Number of Shares Vested: An employee's actual vested percentage for each batch is calculated in stages according to the product of the three batches above, namely the vested percentage of company performance, the vested percentage of individual performance, and the vested percentage of continued service for each year. The number of shares vested for each batch can be calculated by multiplying an individual's vested percentage for each batch by the number of shares allocated to the individual.</p>
Restricted Rights to New Restricted Employee Shares	<ol style="list-style-type: none"> 1. An employee may not sell, pledge, transfer, gift to others, provide guarantee for or dispose of the new restricted employee shares using other means. 2. Before employees meet the vesting conditions, a trust or custodial institution shall be entrusted to exercise employees' attendance, proposal, speech, voting rights, and other matters related to shareholders' equity in the Company's shareholders' meetings. 3. During the vesting period, the new restricted employee shares are not allowed to participate in distribution of shares, distribution of dividends, and subscription of shares during capital increase by cash. In the event that employees meet the vesting conditions from 15 business days prior to the book closure date for distribution of shares, distribution of dividends, and subscription of shares, to the rights allocation date, their shares whose restrictions have been extinguished are still not entitled to distribution of shares, distribution of dividends, and subscription of shares.
Custody of New Restricted Employee Shares	<p>After being granted the new restricted employee shares issued by the Company, employees who are R.O.C. nationals shall immediately hand over these shares to the trust institution designated by the Company for custody. Unless otherwise stipulated in the regulations, employees shall continue to hand over these shares to the trust institution for custody before meeting the vesting conditions.</p>
Methods for Handling Allotment of Shares to or Subscription of Shares by Employees Who Are Yet to Meet the Vesting Conditions	<p>In the event that employees, to whom new restricted employee shares are allotted, are yet to meet the vesting conditions, the Company may recover the new shares issued without compensation and cancel them.</p>
Number of New Restricted Employee Shares Recovered or Repurchased	49,196

Number of New Restricted Employee Shares Extinguished	300,804
Number of New Restricted Employee Shares Yet to be Extinguished	0
Percentage of New Restricted Employee Shares Yet to be Extinguished in Terms of the Total Number of Shares Issued (%)	0% (Note)
Impact on Shareholders' Equity	At present, the number of shares issued this time is approximately one percent of the total number of shares issued. Hence, its impact on the original shareholders' equity is diluted year by year, and the dilution effect is still limited.

Note: As of April 30, 2021, a total of 36,554,412 shares have been issued

(including 49,196 new restricted employee shares to be annulled but yet to be canceled on April 26, 2021).

Name of Managers and Top 10 Employees Holding New Restricted Employee Shares as of the Publication Date of this Annual Report and the Status of Acquiring Such Option:

As of April 30, 2021

	Title (Note 1)	Name	Number of New Restricted Employee Shares Acquired	Percentage of New Restricted Employee Shares Acquired in Terms of the Total Number of Shares Issued (Note 4)	Restricted Shares Extinguished			Restricted Shares Yet to be Extinguished				
					Number of Restricted Shares Extinguished (thousand shares)	Issue Price	Issue Amount	Percentage of Restricted Employee Shares Extinguished in Terms of the Total Number of Shares Issued (Note 4)	Number of Restricted Shares Yet to be Extinguished	Issue Price	Issue Amount	Percentage of Restricted Shares Yet to be Extinguished in Terms of the Total Number of Shares Issued (Note 4)
Managers	President	Lu, Hsiao-Huei (resigned)	274,000 (Note 2)	0.75%	242,276	0	0	0.66%	31,724	0	0	0.09%
	President	Chang, Miao-Ling										
	Vice President and Accounting Supervisor, Finance Headquarters	Huang, Hui-Ting (resigned)										
	Vice President, R&D Headquarters	Huang, Hsin-Lin										
	Special Assistant to the Chairman	Ke, Te-Ping (resigned)										
	Special Assistant to the Chairman	Chan, Wen-Liang (resigned)										
	Special Assistant to the CEO	Chang, Hsin-Jung (resigned)										
	Special Assistant to the CEO	Li, Yi-Hsing										
	Vice President, Management Headquarters	Wang, Pei-Chun										
	Vice President, International Business Develop.	Lin, Wan-Ting										

	Vice President, Marketing Headquarters	Li, Tsung-Yi (resigned)										
	Supervisor, Auditing Office	Chen, Tsui-Ling (resigned)										
Employees	Director	Chen, Yi-Hung (resigned)	76,000 (Note 3)	0.20%	58,528	0	0	0.02%	17,472	0	0	0.04%
	Director	Wu, Hua-Chao (resigned)										
	Director	Chen, Chien-Wen										
	Director	Lin, Tai-Yi										
	Director	Lung, Shu-Chih (resigned)										
	Director	Chiang, Ping-Chang										
	Director	Tsao, Chia-Hung (resigned)										
	Director	Lin, Jui-Ling										
	Director	Lin, Chia-Chi										
	Director	Hsu, Mei-Ling										

Note 1: It includes managerial officers and employees (special notes shall be provided for those who have resigned or deceased). The name and title of managers and employees shall be disclosed separately. However, the number of restricted employee shares distributed or subscribed by them may be disclosed collectively.

Note 2: Employees receiving new restricted employee shares refer to employees other than managers.

Note 3: As of April 30, 2021, a total of 36,554,412 shares have been issued.

VII. Mergers and Acquisitions: None

VIII. Issuance of New Shares in Connection with Mergers or Acquisitions or Acquisitions of Shares of Other Companies: None

IX. Implementation of Capital Utilization Plan:

Issuance or private placement of securities yet to be completed, or having been completed in the three most recent years with the benefits of the plan yet to be realized in the three most recent years, as of the publication date of this annual report: None

Chapter 5. Business Overview

I. Business Activities

1. Business Scope

(1) Main content of the businesses of the Company and its subsidiaries:

The Company mainly focuses on chain food and beverage brands by selling beverages, and desserts, and provide related services. At present, we run food and beverage outlets and offer franchise services for our two major brands, namely RBT and Happy Lemon. We adopt the business model, which sees the coexistence between company-operated stores and the franchise model, in both China and Taiwan, while we mainly engage in agents to expand our chain business in regions outside China and Taiwan. Furthermore, we worked with Keio Group to establish the curry restaurant named "The Spiceland" in October 2015, as well as created the Spanish finger foods brand named "Alma" and the high-end tea brand named "Tea Opal." These brands are currently operated using the company-operated store model in Shanghai, China. In 2017, the Company established the tea beverage brand named "Hippo Bobatea" which is highly popular among young people. In addition to the company-operated store model, we are currently open to collaborations via the joint venture model and will further develop the franchise business for this brand.

(2) Proportion of Businesses

Unit: NT\$ thousands

Main Products \ Year	2019		2020	
	Amount of Sales	Proportion of Sales	Amount of Sales	Proportion of Sales
Franchise, agent and other related revenue	1,389,423	62.67%	894,699	63.18%
Revenue from company-operated stores	827,689	37.33%	521,430	36.82%
Total	2,217,112	100.00%	1,416,129	100.00%

(3) Current Products and Services of the Company and Subsidiaries

Sale of food and beverage and franchise services: RBT, Happy Lemon, and Hippo Bobatea; sale of food and beverage: The Spiceland, Alma, and Tea Opal:

- ① Franchise counseling: Build an effective franchise counseling platform to offer logistic support services to business partners who are interested in launching a food and beverage business, including selection of store location, performance appraisal, renovation and design, and operational training.
- ② Food and beverage services: Develop sales of a variety of casual set meals and takeaway fresh beverages. The classification of products made and offered by RBT, Happy Lemon, The Spiceland, Alma, Tea Opal, and Hippo Bobatea, and their main products are listed as follows:

RBT	
Product Category	Series
Beverages	Fine brewed tea series, cup fruit tea series, rock salt cheese series, classic milk tea series, ice sorbet and blended coffee series, and coffee series
Light meals	Beef noodle series, Taiwanese-style curry series, Spaghetti series, and cheese baked rice series
Snacks	Waffle series, and thin and crispy series
Finger foods	Taiwanese-style classic finger foods
Desserts	Dessert series
Others	New seasonal products and products promoted during festive celebrations
RBTea	Pop-up store menu
Beverages	Full-cup foamy coconut, full-cup foamy red bean, full-cup foamed almond, extra thick coconut milk, roasted coconut milk, coconut powder with lots of coconut meat, young coconut, coconut beer, coconut grove, orange peel pearl milk tea, foamy oolong tea, foamy black tea, snow fungus peach gum, and mochi snow fungus tea
Desserts	Coconut luda and coconut soft ice

Happy Lemon	
Product Category	Series
Drinkable cake (upgraded mellow milk)	Oreo cookie milk tea, cake cream pearl milk tea, online celebrity cake-flavored milk tea, half-baked cake pearl milk tea, purple taro balls and pearl milk tea, and strawberry half-baked cake milk tea
Signature milk tea series (upgraded mellow milk)	Mellow milk tea, taro ball milk tea, tapioca pearl milk tea, red bean pudding milk tea, Grand Slam pudding milk tea, and double pearl milk tea
Fascinating cheese cream topping series	Rock salt cheese green tea, rock salt cheese black tea, rock salt cheese milk tea, rock salt cheese cocoa, and rock salt cheese cow milk tea
Happy Lemon double series	Happy Lemon, Happy Lemon green tea, Happy Lemon black tea, lemon-flavored pineapple drink, kumquat lemon tea, pomelo-flavored lemon tea, and secret land lemonade
Foam mellow tea series	Honey black tea, jasmine green tea, green tea with two bottles of Yakult, and lemon green tea with two bottles of Yakult
Spring all year round series	Mango, orange, and passion fruit-flavored four season spring tea; four-season spring tea; four-season spring tea with grapefruit flesh; Happy Lemon four-season spring tea; and lemon and pineapple-flavored four-season spring tea
Fleshy fruit tea series	yogurt tea with Lemon C and aloe vera, green tea with grapefruit flesh and aloe vera, lemon tea full of strawberries, and secret land pomelo love tea
Bursting toast	Pearl milk tea toast, cheese and smoked chicken toast, and Oreo cocoa toast

The Spiceland	
Product Category	Series
Chinese-Japanese fusion series	Home-made mapo dish, sesame miso oyster pot, spicy garlic razor clams, Argentine squid with three-cup sauce, roasted wagyu beef and fried soft-boiled egg, fried shrimp tempura and bean skin udon soup, pork chop donburi, and chicken meat and egg donburi
Omelette meal series	Beef omelette rice, Japanese-style burger curry omelette rice, Japanese-style pork chop curry omelette rice, mixed seafood curry omelette rice, white sauce and vegetable omelette rice, and mixed seafood and meat omelette rice
Curry meal series	Cheese pork chop curry rice, Japanese-style burger curry rice, mushroom and wild vegetable curry rice, wagyu beef curry udon, seafood curry rice, karaage (deep fried) chicken curry rice, wagyu beef curry rice, and grilled Matsusaka pork curry rice
Kid's meal	Teddy bear meal and big mouth meal (without curry)
Salad series	Poached egg and smoked chicken with Japanese-style sauce; Italian melon ham with Italian-style sauce; Cobb salad with sesame sauce; Caesar salad with Caesar sauce; and chicken avocado mango salad with honey mustard
Finger foods series	Three golden crispy snacks, karaage (deep fried) squid, golden tofu, squid balls, Japanese-style pork chop, Japanese-style fish fillet, Japanese-style fried shrimp, French fries, karaage (deep fried) chicken wings, takoyaki (octopus balls), teriyaki chicken nuggets, chawanmushi (Japanese steamed egg custard), roasted seasonal vegetables, white rice, and multigrain rice
Dessert series	Chocolate lava cake, snow cheese pudding burnt cake, and mochi with brown sugar sauce
Beverages	Strawberry frozen vinegar drink, blueberry frozen vinegar drink, pineapple frozen vinegar drink, colorful frozen vinegar drink, vibrant red fruit and vegetable drink, youthful green fruit and vegetable drink, happy yellow fruit and vegetable drink, colorful fruit and vegetable drink, honey black tea, black oolong tea, rock salt cheese milk tea, rock salt cheese oolong milk tea, lemon and honey black tea, lemon black oolong tea, lemon Sprite ice, Calpis snow ice, Calpis, Coca-cola, Sprite, lemon juice, kiwi juice, fresh orange and pear juice, apple and orange juice, Americano, Latte, and rock salt cheese coffee
Alcoholic beverages	Asahi beer and Tsingtao beer

Tea Opal	
Product Category	Series
Mellow tea	Sweet-dew jasmine tea, concentrated Jinxuan tea, honey leaf-scented black tea, and red oolong tea Jinxuan black tea, Jinxuan jasmine green tea, and mint tea (310 ml canned cold-brewed tea)

Tea Opal	
Tea au lait	Oolong amber milk tea, red robe amber milk tea, Taichi milk tea, leaflet amber milk tea, osmanthus oolong milk tea, leaflet jelly milk tea, Tea Opal thick milk tea, and concentrated coco milk
Thick cheese cream topping	Cheese-flavored honey leaf black tea, cheese-flavored thick Jinxuan tea, cheese-flavored jasmine tea, and cheese-flavored red oolong tea
Fruit mix	Cheese pink lychee tea, cheese grapefruit and mango tea, lime and Hiram lemon tea, passion fruit tea, and grapefruit tea
Microfoam	Bull planet, lychee-flavored tea with microfoam, and pomelo-flavored Long Island iced tea (free upgrade for shots + rum)
Flame cream	Flame cream honey leaf black tea, flame cream Jinxuan oolong tea, flame cream jasmine tea, and flame cream red oolong tea
Side ingredients	Amber tapioca pearls, jasmine tea jelly, agar pearls, and sago
Tea snacks and bento (single store)	<p>Desserts: Special tiramisu cake, chestnut salty cream-flavored mousse cake, original salty cream-flavored mousse cake, Basque-flavored cheese cake, silky chocolate cheese cake, chocolate crepe, classic tiramisu cake, durian crepe, matcha crepe, velvet cranberry crepe, strawberry crepe, and mango-flavored mousse cake</p> <p>Cookies: English cream cookies, cinnamon bread sticks, chocolate crisps, and walnut pecan crisps</p> <p>Thick toast: Peanut butter thick toast, caramel thick toast, chocolate thick toast, and milk cream thick toast</p> <p>Bento (single store): Taiwanese braised pork bento, fish-flavored shredded pork bento, lion's head meatball bento, Sichuan-style pork bento, eggplant bento with minced meat, beer duck bento, black pepper chicken bento, sweet and sour pork rib bento, char-grilled chicken bento, karaage omelette rice bento, wagyu beef and roasted pork bento, teriyaki pork bento, and fried pork chop curry omelette rice bento</p> <p>Fried foods (single store): Karaage chicken nugget, French fries, Taiwanese hot dog, and dumplings with sesame sauce</p> <p>Breakfast and snacks (single store): Potato beef bun, Sichuan-style pork bun, black pepper chicken fillet bun, pork floss and tender egg bun, luncheon meat flaky pancake, pork floss and tender egg flaky pancake, potato beef flaky pancake, tender egg flaky pancake with sausage, Sichuan-style pork flaky pancake, pearl milk tea French toast, peanut butter French toast, and chocolate French toast with milk lava</p>

Tea Opal	
	Sold previously: Lemon croissant, strawberry croissant, original honey waffle, chocolate banana waffle, pearl milk tea waffle, caramel apple waffle, mango waffle, mango dessert, Earl Grey rabbit, smoked chicken thick toast, strawberry thick toast, and Earl Grey tea egg
New seasonal items	Lucky orange tea, orange sparkling ice tea, orange milkshake, osmanthus orange cream, orange cream, summer mango tea, super golden mango cream tea, mango pomelo sago tea, fresh mango tea, peachful fruit tea, peace jelly cream tea, drunk blue planet tea, lychee intoxication tea, pomelo party tea, green grape jasmine iced tea, cheese cream green grape tea, sparkling green grape tea, taro thick milk tea, caramel milk tea, rose thick milk tea, drunk dragon ball milk tea, caramel peanut Jinxuan tea, caramel peanut oolong tea, caramel peanut thick milk tea, Jinxuan cream cranberry tea, cream jasmine cranberry tea, strawberry iced milk tea, hot strawberry milk tea, strawberry cream tea, auspicious orange tea, good fortunate orange Jinxuan smoothie, double orange cream tea, mango smoothie, sunshine mango tea, lemon and mango milk tea, ice cream black tea, fragrant oolong tea, honey pearl milk tea, anything milk tea, anything thick milk tea, cocoa milk, emerald kumquat lemon tea, grapefruit flesh tea, cheese powder, plum and lychee tea, cheese-flavored grapefruit and mango tea, cheese-flavored colorful grape tea, milk tea ice ball storm tea, mermaid pink pear tea, summer love sunshine peach tea, pink peach tea, peach sparkling tea, cheese-flavored green grape tea, honey dew and green grape tea, sparkling green grape tea, kiwi jasmine tea, pineapple Jinxuan tea, Hey grain milk tea, Yea roasted flame milk tea, pineapple beer, master beer, Taichi milk tea, red robe amber milk tea, oolong amber milk tea, snow fungus and water chestnut Jinxuan tea, pear, snow fungus and water chestnut tea, strawberry tea, strawberry milk cream tea, strawberry daifuku, milk tea with God-like ingredients, honey lemonade, honey leaf black tea, honey jasmine green tea, fresh mint tea, rose planet tea, ocean planet tea, oat tea jelly milk tea, oat cocoa au lait, oat latte, and oat amber milk tea
Merchandise	Tea bags: Jinxuan jasmine tea and Jinxuan leaflet black tea Others: Four types of tea cups and tea sets and one type of tea gift box

Hippo Bobatea	
Product Category	Series
Milk series	Vibrant black grass jelly milk, vibrant black chocolate milk, vibrant double black milk, and vibrant yellow mango milk
Cheese cream topping series	Cheese cream-topped jasmine tea, cheese cream-topped oolong tea, and cheese cream-topped leaflet black tea
Fruit tea series	Lemon black tea with fruits; lemon green tea with fruits; black tea with

Hippo Bobatea	
	pomelo flesh and coconut jelly; green tea with pomelo flesh and coconut jelly; colorful passion fruit oolong tea; fresh mandarin tea; Hi-C oolong tea with passion fruit, orange and grapefruit; Hi-C green tea with passion fruit, orange and grapefruit; and orange tea with fruit flesh
Milk tea series	Brown sugar milk tea with tapioca pearls, brown sugar milk tea with grass jelly, brown sugar coconut milk tea, brown sugar mango milk tea, brown sugar milk tea, brown sugar milk tea with grass jelly, and burnt cream milk tea
Au lait series	Au lait milk black tea, au lait milk black tea with grass jelly, au lait milk black tea with tapioca pearls, au lait duo, au lait coconut, au lait roasted milk tea, and freshly baked brulee
Mellow tea series	Jasmine Gyokuro tea, honey oolong tea, leaflet black tea, tapioca pearl love jasmine tea, and black tea loves tapioca pearls
Whole-leaf mellow tea series	(Menu for any combination of ingredients at RMB9) Jasmine Gyokuro tea, leaflet black tea, honey oolong tea, and oolong green tea
Special milk tea series	(Menu for any combination of ingredients at RMB9) Hippo Bobatea milk tea, brown sugar milk tea, pineapple milk tea, peach milk tea, and lychee milk tea
Fresh fruit tea series	(Menu for any combination of ingredients at RMB9) Lemon black tea with fruits; lemon green tea with fruits; black tea with pomelo flesh and coconut jelly; green tea with pomelo flesh and coconut jelly; colorful passion fruit oolong tea; and colorful passion fruit green tea
Fruity light yogurt series	(Menu for any combination of ingredients at RMB9) Pineapple light yogurt, lychee light yogurt, strawberry light yogurt, and mango and orange light yogurt

(4) New Products in Development

①RBTea:

Existing stores will be upgraded to decorating styles of second- or third-generation stores, while food products will be added and optimized. New stores will be set up based on the decorating style of third-generation stores, and will mainly offer tea beverages and waffles, as well as Taiwanese-style classic cuisine and main course.

● RBTea (Pop-up Store):

The RBTea pop-up store was officially launched in TX Mall along Huahai Road, Shanghai in October 2020. Adhering to the principles of respecting history, independent innovation as well as health and safety, RBTea turns oriental beverages into a new trend throughout the world and enables the trendy beverage culture to surpass the coffee culture. RBTea used fresh fruits as an inspiration to create a brand new fruit tea series and became the first to make the fruit tea series a success with fresh coconut. In addition, RBTea launched the highly popular milk tea series with the return of the classic memory, and brought a sweet and fragrant new "RBTea" taste to the tip of the tongue with the ultimate good taste using the organic combination of the best fresh ingredients for the

flavors of the season with fresh milk.

②Happy Lemon:

Owing to the COVID-19 pandemic around the world, Happy Lemon mainly focused on lemon-related products, which can help replenish Vitamin C to strengthen the immune system, in the first quarter of 2020. .

In response to market trend in the second quarter of 2020, Happy Lemon launched tea beverages with mango pomelo sago, thereby driving a new trend. In conjunction with the hit song, "Mojito," in mainstream pop culture, Happy Lemon developed the non-alcoholic Mojito beverage series, with a view to catering the market.

In the third quarter of 2020, Happy Lemon continued tea beverages with fruits of the season by combining natural healthy ingredients, such as honey dew, peach, and yogurt, with tea in order to offer creative beverages.

In the fourth quarter of 2020, Happy Lemon launched the almond milk series and combined it with purple sweet potato based on the currently popular plant-based concept to provide a healthy product series. Following the brand's signature half-baked cake pearl milk tea, Happy Lemon also introduced the chestnut cake milk tea in response to the season and launched the red velvet biscuit snow top series with Oreo.

Continuing the brand's collaboration with White Rabbit Creamy Candy last year, Happy Lemon launched co-branded products at the LuOne Shopping Mall in Shanghai and the Shanghai Import Expo in September and November 2020.

③The Spiceland:

This brand exited the market in April 2020 due to the COVID-19 pandemic.

④Alma:

In 2020, we have updated the main menu for the Taiwan market by adding more creative products and local Spanish finger foods on top of some classic food items, so that customers will not feel stale while experiencing Spanish culture. At the same time, Alma organized a media tasting session and invited professional media and key opinion leaders (KOLs) to generate publicity and promote new products.

⑤Tea Opal:

1. Uncover technologies and raw materials

In terms of tea leaves, we continue to integrate resources from Taiwanese tea plantations, tea growers, and tearistas. As far as mellow tea is concerned, Tea Opal insists on tea-making using tea leaves; moreover, Tea Opal will guide its partners on whether they have met the correct SOP based on tea-making standards using a checklist provided to them. As for fruit mix, Tea Opal uses fresh fruits, which are directly delivered from their places of origin, to better combine the natural fruity and milky fragrance of Jinxuan tea with fruits. As regards tea au lait, Tea Opal will make breakthroughs in combining different types of tea and milky fragrance to create a wide variety of products. Technically speaking, Tea Opal currently focuses on returning to tea-based products to ensure that tea flavors stand out as much as possible and create different combinations of tea, so that its overall products are more like a cup of art.

2. Product creation and ideas

People who love to drink tea also love to study different combinations of tea. Tea Opal also wants to ensure that the tea drinking culture does not remain at fruit tea and hand-shaken tea. Tea Opal wants to create a life attitude of drinking tea, so that tea drinking is no longer out of reach while ensuring that enjoying a cup of good tea not only does not stop at Kungfu tea but also looks good and can become part of our daily life.

⑥Hippo Bobatea:

Hippo Bobatea's brand strategies include expanding into the so-called "sinking market," plan regional menus in a targeted manner, search for sources of raw materials in the market together with the supply chain and the procurement team, develop superior products with great taste and good price-to-performance ratio, and incorporate different fruit flavors and elements, so as to enhance its competitiveness in a shrinking consumer market during the COVID-19 pandemic.

2. Industry Overview

(1) Current Status and Development of the Industry

The "Happy Lemon" brand originates from Taiwan, establishes its base in Hong Kong, and sets its sights on the Greater China region and the global market. It is one of the market leaders in the milk tea beverage market, providing consumers with single products and consumption options with numerous combinations. In recent years, the Greater China region has experienced rapid economic

development. Under the dual impact of urbanization and westernization of diet, convenient and healthy takeaway beverages with standardized quality have become part of daily life consumption and an indicator of a person's life attitude, which is favorable to the Company's development in the Greater China region. Happy Lemon is currently still in the healthy growth stage. Every year, the brand is still entering new cities through self-operated stores and franchised chains. It also continues to develop new stores in cities it has conquered. In particular, the Chinese market has benefited from high growth in domestic demand and the westernization of diet, and the demand for takeaway beverages is also rising. Happy Lemon's stylish, healthy, and young image attracts customers who are young and possess purchasing power. In the tea beverage market, it is difficult for Happy Lemon to find a place in first- and second-tier cities; however, it will be a wise move to seize the market in third-tier and lower-tier cities. Excluding the population of first- and second-tier cities, the "sinking market" has a population of 1 billion people. This attractive figure represents massive consumption potential that has yet to be explored. As the purchasing power of the people increases gradually, the trend of tea drinking has risen in the "sinking market," representing massive potential for development. According to relevant data, the number of milk tea stores in third- and fourth-tier cities has increased by up to 138%. In other words, high-quality supply in the "sinking market" remains insufficient and is far from meeting customer demand even though the tea beverage market is experiencing a reshuffle; therefore, there is an opportunity for brands to take a leading position in the market.

Founded in 2006, Happy Lemon has experienced changes in China's milk tea industry. In order to respond to rapid changes in the market, provide customers with a wider variety of products that are more in line with the trend of the times, and reflect the brand spirit of innovation and transformation, the Group has become the best entrepreneurship platform for Chinese all over the world, passing down Chinese tea culture. The vision of the Group is to become "the best entrepreneurship platform in the world." The problem encountered by the Group when promoting the tea culture to the world is cultural difference. In order to overcome this problem, the Group chooses to collaborate with the largest, most passionate, and like-minded partners in local areas, as well as promote the tea drinking culture with companies that have a passion for such culture in different countries. The Group cares deeply about franchisees under its brands. At the beginning of the COVID-19 outbreak, Yummy Town Group established a nationwide epidemic command center with the belief that "no franchisee should be left out." During the COVID-19 pandemic, the Group offered assistance and support to stores and implemented the "stock up first, pay later" strategy, so as to

reduce the burden on franchisees. According to statistics, a total of 350 new Happy Lemon stores were set up in 2020, while Happy Lemon recorded a 31% increase in net profit in the third quarter of 2020 compared to the same period last year, with its net profit expected to double in the fourth quarter of 2020. In other words, Happy Lemon not only delivered a satisfactory response, but also created a "business miracle" during the period when the market was pessimistic about the tea beverage market!

In order to cater to consumption upgrade in 2018, we launched an overall "brand upgrade" program that includes large-scale brand transformation comprising store design, product packaging, operating process, and consumer experience. This program began in Wujiang Road store in Shanghai. As of the end of 2020, there were over 50 brand upgrade stores throughout the country.

At the beginning of 2019, the brand led the industry by collaborating with Alibaba's Koubei to establish the first smart store in Shanghai that is totally unmanned and fully operated by a robotic arm, from ordering a meal to picking up a meal. This smart store not only retains the experience of making fresh tea beverage in a tea beverage store, but also demonstrates strengths including producing standardization, as well as the advantage of ensuring food safety through the operation of robotic arm. Happy Lemon has always been challenging itself and constantly innovating to implement unmanned operations to the very end.

In mid-2019, the brand established collaborations with other businesses. For instance, from May 29, 2019 to August 18, 2019, Happy Lemon and White Rabbit Creamy Candy jointly opened the first pop-up store in Shanghai. The retro-style milk tea store instantly became a social media-worthy spot, and its monthly revenue in June surpassed RMB1 million, far exceeding expectations. Thereafter, the brand launched China's first inter-industry collaboration project in Xiamen, and opened 14 twenty four-hour Internet cafes and Happy Lemon stores.

Although the COVID-19 pandemic severely affected the Group's income from the food and beverage industry in 2020, the Group still managed to achieve its target of opening 300 new stores under its three strategic growth engines, namely "store expansion," "international alliances," and "investment in mergers and acquisitions." As of the end of 2020, the total number of stores under the Group around the world has hit the 1,150-store mark. In addition, the Group also invested in well-known tea beverage brand, Kebuke, as well as established a joint venture in the US to speed up its expansion into the US market. At the same time, the Group also initiated its plan to expand into the ASEAN market through an alliance model

as it opened four Happy Lemon stores in Malaysia and Indonesia, respectively last year.

The development of the takeaway beverage market is fundamentally related to consumers' preference for tea beverages. In the past, consumers could only brew tea beverages. Later, the choices of tea beverages were broadened due to personal preference and market access. However, fast food chains could only provide a single type of milk tea beverage. Therefore, during the launch of Taiwanese-style tapioca pearl milk tea, the smooth taste of milk tea and the chewiness of tapioca pearls have made Taiwanese-style milk tea an instant hit in the entire market. In recent years, as China's economy grows, people's income and health awareness have increased. In order to cater to the upcoming market change and the continuous development of extended brands, the Company continues to promote and develop natural and healthy tea culture at the time when Taiwanese-style milk tea is still popular, providing customers with healthy, hygienic, and delicious fresh tea beverages that can be brewed instantly. Happy Lemon has spread the fresh tea culture to various countries and regions, and turned it into a world culture, so that people of different races can experience tea tradition with a twist.

Although other coffee operators or takeaway beverage operators have posed a challenge to the Company, Happy Lemon is different from these competitors as it not only offers many types of fresh tea beverages, but it has also always adhered to happiness, health, and personality as its objectives, as well as health, peace of mind, high quality, and standardized operation as its business philosophy. Happy Lemon has established a brand which is healthy and brings peace of mind in the beverage market, thus solidifying its competitive advantage. In addition, the Company has accumulated lots of experience in brand management, and has strong brand support in customers' minds, which is unrivalled in the industry.

The Company expects that demand for takeaway beverages will increase as consumers' standard of living improves. The Company will strive to develop high-quality, healthy, and refreshing products to cater to customers' needs, and also continue to enhance our brand image to make our overall businesses more competitive and drive growth momentum. With China's economic rise, the country's national income per capita has increased by over 15 percent year-on-year. The Chinese continues to experience improvement in standard of living, while consumers' awareness and desire for consumption continue to increase, which is favorable to the development of the consumer market.

As the change in consumption habits among new-generation consumers comprising 90s and millennial babies, transition from the traditional offline dine-in and

takeaway models to delivery to home with online order service and the new retail model has become a trend and fashion. Since the launch of delivery platforms in 2016, the share of delivery sales has continued to increase every year. In 2019, Happy Lemon led other tea beverage competitors by adding an applet delivery platform and even expanding to online channels in order to sell extended products under the Happy Lemon brand and establish contact with consumers. Happy Lemon continues to advance its delivery business so that customers can feel its brand power when "ordering takeaways." Furthermore, Happy Lemon promoted "contactless service" in conjunction with product delivery. Stores set up a dedicated order collection area and appoint designated personnel to take charge of the area and carry out disinfection as scheduled; provide food delivery riders and customers with hand sanitizers; and offer free lemon water to help food delivery riders replenish energy and enhance their immune system. Food orders are delivered to specific locations where customers pick up their food by themselves. Happy Lemon also prepares "Comfort Card," which records the body temperature of order preparation, order collection, and food delivery personnel. Happy Lemon also seizes opportunities in the stay-at-home economy to create more consumption experience in the new era and generate more revenue. In addition, as a tea beverage brand with 15 years of experience, Happy Lemon will keep up with the times by engaging in innovation with the aim of serving consumers. The current new-style tea beverages are different from those in the past in a way that young people becomes the consumer group for this kind of tea beverages as they possess greater financial power than previous generations and pay more attention to health. Hence, Happy Lemon will also implement a series of upgrades in relation to the selection of raw materials in the future.

The Spiceland is a healthy and stylish Japanese-style curry restaurant. Its signature product is Japanese curry, which is accompanied with many types of delicious finger foods, beverages and desserts. Hence, it is a healthy restaurant suitable for afternoon tea and regular meals.

As rent, labor cost and ingredient cost continues to rise, we will actively adjust and reduce the area of individual stores on the basis of maintaining the classic product system, the healthy and fresh concept, and the "delicious, stylish, and cultural" atmosphere, while trying out diversified development through brand crossover stores, food court stalls, and office stores. Reducing fixed costs makes it easier to expand stores and plan for brand development.

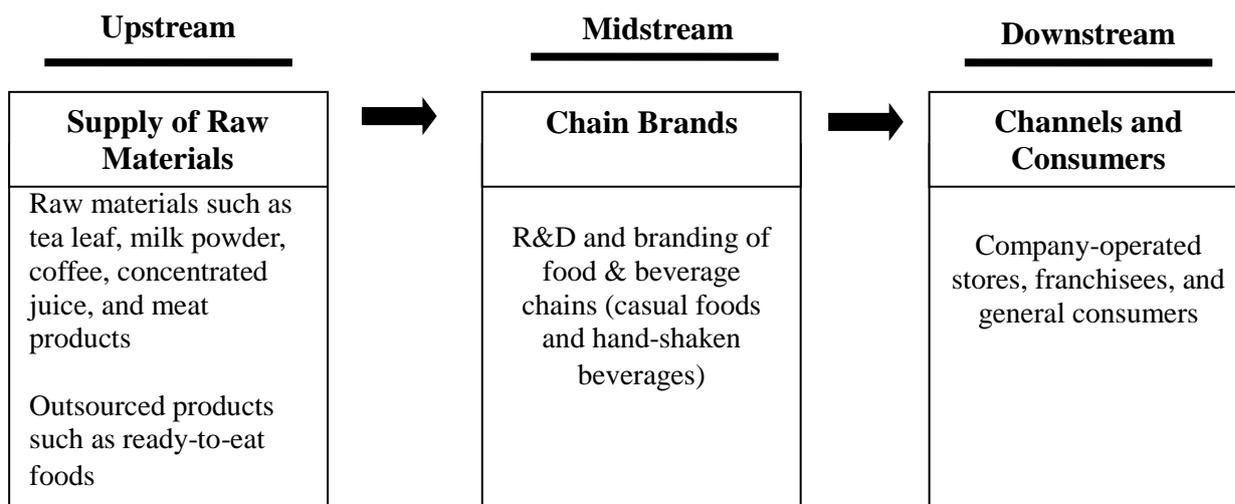
Alma is a restaurant that uses healthy and safe ingredients. It offers traditional Spanish cuisine with a modern twist, in hopes of promoting delicious Spanish

cuisine at affordable prices. Since its opening, the brand has been well loved by customers. Alma has been honored by Shanghai Michelin for four consecutive years from 2016 to 2019, and has been listed in "Bib Gourmand recommendations" and "The Plate recommendations." It is also a value-for-money restaurant below RMB200 per capita. We will uphold the same quality as before and keep pace with the times in terms of business model and service experience as there will be a huge room for development in the Taiwan and Mainland China markets in the future.

Tea Opal is a light luxury and stylish middle- and high-end modern tea store that emphasizes a non-pompous lifestyle with connotation. Light luxury is a point staying on the line between two points, i.e. the soft extreme emphasized within the inner self and the customer's high-level needs that are satisfied spiritually. During the staying process, we hope that customers can experience the delicate sense of quality; feel the style they yearn from various aspects, including products, atmosphere, and services, through an exquisite experience; and sense the exquisiteness of life when arriving at the store, while enjoying tea, and after leaving the store.

The "Hippo Bobatea" brand uses Taiwan's secret brown sugar manufacturing method, white tapioca pearls without added preservatives, and fresh milk as the core raw materials. After one year of refinement and optimization for the new brand, we reshaped the logo of the brand, upgrade the image of its stores, modified its packaging texture, and redesigned employees' attire. Three major color systems have been used to reshape the tone of the brand: Pure milk white, which symbolizes the health claims of our milk, snow fungus, and tapioca pearls; amber gold, which represents the crystal clear looks and tastiness of the tapioca pearls we boil using brown sugar; and petal powder, which represents the lovely, sweet, simple, and kind personality of the brand ambassador, Tang Tang.

(2) Relationships between Upstream, Midstream, and Downstream Industries



(3) Various Product Development Trends

As the first brand operator to initiate franchise business in Mainland China, combined with over 10 years of observation, the Company has compiled the main trends in the food and beverage business as follows:

A. Franchisees get younger

In recent years, Mainland China's stable economic environment and national decree have driven the establishment of well-off families and produced a large number of middle-class families, thus forming a new main force in the franchise market. The mentality where "the earlier you become famous, the faster you will have time for fun" has become a catalyst for the emergence of younger franchisees.

B. The market becomes more optimistic

As the beneficiaries of Mainland China's economic development, general franchisees are generally confident in the country's economic development and are greatly passionate about starting a business and investing in the Mainland China market. Besides, after joining the franchise industry, franchisees often bring in additional investments to expand development and run their businesses with the mentality in which the more they invest, the more they stand to gain.

C. Licensed brands become more stylish

Franchisees are accustomed to view the stores or factories they invested in and established as their "business cards." The brand image and value represented by these "name cards" embody the personal image and value that franchisees care about. Therefore, franchisees, especially the younger ones, will often be tend to join brand companies with strong sense of fashion and young consumption patterns when it comes to investing. In the food and beverage industry, the

emerging casual food and beverage industry is favored by franchisees.

D. Investment becomes easier

Food and beverage is a common industry to invest in as its investment barriers are low and simple. Although this industry is detail-oriented and more complex, it can still be considered as one of the best choices for franchisees to invest in.

E. Products become healthier

As the society becomes more prosperous, "health" has become a key area that receives increasing attention from the public. People are paying more attention to the concept of nourishment and being healthy, and are eager for high-fiber, low-fat, low-sugar, and natural products. In particular, ladies pay more attention to the amount of calories in beverages as they focus on being healthy. Therefore, with regard to the selection of raw materials, we not only emphasize fresh taste, but also ensure that customers can rest assured about their health and weight after enjoying our products. Coupled with the ongoing food safety problems in the market, group-, brand-, and scale-oriented management have become the darling of franchise investors, and has prompted food and beverage consumption to become brand-oriented.

F. Product flavors become more international

With the liberalization of the country, the people have been influenced by factors such as internationalization, prevalence of tourism, and pursuit of high-quality life abroad. Thus, they are eager for foreign food culture and international flavors. The emergence of Western-style restaurants and foods without borders have directly manifested the internationalization of people's dietary taste, and have also been widely recognized by the majority of consumers. However, the long history of tea culture and the good effects of tea on health are also valued. Hence, tea culture has to reinvent itself in order to move with the times. We also hope that beverages look and taste refreshing.

G. Dining environment becomes more casual

Dining in a casual environment has become one of the ways for busy modern people to slow down and enjoy their time. Unique brand culture, healthy meals, and restaurant decoration and layout have become consumers' needs. For different target markets, industry peers are at two ends of the spectrum. At one end, you have industry peers that develop new products and adopt high unit prices to acquire customers in the high-end consumer market. At the other end, you have another group of industry peers that adopt a low-unit price and rapid store opening model and attract price-sensitive consumers with small profits but quick turnover.

H. Business information becomes more web-based

With the vast Internet world and the rise and prevalence of social media such as

Weibo, WeChat, and blogs, consumers can obtain information from a wide variety of channels easily and quickly, while information dissemination is extremely quick too. Therefore, it is necessary to make good use of social media to strengthen brand image, maintain relationships with customers, and maintain communication channels, in order to cope with unnecessary information delay and misunderstandings in response to emergencies.

I. Food safety receives more attention

As the food and beverage market gets bigger and bigger, consumers will pay increasing attention to the source of raw materials such as tea leaf and dairy products, and hygiene. With the standardization of high quality in the preparation of beverages, meeting high hygiene requirements will be the key issue facing the industry.

J. Channel competition becomes more intense

At present, an increasing number of takeaway beverage brands are entering shopping malls, and shopping malls usually allocate specific dining spaces to include other food and beverage brands that also offer beverages, thus resulting in direct and indirect competition. Therefore, it is necessary to differentiate our products, services, personnel, channels, and brand image to increase consumers' added value.

Facing the continuous expansion of the overall market and changes in business environment, the Group firmly believes that in-depth operation of brands over a long time and continuous development of attractive products will become important factors in expanding market share and maintaining competitiveness. Hence, we will pay special attention to the following aspects in the future:

- ✧ Strengthen product diversification, and make good use of the media for publicity and promotion, supplemented by promotional strategies to stimulate potential consumption.
- ✧ Earnestly implement planning for market launch, R&D, and introduction of each product to the market; and be sensitive to market changes in order to make quick responses and develop new products to hit the store shelves, and eventually lead the market.
- ✧ Enter new cities successively, and increase consumers' access to products.

The huge market in Mainland China has provided this industry with a big room for development and great prospects for development. We will also rely on our good brand management and market development capabilities to maintain a considerably advantageous position in the food and beverage industry in the medium- and long-term.

(4) Competition

In 2020, the food and beverage industry was severely hit by the grim and complex environment both at home and abroad, especially the sudden outbreak of the COVID-19 pandemic. According to statistics from the National Bureau of Statistics of China, the food and beverage industry generated a revenue of RMB3,952.7 billion in 2020, a decrease of 16.6% from the previous year.

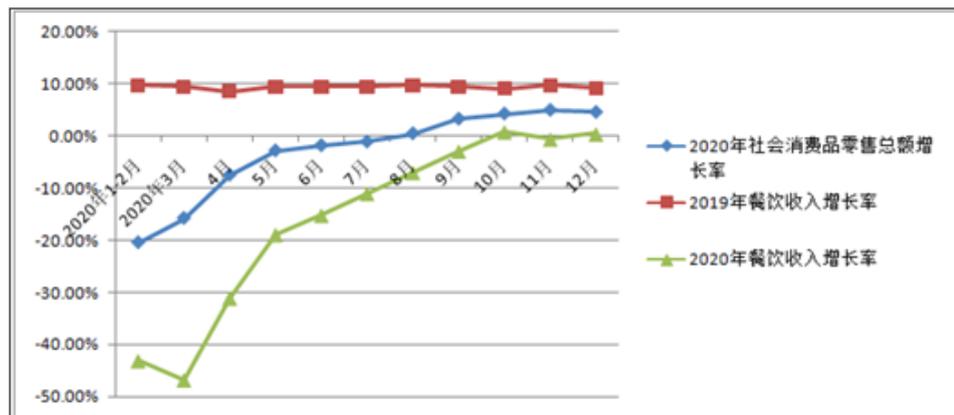


Industry Research Institute, National Bureau of Statistics of China

Figure 1

Revenue in the food and beverage industry in China from 2012 to 2020 (Unit: RMB hundred millions; %)

Revenue in the food and beverage industry (RMB hundred millions)	Year-on-year growth (%)
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Growth rate of total retail sales of consumer goods in 2020

Growth rate of revenue in the food and beverage industry in 2019

Growth rate of revenue in the food and beverage industry in 2020

Source: National Bureau of Statistics of China

As epidemic prevention and control and socioeconomic development yielded positive results throughout the year, consumption potential was continuously unleashed; hence, the food and beverage industry also experienced a steady recovery. Large food and beverage brands played a vital leading role in resuming operations and production as well as promoting consumption.

The food and beverage industry actively responded to the COVID-19 pandemic by speeding up digital transformation, accelerating online-offline integration, and aggressively developing new business models, including online ordering, online food delivery, online live streaming, and retailing of finished and semi-finished products. The rising popularity of new forms of consumption, coupled with economic stability, has injected a new and strong momentum into this industry.

Small food and beverage outlets possess growth vitality as they account for almost 80 percent of the food and beverage market. At the same time, the "night economy" has become a new driving force in the food and beverage industry due to various social and environmental factors, such as changes in consumption habits, urban development, and technological advancement; hence, the food and beverage industry became the first to show a recovery as epidemic prevention and control become the norm.

Under the normalization of epidemic prevention and control, consumers began to pay more attention to food safety. While resuming business in an orderly manner, the food and beverage industry strictly complied with epidemic prevention requirements and insisted on fully implementing various epidemic prevention measures and fulfilling its main responsibility in food safety.

In the first quarter of 2021, the national economy began to open up steadily while the food and beverage market continued to show a steady recovery. According to the data provided by the National Bureau of Statistics of China, the food and beverage industry in China generated a revenue of RMB1,059.6 billion from January to March 2021, an increase of 75.8 percent year-on-year. From January to March 2021, revenue in the food and beverage industry accounted for 10.1 percent of the total retail sales of consumer goods, an increase of 41.9% year-on-year which led other industries in the process.

According to an analysis conducted by the China Business Research Institute, the food and beverage industry in China is expected to recover and continue to grow strongly despite being affected by the outbreak of the COVID-19 pandemic in 2020. The size of the food and beverage industry in China is expected to reach RMB4,270 billion in 2021. With the normalization of the pandemic, rising

household expenditures, increasing urbanization rate, strong growth in food delivery service, and the development of digital platforms and technology in the China market, the size of the food and beverage market will exceed RMB5,000 billion in 2023.

The China Cuisine Association opined that at present, the food and beverage industry should continue to implement normalized epidemic prevention and control measures and a more stringent and complete public health and safety policy to create a safe dining environment. In addition, the food and beverage industry should advance online-offline integration and actively develop new food and beverage consumption models, such as online ordering and contactless food delivery. Food and beverage consumption during annual festivals and travel, in rural areas and the "night economy," as well as based on the theme of Winter Olympics will serve as a new momentum and new business opportunities that promote food and beverage consumption. Moreover, the food and beverage industry should resolutely stop wasting food, promote conservation of food and green development, as well as optimize the standards for food and beverage services. The food and beverage industry continuously unleash the potential of food and beverage consumption through various kinds of promotional events, so as to encourage further recovery and development in the food and beverage business.

3. Technology and R&D Overview

(1) Overview of Technology Level and R&D in Our Businesses

The Company is a chain food and beverage company, where product innovation is the core of brand management. With regard to the Company's new product development, our internal R&D personnel formulate new product development strategies by collecting market information, referring to sales records in previous years, and taking into consideration factors such as seasons and festivals, in order to develop products that meet market needs.

In order to ensure uniform quality in our chain food and beverage stores, the Company distributes 80 percent of the raw materials used for developing and producing our products. Raw materials are selected from high-standard food ingredients from Mainland China, Taiwan, and abroad, so as to provide customers with high-quality products. We strengthen links with places of original for raw materials. We actively cooperate with Taiwan's high-quality tea farmers in contract farming at tea plantations, and has established global strategic cooperation with our long-term partners, i.e. Taiwan's lemon fruit farmers.

Our headquarters have also built a food laboratory to conduct secondary inspection on incoming batches of raw materials, in order to ensure that the raw materials delivered to stores for product preparation are qualified products. We regularly arrange for random inspection and deliver our products to third-party laboratories for inspection, so that consumers can enjoy our products at ease and with peace of mind.

The Company has developed Tea Opal's very own patented takeaway cup design, thereby raising the requirements for product quality in the branded tea beverage delivery market and enhancing our professional image.

We develop unique materials for our brands to enhance the unique features of our products and market uniqueness which is not easily obtainable.

(2) R&D Expenses Invested in the Most Recent Year up to the Publication Date of this Annual Report

Unit: NT\$ thousands; %

Item	Year	2020	As of March 31, 2021
	R&D Expenses (A)		11,923
Net Operating Revenue (B)		1,580,237	426,328
Percentage of R&D Expenses in Terms of Net Operating Revenue (A)/(B)		0.75%	0.81%

(3) Technologies or Products Successfully Developed in the Most Recent Year up to the Publication Date of this Annual Report

Year	Brand	Product Category	Successfully Developed Technology or Product
2020	RBT	Main course	Seafood Tom Yum Kung soup ramen, A celebration of new Italian style series, mushroom beef rice, hearty soup with rice series, mixed baked rice, teriyaki chicken thigh rice, and curry karaage chicken rice
		Beverages	Sorbet series, tea extract series, tipsy night series, big ball series, black oolong tea, basil smoothie, special basil and lychee crystal ball beverage, special coconut and basil beverage, special autumn beverage series
		Finger foods	Tasty double skewers, karaage chicken nuggets, and golden crispy trio
	Happy Lemon	Beverages	<p>(Mainland China) DuangDuang milk tea, peanut DuangDuang milk tea, acacia DuangDuang milk tea, strawberry lemon tea, longan lemon black tea, longan milk tea with tapioca pearls, mango pomelo sago team, mango and passion fruit mojito, lemon and mint mojito, roasted peanut-flavored milk tea with milk jelly and black rice, rock salt roasted peanut-flavored milk tea, roasted peanut-flavored Grand Slam milk tea, roasted peanut-flavored milk tea with taro balls, peach tea, peach yogurt, peach and strawberry mojito, green honey dew tea, pink lychee tea, four-season spring tea full of orange, double potato-flavored milk tea, oat cocoa milk, lemongrass, lemon and grapefruit love green tea, cloud top taro balls, cloud top strawberry, and cloud top cocoa</p> <p>(Overseas) Taiwan: Cocoa milk tea, black sesame milk tea, rock salt strawberry milk tea, half-baked cake milk tea with tapioca pearls, passion fruit cha cha, dragon fruit rock, banana and chocolate au lait, Oreo cookie milk tea, strawberry mousse cake; Japan: (tapioca pearls) Sesame thick milk tea, love lemon, peach and cherry microbubble, blue citrus and lemon microbubble, honey green tea, blue citrus cake cloud, strawberry cake cloud, cocoa cake cloud, strawberry red cream topping, rock salt cheese, peach and lychee, banana milk, strawberry matcha au lait with peach and lychee, banana milk, strawberry matcha au lait; Other regions: Grand Slam thick milk tea, tofu skin thick milk tea, thick milk tea, snow ball thick milk tea, matcha latte Grand Slam, avocado matcha latte, mango matcha latte, banana matcha latte, black and white golden pumpkin, golden pumpkin with furikake, golden pumpkin smoothie, berry yogurt, strawberry yogurt, rock salt cheese berry, watermelon rock salt, honey dew sparkling drink, honey dew cake green tea with tapioca pearls, honey dew cake milkshake, and honey dew green tea with mango crystal balls</p> <p>Items in events in collaboration with White Rabbit Creamy Candy/during the Shanghai Import Expo: Peanut nougat-flavored milk tea, peanut nougat-flavored milk tea with salty milk topping, peanut nougat-flavored milk tea with concentrated milk topping, nougat-flavored milk tea with peanut milk jelly, nougat-flavored milk tea with Grand Slam peanut, nougat-flavored milk tea with peanut crystal balls, and nougat-flavored milk tea with peanut taro balls.</p> <p>Items in collaboration with Shell: Happy Lemon, Happy Lemon green tea, lemon-flavored pineapple drink, kumquat lemon tea, pomelo-flavored lemon tea, green tea with two bottles of Yakult, lemon green tea with two bottles of Yakult,</p>

Year	Brand	Product Category	Successfully Developed Technology or Product
			mellow milk tea, taro ball milk tea, tapioca pearl milk tea, red bean pudding milk tea, Grand Slam pudding milk tea, and double pearl milk tea Beihai items: Four-season spring love tea, rock rhyme oolong tea, brown sugar milk tea, four-season spring love milk tea, jackfruit milk tea, lychee milk tea, lemon rock rhyme oolong tea, pineapple and pomelo four-season spring tea, lemon and jackfruit tea, pomelo love lemon tea, brown sugar balls milk tea, four-season milk tea with black balls, jackfruit milk tea with coconut jelly, lychee milk tea with coconut jelly, black balls milk tea full of ingredients, brown sugar momo tea, four-season momo tea, pineapple momo tea, and lychee momo tea Items at Ren Ren Le convenience stores: Signature tapioca pearl milk tea, red robe tapioca pearl milk tea, mango fiber drink, kiwi fiber fruit drink, and peach fiber fruit drink Item at SPAR Supermarkets: Classic tapioca pearl milk tea
		Finger foods	(Mainland China) Bubble waffle: Original flavor bubble waffle, corn and seaweed bubble waffle, and tapioca pearl bubble waffle (Overseas) Bubble waffle, chocolate bubble waffle, and ice cream bubble waffle
	The Spiceland	Main course	Home-made mapo dish, sesame miso oyster pot, spicy garlic razor clams, Argentine squid with three-cup sauce, roasted wagyu beef and fried soft-boiled egg, fried shrimp tempura and bean skin udon soup, pork chop donburi, chicken meat and egg donburi, wagyu beef curry rice, and roasted pork jowl curry rice
		Kid's meal	Big mouth meal (without curry)
		Salad series	Poached egg and smoked chicken with Japanese-style sauce; Italian melon ham with Italian-style sauce; chicken avocado mango salad with honey mustard
		Finger foods series	Golden tofu, squid balls, Japanese-style fried shrimp, French fries, karaage (deep fried) chicken wings, takoyaki (octopus balls), teriyaki chicken nuggets, and chawanmushi (Japanese steamed egg custard)
		Dessert and beverage Series	Blueberry custard puff pastry, strawberry custard puff pastry, pineapple custard puff pastry, Osaka takoyaki (octopus balls), curry takoyaki (octopus balls), karaage (deep fried) squid, red bean rice cake soup, hot spring egg salad, chocolate lava cake, snow cheese pudding burnt cake, mochi with brown sugar sauce, seasonal desserts (red bean soup), seasonal dessert (Calpis), and seasonal beverage (coffee smoothie)
		Special events	Four types of bento for the Shanghai International Model event: Event Bento 1, Event Bento 2, Event Bento 3, and Event Bento 4 Four sets of menu for theme events in Shanghai Night Market: Event Menu 1, Event Menu 2, Event Menu 3, and Event Menu 4
	Alma	Special menu	Green bamboo shoots, garlic mayonnaise, bird's beak chili, garlic bread flour, thin noodles, pickled tomatoes, garlic mayonnaise, lettuce, sea salt, baked egg with bird's beak chili, Choy sum, chilled almond soup, beetroot tomato tartar, chilled tomato soup, roasted asparagus, garlic mayonnaise, fried burdock, onion butter balls, roasted corn, vegetable sauce, teriyaki sauce, imitation scallops, king oyster mushroom, potato, bird's beak chili, red pepper powder sauce, saffron stewed garlic sprouts, mashed potato, tofu skin roll, Spanish stewed vegetables, thin skin roll, scallion sauce, Catalan roasted vegetables, lemon and candied date jelly, and soy oil and coconut mousse
	Tea Opal	Beverages	Tea Opal thick milk tea, lucky orange tea, orange sparkling ice tea,

Year	Brand	Product Category	Successfully Developed Technology or Product
	(Self-managed brand)		orange milkshake, osmanthus orange cream, summer mango tea, super golden mango cream tea, mango pomelo sago tea, peachful fruit tea, peace jelly cream tea, drunk blue planet tea, lychee intoxication tea, pomelo party tea, green grape jasmine iced tea, cheese cream green grape tea, sparkling green grape tea, taro thick milk tea, caramel milk tea, rose thick milk tea, caramel peanut Jinxuan tea, caramel peanut oolong tea, caramel peanut thick milk tea, Jinxuan cream cranberry tea, cream jasmine cranberry tea, strawberry iced milk tea, hot strawberry milk tea, strawberry cream tea, auspicious orange tea, good fortunate orange Jinxuan smoothie, double orange cream tea, mango smoothie, sunshine mango tea, lemon and mango milk tea, ice cream black tea, fragrant oolong tea, honey pearl milk tea, anything milk tea, anything thick milk tea, cocoa milk, emerald kumquat lemon tea, grapefruit flesh tea, cheese powder, plum and lychee tea, cheese-flavored grapefruit and mango tea, cheese-flavored colorful grape tea, milk tea ice ball storm tea, mermaid pink pear tea, summer love sunshine peach tea, pink peach tea, peach sparkling tea, cheese-flavored green grape tea, honey dew and green grape tea, sparkling green grape tea, kiwi jasmine tea, pineapple Jinxuan tea, Hey grain milk tea, Yea roasted flame milk tea, pineapple beer, master beer, drunk dragon ball milk tea, Taichi milk tea, red robe amber milk tea, oolong amber milk tea, snow fungus and water chestnut Jinxuan tea, pear, snow fungus and water chestnut tea, strawberry tea, strawberry milk cream tea, strawberry daifuku, milk tea with God-like ingredients, honey lemonade, honey leaf black tea, honey jasmine green tea, and fresh mint tea
		Desserts and finger foods	Lemon croissant, strawberry croissant, original honey waffle, chocolate banana waffle, pearl milk tea waffle, caramel apple waffle, mango waffle, mango dessert, Earl Grey rabbit, peanut butter thick toast, chocolate thick toast, caramel cookie thick toast, smoked chicken thick toast, strawberry thick toast, Earl Grey tea egg, wagyu beef and roasted pork bento, char-grilled chicken bento, teriyaki pork bento, pork chop and udon bento, karaage chicken and udon bento, fried pork chop curry omelette rice bento, karaage omelette rice bento, karaage (deep fried) chicken, Taiwanese braised pork bento, fish-flavored shredded pork bento, lion's head meatball bento, Sichuan-style fish fillet bento, eggplant bento with minced meat, beer duck bento, black pepper chicken bento, sweet and sour pork rib bento, French fries, Taiwanese hot dog, dumplings with sesame sauce, luncheon meat flaky pancake, pork floss and tender egg flaky pancake, potato beef flaky pancake, tender egg flaky pancake with sausage, Sichuan-style pork flaky pancake, pearl milk tea French toast, peanut butter French toast, and chocolate French toast with milk lava
	Hippo Bobatea	Beverages	Jasmine tea with big balls, oolong tea with big balls, leaflet black tea with big balls, sweet potato tapioca pearl milk tea, sweet potato tapioca pearl milk, grape milk, grape momo roselle tea, grape QQ smoothie, sweet grape jelly, malt Whisky-flavored cocoa with cake, malt Whisky-flavored milk tea with cake, cream toffee milk tea, Oreo cake and toffee milk tea, cream green milk tea with strawberry jelly, green milk tea with tapioca pearls and strawberry cake, rose lemon tea, and pink rose milk

4. Long- and Short-Term Business Development Plans

(1) Short-term development plan

At present, the Company has three main brands, namely RBT, Happy Lemon, and Tea Opal, which include five major types of products, namely fine tea, beverage, snacks, desserts, and main course.

The new RBTea focuses on the refining the essence of tea drinking in the East and injecting soul into every cup of tea, so that tea drinking becomes the goal of kickstarting each day. RBT builds a fashionable and trendy artistic space and provides a green and health display platform. In order to create more healthy beverages that consumers love, RBT sets the aim of "Natural tastes good," so that "Only natural tastes good" becomes the first element in the development of such beverages. Confidence in "Natural tastes good" products enables RBTea's "Natural tastes good" to become an everlasting taste.

RBT continues to develop natural and healthy plant-based beverages. Using molecular gastronomy techniques to change the liquid structure. each sip is full of freshness. RBT looks for eastern food ingredients to create a fusion between structure and creativity with tea all in one sip.

With its product strategy revolves around the element of lemon based on a new trendy tea drinking culture, Happy Lemon continues to promote classic products, such as Taiwan's four-season spring tea and rock salt cheese series, and extend the application of such products to develop highly popular product designs. Happy Lemon initiates the design of trendy beverages with hype and selling points through cross-industry and co-branding events along with current attraction.

The Group's strategy also includes launching and promoting pre-packed products, preparing hand-shaken beverages upon order through cross-industry collaboration with supermarkets and convenience stores, offering services including designing customized products and selling product materials, as well as rapidly expanding sales channels for new platform markets.

(2) Mid- and long-term development plan

The Company's brands, namely RBT and Happy Lemon, have built a considerable reputation in the chain food and beverage industry. In addition to continuously focusing on expanding the products under the brands based on the good image and goodwill established with consumers,

Against the backdrop of the COVID-19 pandemic, the Company intensifies local procurement efforts and expands the area of sample search when it comes to the use of imported materials. Aside from purchasing key raw materials from the place of origin,

the Company also attaches importance to the aspect of in-store operations. For instance, the Company tests the use of materials from the essence of tea (tea extract using food technology) in the key tea making process, so that stores can ensure stable quality of tea products using simple formulas.

On top of moving toward simplified procedures for developing product materials, the Company also sets the goals of engaging in the development of key equipment, reducing operating procedures as well as simplifying store equipment and investments, so as to make it easier for stores to control quality.

II. Market, Production and Sales Overview

1. Market Analysis

(1) Sales Regions for Main Products

Unit: NT\$ thousands; %

Region	2019		2020	
	Amount of Sales	Percentage	Amount of Sales	Percentage
Taiwan, Hong Kong, and Mainland China	2,001,722	90.29%	1,416,128	89.61%
Other regions in Asia	61,725	2.78%	21,616	1.37%
Australia	17,905	0.81%	2,683	0.17%
America	126,523	5.71%	128,751	8.15%
Europe	9,237	0.41%	11,058	0.70%
Total	2,217,112	100.00%	1,580,237	100.00%

(2) Market Share

After gaining a foothold in the market for many years, the Company has continuously made breakthroughs in the development of the new-style tea beverage market in China. According to data from the 2020 White Paper on New-style Tea Beverages published by CBNDData, consumption upgrade has led to a rise in volume and prices in the new-style tea industry. In 2020, the size of the new-style tea beverage market in China has surpassed the hundred billion mark while the number of new-style tea beverage consumers has exceeded 340 million people.

According to data provided by Meituan Dianping, the number of tea beverage stores was approximately 500,000 stores as of end of 2019. At the beginning of 2020, the number of tea beverage stores ceasing operations rose sharply while expansion of new stores has also been affected to a certain extent due to declining customer flow caused by the COVID-19 pandemic. As of end of June 2020, the number of tea beverage stores in China was roughly 480,000 stores, with this figure growing continuously.

As far as the distribution of stores in cities, different trends were demonstrated in the new-style tea beverage market online and offline in 2020. In 2020, growth in the number of new-style tea beverage stores in first- and second-tier cities suffered from a slowdown, whereas the so-called "sinking market" comprising third- and fourth-tier cities witnessed a fall in the number of such stores. According to data regarding the distribution of new-style tea beverage consumers in cities from Ele.me as indicated in the 2020 White Paper on New-style Tea Beverages, almost 50 percent of the new-style tea beverage consumers in the take-away channel in 2020 came from third- and fourth-tier cities. Along users of new-style tea beverage brands at Tmall, consumers from first- and second-tier cities account for over 60 percent, thus becoming the main force of new retail consumption. Consumers born in the 90s and 00s have become the main consumer group for new-style tea beverages, accounting for nearly 80 percent of the overall consumers, while 30 percent of these consumers spend over RMB400 a month on new-style tea beverages on average. On the whole, female consumers continue to dominate each age group in this respect.

According to the survey data provided by the China Tea Industry Economic Research (CTIER), the tea consumer group in China comprises nearly 500 million people, accounting for 36 percent of China's total population. Hence, the tea market, compared to its total population, is yet to reach a saturation point. The younger generation, in particular, is a consumer group with huge potential. The new-style tea beverage industry belongs to the area of fast-consuming foods. China's huge consumer market serves as a market with high potential for new-style tea beverages in the future. The continuously rising number of stores shows that the beverage industry has become an important racetrack. In the future, branding, standardization, retailing, and smart solutions will become important directions for the transformation and development of the food and beverage industry.

With the rapid development of the economy and the upgrading of consumption structure, consumers are increasingly seeking the elements of health and quality in beverages; thus, products are gradually moving toward diversification. Consumers can accept increasing unit prices of tea beverages in consideration of factors such as health. According to Meituan Dianping and China's Food and Beverage Big Data 2020 published by Can Yin Lao Ban Nei Can, the main per capita consumption at beverage stores is RMB15 and below, accounting for over 50%; however, this proportion is declining rapidly. The per capita consumption of beverages is gradually concentrated in the range of RMB16 to RMB45 as the industry is experiencing an overall brand upgrade.

With 660 cities in Mainland China at present, Happy Lemon, the Company's largest brand, has successfully penetrated into 167 cities, thus already having a considerable market share. In addition, the Company has established a cumulative total of 125 stores in the international market outside Mainland China and expanded into over 20 countries and over 200 cities, bringing its total number of stores worldwide to 1,100 stores. In the future, the Company will further accelerate efforts to create and expand the best tea entrepreneurship platform among the global Chinese community. In the later period, we will strengthen our presence in regions that we have penetrated, while turning these regions into seed regions in order for Happy Lemon to develop its presence in third- and fourth-tier cities and penetrate into prefecture-level administrative regions within the provinces, thereby realizing the comprehensive development of Happy Lemon in Mainland China.

In the international market outside Mainland China, the Company actively expands into these markets by various means, such as joint venture, alliance, and agents. As the US market serves as the top priority, over 50 percent of stores in the international market (excluding Mainland China) are concentrated in the US, with trade sales accounting for over 60 percent. The Group has actively planned the US supply chain and personnel localization plan since 2020, in hopes of gaining a strong foothold in this market and engaging in sustainable development.

(3) Supply and Demand in the Market and Growth in the Future

➤ Brand power and IP creation

With "brand consumption awareness" among consumers gradually becoming mainstream, people will choose to spend at branded stores. Owing to overall size and brand awareness, branded chain stores are much more able to acquire customers than privately run small stores because these stores are equipped with team support, supply chain support, brand image, store management, and services, while also being organized and standardized.

With an increase in the number of new tea beverage brands and capital, competition in the tea beverage market will continue to be more intense. Only by occupying consumers' minds over the long run and ensuring that brands do not age can then the Company become a large-cap company. Following a brand upgrade in 2018, Happy Lemon continues to make efforts in building its brand and convey a happy brand tone while communicating with contemporary young people via a happy lemon IP image.

➤ Food safety, healthy trend and localization

After experiencing the COVID-19 pandemic, food safety awareness has increased unprecedentedly among consumers. Food safety, safe dining, and healthy nutrition have become consumers' rigid needs when dining. Changes in consumer demand have prompted food and beverage companies to further upgrade food safety supervision and control throughout the entire chain from supply to distribution. Food and beverage companies regularly launch unique food products with local features in line with local customs, with a view to catering to mass consumers in the local area.

➤ The food and beverage industry moves toward digitalization and intelligentization while advancing into "dual battlegrounds"

The food and beverage industry has entered the era of "dual battlegrounds," in which both dine-in and takeaway are equally important. The need for stay-at-home and contactless services has been highlighted in this pandemic. Opportunities for online sales including takeaway platforms and delivery applets, which have even expanded to online channels for selling extended products under the Happy Lemon brand, can expand contact points with consumers, thereby generating more revenue.

Digitalization and intelligentization have become the consensus among people in the food and beverage industry. The food and beverage industry has become one of the most internet-connected industries in the local life service industry. Takeaway, online reservation, and group purchase have become routine dining options for consumers. The future development trends in the food and beverage industry include shift in industry structure, supply-side digitalization, business model upgrading, smart commerce, food and beverage retail, and refined operations.

➤ Accumulate private domain traffic through innovation of marketing activities using new media and platforms

Online media, such as TikTok, Kuaishou, Taobao livestreaming, and Xiaohongshu, not only produced Internet celebrities in the food and beverage world, but also gave rise to many food and beverage brands which benefited from these media. Besides, as a new tool to connect the offline consumption context and online marketing, the Rihuo applet, which has over 200 million active users, has won over customers and food and beverage businesses.

Since it is difficult to retain public domain traffic users and get them to repurchase products as they demonstrate a low level of brand loyalty, technological development has provided possibilities in realizing public domain traffic. The emergence of tools and platforms, such as WeChat groups

and online membership system, enables merchants to build channels to connect with customers more conveniently. Starting with private domain traffic, traffic is channeled to the brand's own traffic pool to ensure that the brand possesses continuous vitality.

In the future, top food and beverage brands will engage in various kinds of activities, such as using emerging media, organizing brand festivals, creating popular products, and implementing emotional marketing, so as to target consumer groups strike a chord with the these brands.

(4) Competitive Niche

A. Use high-quality, carefully selected raw materials

The greatest guarantee for the delicious tea beverages sold by the Company comes from the Company's strict quality control over the ingredients used to maintain high-quality safety and hygiene testing. While guaranteeing that our products taste delicious, we also ensure that consumers can drink healthy and at ease.

B. Implement hygiene management for food and in stores

All the raw materials used by the Company's brands are sent to the quality inspection center established by the Company to undergo a variety of inspections. These include regular inspection of beverages, products, tea preparation environment, water quality, ice cubes, raw materials, and production processes, so as to always care about customers' eating experience.

C. Offer diversified products, fresh taste, and outstanding packaging

Happy Lemon will launch a new beverage series every year to attract consumers. For instance, the latest series launched is the "Strawberry Half-baked & Light Cheese Cream" series based on the theme titled "strawberrylicious and youthful with light cream and light pressure." This product series has been well liked by consumers since its launch.

D. Work closely with logistics companies for smooth delivery

The Company has developed its businesses in Mainland China for over 10 years, expanding from the main coastal cities such as Shanghai and Guangzhou, gradually to second- and third-tier cities in North China, East China, and South China, and then moving westward to Central China and Southwest China. The Group has also actively established regional procurement and logistics teams, warehousing and distribution centers, and logistics and transportation companies with its partners. At present, we have established a complete purchase, sales, and logistics network in Beijing, Shanghai, Guangzhou, Hong Kong, and Taipei. We are committed to offering good logistics services for the supply chains of each brand, as well as strengthening and improving the

stability and timeliness of supply to stores in each region. Besides, we advance the comprehensive construction of a logistics network in line with the development of each brand.

In the international market outside Mainland China, the Company has constructed a logistics and warehousing system in Western USA inline with the local development trend of brands, in order to strengthen the stability of local supply and keep track of its timeliness. On the other hand, we are also collaborating with local joint ventures in ASEAN countries to integrate material procurement and supply of goods in the entire ASEAN region.

(5) Favorable and Unfavorable Factors Affecting Development Prospects and Related Response Measures

① Favorable Factors

A. Mainland China has strong domestic demand, while urbanization drives consumption among its people

Mainland China's huge domestic demand market is the driving force behind the future development of consumption among its people. With the continuous expansion of urbanization, the rising number of urban migrants has resulted in an increase in the percentage of people dining out. Therefore, in the overall environment where Mainland China's domestic demand continues to grow, the outlook for the food and beverage market remains positive. As a professional brand management company in the food and beverage industry, the Company is expected to profit in this environment.

B. Mainland China's policies promote the development of the food and beverage industry throughout the whole country

In order to drive economic activities in all regions in Mainland China, the country continues to expand domestic demand and improve the living standards of its people. With the support of various policies, Mainland China's food and beverage market will continue to expand in the future, thereby having a positive impact on the development of our businesses.

C. Good brand image earns consumers' recognition

As the first casual dining chain to enter the Mainland China market, RBT has garnered a solid and loyal customer base after gaining a foothold in this market over the years. Some of these customers, who have grown up with RBT, have become RBT's franchisees, joining forces to help develop RBT.

D. Good brand image earns consumers' recognition

As regards the international market outside Mainland China, Happy Lemon has put in lots of effort to enhance its brand awareness, as evidenced by the fact

that the brand was selected as one of the world's top 10 tea beverage brands by international innovative Internet media in 2019 and 2020 as well as a driving force in promoting rock salt cheese milk tea at the international level. According to a survey conducted by the Tea Association of the USA, more than 80% of the millennials have the habit of drinking tea, which also indicates this huge potential market is an opportunity for hand-shaken beverage brands. In particular, high recognition for the Happy Lemon brand at the international level has also increased the Company's momentum and opportunities in overseas expansion.

② Unfavorable Factors and Specific Response Measures

A. Low barriers to entry in the food and beverage market lead to fierce market competition

With low barriers to entry, the food and beverage industry has been one that entrepreneurs love and feel easy to enter. Hence, this industry has seen the participation of many operators of varying quality and fierce competition among them. Price wars often occur in order to acquire customers. In addition, there is a high degree of substitution in the food and beverage industry. Each operator comes up with creative and innovative ideas to provide consumers with more choices, thereby resulting in competition among brand operators.

Response Measures:

RBT provides consumers with a casual dining environment with a touch of class and sincere services, along with a variety of healthy and delicious products, so that consumers can fully enjoy an attitude toward life filled with good tea, good foods, and comfort as emphasized by RBT when spending and dining at RBT, thereby forming an image of "RBT as the preferred choice for leisure space" in consumers' minds. RBT believes that the relaxing and pleasure feeling of leisure obtained therefrom makes the brand stand out from its competitors. Therefore, RBT will continuously upgrade and evolve to ensure consumers the brand is forever new and refreshing.

B. It is not easy to train service personnel in the food and beverage industry as staff turnover is high

People-oriented food and beverage services have to depend on actual execution by related personnel after all. In order to fully deliver high-quality services that exceed consumer expectations, strengthening staff training will become the basis for the Company to continue its operations and build its competitiveness. However, as the economy develops, it is not easy to train service personnel in the food and beverage industry due to changes in social values and the rise of labor consciousness, as staff turnover is high.

Response Measures:

The Company has established a systematic employee education and training system and management development system, and has set up smooth promotion channels from stores to major operation regions. Besides, the Company continues to actively train management associates and enhance employees' sense of identity and sense of belonging to the Company's corporate culture. The Company plans and increases employee benefits in combination with highly competitive salary and compensation in the industry. These methods have effectively attracted outstanding talents and stabilized them. The franchise model has also greatly reduced pressure in this respect. Franchisees will adjust their methods due to needs, thereby indirectly increasing the number of channels for recruiting employees for the brand.

In operations management, the Company is people-oriented and performance-focused, and achieves goals by organizing, planning, executing, and controlling. Food safety and customer satisfaction are our bounden duties. A well-structured internal communication system and training classrooms ensure unobstructed dissemination of brands. Our operation team is also constantly improving, optimizing operating procedures, paying attention to customer experience, and improving production capacity and efficiency. Working environment is also something we care about. A happy working environment also has happy employees. How to create a happy atmosphere is also the key to our branding efforts. We have established a systematic employee education and training system and management development system under the tearista system. We adhere to tea quality, craft tea culture, and company-operated stores to franchised chains, thus jointly creating a vision of the future and encouraging each other forward to achieve our dreams.

C. Consumer preference changes rapidly

It is not easy to maintain quality standards because there is a wide variety of beverage products, employees come from many different places, and customer tastes vary significantly.

Response Measures:

The Company strengthens market research, enhance R&D capabilities, and meet the trend of the times. The Company has established standard operating procedures (SOP), strengthened internal training, and enhanced the operation of workstations. The Company regularly launches seasonal products in line with market demand, thus driving the tea culture among customers.

D. Food safety receives increasing attention

With increasing attention from customers, food safety problems have also occurred frequently. Hence, food safety has also become a major issue facing the food and beverage industry in the future.

Response Measures:

The Company identifies and assesses food safety risks and formulates the relevant response strategies. The Company maintains consistently high hygiene standards and complete processes during product preparation, establishes effective monitoring processes, attaches great importance to employees' personal hygiene training, and maintains high requirements for product hygiene both internally and externally.

E. Operating and management costs soar

Rising employee salaries, store rents and food prices or requests to increase these costs during store contract renewals have led to a hike in operating costs.

Response Measures:

The Company has designed and launched a store business model with an operating floor area of less than 150 square meters, with a view to reducing rent and manpower pressure and improving profitability. The Company adjust wages in accordance with the law, while planning to provide employee benefits. The Company attaches great importance to improving work efficiency and enhances its reward system to balance rising personnel costs. Besides, the Company establishes central kitchens to reduce manpower in stores. The Company opens stores effectively and establishes strategic partnership with large developers and commercial entities to stabilize rental expenses. Besides, the Company strengthens control over sources of ingredients and materials and avoid rising costs, in order to curb price increases.

F. High barriers for international talents and regulations

Rising employee salaries, store rents and food prices or requests to increase these costs during store contract renewals have led to a hike in operating costs.

Response Measures:

The Company has designed and launched a store business model with an operating floor area of less than 150 square meters, with a view to reducing rent and manpower pressure and improving profitability. The Company adjust wages in accordance with the law, while planning to provide employee benefits. The Company attaches great importance to improving work efficiency and enhances its reward system to balance rising personnel costs. Besides, the Company establishes central kitchens to reduce manpower in

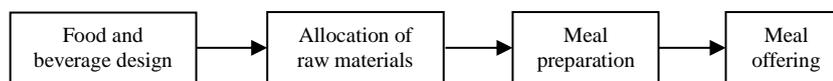
stores. The Company opens stores effectively and establishes strategic partnership with large developers and commercial entities to stabilize rental expenses. Besides, the Company strengthens control over sources of ingredients and materials and avoid rising costs, in order to curb price increases.

2. Important Uses and Production Process of Main Products

(1) Important Uses of Products

The Company's main products focus on meeting people's dietary needs.

(2) Production Process of Products



3. Supply of Raw Materials

Main Raw Materials	Main Supplier	Brand Supplied to	Supply Status
Tea leaf	K and S	Happy Lemon, Tea Opal, and Hippo Bobatea	Good and stable
Fruit juice and fruit jam	B, V, and W	Happy Lemon, Tea Opal, and Hippo Bobatea	Good and stable
Powder	D and X	Happy Lemon and Hippo Bobatea	Good and stable
Ready-to-eat foods	Y and Z	RBT	Good and stable
Packaging materials	L, AA, and BB	Happy Lemon, Tea Opal, Hippo Bobatea, and RBT	Good and stable

4. Explanation on Major Changes in Gross Profit Margin for Main Product Categories or Departments in the Two Most Recent Years:

(1) Comparative Analysis of Changes in Gross Profit Margin in the Two Most Recent Years:

Unit: NT\$ thousands

Item \ Year	2019	2020	Percentage of Change
Operating Revenue	2,217,112	1,580,237	-28.73%
Gross Profit	1,146,295	791,962	-30.91%
Gross Profit Margin	51.70%	50.12%	-3.07%

(2) Explanation on the Percentage of Change in Gross Profit Margin Exceeding 20 percent: Not applicable

5. List of Main Customers Involved in the Purchase and Sales of Goods

- (1) Name of Manufacturers Accounting for 10 percent or more of the Company's Total Purchase of Goods in the Two Most Recent Years, Amount and Percentage of Purchase of Goods Made, and Reasons for Increase or Decrease in These Figures

There have been no significant changes in the Company's main manufacturers in the two most recent years.

Unit: NT\$ thousands; %

Item	2019				2020				2021 up to the Previous Quarter			
	Name	Amount	Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the Entire Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the Entire Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the Current Year up to the Previous Quarter (%)	Relationship with the Issuer
1	D	99,547	10.58%	None	D	73,332	11.36%	None	D	19,612	9.92%	None
2												
3												
	Others	841,386	89.42%		Others	572,414	88.64%		Others	178,179	90.08%	
	Net Purchase of Goods	940,933	100.00%		Net Purchase of Goods	645,746	100.00%		Net Purchase of Goods	197,791	100.00%	

- (2) Name of Customers Accounting for 10 percent or more of the Company's Total Sales of Goods in the Two Most Recent Years, Amount and Percentage of Sales of Goods Made, and Reasons for Increase or Decrease in These Figures:

The Company did not have any customer accounting for 10 percent of its total sales of goods in 2019 and 2020.

6. Production Volume and Value in the Two Most Recent Years

The Company mainly runs chain food and beverage brands whose production process only involves simple mixing and processing, and does not belong to the manufacturing industry. Hence, this section is not applicable.

7. Sales Volume and Value in the Two Most Recent Years

Unit: NT\$ thousands

Sales Volume and Value	Year	2019				2020			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products									
Agent and Franchise		—	1,174,033	—	215,390	—	730,590	—	164,108
Company-operated Stores		—	827,689	—	—	—	521,431	—	—
Total		—	2,001,722	—	215,390	—	1,252,021	—	164,108

Reason for increase or decrease: The Company's sales value in 2020 is lower than in 2019 mainly due to the impact of the COVID-19 pandemic in 2020. The combination of sales products is changeable, with different specifications and frequent changes. Also, the measurement unit differs greatly without a basis for comparison in volume and is only expressed by value in the table above.

III. Number of Employees in the Two Most Recent Years up to the Publication Date of this Annual Report

Unit: persons

Year		2019	2020	As of March 31, 2021
Number of Employees	Managers	18	14	14
	General Employees	313	293	300
	Production Line Staff	763	613	609
	Total	1,094	920	923
Average Age (years old)		28.28	28.56	29.91
Average Years of Service (years)		2.48	2.53	3.07
Distribution by Education Background (%)	PhD degree	0.08%	0.22%	0.22%
	Master's degree	1.74%	1.52%	1.63%
	College (including Bachelor's degree)	52.47%	52.93%	53.73%
	High school	33.82%	33.48%	32.61%
	Below high school	11.89%	11.85%	11.81%

IV. Environmental Protection Expenditure

1. Where, in accordance with the law, a permit for the establishment of a pollution control facility or a permit for pollutant emission is required, or a pollution control fee needs to be paid, or a dedicated environmental protection unit needs to be set up and related personnel need to be appointed, the application and payment for such permits or the establishment of such unit and the appointment of such personnel shall be explained: These items have been handled in accordance with the relevant regulations.
2. Investment in main equipment for pollution control, uses of these equipment and their possible benefits: None
3. Improvements on environmental pollution made by the Company in the most recent year up to the publication date of this annual report; where disputes arise from pollution incidents, the process of handling such disputes shall be explained: The Company did not encounter any environmental pollution incident.
4. Total amount of losses (including compensation) and punishments suffered by the Company due to environmental pollution in the most recent year up to the publication date of this annual report, as well as response measures (including improvement measures) and possible expenditures in the future (including the total amount of losses, punishments, and compensation that may arise if response measures are not taken; if these amounts cannot be estimated reasonably, the facts that they cannot be estimated reasonably shall be explained):
 - (1) Losses and punishment due to environmental pollution the most recent year: None
 - (2) Response measures and possible expenditures in the future: Not applicable
5. Effects of current pollution status and improvements on the Company's earnings, competitive position, and capital expenditure, and expected major environmental protection expenditures in the next two years: None

V. Labor Relations

1. The Company's various employee welfare measures, continuing education and training, retirement system, and their implementation, as well as labor-management agreements and various measures for safeguarding employee rights and interests:

(I) Employee welfare measures, continuing education and training, and their implementation

The Company attaches great importance to talents and is people-oriented. Therefore, as part of employee benefits, we provide a good working environment and launches various employee welfare measures, including women-friendly workplace, emergency assistance, gifts during the Lunar New Year celebrations and company trip, rewards for outstanding employees, etc. In terms of training, the Company prepares the annual education and training plan that meets the Company's needs every year, as well as prepares a budget for education and training expenses to be used for employee training and enhancing their professional knowledge.

(II) Retirement System and Implementation

The Company's subordinate companies in the R.O.C. have adopted the defined contribution pension plan in accordance with the Labor Standards Act. The Company contributes six percent of employees' monthly salary as pension every month and remit them to employees' personal retirement account. The Company's subsidiaries outside the R.O.C. have make pension contributions in accordance with local regulations. Companies in Mainland China mostly contribute between 12 percent and 22 percent of the basic amount in endowment insurance for employees.

(III) Labor-management agreements and various measures for safeguarding employee rights and interests

The Company has established measures and regulations related to labor relations in accordance with the relevant laws and regulations. Moreover, the Company has always maintained a self-management and full participation management style, where each department manager and his/her subordinates would effectively communicate through regular business meetings and training. Therefore, the Company maintains good labor relations.

2. Losses suffered by the Company due to labor disputes in the most recent year up to the publication date of this annual report, as well as estimated amount of current losses and those that may occur in the future and the relevant response measures; if these amounts cannot be estimated reasonably, the facts that they cannot be estimated reasonably shall be explained: None

VI. Important Contracts

Nature of Contract	Contracting Party		Start and End Date of Contract	Major Content	Restrictive Clause
	in the Financial Statements	Contract Counterparty			
Purchase and sales contract	Shanghai Tai Quan Trading Co., Ltd.	Fujian Qin Xin Tea Co., Ltd.	January 1, 2021 to July 31, 2022	Purchase and sales contract	None
Purchase and sales contract	Shanghai Tai Quan Trading Co., Ltd.	Mao Deng Food & Beverage Management (Shanghai) Co., Ltd.	January 1, 2020 to December 31, 2021	Purchase and sales contract	None
Commissioned processing contract	Shanghai Tai Quan Trading Co., Ltd.	Fresh Juice Co., Ltd.	January 1, 2021 to December 31, 2022	Commissioned processing	None
Commissioned processing contract	Shanghai Tai Quan Trading Co., Ltd.	Hainan Ding An Le Coconut Foods Co., Ltd.	January 1, 2021 to December 31, 2022	Commissioned processing	None
Purchase and sales contract	Shanghai Tai Quan Trading Co., Ltd.	Shanghai Panke International Trading Co., Ltd.	January 1, 2021 to December 31, 2022	Purchase and sales contract	None
Commissioned processing contract	Shanghai Tai Quan Trading Co., Ltd.	Kerry Ingredients Trading (Shanghai) Co., Ltd.	January 1, 2021 to December 31, 2022	Commissioned processing	None
Purchase and sales contract	Shanghai Tai Quan Trading Co., Ltd.	Young & Fine Food Tech (Shanghai) Co., Ltd.	January 1, 2021 to December 31, 2021	Purchase and sales contract	None
Purchase and sales contract	Shanghai Tai Quan Trading Co., Ltd.	Guangdong Aliment Airline Foods Co., Ltd.	January 1, 2020 to December 31, 2021	Purchase and sales contract	None
Purchase and sales contract	Shanghai Tai Quan Trading Co., Ltd.	Zhangzhou Yilin Foods Co., Ltd.	January 1, 2020 to December 31, 2021	Purchase and sales contract	None
Commissioned processing contract	Shanghai Tai Quan Trading Co., Ltd.	Tianjin Zheng Jin Environmental Protection Technology Co., Ltd.	July 1, 2020 to December 31, 2021	Commissioned processing	None
Commissioned processing contract	Shanghai Tai Quan Trading Co., Ltd.	Yongqing County Bai Xing Yu De Packing Products Co., Ltd.	November 19, 2019 to December 31, 2022	Commissioned processing	None
Commissioned processing contract	Shanghai Tai Quan Trading Co., Ltd.	Shanghai Le Yi Plastic Products Co., Ltd.	January 1, 2020 to December 31, 2021	Commissioned processing	None

Chapter 6. Financial Overview

I. Condensed Financial Information for the Five Most Recent Years

(I) Condensed Balance Sheet and Statement of Comprehensive Income - International Financial Reporting Standards (IFRS)

1. Condensed Balance Sheet - IFRS

Unit: NT\$ thousands

Item	Year	Financial Information for the Five Most Recent Years					As of March 31, 2021
		2016	2017	2018	2019	2020	
Current assets		919,103	1,164,663	1,003,016	1,116,871	963,641	944,885
Property, plant and equipment		178,569	193,649	184,309	161,492	146,618	140,158
Intangible assets		8,292	10,207	8,727	7,486	32,929	33,387
Other assets		258,996	141,439	188,246	515,912	633,506	614,134
Total assets		1,364,960	1,509,958	1,384,298	1,801,761	1,776,694	1,732,564
Current liabilities	Before distribution	586,168	533,365	468,422	707,494	710,308	689,203
	After distribution	677,103	664,631	536,206	792,697	Note	Note
Non-current liabilities		215,416	225,718	203,433	368,490	377,892	364,496
Total liabilities	Before distribution	801,584	759,083	671,855	1,075,984	1,088,200	1,053,699
	After distribution	892,519	890,349	739,639	1,161,187	Note	Note
Equity attributable to owners of the parent company		552,172	718,821	691,744	711,641	654,510	645,397
Share capital	Before distribution	302,151	334,040	350,693	349,085	365,544	365,544
	After distribution	302,151	334,040	350,693	366,126	383,383	Note
Capital surplus		104,531	222,906	263,834	234,600	235,182	229,166
Retained earnings	Before distribution	167,045	230,746	202,539	264,123	200,750	203,100
	After distribution	76,110	99,480	134,755	161,879	Note	Note
Other equity		(21,555)	(67,395)	(58,559)	(78,888)	(82,929)	(88,376)
Treasury stock		—	(1,476)	(66,763)	(57,279)	(64,037)	(64,037)
Non-controlling interest		11,204	32,054	20,699	14,136	33,984	33,468
Total equity	Before distribution	563,376	750,875	712,443	725,777	688,494	678,865
	After distribution	472,441	619,609	644,659	640,574	Note	Note

Source: Consolidated financial statements audited or attested by CPAs from 2016 to 2020 and in the first quarter of 2021.

Note: The 2020 earnings distribution plan is yet to be approved by the shareholders' meeting.

2. Condensed Statement of Comprehensive Income - IFRS

Unit: NT\$ thousands (except for earnings per share which is expressed in NT\$)

Item \ Year	Financial Information for the Five Most Recent Years					As of March 31, 2021
	2016	2017	2018	2019	2020	
Operating Revenue	1,756,577	1,994,450	2,173,600	2,217,112	1,580,237	426,328
Gross Profit	932,604	1,088,792	1,138,044	1,146,295	791,962	207,825
Operating income	163,426	192,558	139,785	174,542	22,256	24,291
Non-operating revenue and expenses	6,488	21,309	(6,486)	(703)	35,829	4,823
Net income before tax	169,914	213,867	133,299	173,839	58,085	29,114
Net income from continuing operations	115,153	152,981	94,704	123,353	33,038	19,816
Net profit for this period	115,153	152,981	94,704	123,353	33,038	19,816
Other comprehensive income (loss)	(48,335)	(26,297)	(2,811)	(25,440)	(6,947)	(5,765)
Total comprehensive income for the period	66,818	126,684	91,893	97,913	26,091	14,051
Net income attributable to owners of the parent company	121,288	155,881	103,081	129,368	38,871	20,189
Net profit attributable to non-controlling interest	(6,135)	(2,900)	(8,377)	(6,015)	(5,833)	(373)
Total comprehensive income attributable to owners of the parent	74,055	129,347	100,809	104,476	31,894	14,742
Total comprehensive income attributable to non-controlling interests	(7,237)	(2,663)	(8,916)	(6,563)	(5,803)	(691)
Earnings per share - basic (NT\$) (Note)	4.03	5.02	3.11	3.62	1.09	0.57
Earnings per share - diluted (NT\$) (Note)	3.64	4.60	3.03	3.61	1.09	0.57

Source: Consolidated financial statements audited or attested by CPAs from 2016 to 2020 and in the first quarter of 2021.

Note: Capital increase by earnings is retroactively adjusted using earnings per share for the previous year.

(II) Name of CPAs and Their Audit Opinions for the Five Most Recent Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2016	Deloitte Taiwan	Yu, Hung-Pin and Kenny Hong	Unqualified opinion
2017	Deloitte Taiwan	Yu, Hung-Pin and Kenny Hong	Unqualified opinion
2018	Deloitte Taiwan	Huang, Yi-Min and Wu, Ker-Chang	Unqualified opinion
2019	Deloitte Taiwan	Huang, Yi-Min and Wu, Ker-Chang	Unqualified opinion
2020	Deloitte Taiwan	Huang, Yi-Min and Wu, Ker-Chang	Unqualified opinion

II. Financial Analysis for the Five Most Recent Years

1. Financial Analysis - IFRS

Analysis Item		Year	Financial Analysis for the Five Most Recent Years					As of March 31, 2021
		2016	2017	2018	2019	2020		
Financial Structure (%)	Debt-to-asset ratio	58.72	50.27	48.53	59.71	61.24	60.81	
	Proportion of long-term capital to property, plant, and equipment	331.54	406.73	406.40	470.87	523.90	537.15	
Debt-Paying Ability	Current ratio	156.79	218.36	214.12	157.86	135.66	137.09	
	Quick ratio	143.73	198.36	194.40	143.54	115.68	114.6	
	Interest coverage ratio	29.41	36.71	36.25	9.58	4.22	7.84	
Operating Ability	Receivables turnover (times)	64.71	60.89	52.12	48.88	37.85	45.35	
	Average collection days	6	6	7	7	10	8.05	
	Inventory turnover (times)	10.41	9.48	9.76	10.38	8.45	9.29	
	Payable turnover (times)	8.05	7.70	8.12	8.39	7.42	10.76	
	Average inventory turnover days	35	39	37	35	43	39.29	
	Property, plant and equipment turnover (times)	9.93	10.71	11.50	12.82	10.25	11.89	
	Total asset turnover (times)	1.29	1.38	1.50	1.39	0.88	0.97	
Profitability	Return on assets (%)	8.80	10.95	6.74	8.69	2.60	1.31	
	Return on equity (%)	21.02	23.28	12.94	17.15	4.67	2.89	
	Ratio of income before tax to paid-in capital (%)	56.23	64.02	38.01	49.79	15.88	7.96	
	Net profit margin (%)	6.55	7.67	4.35	5.56	2.09	4.64	
	Earnings per share (NT\$) (Note 1)	4.03	5.02	3.11	3.80	1.09	0.57	
Cash Flow	Cash flow ratio (%)	(22.05)	21.69	22.44	55.46	88.42	4.66	
	Cash flow adequacy ratio (%)	71.28	57.59	41.77	80.15	121.12	154.96	
	Cash reinvestment ratio (%)	(21.71)	2.18	(2.49)	33.55	66.09	1.80	

Leverage	Degree of operating leverage (DOL)	5.51	5.41	7.74	6.30	34.21	8.19
	Degree of financial leverage (DFL)	1.03	1.03	1.02	1.13	5.21	1.21

Explain the reasons for changes in various financial ratios in the two most recent years (analysis is not required if change is within 20%):

1. The interest coverage ratio of debt-paying ability decreased due to a decrease of 66.59% in the net income before tax from last year.
2. Increase in operating ability and profitability indicators (receivables turnover, average collection days, average inventory turnover days, property, plant and equipment turnover, and total asset turnover): Due to the COVID-19 pandemic in 2020, the overall operation revenue decreased by 28.73%, coupled with the Company's decrease in operating costs by 26.39%, resulting from the delay in the collection of receivables and the extension of average collection days in compliance with the government's pandemic prevention measures in comparison with last year.
3. Increase in cash flow indicators (cash flow ratio, cash flow adequacy, and cash reinvestment ratio): This was mainly due to an increase in the net cash inflow from operating activities by 60.06% and an increase in the financial assets measured at amortized cost in 2020. The increase in long-term loans was for the market expansion of overseas joint ventures.
4. Decrease in degree of operating leverage: This was mainly due to a decrease in operating profit by 87.25% and a decrease in the variable cost of operating revenue by 30.82% compared to 2019.
5. Increase in the degree of financial leverage: This was mainly due to a decrease in operating profit by 87.25% and a decrease in interest expense by 11.13% compared to 2019.

Source: Consolidated financial statements audited by CPAs from 2016 to 2020 and consolidated financial statements reviewed by CPAs in the first quarter of 2021.

Note 1: Capital increase by earnings is retroactively adjusted using earnings per share for the previous year.

Note 2: The following lists the formulas used for performing the financial analysis:

1. Financial Structure

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

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

2. Debt-Paying Ability

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

(2) Quick ratio = (Current assets – Inventory – Prepaid expense)/Current liabilities.

(3) Interest coverage ratio = Net income before income tax and interest expense/Current interest expense for the period.

3. Operating Ability

(1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).

(2) Average collection days = 365/Receivables turnover ratio.

(3) Inventory turnover ratio = Cost of goods sold/Average inventory value.

(4) Payable turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of goods sold/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).

(5) Average inventory turnover days = 365/Inventory turnover ratio.

(6) Property, plant and equipment (PP&E) turnover ratio = Net sales/Average value of PP&E.

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

4. Profitability

(1) Return on assets = [Net income after taxes + Interest expense (1– Tax rate)]/Average total assets.

(2) Return on equity = Net income after taxes/Average total equity.

(3) Net profit margin = Net income after taxes/Net sales.

(4) Earnings per share = (Net profit (loss) attributable to the owners of the parent company – Preferred dividends) / Weighted average number of shares outstanding.

5. Cash Flow

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

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the five most recent years/(Capital expenditure + Inventory increase + Cash dividend) for the most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividend)/Gross value of PP&E + Long-term investments + Other non-current assets + Working capital).

6. Leverage

- (1) Degree of operating leverage = $(\text{Net operating revenue} - \text{Change in operating costs and operating expenses}) / \text{Operating income}$.
- (2) Degree of financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

III. Audit Committee Report on the Financial Statements for the Most Recent Year:

Yummy Town (Cayman) Holdings Corporation

Audit Committee's Report

The Board of Directors has prepared the Company's 2020 Business Report, consolidated Financial Statements and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit the consolidated Financial Statements and has issued an audit report relating to the consolidated Financial Statements. The Business Report, consolidated Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Yummy Town (Cayman) Holdings Corporation

Chairman of the Audit Committee: Hsu, Yi-Fang

March 19, 2021

- IV. Financial Statements for the Most Recent Year: Kindly refer to Page 139 to Page 198.
- V. Parent Company-Only Financial Statements Attested by CPAs in the Most Recent Year:
Not applicable
- VI. Financial Turnover-Related Difficulties Facing the Company and Its Affiliated Companies
for the Most Recent Year up to the Publication Date of this Annual Report: None

Chapter 7. Review and Analysis of Financial Status and Financial Performance and Related Risk Items

I. Comparative Analysis of Financial Status

Major Reasons and Impact of Any Material Change to the Company's Assets, Liabilities or Equity in the Two Most Recent Years

Unit: NT\$ thousands

Item	Year		Difference	
	2019	2020	Amount	%
Current assets	1,116,871	963,641	(153,230)	-13.72%
Investment accounted for using the equity method	14,859	121,708	106,849	719.09%
Property, plant and equipment	161,492	146,618	(14,874)	9.21%
Intangible assets	7,486	32,929	25,443	339.87%
Other assets	501,053	511,798	10,745	2.14%
Total assets	1,801,761	1,776,694	(25,067)	-1.39%
Current liabilities	707,494	710,308	2,814	0.40%
Non-current liabilities	368,490	377,892	9,402	2.55%
Total liabilities	1,075,984	1,088,200	12,216	1.14%
Share capital	349,085	365,544	16,459	4.71%
Capital surplus	234,600	235,182	582	0.25%
Retained earnings	264,123	200,750	(63,373)	-23.99%
Other equity	(78,888)	(82,929)	(4,041)	5.12%
Treasury stock	(57,279)	(64,037)	(6,758)	11.80%
Non-controlling interest	14,136	33,984	19,848	140.41%
Total shareholders' equity	725,777	688,494	(37,283)	-5.14%

Explanation on material changes: (where the amount changes by at least 10 percent and accounts for at least one percent of the total asset for the year)

1. Current assets: The change occurred mainly due to a decrease of NT\$153,230,000 in a decrease in handling wealth management products and inventory volume compared to 2019.
2. Investment accounted for using equity method: The change occurred mainly due to an increase in the investment in Yong-Chun-Cheng Enterprise Co., Ltd. and the capital increase in joint ventures in Japan.
3. Intangible assets: The change occurred mainly due to the generation of goodwill from the investment in the joint venture, Happy Lemon West Inc., USA, in 2020.
4. Retained earnings: The change occurred mainly due to an COVID-19, then profit decrease in 2020.
5. Treasury shares: The change occurred mainly due to the increase in buy-back of treasury shares in 2020.
6. Non-controlling interest: The non-controlling interest increased mainly due to the investment in Happy Lemon West Inc., USA, Meng Qi Qi Food & Beverage Management (Shanghai) and Yi Cheng Food & Beverage Management (Guangxi) in 2020.

II. Comparative Analysis of Financial Results

(I) Major Reasons and Impact of Any Material Change to the Company's Operating Revenue, Operating Profit, and Profit Before Tax in the Two Most Recent Years

Unit: NT\$ thousands

Item \ Year	2019	2020	Increase or Decrease	Percentage of Change (%)
Operating Revenue	2,217,112	1,580,237	(636,875)	-28.73%
Operating costs	1,070,817	788,275	(282,542)	-26.39%
Gross Profit	1,146,295	791,962	(354,333)	-30.91%
Operating expenses	971,753	769,706	(202,047)	-20.79%
Operating profit	174,542	22,256	(152,286)	-87.25%
Non-operating revenue and expenses	(703)	35,829	36,532	5196.59%
Profit before tax	173,839	58,085	(115,754)	-66.59%
Income tax expense	50,486	25,047	(25,439)	-50.39%
Net profit after tax	123,353	33,038	(90,315)	-73.22%

Analysis of increase or decrease: (where the amount changes by at least 10 percent and accounts for at least one percent of the total asset for the year)

1. Operating revenue and cost both decreased due to the COVID-19 pandemic in 2020 compared to 2019, which resulted in the decrease in operating profit and operating expense.
2. Non-operating revenue and expenses: It increased mainly due to the tax refund and COVID-19 subsidy from the government. Also, the recognized operating losses of joint ventures in the US invested using the equity method decreased and the investment income from Yong-Chun-Cheng Enterprise increased. Then, currency exchange gain for the period increased due to the impact of currency exchange rate, and the net non-operating profit increased last year compared to the same period last year.
3. Net profit after tax: The net profit before and after tax both decreased as due to the decrease in the operating revenue.

(II) Expected Sales Volume and Its Basis, Possible Impact to the Company's Financial Operations, and Related Response Plans:

The Company formulates annual sales targets based on our store expansion plan and by considering the current status and trends of products and past business performance, in order to make preparations for the growth of operations in the future.

III. Cash Flow:

1. Analysis of Liquidity in the Two Most Recent Years

Unit: NT\$ thousands; %

Item \ Year	2019	2020	Increase or Decrease	Percentage of Change (%)
Operating activities	388,657	628,064	239,407	61.60%
Investing activities	(54,085)	(400,127)	(346,042)	-639.81%
Financing activities	(214,840)	(159,569)	55,271	25.73%

Analysis and explanation of percentage of change:

1. Operating activities: For this period, net profit before tax decreased by NT\$115,754,000, investment fund and wealth management products decreased by NT\$8,494,000, and the cash inflow from operating activities increased by NT\$212,177,000. Those result in the increase in the net asset inflow from operating activities by NT\$239,407,000.
2. Investing activities: For this period, net cash outflow from investing activities increased by NT\$346,042,000 mainly due to an increase in time deposits for over three months by NT\$215,231,000, an increase in net cash outflow from investing joint ventures using the equity method by NT\$102,583,000, and a decrease in purchase of property, plant and equipment by NT\$18,331,000.
3. Financing activities: For this period, net cash outflow from financing activities decreased by NT\$55,271,000 mainly due to a decrease in short-term borrowings by NT\$38,135,000, an increase in long-term borrowings by NT\$53,258,000 for the global market development of the joint ventures, and a decrease in the distribution of cash dividends for this year by NT\$55,271 compared to last year.

2. Improvement Plans for Inadequate Liquidity: The Company does not have inadequate liquidity. Hence, this section is not applicable.

3. Analysis of Cash Liquidity in the Coming Year (2021)

Unit: NT\$ thousands

Cash balance at the beginning of the period	Estimated net cash flow from operating activities for the year	Estimated cash outflow for the year	Estimated cash surplus (deficit)	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
400,358	89,682	102,239	387,801	—	—
<p>1. Operating activities: The revenue and profit will continue to increase for the year, thereby leading to a net cash inflow from operating activities for the operating cash flow.</p> <p>2. Investing activities: Due to the COVID-19 pandemic, the global economy is continuously shrinking and the time for its recovery is still unknown. Therefore, there is no major investing plan.</p> <p>3. Financing activities: There is no major investing plan and no financing plans subsequently.</p> <p>4. Remedial measures for cash inadequacy: The Company's operating activities are expected to bring in a net cash inflow in the coming year,. Furthermore, financing activities will also bring in a net cash inflow, which should be adequate for the cash outflow from investing activities. Therefore, there is no concern for inadequate liquidity.</p>					

IV. Impact of Major Capital Expenditures on Financial Operations in the Most Recent Year:

The Company has no major capital expenditure whose amount exceeds five percent of its paid-in capital or NT\$100 million in the most recent year. However, in order to enhance the rights and interests of all shareholders and meet the Company's needs for medium- and long-term growth, the Company continues to actively open new stores. Other than our own funds arising from our continued profitability the Company has no plan to raise funds from financial institutions, and this has no significant impact on the Company's financial operations.

V. Reinvestment Policy and Main Reasons for Related Profit or Loss, Improvement Plan and Investment Plan for the Coming Year:

1. Reinvestment policy

The Company's reinvestment policy has been developed to meet the development of the Group's operations. The Company's reinvested businesses are managed in accordance with the "Investment Cycle" in the internal control system and the "Procedures for Acquisition or Disposal of Assets". The regulations or procedures above have been discussed and approved by the Board of Directors or the shareholders' meeting.

2. Major reasons for profit or loss from reinvestments and relevant improvement plans:

Except for those which are posting a loss because they are newly established or their operations are yet to reach a certain scale, the rest of the Company's reinvested companies are posting a profit, and the Company has actively adjusted the operating model of these companies so that each reinvestment is profitable.

3. Investment plan for the coming year:

The Company will continue to expand its businesses, with Happy Lemon in Mainland China and overseas markets as the main focus, while concentrating on engaging in various investments or mergers and acquisitions with potential strategic partners in the same industry in accordance with the relevant laws and regulations.

In May 2020, the company has invested in the tea brand of "Kebuke" under Yong-Chun-Cheng Enterprise Co., Ltd. to expand the Group's market and competitiveness in the tea beverage market.

VI. Risk Items:

(I) Risk Factors and Management Strategies

The Company's operating entities are located in Mainland China and Hong Kong. They mainly manage chain food and beverage brands and engage in sales of beverages, food and desserts and related services. The Cayman Islands only serves as the Group's place of registration, and the Group has no actual economic activities in this place.

The Company is committed to maintaining a complete risk management system and includes the entire organization of the Group and its subsidiaries in the scope of risk management, with the Board of Directors, managers at all levels, and employees participating in and promoting the implementation of risk management.

The Company's main risk factors and management policies and related responsible units are listed as follows:

Strategic operational risks: Each headquarter and subsidiary formulate pre-investment and operational plan and conduct risk assessment, as well as track and analyze operating performance every month.

Financial risk, liquidity risk, and credit risk: The Company formulates various strategies, procedures, and indicators according to changes in laws and regulations, policies, and markets; regularly analyzes and assesses changes in related risks; and takes the appropriate response measures, in order to minimize the overall potential risk of the Company.

Market risk: Each unit analyzes and assesses its possible impact on the Company according to its functions and responsibilities, important domestic and foreign policies, laws and regulations, and technological changes, as well as takes the appropriate response measures to minimize potential business risk in the future.

The Auditing Office proposes the annual audit plan and self-inspection procedures and methods in accordance with risk assessment and the relevant laws and regulations, as well as constantly controls various potential risks based on the audit plan and self-inspection procedures and regularly reports the relevant results to the Board of Directors.

(II) Changes in Interest Rates, Currency Exchange Fluctuations, and Inflation, Their Impact on the Company's Profit or Loss, and Future Response Measures

The Company's annual interest income or expense and foreign exchange gain or loss in terms of the Company's operating revenue are listed as follows:

Unit: NT\$ thousands

Item/Year	2020	First Quarter of 2021
Net interest income (expense) (A) (Note 1)	(11,251)	(1,629)
Foreign exchange gain (loss) - net (B) (Note 2)	18,118	(1,084)
Operating revenue - net (C)	1,580,237	426,328
(A)/(C)	-0.71%	-0.38%
(B)/(C)	1.15%	-0.25%

Note 1: It refers to the net amount of interest income minus net expense for the current year.

Note 2: It refers to the net amount of foreign exchange gain minus foreign exchange loss for the current year.

(1) Impact of changes in interest rates:

The Company's net interest expense in 2020 was NT\$11,251,000, accounting for 0.71 percent of our operating revenue in the same year, while the Company's net interest expense in the first quarter of 2021 was NT\$1,629,000, accounting for 0.38 percent of our operating revenue in the first quarter of the same year. This goes to show that interest income and expense accounted for very little of our revenue. Looking forward, the Company will continue to pay close attention to the development of the global economy and the trend of interest rates in Mainland China and adjust our use of capital in due course.

(2) Impact of changes in exchange rates:

The Company's foreign exchange gain in 2020 was NT\$18,118,000, accounting for 1.15 percent of our operating revenue in the same year, while the Company's foreign exchange loss in the first quarter of 2021 was NT\$1,084,000, accounting for 0.25 percent of our revenue in the first quarter of the same year. As foreign exchange gain or loss accounted for very little of our revenue, exchange rate fluctuations caused a low risk to the Group.

(3) Impact of inflation:

The Company's past gains or losses were not significantly affected by inflation. If the purchase cost increases due to inflation, the Company will also appropriately adjust the selling prices when necessary, in order to minimize its impact on the Company's operations.

(III) Policies on High-risk and High-leverage Investments, Loaning of Funds to Others, Endorsements/Guarantees, and Derivatives Trading, Main Reasons for Profit or Loss Therefrom, and Future Response Measures

The Company has established the "Procedures for Loaning of Funds to Others and Endorsement/Guarantee" and the "Procedures for Acquisition or Disposal of Assets." The regulations above are applicable to the basis of compliance for the Company and all the subordinate companies listed in our consolidated financial statements.

The Company's operations are carried out based on the principle of conservatism and stability. In the most recent year up to the publication date of this annual report, the Company did not engage in high-risk, high-leverage investments and derivatives trading. In the most recent year up to the publication date of this annual report, the Company did

not loan funds and provide endorsements or guarantees for others outside the Group.

(IV) Future R&D Plans and Expected Investments in R&D

(1) Future R&D plans

① Short-term R&D directions①

At present, the Company has three main brands, namely RBT, Happy Lemon, and Tea Opal, which include five major types of products, namely fine tea, beverage, snacks, desserts, and main course.

The new RBTea focuses on the refining the essence of tea drinking in the East and injecting soul into every cup of tea, so that tea drinking becomes the goal of kickstarting each day. RBT builds a fashionable and trendy artistic space and provides a green and healthy display platform. In order to create more healthy beverages that consumers love, RBT sets the aim of "Natural tastes good," so that "Only natural tastes good" becomes the first element in the development of such beverages. Confidence in "Natural tastes good" products enables RBTea's "Natural tastes good" to become an everlasting taste.

RBT continues to develop natural and healthy plant-based beverages. Using molecular gastronomy techniques to change the liquid structure. each sip is full of freshness. RBT looks for eastern food ingredients to create a fusion between structure and creativity with tea all in one sip.

With its product strategy revolves around the element of lemon based on a new trendy tea drinking culture, Happy Lemon continues to promote classic products, such as Taiwan's four-season spring tea and rock salt cheese series, and extend the application of such products to develop highly popular product designs. Happy Lemon initiates the design of trendy beverages with hype and selling points through cross-industry and co-branding events along with current attraction.

The Group's strategy also includes launching and promoting pre-packed products, preparing hand-shaken beverages upon order through cross-industry collaboration with supermarkets and convenience stores, offering services including designing customized products and selling product materials, as well as rapidly expanding sales channels for new platform markets.

② Middle- and long-term R&D directions②

The Company's brands, namely RBT and Happy Lemon, have built a considerable reputation in the chain food and beverage industry. In addition to continuously focusing on expanding the products under the brands based on the good image and goodwill established with consumers,

Against the backdrop of the COVID-19 pandemic, the Company intensifies local procurement efforts and expands the area of sample search when it comes to the use of imported materials. Aside from purchasing key raw materials from the place of origin, the Company also attaches importance to the aspect of in-store operations. For instance, the Company tests the use of materials from the essence of tea (tea extract using food technology) in the key tea making process, so that

stores can ensure stable quality of tea products using simple formulas.

On top of moving toward simplified procedures for developing product materials, the Company also sets the goals of engaging in the development of key equipment, reducing operating procedures as well as simplifying store equipment and investments, so as to make it easier for stores to control quality.

(2) Expected R&D investments

In 2020, the Company's R&D expenses accounted for 0.67 percent of our operating revenue. With the rising number of brands and revenue growth, the Company can gradually increase our R&D expenses, thus enhancing our competitiveness in the market.

(V) Policy and Regulatory Changes at Home and Abroad that Impact the Company's Financial Operations, and Relevant Response Measures

The Company not only carries out daily operations in accordance with the relevant laws and regulations at home and abroad, but also pays attention to policy developments and trends and regulatory changes at home and abroad at all times to keep abreast of and respond to changes in the market environment. Therefore, policy and regulatory changes at home and abroad in the most recent year has no significant impact on the Company's financial operations.

(VI) Impact of Technological and Industrial Changes on the Company's Financial Operations and Relevant Response Measures

The Company pays attention to technological changes related to the industry we belong to at all times, keeps abreast of the latest market trends, and assesses their impact on the Company's operations. As of the publication date of this annual report, the Company has not undergone any major industry changes that has a significant impact on the Group's financial operations.

The Company's Information Center has established an data loss prevention system revolving around data security for application systems, and formed key security risk factors through user identity security, access security, data confidentiality, and network boundary integrity, in order to ensure data security, such that the Group's application systems can play an increasingly vital role in improving management levels, promoting business innovation, and enhancing competitiveness.

(VII) Impact of Changes to Corporate Image on the Company's Crisis Management and Relevant Response Measures

Since our founding, the Company has maintained a good corporate image, and complied with the relevant laws and regulations. We also maintain harmonious labor-management and local relations, in order to continuously maintain a good corporate image. No event has affected our corporate image in recent years.

(VIII) Expected Benefits, Possible Risks and Response Measures for Mergers and Acquisitions:

In the most recent year up to the publication date of this annual report, the Company has

no specific plan to engage in mergers and acquisitions involving other companies outside the Group. Hence, this section is not applicable.

(IX) Expected Benefits, Possible Risks and Response Measures for Factory Expansion:

In the most recent year up to the publication date of this annual report, the Company has no plan to engage in factory expansion. Hence, this section is not applicable.

(X) Risks Associated with the Concentration of Purchases or Sales of Goods and Relevant Response Measures:

The Company's customers and suppliers are scattered and come from all over the world. Hence, the Company does not encounter the concentration of purchases or sales of goods.

(XI) Impact of the Transfer or Replacement of Large Number of Shares Involving Directors, Supervisors or Major Shareholders Whose Shareholding Percentage Exceeds 10 percent on the Company and Relevant Risks: No such situation was observed in the Company in 2020.

(XII) Impact of Changes in Ownership on the Company and Relevant Risks: None

(XIII) Litigious or Non-litigious Matters

1. Where the Company is involved in any litigious or non-litigious matter or administrative dispute that has been concluded through final judgment or is still on-going in the two most recent years up to the publication date of this annual report and the results of such matter or dispute may have a material impact on shareholders' equity or securities prices, the facts of such dispute, the amount of subject matter, the commencement date for the litigation, the main litigants involved and the current handling situation shall be disclosed: None

2. Where the Company's directors, supervisors, President, de facto responsible person, major shareholders whose shareholding percentage exceeds 10 percent, and subordinate companies are involved in any litigious or non-litigious matter or administrative dispute that has been concluded through final judgment or is still on-going in the two most recent years up to the publication date of this annual report and the results of such matter or dispute may have a material impact on shareholders' equity or securities prices: None

3. Any circumstances stipulated in Article 157 of the Securities and Exchange Act, in which the Company's directors, supervisors, managers, and major shareholders whose shareholding percentage exceeds 10 percent are involved, in the two most recent years up to the publication date of this annual report and the Company's handling of such circumstances: None

(XIV) Other Important Risks and Response Measures: None

VII. Other Important Matters: None

Chapter 8. Special Notes

I. Information on Affiliated Companies

(I) Consolidated Business Report on Affiliated Companies

1. Organization Chart of Affiliated Companies: Kindly refer to Chapter 2 "Company Profile"

Industries Covered by Businesses Engaged by Affiliated Companies: Kindly refer to "Basic Information on Affiliated Companies" in the following table

2. Basic Information on Affiliated Companies:

Name of Company	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
RBT Holdings Limited	2007.2.2	Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong	HK\$50,200,000	Investment holding and trading of raw materials for catering
RBT Enterprise Limited	2007.1.24	Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong	HK\$8,800	Trademark rights management
Yen Mei Enterprise Limited	2000.9.1	6F., No.77, Xinqu 1st Rd., Neihu Dist., Taipei	NT\$90,000,000	Trading of beverages
Happy Lemon HK Limited	2005.11.17	Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong	HK\$7,000,000	Purchase and sale of beverage and collection of franchise fee and royalties
RBT Resources Limited	2007.2.21	Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong	HK\$26,000,000	Trading of raw materials for catering
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	1999.5.31	17F., Liziyuan Mansion, 4711, Jiaotong Rd, Putuo District, Shanghai	US\$3,500,000	Operation of food and beverage outlets and collection of franchise fee and royalties
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	2006.9.12	17F., Liziyuan Mansion, 4711, Jiaotong Rd, Putuo District, Shanghai	RMB1,000,000	Purchase and sale of beverage and collection of franchise fee and royalties
Shanghai Tai Quan Trading Co., Ltd.	2008.6.13	17F., Liziyuan Mansion, 4711, Jiaotong Rd, Putuo District, Shanghai	RMB1,000,000	Trading of raw materials for catering
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	2008.8.6	Room M17, 4F., No.17, Dongsanhuan N. Rd., Chaoyang Dist., Beijing	RMB1,000,000	Purchase and sale of beverage and collection of franchise fee and royalties
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	2009.3.12	Room 601-603 & 604A, Trading Square, No.268, Dongfeng Central Rd., Yuexiu Dist., Guangzhou	RMB1,000,000	Operation of food and beverage outlets and collection of franchise fee and royalties

Name of Company	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	2012.6.25	Room A, No.1-2, 15F., Beitekongpai Mansion, No.51, Qinglong St., Qingyang Dist., Chengdu	RMB1,000,000	Purchase and sale of beverage and collection of franchise fee and royalties
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	2014.9.10	17F., Liziyuan Mansion, 4711, Jiaotong Rd, Putuo District, Shanghai	RMB20,000,000	Operation of food and beverage outlets
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	2017.5.9	17F., Liziyuan Mansion, 4711, Jiaotong Rd, Putuo District, Shanghai	RMB4,240,000	Operation of food and beverage outlets
Yummy-town USA LLC	2017.8.30	1013 Centre Road, Suite 403S, Wilmington, DE 19805, County of New Castle	US\$1,311,000	Purchase and sale of beverage and collection of franchise fee and royalties
Yummy-town UK Ltd	September 17, 2019	Chase Business Centre, 39-41 Chase Side, Southgate, London N14 SBP, UK	GBP1,100,000 (Note 1)	Purchase and sale of beverage and collection of franchise fee and royalties
Yen Chun International Co., Ltd.	2019.11.25	1F., No. 11, Dongfeng Street, Da'an District, Taipei City	NT\$50,000,000 (Note 2)	Operation of food and beverage outlets
Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd.	2020.1.2	No. 165, 1st Floor, Building A5, Nanning Jiangnan Wanda Plaza, No. 48-1, Tinghong Road, Jiangnan District, Nanning	RMB1,900,000	Operation of food and beverage outlets
Happy Lemon West Inc.	2020.2.20	35233, Newark Boulevard, Unit G, Newark, CA	US\$393,000 (Note 3)	Operation of food and beverage outlets
Happy Lemon (M) Sdn. Bhd.	2020.1.2	Ground Floor, 8, Lorong Universiti B, Seksyen 16, Petaling Jaya, Selangor	MYR2,000,000	Purchase and sale of raw materials for food and beverage, purchase and sale of beverage and collection of franchise fee and royalties
Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd.	2020.6.19	17F., Liziyuan Mansion, 4711, Jiaotong Rd, Putuo District, Shanghai	RMB5,000,000	Operation of food and beverage outlets

Note 1. Exchange rates on December 31, 2020: RMB:NT\$ = 1:4.377; HK\$:NT\$ = 1:3.673; US\$:NT\$ = 1:28.48; GBP:NTD = 38.9; MYR:NTD = 6.79

2. Paid-in capital includes NT\$25,000,000 in capital surplus.

3. The Company holds 3,000 non par-value stocks of this affiliated company.

4. Information on Common Shareholders Who Are Presumed to Have Controlling and Subordinating Relations: None

3. Information on Directors, Supervisors and President at Affiliated Companies

Name of Company	Director	Supervisor	President
RBT Holdings Limited	Chen, Yu-Chen and Wu, Po-Chao	-	-
RBT Enterprise Limited	Chen, Yu-Chen and Wu, Po-Chao	-	-
Yen Mei Enterprise Limited	Lin, Chin-Jen	-	-
RBT Food and Beverage Ltd.	Chen, Yu-Chen	-	-
RBT Resources Limited	Chen, Yu-Chen and Wu, Po-Chao	-	-
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Wu, Po-Chao; Chen, Yu-Chen; and Wu, Hua-Chao	Lin, Chin-Jen	-
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Wu, Po-Chao	Chen, Yu-Chen	-
Shanghai Tai Quan Trading Co., Ltd.	Wu, Po-Chao	Chen, Yu-Chen	-
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	Wu, Po-Chao	Lin, Tai-Yi	-
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Wu, Hua-Chao	Chen, Yu-Chen	-
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	Lin, Tai-Yi	Chen, Yu-Chen	-
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	Wu, Po-Chao; Nakaoka Kazunori; Mitsu Ito; Kajiwara Fumio; Chang, Miao-Ling; and Lin, Tai-Yi	Chen, Yu-Chen and Yokokura Yasuo	Chang, Miao-Ling
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	Chen, Yu-Chen	Wu, Po-Chao	Chang, Miao-Ling
Yummy-town USA LLC	Chen, Yu-Chen	-	Chen, Yu-Chen
Yummy-town UK Ltd	Chen, Yu-Chen	-	Chen, Yu-Chen
Yen Chun International Co., Ltd.	Chen, Yu-Chen	-	-
Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd.	Wu, Po-Chao; Chen, Yu-Chen; and Chang, Hsin-Jung		Chang, Hsin-Jung
Happy Lemon West Inc.	Chen, Yu-Chen; Chen, Sheng-Chung; and Maurice	-	Maurice
Happy Lemon (M) Sdn. Bhd.	Loke Yeu Loong; Ng Hong Sing; Chen, Yu-Chen; Chang, Miao-Ling; and Chen, Sheng-Chung	-	Loke Yeu Loong
Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd.	Wu, Po-Chao; Chen, Yu-Chen; and Zhou Zhi	Jiang Xiyi and Lin Huanqiang	Chang, Miao-Ling

4. Business Overview of Affiliated Companies

Unit: NT\$ thousands

Name of Company	Total assets	Total liabilities	Net Worth	Operating Revenue	Operating profit	Profit After Tax	Earnings Per Share (NT\$) (After Tax)
RBT Holdings Limited	796,042	5,975	790,067	1,464	-2,529	26,286	Note
RBT Enterprise Limited	24,297	2,156	22,142	21,499	8,956	9,179	Note
Yen Mei Enterprise Limited	70,919	10,605	60,314	12,684	-7,147	6,940	Note
Happy Lemon HK Limited	131,450	73,143	58,307	87,549	21,834	27,338	Note
RBT Resources Limited	134,557	53,078	81,479	129,209	-4,724	-4,968	Note
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	692,330	179,000	513,330	235,431	-10,635	7,289	Note
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	78,053	90,254	-12,201	136,629	-26,387	-28,636	Note
Shanghai Tai Quan Trading Co., Ltd.	344,161	179,083	165,078	838,129	64,890	55,000	Note
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	104,184	96,913	7,271	153,726	-6,385	-5,696	Note
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	57,084	52,911	4,172	55,016	-1,867	-3,846	Note
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	49,961	50,445	-483	61,306	-2,979	-2,377	Note
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	26,470	476	25,994	2,224	-4,748	-6,168	Note
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	2,186	21	2,165	1	-145	-318	Note
Yummy-town USA LLC	55,558	9,335	46,223	23,937	8,491	7,663	Note
Yummy-town UK LLC	74,190	23,059	51,131	0	0	-2,407	Note
Yen Chun International Co., Ltd.	112,250	47,472	64,778	14,571	-925	14,847	Note
Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd.	2,559	1,337	1,222	981	-658	-678	Note
Happy Lemon West Inc.	875	482	393	502	89	79	Note
Happy Lemon (M) Sdn. Bhd.	2,449	1,233	1,215	247	-768	-785	Note
Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd.	21,823	0	21,823	0	-304	-61	Note
You Fu Food & Beverage Management (Shanghai) Co., Ltd.	0	0	0	0	0	0	Note

Note: It is a limited company. Hence, no shares are recorded.

Closing exchange rates on December 31, 2020: RMB:NT\$ = 1:4.377; HK\$:NT\$ = 1:3.673; US\$:NT\$ = 1:28.48; GBP:NTD = 38.9; MYR:NTD = 6.79

Average exchange rates on December 31, 2020: RMB:NT\$ = 1:4.282; HK\$:NT\$ = 1:3.809; US\$:NT\$ = 1:29.549
GBP:NTD = 37.94; MYR:NTD = 6.735

(II) Consolidated Financial Statements of Affiliated Companies: Not applicable

(III) Report on Affiliated Companies: None

II. Private Placement of Securities for the Most Recent Year up to the Publication Date of this Annual Report: None

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year up to the Publication Date of this Annual Report: None

IV. Other Supplementary Matters

Implementation of Commitments during the Company's listing on Taipei Exchange (TPEX):
None

V. Events that Have a Material Impact on Shareholders' Equity or Prices of the Company's Securities pursuant to Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Most Recent Year up to the Publication Date of this Annual Report: None

VI. Major Differences from Regulations Protecting Shareholders' Rights and Interests in Taiwan: None

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2020 and 2019

Address: Liziyuan Tower, Fl. 17, No.4711, Jiaotong Road, Putuo District,
Shanghai City, People's Republic of China

Phone: (21) 5216-3499

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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 subsidiaries (hereinafter referred to as the "Yummy Town Group and subsidiaries") as of December 31, 2020 and 2019, 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 as of December 31, 2020 and 2019, 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

In 2020, we conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. In 2019, we conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Zheng-Shen-Zi No. 1090360805 issued on February 25, 2020 by FSC and auditing standards generally accepted in the Republic of China. 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We 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 subsidiaries for the year ended December 31, 2020 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 subsidiaries for the year ended December 31, 2020 are stated as follows:

Recognition of sales of commodities

The operating revenue of Yummy Town Group and subsidiaries in 2020 was \$1,580,237 thousand, of which the transaction type is selling raw materials to the franchisee for consideration, resulting in a significant amount of sales. 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, 2020. 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 whether the delivery order is signed by the customer, the export declaration form (for export sales), the invoice and whether the payment is 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 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 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 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, 2020. 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 Huang-I-Min

CPA Wu-Ke-Chang

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

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

March 25, 2021

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019

Unit: Thousands of NT Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 400,358	22	\$ 333,507	18
1110	Financial assets at fair value through profit or loss - current (Notes IV, VII and XXIX)	127,209	7	462,590	26
1136	Financial assets at amortized cost - current (Notes IV, VI, VIII and XXIX)	208,192	12	48,296	3
1170	Accounts receivable (Notes IV and IX)	35,879	2	47,407	3
1180	Accounts receivable - related parties (Notes IV, IX and XXVIII)	57	-	143	-
1200	Other receivables	34,200	2	32,952	2
130X	Inventories (Notes IV and X)	85,180	5	101,279	5
1479	Other current assets - others (Notes VI and XXIX)	72,566	4	90,697	5
11XX	Total Current Assets	<u>963,641</u>	<u>54</u>	<u>1,116,871</u>	<u>62</u>
	NON-CURRENT ASSETS				
1535	Financial assets at amortized cost - non-current (Notes IV, VI, VIII and XXIX)	118,179	7	43,050	2
1551	Investments accounted for using equity method (Notes IV and XII)	121,708	7	14,859	1
1600	Property, plant and equipment (Notes IV, XIII and XXIX)	146,618	8	161,492	9
1755	Right-of-use assets (Notes IV and XIV)	292,754	16	358,394	20
1780	Intangible assets (Notes IV and XV)	32,929	2	7,486	1
1840	Deferred tax assets (Notes IV and XXII)	29,156	2	24,619	1
1920	Refundable deposits	71,709	4	74,990	4
15XX	Total Non-current Assets	<u>813,053</u>	<u>46</u>	<u>684,890</u>	<u>38</u>
1XXX	Total Assets	<u>\$ 1,776,694</u>	<u>100</u>	<u>\$ 1,801,761</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term loans (Note XVI)	\$ 282,447	16	\$ 232,749	13
2170	Accounts payable	93,968	5	118,224	7
2180	Accounts payable - related parties (Note XXVIII)	226	-	-	-
2219	Other payables (Note XVII)	111,779	6	107,747	6
2230	Current tax liabilities (Notes IV and XXII)	6,971	1	9,218	-
2280	Lease liabilities - current (Notes IV and XIV)	165,022	9	196,608	11
2399	Other current liabilities	49,895	3	42,948	2
21XX	Total Current Liabilities	<u>710,308</u>	<u>40</u>	<u>707,494</u>	<u>39</u>
	Non-current liabilities				
2527	Contract liabilities - non-current (Notes IV and XX)	26,380	2	34,656	2
2540	Long-term borrowings (Note XVI)	53,258	3	-	-
2570	Deferred income tax liabilities (Notes IV and XXII)	7,444	-	6,283	-
2580	Lease liabilities - non-current (Notes IV and XIV)	147,313	8	172,989	10
2645	Guarantee deposits received	143,497	8	154,562	9
25XX	Total Non-current Liabilities	<u>377,892</u>	<u>21</u>	<u>368,490</u>	<u>21</u>
2XXX	Total Liabilities	<u>1,088,200</u>	<u>61</u>	<u>1,075,984</u>	<u>60</u>
	Equity attributable to owners of the Company (Note XIX)				
	Share capital				
3110	Common stocks	365,544	21	349,085	19
	Capital surplus				
3210	Share premium	218,612	12	218,612	12
3220	Treasury stock trade	3,050	-	3,050	-
3273	Employee restricted stocks	13,520	1	12,938	1
3200	Total Capital Reserve	<u>235,182</u>	<u>13</u>	<u>234,600</u>	<u>13</u>
	Retained earnings				
3310	Legal reserve	64,306	4	51,369	3
3320	Special reserve	75,253	4	50,361	3
3350	Unappropriated earnings	61,191	3	162,393	9
3300	Total Retained Earnings	<u>200,750</u>	<u>11</u>	<u>264,123</u>	<u>15</u>
	Other equity				
3410	Exchange differences on translation of foreign operations	(82,230)	(5)	(75,253)	(4)
3490	Unearned employee benefits	(699)	-	(3,635)	(1)
3400	Total Other Equity	<u>(82,929)</u>	<u>(5)</u>	<u>(78,888)</u>	<u>(5)</u>
3500	Treasury stock	(64,037)	(3)	(57,279)	(3)
31XX	Total Equity Attributable to Shareholders of the Parent	654,510	37	711,641	39
36XX	Non-controlling interests (Note XIX)	33,984	2	14,136	1
3XXX	Total Equity	<u>688,494</u>	<u>39</u>	<u>725,777</u>	<u>40</u>
	Total Liabilities and Equity	<u>\$ 1,776,694</u>	<u>100</u>	<u>\$ 1,801,761</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, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Notes IV, V, XX and XXVIII)	\$ 1,580,237	100	\$ 2,217,112	100
5000	Operating costs (Notes X, XXI, and XXVIII)	<u>788,275</u>	<u>50</u>	<u>1,070,817</u>	<u>48</u>
5900	Gross Profit	<u>791,962</u>	<u>50</u>	<u>1,146,295</u>	<u>52</u>
	Operating expenses (Note XXI)				
6100	Sales and marketing expenses	459,030	29	606,069	27
6200	General and administrative expenses	298,753	19	350,790	16
6300	Research and development expenses	<u>11,923</u>	<u>-</u>	<u>14,894</u>	<u>1</u>
6000	Total operating expenses	<u>769,706</u>	<u>48</u>	<u>971,753</u>	<u>44</u>
6900	Operating income	<u>22,256</u>	<u>2</u>	<u>174,542</u>	<u>8</u>
	Non-operating income and expenses (Note XXI)				
7100	Interest income	6,736	-	6,620	1
7010	Other income	23,663	2	27,189	1
7020	Other gains and losses	18,315	1	3,590	-
7050	Finance costs	(17,987)	(1)	(20,240)	(1)
7770	Share of profit or loss of associates accounted for using the equity method (Notes IV and XII)	<u>5,102</u>	<u>-</u>	<u>(17,862)</u>	<u>(1)</u>
7000	Total non-operating income and expenses	<u>35,829</u>	<u>2</u>	<u>(703)</u>	<u>-</u>

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Code		2020		2019	
		Amount	%	Amount	%
7900	Net income before tax	\$ 58,085	4	\$ 173,839	8
7950	Tax expenses (Notes IV and XXII)	(25,047)	(2)	(50,486)	(3)
8200	Net profit for this period	<u>33,038</u>	<u>2</u>	<u>123,353</u>	<u>5</u>
	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(6,110)	-	(25,772)	(1)
8370	Share of other comprehensive income of associates accounted for using equity method	(837)	-	332	-
8300	Total other comprehensive income	(6,947)	-	(25,440)	(1)
8500	Total comprehensive income for the period	<u>\$ 26,091</u>	<u>2</u>	<u>\$ 97,913</u>	<u>4</u>
	Net income attributable to				
8610	owners of the parent	\$ 38,871	2	\$ 129,368	6
8620	NON-CONTROLLING INTERESTS	(5,833)	-	(6,015)	(1)
8600		<u>\$ 33,038</u>	<u>2</u>	<u>\$ 123,353</u>	<u>5</u>
	Total comprehensive income attributable to				
8710	owners of the parent	\$ 31,894	2	\$ 104,476	5
8720	NON-CONTROLLING INTERESTS	(5,803)	-	(6,563)	(1)
8700		<u>\$ 26,091</u>	<u>2</u>	<u>\$ 97,913</u>	<u>4</u>
	Earnings per share (Note XXIII)				
9710	Basic	<u>\$ 1.09</u>		<u>\$ 3.62</u>	
9810	Diluted	<u>\$ 1.09</u>		<u>\$ 3.61</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 Changes in Equity
For the Years Ended December 31, 2020 and 2019

Unit: Thousands of NT Dollars

Code		Equity Attributable to owners of the parent								NON-CONTROLLING INTERESTS	Total Equity	
		Share capital Share Capital - Common Stock	Capital surplus	Legal reserve	Retained earnings		Other equity		Treasury stock			Total
					Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unearned employee benefits				
A1	Balance as of January 1, 2019	\$ 350,693	\$ 263,834	\$ 41,061	\$ 48,089	\$ 113,389	(\$ 50,361)	(\$ 8,198)	(\$ 66,763)	\$ 691,744	\$ 20,699	\$ 712,443
	Appropriation of earnings for 2018 (Note XIX)											
B1	Recognition of legal reserve	-	-	10,308	-	(10,308)	-	-	-	-	-	-
B3	Recognition of special reserve	-	-	-	2,272	(2,272)	-	-	-	-	-	-
B5	Distribution of cash dividends	-	-	-	-	(67,784)	-	-	-	(67,784)	-	(67,784)
D1	Net income (loss) for the year ended December 31, 2019	-	-	-	-	129,368	-	-	-	129,368	(6,015)	123,353
D3	Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(24,892)	-	-	(24,892)	(548)	(25,440)
D5	Total comprehensive income for the year ended December 31, 2019	-	-	-	-	129,368	(24,892)	-	-	104,476	(6,563)	97,913
N1	Cancellation of employee restricted stocks (Notes XIX and XXIV)	(1,608)	1,608	-	-	-	-	-	-	-	-	-
N1	Compensation cost of employee restricted stocks (Note XXIV)	-	-	-	-	-	-	4,563	-	4,563	-	4,563
C15	Cash dividends from capital surplus (Note XIX)	-	(33,892)	-	-	-	-	-	-	(33,892)	-	(33,892)
C17	Subscription of treasury stocks by employees (Note XIX)	-	3,050	-	-	-	-	-	9,484	12,534	-	12,534
Z1	Balance as of December 31, 2019	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 XIX)											
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 XIX)	-	-	-	-	-	-	-	(6,758)	(6,758)	-	(6,758)
N1	Cancellation of employee restricted stocks (Notes XIX and XXIV)	(582)	582	-	-	-	-	-	-	-	-	-
N1	Compensation cost of employee restricted stocks (Note XXIV)	-	-	-	-	-	-	2,936	-	2,936	-	2,936
O1	Changes in non-controlling interests (Note XIX)	-	-	-	-	-	-	-	-	-	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

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 Cash Flows
For the Years Ended December 31, 2020 and 2019

Unit: Thousands of NT Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Income before income tax for the period	\$ 58,085	\$ 173,839
A20010	Income and expense items		
A20100	Depreciation expense	233,906	272,395
A20200	Amortization	3,622	5,061
A20400	Net gain on financial assets at fair value through profit or loss	(9,158)	(17,652)
A20900	Interest expense	17,987	20,240
A21200	Interest income	(6,736)	(6,620)
A21900	Employee compensation cost	2,936	7,647
A22300	Share of loss of associates (interests) accounted for using equity method	(5,102)	17,862
A22500	Loss on disposal of property, plant and equipment	6,199	8,122
A23200	Loss on disposal of investments	-	407
A23700	Write-downs of inventories (gain on reversal)	931	(5,038)
A29900	Gains on lease modification	(2,270)	(1,349)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	344,539	65,609
A31150	Accounts receivables	12,156	(4,324)
A31160	Accounts receivables - related parties	86	(73)
A31180	Other receivables	773	371
A31200	Inventories	15,409	(3,879)
A31240	Other current assets	22,958	(32,967)
A32125	Contract liabilities	(8,276)	(1,947)
A32150	Accounts payable	(24,256)	(5,247)
A32160	Accounts payable - related parties	226	(9,964)
A32180	Other payables	1,099	(15,328)
A32230	Other current liabilities	<u>6,947</u>	<u>(7,281)</u>
A33000	Cash generated from operations	672,061	459,884
A33100	Interest received	5,055	6,261

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Code		2020	2019
A33300	Interest paid	(\$ 17,987)	(\$ 20,240)
A33500	Income tax paid	(31,065)	(57,248)
AAAA	Net cash generated by operating activities	<u>628,064</u>	<u>388,657</u>
	Cash flows from investing activities		
B00040	Net increase in financial assets at amortized cost	(235,025)	(19,794)
B01800	Acquisition of investments accounted for using equity method	(102,583)	-
B01900	Proceeds from disposal of investments accounted for using equity method	-	14,942
B02700	Acquisition of property, plant and equipment	(28,257)	(46,588)
B02800	Proceeds from disposal of property, plant and equipment	1,377	259
B03700	Decrease (increase) in refundable deposits	4,202	(4,341)
B04500	Acquisition of intangible assets	(3,094)	(4,056)
B02200	Net cash outflow from subsidiaries (Note XXV)	(32,145)	-
B06600	(Increase) increase in other current assets - others	(4,602)	3,990
B06800	Decrease in other non-current assets	<u>-</u>	<u>1,503</u>
BBBB	Net cash flows used in investing activities	<u>(400,127)</u>	<u>(54,085)</u>
	Cash flows from financing activities		
C00100	Increase in short-term loans	49,698	87,833
C01600	Proceeds from long-term loans	53,258	-
C03100	Decrease in guarantee deposits received	(11,065)	(6,188)
C04020	Principal repayment of lease liabilities	(182,372)	(204,259)
C04500	Distribution of cash dividends	(85,203)	(101,676)
C04900	Costs for treasury stock buyback	(6,758)	-
C05100	Proceeds from subscription of treasury stocks by employees	-	9,450
C05800	Net changes in non-controlling interests	<u>22,873</u>	<u>-</u>
CCCC	Net cash used in financing activities	<u>(159,569)</u>	<u>(214,840)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(1,517)</u>	<u>(21,663)</u>
EEEE	Net increase in cash and cash equivalents	66,851	98,069
E00100	Cash and cash equivalents at beginning of year	<u>333,507</u>	<u>235,438</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 400,358</u>	<u>\$ 333,507</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, 2020 and 2019
(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 at 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 920 and 1,095 as of December 31, 2020 and 2019, 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 19, 2021.

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")

With the exception of the following, the applicability of the amended IFRSs endorsed and issued into effect by the FSC will not result in major changes to the accounting policies of the Consolidated Entity:

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

On January 1, 2020, the consolidated company applied the amendment as the threshold for materiality has been changed to 'could reasonably be expected to influence'. It also adjusted disclosures of the consolidated financial statements, and it deleted immaterial information which could obscure immaterial information.

2. Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

The consolidated company chooses to expediently apply to the amendment in practice to directly handle the rent negotiation related to the COVID-19 with the lessor. Please refer to Note IV for the relevant accounting policies. Before applying the amendment, the consolidated company shall determine whether the aforementioned rent negotiation should apply to the provisions of lease amendment.

The consolidated company had begun to apply the amendment since January 1, 2020. As the aforementioned rent negotiation only affected the year of 2020, the retrospective application of the amendment does not affect the retained earnings on January 1, 2020.

(II) FSC-endorsed IFRSs that are applicable from 2021 onward

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendment to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective on issuance
Amendments to "Interest Rate Benchmark Reform-Phase II" in IFRS 9, IAS 39, IFRS 4 and IFRS 16	Effective for annual reporting periods starting after January 1, 2021

The Consolidated Entity is continuing 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 would be disclosed when assessment is completed.

(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)
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 2)
Amendment to IFRS 3 "Update the Index to Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	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 6)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless 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 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 3: The amendments are applicable to the business combinations with an acquisition date during the annual reporting period and starting after January 1, 2022.

Note 4: 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 5: The amendments are applicable to contracts that have not fulfilled all obligations on January 1, 2022.

Note 6: The amendments are applicable to the deferral during the annual reporting period starting after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and accounting policies that occur during the annual reporting period starting after January 1, 2023.

The Consolidated Entity is continuing 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 would 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 become having 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 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 consideration paid or collected shall be directly recognized in equity attributable to the shareholders of the Company. Please refer to Note XI, Table VI and Table VII for details, shareholding percentages and operations of the subsidiaries.

(V) Business combinations

Business combinations are handled by the acquisition method. Costs associated with acquisition are recognized as expenses in the current period when costs 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 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 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 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 function 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 for 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 profit distribution of the associates. In addition, changes in the interests in 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 associate's identifiable assets and liabilities on the acquisition date 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 capital reserve - changes in the net equity value of associates accounted for using 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 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 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 carrying amount. Impairment loss recognized would not be allocated to assets which 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 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. Impairment loss is considered as 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) 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 annual 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 those measured at fair value through profit or loss, and those measured at amortized cost.

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 XXVII 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.

(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 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 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 of 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 is 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 acquisition of operating leases is 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 amount of lease liability, the amount of lease payments made to the lessors less 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 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 as the pension fund on a monthly basis in accordance with local regulations. The Company's subsidiaries in Taiwan adopts 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 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, other equity (unearned employee benefits) is adjusted. If vested at 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 estimate on the 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 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 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, 2020</u>	<u>December 31, 2019</u>
Cash on hand and working capital	\$ 2,594	\$ 3,106
Check and demand deposits	288,414	243,634
Cash equivalents		
Time deposits with original maturity dates within 3 months	<u>109,350</u>	<u>86,767</u>
	<u>\$400,358</u>	<u>\$333,507</u>

As of December 31, 2020 and 2019, time deposits with original maturity dates within 3 months of \$15,856 thousand and \$11,254 thousand were provided to banks as collateral for short-term loans, respectively, and recognized as other current assets – others. Please refer to Notes XVI and XXIX for details.

As of December 31, 2020 and 2019, the time deposits with original maturity dates over 3 months were \$326,371 thousand and \$91,346 thousand, respectively. They were classified as financial assets at amortized cost. Of which, \$207,143 thousand and \$48,296 thousand were provided to banks as collateral for long/short-term loans, respectively. Please refer to Notes VIII, XVI and XXIX for details.

VII. Financial Assets at Fair Value Through Profit or Loss - current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beneficiary certificates	\$ 20,687	\$146,683
Wealth management products	<u>106,522</u>	<u>315,907</u>
	<u>\$127,209</u>	<u>\$462,590</u>

For the years ended December 31, 2020 and 2019, net gains on financial assets at fair value through profit or loss were \$9,158 thousand and \$17,652 thousand respectively.

As of December 31, 2020 and 2019, \$39,988 thousand and \$78,422 thousand of wealth management products were provided to banks as collateral for short-term loans. Please refer to Notes XVI and XXIX and Table III for details.

VIII. Financial assets at amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Time deposit with original maturity date over 3 months	\$ 208,192	\$ 48,296
Less: Loss allowance	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 208,192</u>	<u>\$ 48,296</u>
<u>Non-current</u>		
Time deposit with original maturity date over 3 months	\$ 118,179	\$ 43,050
Less: Loss allowance	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 118,179</u>	<u>\$ 43,050</u>

(I) As of December 31, 2020 and 2019, the interest rate ranges of time deposits with original maturity dates over 3 months were 0.26% to 4.18% and 1.95% 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:

<u>Credit Rating</u>	<u>Definition</u>	<u>Expected Credit Basis of Recognition of Losses</u>	<u>December 31, 2020 Gross carrying amount</u>	<u>December 31, 2019 Gross carrying amount</u>
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	<u>\$ 326,371</u>	<u>\$ 91,346</u>

IX. Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts receivables</u>		
Measured at amortized cost Gross carrying amount	\$ 35,879	\$ 47,407
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 35,879</u>	<u>\$ 47,407</u>
<u>Trade receivables - related parties (Note XXVIII)</u>		
Measured at amortized cost Gross carrying amount	\$ 57	\$ 143
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 57</u>	<u>\$ 143</u>

The Consolidated Entity's average collection term for sale of goods is 30 days. Accounts receivable does 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 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 on 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 wrote 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, 2020

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

December 31, 2019

	<u>Not past due</u>	<u>1 to 90 Days Past Due</u>	<u>91 to 180 Days Past Due</u>	<u>Overdue over 180 Days</u>	<u>Overdue over 365 Days</u>	<u>Total</u>
Expected credit loss rate	-	-	-	-	-	-
Gross carrying amount	\$ 33,181	\$ 10,844	\$ 3,260	\$ 119	\$ 3	\$ 47,407
Loss allowance (lifetime expected credit loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 33,181</u>	<u>\$ 10,844</u>	<u>\$ 3,260</u>	<u>\$ 119</u>	<u>\$ 3</u>	<u>\$ 47,407</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 collectable. Thus, no loss of expected credit is recognized.

The loss allowance for doubtful receivable for the years ended December 31, 2020 and 2019 remained unchanged.

X. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 59,227	\$ 82,580
Merchandise inventories	<u>25,953</u>	<u>18,699</u>
	<u>\$ 85,180</u>	<u>\$101,279</u>

The cost of goods sold associated with inventories were \$705,947 thousand and \$933,472 thousand for the years ended December 31, 2020 and 2019, respectively.

The cost of goods sold, including write-downs of inventories and obsolescence losses (gain on reversal) were \$931 thousand and \$(5,038) thousand for the years ended December 31, 2020 and 2019, respectively. The rise in the net realizable value of inventories for the year ended December 31, 2019 was due to the digestion of inventories.

XI. Subsidiaries

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, 2020	December 31, 2019	
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	Note 4
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, 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	Yummy-town UK Ltd	Investment holding	100.00	100.00	Note 5
RBT Holdings Limited	Happy Lemon (M) Sdn Bhd	Trading of beverages, collection of franchise fees and royalties	51.00	-	Note 6
Yummy-town UK Ltd	Yummy-town USA LLC	Trading of beverages, collection of franchise fees and royalties	100.00	100.00	Note 3
Yummy-town USA LLC	Happy Lemon West Inc.	Trading of beverages, collection of franchise fees and royalties	70.00	-	Note 7
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	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
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	

Note 1: The company was established on January 2, 2020, and the Consolidated Entity invested RMB1,140,000 in 2020, with a shareholding percentage of 60%.

Note 2: The company was established on June 19, 2020, and the Consolidated Entity invested RMB2,050,000 in July, 2020, with a shareholding percentage of 41%. As the Consolidated Entity obtained more than half of the board seats, it has the control ability.

Note 3: RBT Holdings Limited sold all its shares of Yummy-town USA LLC to Yummy-town UK Ltd in December 2019. This transaction was in substance a group organizational adjustment.

- Note 4: The company was established on November 25, 2019 with a paid-up capital of \$25,000 thousand. The Consolidated Entity's shareholding percentage is 100%, and the payment for shares was made in December, 2019.
- Note 5: The company was established on September 17, 2019, with a paid-in capital of US\$400,000. The Consolidated Entity's shareholding percentage is 100%, and the payment for shares was made in December, 2019.
- Note 6: The company was established on April 30, 2020, with a paid-in capital of MYR\$2,000,000. The Consolidated Entity's shareholding percentage is 51%, and the payment for shares was made in September, 2020.
- Note 7: 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 XXV.
- Note 8: The financial statements of subsidiaries included in the consolidated financial statements for the years ended December 31, 2020 and 2019 were all based on audited financial statements.

XII. Investments Accounted for Using Equity Method

Investment in associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Significant associates</u>		
Yong Chun Cheng CO., LTD	\$ 93,024	\$ -
<u>Associates not individually material</u>		
Freshtea Japan Co., Ltd.	21,006	7,841
Happy Lemon California, Inc.	<u>7,678</u>	<u>7,018</u>
	<u>28,684</u>	<u>14,859</u>
	<u>\$121,708</u>	<u>\$ 14,859</u>

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

(I) Significant associates

Name of Company	Nature of Business	Area of operations	Shareholding Percentage	
			December 31, 2020	December 31, 2019
Yong Chun Cheng CO., LTD	Operation of food and beverage outlets	Taichung	20%	-

The summary of financial information below is based on the financial statements audited by the accountant of the associates and has reflected the adjustments made when the equity method is adopted.

<u>Yong Chun Cheng CO., LTD</u>	<u>December 31, 2020</u>
Current assets	\$ 191,496
NON-CURRENT ASSETS	7,812
Current liabilities	(73,406)
Equities	<u>\$ 125,902</u>
Percentage of shares held by the Group	20%
Interests of the Group	\$ 25,181
Goodwill (Note)	<u>67,843</u>
Investment carrying amount	<u>\$ 93,024</u>

	<u>2020</u>
Operating Revenue	<u>\$ 418,438</u>
Net profit for this period	\$ 104,965
Other comprehensive income (loss)	<u>-</u>
Total comprehensive income	<u>\$ 104,965</u>
Equities enjoyed by the Consolidated Entity	<u>\$ 13,024</u>

Note: The Company's acquisition of the fair value of the identifiable net assets of the Yong Chun Cheng CO., LTD through its subsidiary Yan Qun International CO., LTD. has yet to be completed in the purchase price allocation report, so the goodwill on December 31, 2020 is a provisional sum. The cost of acquiring the goodwill of \$67,843 thousand generated by the company is included in the cost of investing in associates.

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.

(II) Summary of information of associates not individually material

<u>Name of Company</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Freshtea Japan Co., Ltd.		
(Note 1)	40%	40%
Happy Lemon California, Inc.		
(Note 2)	49%	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>2020</u>	<u>2019</u>
The Consolidated Entity 's share of (Note 3)		
Net loss for the period	(\$ 7,922)	(\$ 17,862)
Other comprehensive income	<u>(837)</u>	<u>332</u>
Total comprehensive income	<u>(\$ 8,759)</u>	<u>(\$ 17,530)</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, with a share capital of JPY200,000 thousand (NT\$56,020 thousand) to offset the accumulated 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 offset the deficit is \$22,408 thousand.

Note 2: It was resolved to liquidate Happy Lemon California, Inc. in March, 2019.

Note 3: 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, 2020 and 2019 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.

XIII. Property, Plant and Equipment

	Freehold Land	Buildings	Machinery & equipment	Leasehold improvements	Other equipment	Total
<u>Cost</u>						
Balance as of January 1, 2019	\$ 41,542	\$ 40,291	\$ 89,885	\$ 176,407	\$ 22,461	\$ 370,586
Additions	-	-	7,512	29,632	5,473	42,617
Disposals	-	-	(9,365)	(46,187)	(4,381)	(59,933)
Net exchange differences	(763)	(739)	(3,218)	(5,351)	(673)	(10,744)
Reclassification	-	-	(33)	-	(2)	(35)
Balance as of December 31, 2019	<u>\$ 40,779</u>	<u>\$ 39,552</u>	<u>\$ 84,781</u>	<u>\$ 154,501</u>	<u>\$ 22,878</u>	<u>\$ 342,491</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2019	\$ -	\$ 4,566	\$ 51,567	\$ 117,839	\$ 12,305	\$ 186,277
Depreciation expense	-	811	11,781	35,124	5,046	52,762
Disposals	-	-	(6,766)	(42,117)	(2,669)	(51,552)
Net exchange differences	-	(104)	(2,075)	(3,826)	(448)	(6,453)
Reclassification	-	-	(54)	-	19	(35)
Balance as of December 31, 2019	<u>\$ -</u>	<u>\$ 5,273</u>	<u>\$ 54,453</u>	<u>\$ 107,020</u>	<u>\$ 14,253</u>	<u>\$ 180,999</u>
Net balance as of December 31, 2019	<u>\$ 40,779</u>	<u>\$ 34,279</u>	<u>\$ 30,328</u>	<u>\$ 47,481</u>	<u>\$ 8,625</u>	<u>\$ 161,492</u>
<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>

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 consolidated entity's property, plant and equipment below have been pledged to banks as collateral for short-term loans. Please refer to Notes XVI and XXIX.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Freehold Land	\$ 38,915	\$ 40,779
Buildings	<u>31,956</u>	<u>34,279</u>
	<u>\$ 70,871</u>	<u>\$ 75,058</u>

XIV. Lease Agreements

(I) Right-of-use assets	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of right-of-use assets		
Buildings	\$292,754	\$357,735
Other equipment	<u>-</u>	<u>659</u>
	<u>\$292,754</u>	<u>\$358,394</u>

	<u>2020</u>	<u>2019</u>
Addition of right-of-use assets	<u>\$179,942</u>	<u>\$182,958</u>
Disposal of right-of-use assets	<u>(\$ 53,512)</u>	<u>(\$ 46,884)</u>
Net exchange difference on right-of-use assets	<u>\$ 401</u>	<u>(\$ 12,534)</u>

Depreciation expenses of right-of-use assets		
Buildings	\$191,815	\$218,720
Other equipment	<u>656</u>	<u>913</u>
	<u>\$192,471</u>	<u>\$219,633</u>

(II) Lease liabilities	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of lease liabilities		
Current	<u>\$165,022</u>	<u>\$196,608</u>
Non-current	<u>\$147,313</u>	<u>\$172,989</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	4%	4%
Other equipment	4%	4%

(III) Other lease information	<u>2020</u>	<u>2019</u>
Expense of short-term leases	<u>\$ 12,918</u>	<u>\$ 23,657</u>
Expense of leases of low value assets	<u>\$ 31</u>	<u>\$ 31</u>
Variable lease payments not included in lease liability measurement	<u>\$ 29,986</u>	<u>\$ 38,869</u>
Total cash (outflow) from lease	<u>(\$225,307)</u>	<u>(\$266,816)</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.

The short-term lease fee for the year ended December 31, 2019 also includes leases with terms ended before December 31, 2019 and chose to apply the recognition exemption.

XV. Intangible Assets
(I) Goodwill

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ -	\$ -
Acquisition through business combinations	26,953	-
Net exchange differences	(923)	-
Ending Balance	<u>\$ 26,030</u>	<u>\$ -</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 XXV.

(II) Other intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2019	\$ 8,276	\$ 25,189	\$ 33,465
Additions	885	3,171	4,056
Net exchange differences	(174)	(1,058)	(1,232)
Balance as of December 31, 2019	<u>\$ 8,987</u>	<u>\$ 27,302</u>	<u>\$ 36,289</u>
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2019	\$ 5,651	\$ 19,087	\$ 24,738
Amortization	775	4,286	5,061
Net exchange differences	(123)	(873)	(996)
Balance as of December 31, 2019	<u>\$ 6,303</u>	<u>\$ 22,500</u>	<u>\$ 28,803</u>
Net balance as of December 31, 2019	<u>\$ 2,684</u>	<u>\$ 4,802</u>	<u>\$ 7,486</u>
<u>Cost</u>			
Balance as of January 1, 2020	\$ 8,987	\$ 27,302	\$ 36,289
Additions	768	2,326	3,094
Disposals	(2,416)	-	(2,416)
Net exchange differences	(276)	508	232
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
Disposals	(2,416)	-	(2,416)
Net exchange differences	(150)	441	291
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>

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

Trademark	8 to 15 years
Computer software	1 to 5 years

XVI. Borrowings

(I) Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured loans</u>		
Bank loans	\$ <u>282,447</u>	\$ <u>232,749</u>
Interest rate	<u>0.83%~1.655%</u>	<u>1.26%~ 3.7%</u>

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

(II) Long-term borrowings

<u>Bank loans</u>	<u>Redemption method</u>	<u>Contract period</u>	<u>December 31, 2020</u>	<u>December 31, 2019</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	\$ 45,283	\$ -
"	Monthly interest payment and principal repayment in full upon maturity	2020.5.28~2022.5.20	<u>7,975</u>	<u>-</u>
			<u>\$ 53,258</u>	<u>\$ -</u>

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

XVII. Other Payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payroll and bonus payable	\$ 56,796	\$ 45,748
Untaken leave payable	10,242	9,171
Business tax payable	2,915	4,722
Social security and provident fund payable	4,400	6,684
Professional service fee payable	3,838	3,700
Payables on equipment	4,576	3,470
Others	<u>29,012</u>	<u>34,252</u>
	<u>\$111,779</u>	<u>\$107,747</u>

XVIII. Provisions - current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employee benefits (under other payables)	<u>\$ 10,242</u>	<u>\$ 9,171</u>

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

XIX. Equity

(I) Share capital

Common stocks

	<u>December 31, 2020</u>	<u>December 31, 2019</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>36,554</u>	<u>34,909</u>
Issued share capital	<u>\$ 365,544</u>	<u>\$ 349,085</u>

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

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 2020 and 2019, respectively, with 58 thousand shares and 161 thousand shares, totaling \$582 thousand and \$1,608 thousand. As of December 31, 2020, there were three thousand shares of the aforementioned new shares that restricted employee rights withdrawn, amounting \$30 thousand, whose cancellation procedure has not yet completed.

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

(II) Capital reserve

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset the deficits, distributed as cash dividends, or transferred to share capital (1)</u>		
Stock issuance premium	\$ 63,811	\$ 63,811
Premium on conversion of corporate bonds	154,801	154,801
Treasury stock transaction	3,050	3,050
<u>Not for any purpose (2)</u>		
Employee restricted stocks	<u>13,520</u>	<u>12,938</u>
	<u>\$235,182</u>	<u>\$234,600</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. Employees restricted stocks were from the Company's issuance of restricted shares for employees, and it shall not be used for any purpose.

(III) Retained earnings and dividend policy

According to the earnings distribution policy of the Company's Articles of Incorporation provides 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 Articles of Association were amended with the approval of the shareholders' meeting on June 13, 2019. The 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 XXI(VII).

The 2020 earning appropriation proposed in the Board of Directors' meeting on March 19, 2021 was as follows:

	<u>2020</u>
Legal reserve	<u>\$ 3,887</u>
Special reserve	<u>\$ 6,977</u>
Cash dividends	<u>\$ 17,839</u>
Cash Dividends Per Share (\$)	<u>\$ 0.50</u>

Details on the 2019 and 2018 earnings appropriation resolved in the Company's shareholders' meeting on June 23, 2020 and June 13, 2019, respectively, were as follows:

	<u>Earnings Appropriation</u>		<u>Dividend per Share (\$)</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 12,937	\$ 10,308	\$ -	\$ -
Special reserve	24,892	2,272	-	-
Cash dividends	85,203	67,784	2.50	2.00
Stock dividend	17,041	-	0.50	-

In addition, the Company resolved in the shareholders' meeting on June 13, 2019 to appropriate capital reserve of \$33,892 thousand for cash dividend distribution. Each share is entitled to \$1.

Please access the "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's earning distribution resolved in the shareholders' meetings. The Company's cash dividend of \$85,203 thousand in 2019 was approved by the special resolution of the board of directors on March 26, 2020, and was issued on May 22, 2020.

(IV) Special reserve

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning balance	\$ 50,361	\$ 48,089
Recognition of special reserve		
Deduction in other equity	<u>24,892</u>	<u>2,272</u>
Ending Balance	<u>\$ 75,253</u>	<u>\$ 50,361</u>

(V) Other equity

1. Exchange differences on 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 (New Taiwan dollars) is directly recognized under other comprehensive income as exchange differences on translation of foreign operations. The cumulative exchange differences on translation of foreign operations are reclassified to profit or loss upon the disposal of foreign operations.

2. Unearned employee benefits

	<u>2020</u>	<u>2019</u>
Beginning balance	(\$ 3,635)	(\$ 8,198)
Share-based payment	<u>2,936</u>	<u>4,563</u>
Ending Balance	<u>(\$ 699)</u>	<u>(\$ 3,635)</u>

(VI) Treasury stock

Unit: In Thousand Share

Reason for Buyback - To be Transferred to Employees	2020	2019
Beginning balance	720	909
Increase	111	-
Decrease	<u>-</u>	(<u>189</u>)
Ending balance	<u>831</u>	<u>720</u>

On May 23, 2019, the Company resolved in the Board of Director's meeting to transfer 189 thousand shares of treasury stock at \$9,450 thousand for employee subscription. The cost of treasury stock was \$9,484 thousand. Pursuant to relevant rules, the Company made estimates using the option model on the grant date and recognized compensation cost (recognized under payroll expense) of \$3,084 thousand, and capital reserve – treasury shares transactions of \$3,050 upon the transfer.

In order to motivate employees and enhance their loyalty, the Company resolved in the Board of Directors' meeting on March 26, 2020 to buyback 1,000 thousand shares of the Company's common stocks at the price range of \$42 to \$82 per share (the buyback continues even when the market price is below the lower limit of the price range) from March 27, 2020 to May 26, 2020, and 111 thousand shares have been repurchased as of December 31, 2020.

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

	2020	2019
Beginning balance	\$ 14,136	\$ 20,699
Net loss for the period	(5,833)	(6,015)
Other comprehensive income (loss) for the year		
Exchange differences on translating the financial statements of foreign operations	30	(548)
Increase in non-controlling Interests from Acquisition of Subsidiaries (Notes XI and XXV)	<u>25,651</u>	<u>-</u>
Ending Balance	<u>\$ 33,984</u>	<u>\$ 14,136</u>

XX. Operating revenue

	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	\$ 820,947	\$ 1,095,078
Catering revenue	521,430	827,689
Brand revenue	162,364	267,359
Other operating revenues	<u>75,496</u>	<u>26,986</u>
	<u>\$ 1,580,237</u>	<u>\$ 2,217,112</u>

(I)	Contract balance		<u>December 31, 2020</u>	<u>December 31, 2019</u>
	Contract liabilities - non-current			
	Brand revenue	\$	24,729	\$ 33,067
	Customer loyalty program under catering revenue		<u>1,651</u>	<u>1,589</u>
			<u>\$ 26,380</u>	<u>\$ 34,656</u>
(II)	Disaggregation of revenue from contracts with customers <u>2020</u>			
			<u>Reportable Segment</u>	
			<u>Catering</u>	<u>Trade</u>
				<u>Total</u>
Product type				
Revenue from sale of goods	\$	-	\$ 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>
	<u>2019</u>			
			<u>Reportable Segment</u>	
			<u>Catering</u>	<u>Trade</u>
				<u>Total</u>
Product type				
Revenue from sale of goods	\$	-	\$ 1,095,078	\$ 1,095,078
Catering revenue		827,689	-	827,689
Brand revenue		267,359	-	267,359
Other operating revenues		<u>19,048</u>	<u>7,938</u>	<u>26,986</u>
		<u>\$ 1,114,096</u>	<u>\$ 1,103,016</u>	<u>\$ 2,217,112</u>
XXI.	Net Income of Continuing Operations			
(I)	Interest income		<u>2020</u>	<u>2019</u>
	Bank deposit		<u>\$ 6,736</u>	<u>\$ 6,620</u>
(II)	Other income		<u>2020</u>	<u>2019</u>
	Government subsidy income (Note XXX)		\$ 21,252	\$ 21,773
	Others		<u>2,411</u>	<u>5,416</u>
			<u>\$ 23,663</u>	<u>\$ 27,189</u>
(III)	Other gains and losses		<u>2020</u>	<u>2019</u>
	Loss on disposal of property, plant and equipment	(\$	6,199)	(\$ 8,122)
	Loss on disposal of investments		-	(407)
	Gains on lease modification		2,270	1,349
	Net foreign exchange gain (loss)	\$	18,118	(\$ 1,333)
	Gain on financial assets at fair value through profit or loss (Note VII)		9,158	17,652
	Others		<u>(5,032)</u>	<u>(5,549)</u>
			<u>\$ 18,315</u>	<u>\$ 3,590</u>

(IV)	Finance costs		
		2020	2019
	Interest on bank loans	\$ 5,220	\$ 4,471
	Interest on lease liabilities	<u>12,767</u>	<u>15,769</u>
		<u>\$ 17,987</u>	<u>\$ 20,240</u>
(V)	Depreciation and amortization		
		2020	2019
	Property, plant and equipment	\$ 41,435	\$ 52,762
	Right-of-use assets	192,471	219,633
	Intangible assets	<u>3,622</u>	<u>5,061</u>
		<u>\$237,528</u>	<u>\$277,456</u>
	Depreciation expenses summarized by function		
	Operating costs	\$ 7,813	\$ 14,810
	Operating expenses	<u>226,093</u>	<u>257,585</u>
		<u>\$233,906</u>	<u>\$272,395</u>
	Amortized cost summarized by function		
	Operating expenses	<u>\$ 3,622</u>	<u>\$ 5,061</u>
(VI)	Employee benefits		
		2020	2019
	Short-term employee benefits	\$321,307	\$441,682
	Benefits after retirement	<u>2,853</u>	<u>2,575</u>
		<u>\$324,160</u>	<u>\$444,257</u>
	Summarized by functions		
	Operating costs	\$ 59,267	\$ 88,052
	Operating expenses	<u>264,893</u>	<u>356,205</u>
		<u>\$324,160</u>	<u>\$444,257</u>

- (VII) Compensation to employees 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 only.
- 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 26, 2020 and March 22, 2019 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, 2019 and 2018, respectively.
- Please access the "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's employee compensation and remuneration to Directors resolved in the 2020 and 2019 Board of Directors' meeting.

XXII. Income Tax Expense

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

	<u>2020</u>	<u>2019</u>
Current income tax expense	\$ 29,464	\$ 51,839
Adjustment on income taxes of prior years	(1,041)	(572)
Adjustment on deferred income tax assets	(3,376)	(781)
	<u>\$ 25,047</u>	<u>\$ 50,486</u>

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

	<u>2020</u>	<u>2019</u>
Income before income tax (Note)	<u>\$ 112,108</u>	<u>\$ 247,088</u>
Income tax expense from profit/(loss) before income tax calculated at the statutory rate (Note)	\$ 31,204	\$ 79,087
Tax effects of reconciled items		
Other permanent differences	(1,740)	(27,248)
Current income tax expense	<u>\$ 29,464</u>	<u>\$ 51,839</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 liabilities for the current period are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Income tax payable	<u>\$ 6,971</u>	<u>\$ 9,218</u>

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

2019

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Directly recognized in equity</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
Temporary differences				
Deferred income	\$ 7,033	\$ 228	\$ -	\$ 7,261
Loss carryforward	12,613	1,926	-	14,539
Other book-tax differences	3,989	(1,170)	-	2,819
	<u>\$ 23,635</u>	<u>\$ 984</u>	<u>\$ -</u>	<u>\$ 24,619</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Withholding tax on remittances of earnings of subsidiaries	\$ 6,080	\$ 203	\$ -	\$ 6,283

2020

	Beginning balance	Recognized in profit or loss	Directly recognized in equity	Ending balance
<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>-</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 tax on remittances of earnings of subsidiaries	<u>\$ 6,283</u>	<u>\$ 1,161</u>	<u>\$ -</u>	<u>\$ 7,444</u>

(V) Income tax approval status

Declaration of profit seeking enterprise income tax filed by Zhan Xin Resources Enterprise CO., LTD. Taiwan Branch in 2018, YEN CHUN International CO., LTD. in 2019, and YEN MEI Enterprise Limited before 2019 have all been approved by the tax authorities.

XXIII. Earnings per Share

	Unit: dollar per share	
	2020	2019
Basic EPS	<u>\$ 1.09</u>	<u>\$ 3.62</u>
Diluted EPS	<u>\$ 1.09</u>	<u>\$ 3.61</u>

When calculating the earnings per share, the impact of stock dividends has been retroactively adjusted, and the record date of the stock dividend was set to July 20, 2020. Due to the retroactive adjustment, changes in the basic and diluted earnings per share in 2019 were as follows:

	2019	
	Before retroactive adjustment	After retroactive adjustment
Basic EPS	<u>\$ 3.80</u>	<u>\$ 3.62</u>
Diluted EPS	<u>\$ 3.79</u>	<u>\$ 3.61</u>

The earnings and the weighted average number of common stocks for the purpose of calculating EPS are as follows:

Net profit for this period

	2020	2019
Net profit to calculate EPS	<u>\$ 38,871</u>	<u>\$129,368</u>

Number of shares

	Unit: In thousands of Shares	
	2020	2019
Weighted average number of common stocks for the purpose of calculating basic EPS	35,715	35,706
Impact of common stocks with dilutive effect:		
Employee restricted stocks	<u>15</u>	<u>122</u>
Weighted average number of common stocks for the purpose of calculating diluted EPS	<u>35,730</u>	<u>35,828</u>

XXIV. 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 approved by FSC took effect on July 31, 2017 and new shares were issued by installments.

On August 10, 2017, the Company's Board of Directors resolved to issue 269 thousand bonus shares. The actual issuance date was August 10, 2017 and the stock's closing price on the grant day was \$99.5. The vesting percentage of employees awarded starting from May 1, 2018 is 20%, with another 25%, 25% and 30% 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.

When the employee fails to meet the vesting conditions, the Company would retrieve all of the employee's new restricted stocks and cancel them. The Company's Board of Directors resolved to retrieve 58 thousand shares and 161 thousand shares in 2020 and 2019 respectively, amounting \$582 thousand and \$1,608 thousand. As of December 31, 2020, there were three thousand of the aforementioned new shares that restricted employee rights retrieved, amounting \$30 thousand, whose cancellation procedure has not yet completed.

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 issuance date was April 30, 2018 and the stock's closing price on the grant day was \$83.6. The vesting percentage of employees awarded starting from 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, 2020 and 2019, the relevant information on new restricted stocks is as follows:

	2020	2019
	Number of Shares (in thousands)	Number of Shares (in thousands)
Outstanding, beginning of year	107	268
Retrieved	(58)	(161)
Outstanding, end of year	<u>49</u>	<u>107</u>

The compensation costs recognized by the Company for the years ended December 31, 2020 and 2019 were \$2,936 thousand and \$4,563 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. The exercise option is settled in cash multiplying the difference between the closing price of the Company's stocks and the exercise price by the exercised number of options exercised.

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 starting from May 1, 2018 is 20%, with another 25%, 25% and 30% 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.

The Company granted the second batch of employee stock appreciation rights of 41 thousand units in March, 2018. The vesting percentage of employees awarded starting from 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, 2020 and 2019, the number of stock appreciation rights outstanding is as follows:

	<u>2020</u>	<u>2019</u>
	Unit (in thousands)	Unit (in thousands)
Outstanding, beginning of year	61	117
Retrieved	(<u>28</u>)	(<u>56</u>)
Outstanding, end of year	<u>33</u>	<u>61</u>

The compensation costs recognized by the Company for the years ended December 31, 2020 and 2019 were \$1,523 thousand and \$2,271 thousand, respectively.

XXV. Business Combinations

(I) Acquisition of subsidiaries

Yummy-town USA LLC of 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 Consolidated Entity 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 fails to meet the KPI, 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 by external experts using market approach on June 30, 2020 as the record date.

(III) Assets acquired and liabilities assumed upon acquisition date

Current assets

Cash and cash equivalents	\$ 1,297
Trade 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 tax liabilities	(<u>395</u>)
	<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: Book value of the identifiable net assets acquired	(<u>9,267</u>)
Goodwill arising from acquisition (Note)	<u>\$ 26,953</u>

Note: Since the fair value of the identifiable net assets of Happy Lemon West Inc. obtained by the Company through its subsidiary Yummy-town USA LLC has yet to be completed in the acquisition price allocation report, the goodwill as of December 31, 2020 was a provisional sum.

(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>

XXVI. Capital Risk Management

The Consolidated Entity manages its capital to ensure that every company within the Entity, on the going concern premise, maximizes return for shareholders by optimizing debts and equities.

The capital structure of the Consolidated Entity is composed of net liabilities (i.e. loans less cash and cash equivalents) and equities 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.

XXVII. 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, 2020 and 2019, 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, 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>

December 31, 2019

	<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	\$ 146,683	\$ -	\$ -	\$ 146,683
Wealth management products	<u>-</u>	<u>315,907</u>	<u>-</u>	<u>315,907</u>
	<u>\$ 146,683</u>	<u>\$ 315,907</u>	<u>\$ -</u>	<u>\$ 462,590</u>

There was no transfer between Level 1 and 2 fair value measurements for the years ended December 31, 2020 and 2019.

(III) Financial risk management objectives and policy

The Consolidated Entity's main financial instruments consist of investments in debt instruments, accounts receivable, accounts payable, corporate bonds 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 analyze risk exposures by 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 remain 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 see Note XXXII for details on the carrying amount of monetary assets and monetary liabilities not expressed in functional currency on 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>Impact of HKD</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Effect on profit or loss	(\$ 20,232)	(\$ 8,695)	\$ 5,872	\$ 5,452	\$ -	(\$ 3,705)

(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, 2020</u>	<u>December 31, 2019</u>
Cash flow interest rate risks		
Financial assets	\$451,577	\$189,367
Financial liabilities	335,705	232,749

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 \$(1,159) thousand and \$434 thousand for the years ended December 31, 2020 and 2019, 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 reduces 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 agreed repayment period are as follows:

	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	\$ 251,925	\$ 52,177	\$ 45,368	\$ 349,470
Lease liabilities	165,022	127,083	20,230	312,335
Liabilities with floating interest rates	<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>

	December 31, 2019			
	Within 1 year	1 to 3 years	Over 3 years	Total
<u>Non-derivative</u> <u>financial liabilities</u>				
Non-interest-bearing liabilities	\$ 273,932	\$ 48,086	\$ 58,515	\$ 380,533
Lease liabilities	196,608	154,027	18,962	369,597
Liabilities with floating interest rates	<u>232,749</u>	<u>-</u>	<u>-</u>	<u>232,749</u>
	<u>\$ 703,289</u>	<u>\$ 202,113</u>	<u>\$ 77,477</u>	<u>\$ 982,879</u>

XXVIII. 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			
Financial Statement Account	Category of Related Parties/Name	2020	2019
	Associates		
Revenue from sale of goods	Freshtea Japan Co., Ltd.	\$ 314	\$ 1,491
	Yong Chun Cheng CO., LTD	1,000	-
Brand revenue	Freshtea Japan Co., Ltd.	1,425	2,806
	Happy Lemon California, Inc.	<u>266</u>	<u>1,284</u>
		<u>\$ 3,005</u>	<u>\$ 5,581</u>

The prices of sales between the Consolidated Entity and its related parties are not significantly different from those 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 those of general customers.

(III) Purchases			
	Category of Related Parties/Name	2020	2019
	Investors of significant influence		
	T Rock Inc.	<u>\$ 3,073</u>	<u>\$ -</u>

The prices of purchases between the Consolidated Entity and its related parties are not significantly different from those 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) Receivables from related parties (excluding loans to related parties)			
Financial Statement Account	Category of Related Parties/Name	December 31, 2020	December 31, 2019
Accounts receivables - related parties	Associates		
	Happy Lemon California, Inc.	\$ 26	\$ 51
	Freshtea Japan Co., Ltd.	<u>31</u>	<u>92</u>
		<u>\$ 57</u>	<u>\$ 143</u>

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

(V) Accounts payable - related parties			
Financial Statement Account	Category of Related Parties/Name	December 31, 2020	December 31, 2019
Accounts payable - related parties	Investors of significant influence		
	T Rock Inc.	<u>\$ 226</u>	<u>\$ -</u>

(VI) Loans

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

(VII) Endorsement and guarantee

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

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

(IX) Compensation to key management

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 27,226	\$ 34,052
Share-based payments	<u>2,018</u>	<u>11,809</u>
	<u>\$ 29,244</u>	<u>\$ 45,861</u>

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

XXIX. 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, 2020</u>	<u>December 31, 2019</u>
Restricted bank deposits (recognized under other current assets - others) (Note VI)	\$ 15,856	\$ 11,254
Restricted bank deposits (recognized under financial assets at amortized cost) (Note VI)	207,143	48,296
Wealth management products (Note VII)	39,988	78,422
Freehold land (Note XIII)	38,915	40,779
Buildings (Note XIII)	<u>31,956</u>	<u>34,279</u>
	<u>\$333,858</u>	<u>\$213,030</u>

XXX. Others

The Consolidated Entity is affected by the global epidemic of COVID-19, the directly-operated stores and franchised stores around the world have temporarily closed or permanently shut down in line with the local government's epidemic prevention measures, and various regions have implemented quarantine to restrict consumers' consumption, resulting in a significant decline of the annual sales income, food and beverage income and brand income in 2020. After evaluating the market environment, the Consolidated Entity has offer support schemes to franchised stores, reduced the brand income from franchised store department and postponed plans to open new stores, which greatly affected the operation. Although the epidemic situation in the mainland has slowed down and the mainland government has successively provided policy deregulation, some countries other than the mainland still adopt closed management, the global economic situation continues to shrink, the consumption patterns also change, and the operation of the Consolidated Entity is expected to gradually return to normal.

In response to the impact of the epidemic, the Consolidated Entity has taken the following actions:

- (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 epidemic, the newly-added franchise business in Southeast Asia was originally carried out by the Shanghai headquarters, but temporarily by the Hong Kong headquarters.

(II) Financing strategy

Due to the uncertainty of the complete control of the COVID-19 epidemic and the challenge of the catering industry's operating model, the Consolidated Entity can not accurately assess the time when operation is restored to normal. Due to the size of the considerable scale of the Consolidated Entity and its easily identifiable and competitive brand image, 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

Local governments provided subsidies to affected enterprises during the epidemic. In 2020, the Consolidated Entity had received \$21,252 thousand of subsidy income including salaries, insurance premiums, operating subsidies and other subsidies, which were classified as other income.

XXXI. Significant Subsequent Events

In order to repay bank borrowings and enrich working capital, the Consolidated Entity was approved by the Board of Directors to raise and issue the second guaranteed convertible corporate bonds in the Republic of China on March 19, 2021. The total number of convertible bonds to be issued is expected to be up to 2,000, each with a face value of NT\$100 thousand. The issuance period is 3 years, and the coupon rate is 0%. The actual total issuance amount is determined by the auction results, and the base bid shall not be less than the face value. The expected maximum amount of convertible bonds is NT\$200,000 thousand.

XXXII. 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 rates at which foreign currencies are converted to the functional currency.

Unit: Foreign currency/in thousands of NT\$
December 31, 2019

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 3,770,633	28.48	\$ 107,388	\$ 2,712,159	29.98	\$ 81,311
HKD	307	3.673	1	375,059	3.849	1,444
RMB	13,414,980	4.377	58,717	12,663,450	4.305	54,516
<u>Non-monetary items</u>						
JPY	76,028,400	0.2763	21,006	28,412,000	0.276	7,841
USD	269,577	28.48	7,678	234,074	29.98	7,018
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	10,874,443	28.48	309,704	5,612,367	29.98	168,259
HKD	-	-	-	10,000,000	3.849	38,490

The Company's foreign exchange gains(losses), including unrealized and realized portions, were \$18,118 thousand and \$(1,333) thousand for the years ended December 31, 2020 and 2019, respectively. Due to the large number of foreign currency transactions and functional currencies within the entities, gains or losses cannot be disclosed by foreign currencies with significant impact.

XXXIII. Supplementary Disclosures

Information on (I) Significant Transactions and (II) Investees:

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	Acquisition or sale of the same marketable securities with the accumulated amount reaching NT\$300 million or 20% of paid-in capital or more	Table IV
5	Acquisition of real estate with an amount reaching NT\$300 million or 20% of the paid-in capital or more	None
6	Disposal of real estate with an amount reaching NT\$300 million or 20% of the paid-in capital or more	None
7	Purchases from sale of goods from or to related parties with an amount reaching NT\$100 million or 20% of paid-in capital or more	None
8	Receivables from related parties with an amount reaching NT\$100 million or 20% of paid-in capital or more	None
9	Engaging in derivatives trading	None
10	Business Relationships and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries	Table V
11	Information on investees	Table VI

(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 VII
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 VII

(IV) Information of major shareholders:

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

XXXIV. 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 - Xian Zong Lin Food & Beverage Management (Shanghai) CO., LTD
 - Zhan Cheng Food & Beverage Management (Guangzhou) CO., LTD
 - Happy Lemon Food & Beverage Management (Shanghai) CO., LTD
 - Happy Lemon HK Limited
 - Jia Qun Food & Beverage Management (Beijing) CO., LTD
 - Happy Lemon Food & Beverage Management (Chengdu) CO., LTD
 - YEN MEI Enterprise Limited
 - Yen Chun International Co., Ltd.

- You Xiang Food & Beverage Management (Shanghai) CO., LTD
 - Ai Qun Food & Beverage Management (Shanghai) CO., LTD
 - Yummy-town USA LLC
 - Yi Cheng Food & Beverage Management (Guangxi) CO., LTD
 - Meng Qiqi Food & Beverage Management (Shanghai) CO., LTD
 - Happy Lemon (M) Sdn Bhd
 - Happy Lemon West Inc.
- Trade segment - RBT Resources Limited
- Shanghai Tai Quan Trading CO., LTD.
 - RBT Holdings Limited
- Other segments - Yummy Town (Cayman) Holdings Corporation
- RBT Enterprise Limited
 - Yummy-town UK Ltd

The chief business decision maker considers 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 revenue and the results of operations

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

	2020				Adjustments and Elimination	Total
	Catering	Trade	Others	Total		
Operating Revenue	\$ 803,764	\$ 961,640	\$ 21,498	\$ 1,786,902	(\$ 206,665)	\$ 1,580,237
Operating income	(\$ 36,538)	\$ 57,637	(\$ 193)	\$ 20,906	\$ 1,350	\$ 22,256
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 equity method						5,102
Net income before tax						\$ 58,085

	2019				Adjustments and Elimination	Total
	Catering	Trade	Others	Total		
Operating Revenue	\$ 1,115,142	\$ 1,387,976	\$ 28,731	\$ 2,531,849	(\$ 314,737)	\$ 2,217,112
Operating income	\$ 36,157	\$ 136,934	\$ 134	\$ 173,225	\$ 1,317	\$ 174,542
Interest income						6,620
Other income						27,189
Other gains and losses						3,590
Finance costs						(20,240)
Shares of profit/(loss) of associates accounted for using equity method						(17,862)
Net income before tax						\$ 173,839

Interdepartmental transactions in 2020 and 2019 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 profit/(loss) of associate accounted for using equity method and income tax expenses. The assessed amount is provided to the chief business decision maker to allocate resources to segments and assess the performance of each segment.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Financing Provided to Others
For the year ended December 31, 2020

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	\$ 14,240 USD 500,000	\$ 14,240 USD 500,000	\$ 8,544 USD 300,000	-	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 130,902	\$ 261,804
		Yen Chun International Co., Ltd.	Receivables from related parties	Yes	62,656 USD 2,200,000	62,656 USD 2,200,000	42,720 USD 1,500,000	-	2	-	Operating capital	-	-	-	130,902	261,804
1	RBT Holdings Limited	Yummy-town USA LLC	Receivables from related parties	Yes	42,720 USD 1,500,000	42,720 USD 1,500,000	- USD -	-	2	-	Operating capital	-	-	-	632,054	790,067
		Yummy-town UK Ltd	Receivables from related parties	Yes	42,720 USD 1,500,000	42,720 USD 1,500,000	- USD -	-	2	-	Operating capital	-	-	-	632,054	790,067
2	RBT Resources Limited	Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	11,019 HKD 3,000,000	11,019 HKD 3,000,000	- HKD -	-	2	-	Operating capital	-	-	-	65,183	81,479
3	Happy Lemon HK Limited	RBT Holdings Limited	Receivables from related parties	Yes	18,365 HKD 5,000,000	18,365 HKD 5,000,000	- HKD -	-	2	-	Operating capital	-	-	-	46,646	58,307
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	29,384 HKD 8,000,000	29,384 HKD 8,000,000	29,384 HKD 8,000,000	-	2	-	Operating capital	-	-	-	46,646	58,307
4	Yummy-town UK Ltd	Yummy-town USA LLC	Receivables from related parties	Yes	42,720 USD 1,500,000	- USD -	- USD -	-	2	-	Operating capital	-	-	-	38,218	47,772
5	Shanghai Tai Quan Trading Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Receivables from related parties	Yes	87,540 RMB 20,000,000	87,540 RMB 20,000,000	- RMB -	-	2	-	Operating capital	-	-	-	132,062	165,078

Note I: 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, 2020). 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.

2. 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, 2020). 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.

Note II: The exchange rate on December 31, 2020 was USD: NTD = 1: 28.48; HKD: NTD = 1: 3.673; RMB: NTD = 1: 4.377.

Note III: Nature of financing:

1. Trading partner.
2. Short-term financing is needed.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Endorsement and Guarantee Provided to Others
For the year ended December 31, 2020

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 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	\$ 1,026,660	\$ 1,302,246 USD 29,700,000 RMB 70,000,000 NTD 150,000	\$ 833,973 USD 17,100,000 RMB 45,000,000 NTD 150,000	\$ 188,665 USD 6,624,443	\$ 188,665	162	-	V	-	\$ 1,539,990
2	RBT Resources Limited	Yummy Town (Cayman) Holdings Corporation	3	162,958	66,000	34,000	28,480	28,480	42	-	V	-	244,437
		RBT Resources Limited	4	162,958	54,000	26,000	26,000	26,000	32	-	-	-	244,437
3	RBT Holdings Limited	Taiwan Branch Yummy Town (Cayman) Holdings Corporation	3	1,580,134	80,000	80,000	-	-	10	-	V	-	2,370,201

Note I: The maximum limit of the Company's endorsement and guarantee to external parties is \$327,255 thousand = Net worth of \$654,510 thousand x 50%, and to a single company is \$130,902 thousand = Net worth of \$654,510 thousand x 20%. This restriction does not apply to where the endorsement and guarantee are provided between companies 100%-owned by the subsidiaries and by the Company, either directly or indirectly. However, the individual objects is 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 II: The exchange rate on December 31, 2020 was USD: NTD=1: 28.48; HKD: NTD=1: 3.673; RMB: NTD= 4.377.

Note III: 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 holds 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. Endorsements/guarantees provided by each shareholder for their jointly invested company in proportion to their shareholding percentages.
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, 2020

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>Wealth management products</u> Fubon China monthly wealth management product - No. 3	None	Financial assets at fair value through profit or loss - current	9,000,000	\$ 39,988	-	\$ 39,988	Note III
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	<u>Beneficiary certificates</u> CR Yuanta Money Market Fund Type A	None	"	1,500,000	6,820	-	6,820	
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	<u>Beneficiary certificates</u> CR Yuanta Money Market Fund Type A	None	"	500,000	2,290	-	2,290	
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	<u>Beneficiary certificates</u> CR Yuanta Money Market Fund Type A	None	"	1,000,000	4,725	-	4,725	
	<u>Wealth management products</u> ICBC Tian Li Bao wealth management product	None	"	5,000,000	22,119	-	22,119	
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	<u>Beneficiary certificates</u> CR Yuanta Money Market Fund Type A	None	"	1,500,000	6,852	-	6,852	
	<u>Wealth management products</u> ICBC Tian Li Bao wealth management product	None	"	1,500,000	6,750	-	6,750	
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	<u>Wealth management products</u> CCB Qian Yuan weekly wealth management product	None	"	4,000,000	17,725	-	17,725	
Meng Qiqi Food & Beverage Management (Shanghai) CO., LTD	<u>Wealth management products</u> CCB Qian Yuan Heng Ying wealth management product	None	"	4,500,000	19,940	-	19,940	

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

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

Note III: Of which \$39,988 thousand has been provided to banks as collateral for short-term loans.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Acquisition or Sale of the Same Securities with the Accumulated Amount Reaching NT\$300 Million or 20% of Paid-in Capital or More
For the year ended December 31, 2020

Table IV

Unit: Thousands of NT Dollars/Foreign Currency

Company Name	Type and Name of Securities (Note I)	Financial Statement Account	Counterparty (Note II)	Relationship (Note II)	Beginning Balance		Acquisition (Note III)		Disposal (Note III)			Ending Balance		
					Number of Shares/Unit (Note VI)	Amount (Note V)	Number of Shares/Unit (Note VI)	Amount (Note V)	Number of Shares/Unit (Note VI)	Selling price	Carrying value	Gain or Loss on Disposal	Number of Shares/Unit (Note VI)	Amount (Note V)
Yen Chun International Co., Ltd.	Stock Yong Chun Cheng CO., LTD	Investment accounted for using equity method	Non-related party	-	-	\$ -	200,000	\$ 93,024 (Note VII)	-	\$ -	\$ -	\$ -	200,000	\$ 93,024
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Wealth management products Fubon China monthly wealth management product - No. 3	Financial assets at fair value through profit or loss	-	-	18,000,000	78,422	9,000,000	39,342	27,000,000	117,764	115,614	2,150	-	-
	Fubon China monthly Xiang Ying wealth management product		-	-	-	-	18,000,000	79,167	9,000,000	39,179	38,538	614	9,000,000	39,988
	Fullgoal Asset Management Yummy No. 1 wealth management product Beneficiary certificates		-	-	10,000,000	43,452	10,000,000	43,837	20,000,000	87,289	85,640	1,649	-	-
Shanghai Tai Quan Trading Co., Ltd.	CR Yuanta Cash Income Money Market Fund Type B	"	-	-	11,500,000	49,636	15,500,000	66,590	27,000,000	116,226	115,614	612	-	-

Note I: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note II: Fill in the columns of counterparty and relationship if securities are accounted for under the equity method and leave the other columns blank.

Note III: The accumulated amount of purchase and sales shall be calculated separately based on market value in determining if the amount exceeds NT\$300 million or 20% of the Company's paid-in capital.

Note IV: Paid-in capital referred to herein is the paid-in capital of parent company.

Note V: The evaluation amount is included.

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

Note VII: It includes the current purchase cost of \$80,000 thousand and the profit and loss of the recognition of related companies and other comprehensive profit and loss of \$13,024 thousand.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Business Relationships and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries
For the year ended December 31, 2020

Table V

Unit: Thousands of NT Dollars

No. (Note I)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			% to Consolidated Total Revenue or Total Assets (Note III)
				Financial Statement Account	Amount	Transaction Terms (Note IV)	
0	Yummy Town (Cayman) Holdings Corporation	Yen Mei Enterprise Limited	1	Receivables from advances to related parties	\$ 8,544	No major differences from non-related parties	-
		Yen Chun International Co., Ltd.	"	Receivables from advances to related parties	42,720	"	2
1	Shanghai Tai Quan Trading Co., Ltd.	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	3	Sales	43,333	"	3
		Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	"	Accounts receivables	10,912	"	1
		Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	3	Sales	41,014	"	3
		Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	"	Accounts receivables	9,865	"	1
		Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	3	Sales	38,578	"	2
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	"	Accounts receivables	9,304	"	1
		Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	3	Sales	11,681	"	1
		You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	"	Accounts receivables	3,155	"	-
		You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	3	Sales	188	"	-
		Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	3	Sales	9,928	"	1
		Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	"	Accounts receivables	1,962	"	-
		RBT Holdings Limited	3	Sales	997	"	-
		RBT Holdings Limited	"	Accounts receivables	323	"	-
		RBT Resources Limited	3	Sales	5,313	"	-
		Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	3	Sales	1,612	"	-
		Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	"	Accounts receivables	1,045	"	-
2	RBT Resources Limited	Happy Lemon (M) Sdn Bhd	3	Sales	337	"	-
		Happy Lemon HK Limited	3	Sales	13,146	"	1
		Happy Lemon HK Limited	"	Accounts receivables	1,033	"	-
		Happy Lemon HK Limited	"	Service income	5	"	-
		Shanghai Tai Quan Trading Co., Ltd.	3	Sales	11,081	"	1
		Shanghai Tai Quan Trading Co., Ltd.	"	Accounts receivables	7,001	"	-
		Yen Mei Enterprise Limited	3	Sales	1,853	"	-
		Yen Mei Enterprise Limited	"	Rent income	228	"	-
		Happy Lemon (M) Sdn Bhd	3	Sales	2,665	"	-
		Happy Lemon (M) Sdn Bhd	"	Accounts receivables	375	"	-

(Continued)

(Continued from previous page)

No. (Note I)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			% to Consolidated Total Revenue or Total Assets (Note III)
				Financial Statement Account	Amount	Transaction Terms (Note IV)	
3	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	3	Management fee income	\$ 63	No major differences from non-related parties	-
		Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	3	Management fee income	302	"	-
4	RBT Holdings Limited	RBT Resources Limited	3	Sales	1,464	"	-
			"	Accounts receivables	356	"	-
5	RBT Enterprise Limited	Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	3	Royalty income	10,133	"	1
			"	Accounts receivables	2,183	"	-
		Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	3	Royalty income	3,817	"	-
			"	Accounts receivables	2,101	"	-
		Happy Lemon HK Limited	3	Royalty income	1,163	"	-
			"	Accounts receivables	1,122	"	-
		Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	3	Royalty income	6,385	"	-
			"	Accounts receivables	3,880	"	-
6	Happy Lemon HK Limited	Yummy Town (Cayman) Holdings Corporation	2	Receivables from advances to related parties	29,384	"	2
		Happy Lemon West Inc.	3	Service income	355	"	-
7	Yen Mei Enterprise Limited	Happy Lemon (M) Sdn Bhd	3	Service income	833	"	-
		Happy Lemon West Inc.	"	Service income	252	"	-
8	Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	3	Service income	165	"	-

Note I: 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 II: 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 III: Regarding the percentage of 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 IV: 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
For the year ended December 31, 2020

Table VI

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	\$ 790,067	\$ 26,286	\$ 26,286	Subsidiary
	RBT Enterprise Limited	Hong Kong	Trademark rights management	37	37	HKD 8,800	100	22,142	9,179	9,179	Subsidiary
	YEN MEI Enterprise Limited	Taiwan	Trading of beverages, collection of franchise fees and royalties	89,127	89,127	90,000	100	60,306	6,940	6,940	Subsidiary
Yen Mei Enterprise Limited	Non-TWSE/TPEX listed companies Yen Chun International Co., Ltd.	Taiwan	Operation of food and beverage outlets	50,000	50,000	2,500,000	100	64,778	14,847	14,847	Second-tier subsidiary
Yen Chun International Co., Ltd.	Non-TWSE/TPEX listed companies Yong Chun Cheng CO., LTD	Taiwan	Trading of beverages	80,000	-	200,000	20	93,024	104,965	13,024	Associate accounted for using 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	58,307	27,338	27,338	Second-tier subsidiary
	RBT Resources Limited	Hong Kong	Trading of raw materials for catering	105,354	105,354	HKD 26,000,000	100	85,059	(4,968)	(4,296)	Second-tier subsidiary
	Yummy-town UK Ltd	United Kingdom	Investment holding	41,696	15,628	GBP 700,000	100	47,772	7,588	7,588	Second-tier subsidiary
	Happy Lemon (M) Sdn Bhd	Malaysia	Trading of beverages	6,946	-	MYR 1,020,000	51	4,208	(5,286)	(2,696)	Second-tier subsidiary
	Freshtea Japan CO., LTD.	Japan	Trading of beverages	19,893	19,718	4,800	40	21,006	(22,426)	(8,971)	Associate accounted for using equity method
	Happy Lemon California, Inc.	United States	Trading of beverages	22,557	22,557	USD 735,000	49	7,678	2,141	1,049	Associate accounted for using equity method
Yummy-town UK Ltd	Non-TWSE/TPEX listed companies Yummy-town USA LLC	United States	Trading of beverages, collection of franchise fees and royalties	39,194	13,754	USD 1,310,628	100	46,223	7,663	7,663	Second-tier subsidiary
Yummy-town USA LLC	Non-TWSE/TPEX listed companies Happy Lemon West Inc.	United States	Trading of beverages	33,442	-	USD 208,821	70	33,869	2,331	1,632	Second-tier subsidiary

Note I: 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.

Note II: 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 III: Please refer to Table VII for information on investments in mainland China.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries
Information on investments in mainland China
For the year ended December 31, 2020

Table VII

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	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	Inflow						
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Catering shop, collection of franchise fees and royalties	USD3,500,000	Reinvested in mainland China by setting up a holding company in a third place	\$ -	\$ -	\$ -	\$ -	\$ 7,289	100	\$ 7,289	\$ 513,330	\$ -
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	Operation of food and beverage outlets	RMB20,000,000	"	-	-	-	-	(6,168)	55.5	(3,423)	14,427	-
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	Operation of food and beverage outlets	RMB4,239,500	"	-	-	-	-	(318)	100	(318)	2,165	-
Shanghai Tai Quan Trading Co., Ltd.	Trading of raw materials for catering	RMB1,000,000	"	-	-	-	-	55,000	100	55,000	165,078	-
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Catering shop, collection of franchise fees and royalties	RMB1,000,000	"	-	-	-	-	(3,846)	100	(3,846)	4,172	-
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	RMB1,000,000	"	-	-	-	-	(5,696)	100	(5,696)	7,271	-
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	RMB1,000,000	"	-	-	-	-	(28,636)	100	(28,636)	(12,201)	-
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	Trading of beverages, collection of franchise fees and royalties	RMB1,000,000	"	-	-	-	-	(2,377)	100	(2,377)	(483)	-
Yi Cheng Food & Beverage Management (Guangxi) CO., LTD	Trading of beverages, collection of franchise fees and royalties	RMB1,900,000	"	-	-	-	-	(2,904)	60	(1,742)	3,209	-
Meng Qiqi Food & Beverage Management (Shanghai) CO., LTD	Operation of food and beverage outlets	RMB5,000,000	"	-	-	-	-	(61)	41	(25)	8,947	-

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

2. 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)	Upper limit on investment authorized by the Investment Commission of MOEA
(Note II)	(Note II)	(Note II)

Note II: As the Company is an offshore company to the Republic of China, the limits on investments in mainland China do not apply.

3. Significant transactions with investees in mainland China, either directly or indirectly through the third region: Please refer to Table V.
4. Provision of endorsement, guarantee or collaterals to investees in mainland China, either directly or indirectly through the third region: Please refer to Table II.
5. Financing provided to investees in mainland China, either directly or indirectly through the third region: Please refer to Table I.
6. Other transactions that have 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, 2020

Table VIII

Name of Major Shareholder	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	18.81%
Wu Po-Chao	5,316,930	14.54%
Far East International Bank is entrusted with Baogao (Hong Kong) International Co., Ltd. Investment Account	2,079,072	5.68%
Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.	1,891,562	5.17%

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.

Yummy Town (Cayman) Holdings Corporation

Chairman: Wu, Po-Chao