

Stock Code : 2726



# **Yummy Town (Cayman) Holdings Corporation**

## **2019 Annual Report**

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

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

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**DISCLAIMER:**

THIS ENGLISH ANNUAL REPORT IS TRANSLATED FROM THE CHINESE VERSION.  
IT IS INTENDED FOR REFERENCE ONLY.



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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
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
Yummy Town International Ltd. (Samoa)	Director	Samoa/R.O.C.	Director, The Fifth Credit Cooperation Of Hsinchu Chairman, Eowg Kuang Soap Co., Ltd.

Name	Title	Nationality or Place of Registration	Academic Qualifications and Experience
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

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Title: Director

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## Chapter 1. Letter to Shareholders

Dear shareholders,

In 2019, Yummy Town Group has benefited from various factors, including the opening of 340 stores, setting a new record high, effects arising from the upgrading of the Happy Lemon brand, the smooth development of overseas markets, and revenue growth at Shanghai Tai Quan Trading Co., Ltd., thus driving a significant growth in the overall revenue of the Group. Looking forward to 2020, Yummy Town Group has a clear and specific blueprint in its global expansion and development strategies. In order to increase the Group's global market share, the Group will adopt three clear directions, namely "store expansion," "international cooperation alliance," and "investment in mergers and acquisitions", in parallel. The number of new stores to be opened is expected to double compared to 2019.

## 2019 Business Report



Expressed in Thousands of New Taiwan Dollars

Item	2019	2018	Growth
Consolidated Revenue	NT\$2,217,112	NT\$2,173,600	2.00%
Consolidated Net Profit (Note)	NT\$129,368	NT\$103,081	25.50%
Earnings Per Share (After Tax) (NT\$)	NT\$3.8	NT\$3.11	22.19%

Note: Consolidated net income contributable to the shareholders

In 2019, the Group's consolidated revenue grew by two percent, mainly due to the increasing number of Happy Lemon franchise stores, collaboration with food delivery platforms, and revenue from new brand stores, thus leading to an increase in all types of revenue. Therefore, the Group's consolidated net profit and earnings per share rose by 25.5 percent and 22.19 percent from the same period last year, respectively.

### Operational Directions and Outlook in 2020

In 2020, 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 accelerate store expansion in third and fourth-tier cities in China**

In 2019, Happy Lemon has adopted diversified channels in its store expansion strategy, such as Tmall Campus stores, cross-border collaboration with Xiamen, joint ventures with internal employees, and has achieved outstanding performance. Happy Lemon has also clearly specified its store expansion strategy in 2020, i.e. "moving to cities with one billion people and accelerating expansion to third and fourth-tier cities."

This year, Happy Lemon will also adopt multiple channels and tactics of store expansion as follows in parallel during its plan to expand into third and fourth cities. Happy Lemon will continue to drive the opening of more stores via Tmall Campus stores and keep abreast of the main customer base of the beverage industry in the next 10 years. Besides, Happy Lemon will continue to team up with other industries to create alternative business models, which have been widely accepted by consumers. In 2019, Happy Lemon worked with Internet cafe operators in Xiamen and managed to achieve outstanding results by opening more than 20 stores within one year. This year, Happy Lemon will further expand its scope to different dimensions, including different industries and different brands in the same industry, and seek partners with suitable business philosophy, in order to create more previously unseen opportunities for brands in terms of cross-domain development. In order to realize the vision of becoming the best entrepreneurship platform in the global tea and beverage industry, Happy Lemon will also design and draw up the "Youth Entrepreneurship Program" in 2020, which targets young entrepreneurs, with respect to franchise policy and investment in the cost of opening a store. This program will enable those who have limited funds but have a high intention to start a business in the tea and beverage industry, to have an entrepreneurial opportunity to join a trusted brand at a lower threshold. This program will first be launched in target cities, and it is expected to contribute to an increase in the number of stores under the brand.

### **II. Overseas store expansion to focus on North America, Japan, and Southeast Asia**

In terms of overseas markets, the North America region records the highest number of stores, where stores have been set up in important cities, such as San Francisco, Los Angeles, San Diego, Las Vegas, Seattle, Boston, New York, etc. In 2020, the Group will focus on three major regions in its overseas expansion efforts, namely North America, Japan, and Southeast Asia. At the same time, in addition with the continuous promotion of the

high-quality agent cooperation model, the Group will also adopt two expansion models, namely "joint venture" and "inter-industry cooperation" this year, in order to acquire a more advantageous regional development niche. It is estimated that the number of stores overseas will also grow compared to the previous year under multiple store expansion channels.

### **III. Multiple brands to collectively contribute to the prosperity of Yummy Town Group**

Yummy Town Group has four major tea brands and two major food and beverage brands in total. Apart from Happy Lemon, other brands will continue to lay a stable foundation, upgrade and transform their brands, as well as learn and advance profitable business models. Multiple brands are individually contributing to the Group's global business plan and expanding our collective capabilities.

Following the major transformation of the Happy Lemon brand in 2018, the Group will also carry out a large-scale brand upgrade and transformation plan on RBT by clearly specifying the brand's positioning in the tea and food business, increasing the brand's sales per square foot, and reshaping the brand's profit model.

As the Group's high-end tea beverage brand, Tea Opal enjoys a high reputation in Shanghai's fine tea beverage industry externally, and is even more committed to nurturing high quality "tearistas" internally. In the past three years, the brand has sent representatives to participate in major competitions in the tea beverage industry every year, and its partners have also achieved pretty good results. In 2019, Sun Xiaodan, one of Tea Opal's partners, became the champion in the Shanghai International Fashion Drinks Competition. This year, the brand will continue to set its tone on the overall development strategy and move toward its goals of becoming the most popular fine tea store among Shanghai consumers and further expanding its stores. With regard to talent development, the brand wants to continuously nurture more outstanding "tearistas" for the Group.

Continue to focus on brown sugar tapioca pearls, differentiate the positioning of Happy Lemon and Tea Opal, implement a pricing strategy for Hippo Bobatea which is different from other brands to become the next brand under the Group that penetrates into the third and fourth-tier cities in Mainland China, as well as continue to target products related to brown sugar tapioca pearls. In order to extend to a wide variety of product lines, actively search for profit models, and achieve steady development.

Alma has been listed in the Bib Gourmand Michelin Restaurants for four consecutive years and has become one of the most preferred restaurants for Spanish tapas in Shanghai. In 2019, the brand has also greatly optimized and adjusted the business model and menu of its

stores. Besides, Michelin Chef Daniel's team was once again hired and returned to Yummy Town Group to create a new-generation Alma restaurant, which was officially opened in Taipei in November.

Meanwhile, The Spiceland continues to develop its fundamental development model at a slow pace, clearly strengthen its brand positioning with its own product features, and continues to occupy a place in the food and beverage market through cautious and pragmatic strategies.

#### **IV. System and talent transformation to drive the Group's business development**

In addition to the obvious goal of store expansion, Yummy Town Group has also accelerated the pace of optimization on two major pillars, mainly system support and talent development, in order to face rapid development in the future. Apart from developing the franchisee operating platform in 2019, the Group will accelerate our efforts to upgrade iterations in two major systems for supplier management and data management, namely ERP and BI, in order to improve the efficiency of data management and data acquisition, thereby assisting in global operations management.

In terms of talent development, the new-generation operations management leadership course launched in 2019 targeted the management of brands and agents. This year, other than expanding the course, the Group will also develop more training courses for managers by incorporating external resources, in order to fully improve the quality of management talents, create high-quality operating capabilities, and improve customer satisfaction and performance.

In 2020, the Group will combine both system and talent upgrading and lay a solid foundation for achieving the Group's vision of becoming "the world's best tea beverage entrepreneurship platform" through highly efficient systems and highly competitive talents.

Chairman: Wu, Po-Chao

President: Chang, Miao-Ling

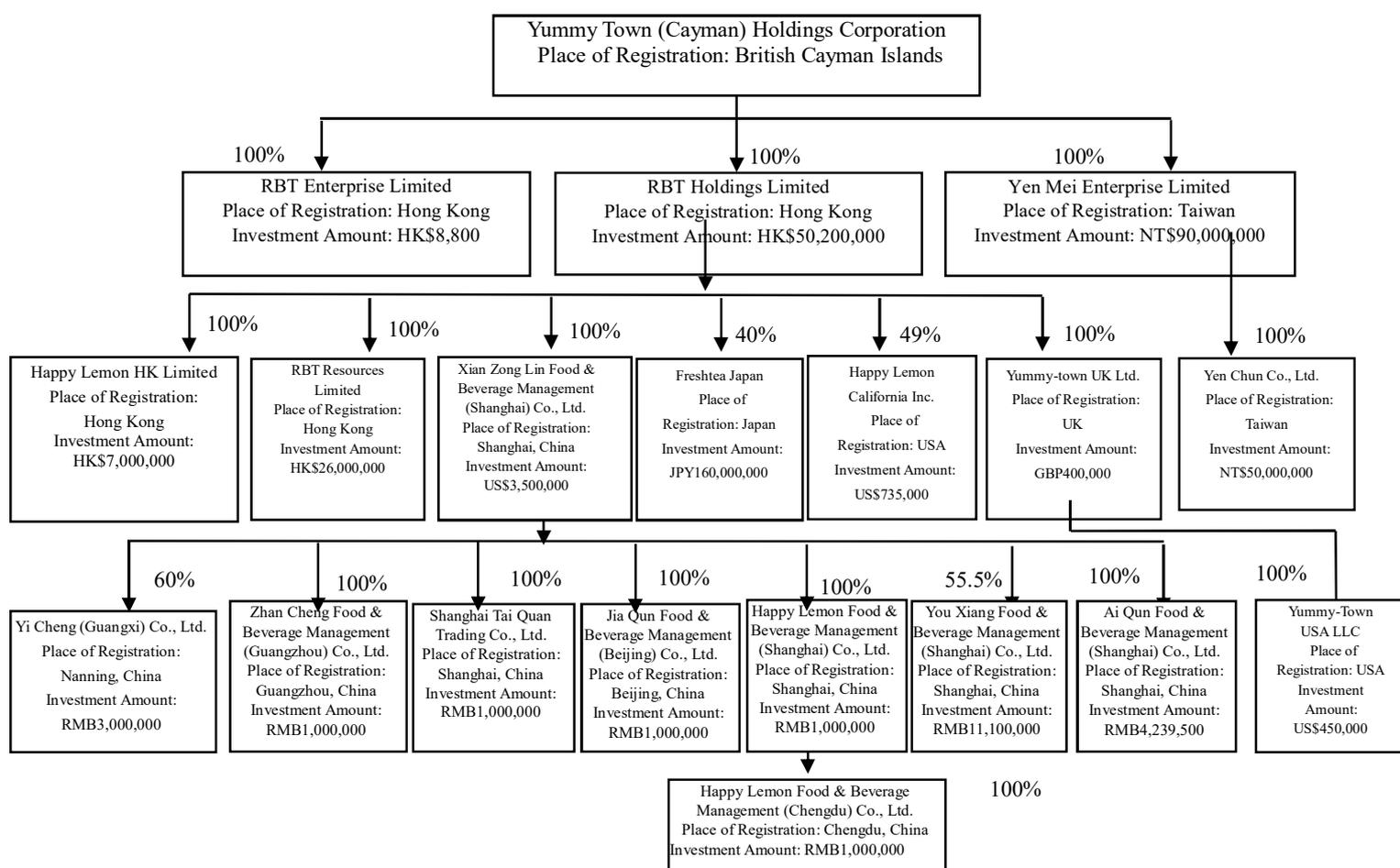
## Chapter 2. Company Profile

### 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



#### (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 with the brand "Freshtea."
  - 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 US market.
  - Happy Lemon Trading UK Ltd., a joint venture in collaboration with Happy Lemon Holdings UK Ltd., was established to expand into the European market.
  - The brand "Tea Opal" was established, with its first regular chain (Meiluo Cheng 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

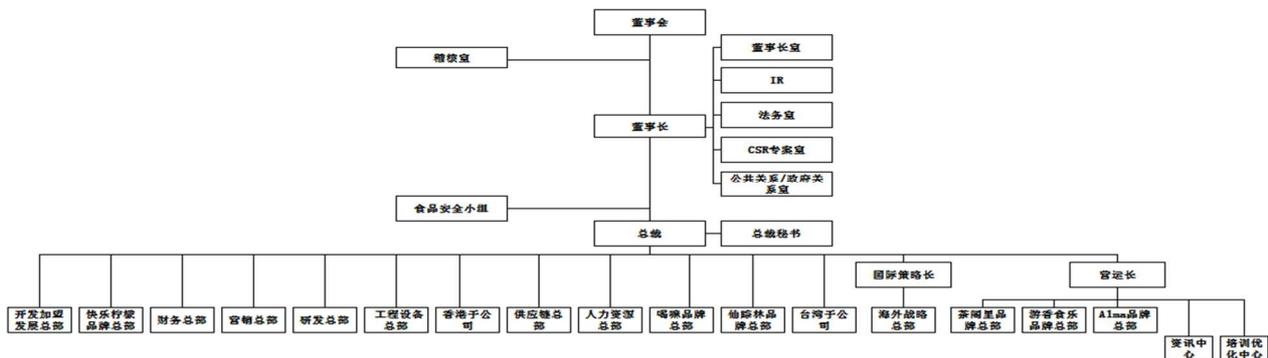
International Fashion Drinks Competition.

- Tea Opal was awarded the Best 100 selected by Shanghai's popular restaurants.
- 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.

## Chapter 3. Corporate Governance Report

### I. Organizational System

#### 1. Organizational Structure of the Company



		Board of Directors			
	Auditing Office		Chairman's Office		
		Chairman	Investor Relations		
			Legal Office		
			CSR Project Office		
	Food Safety Team		Public Relations/Government Relations Office		
		Chief Executive Officer	Secretary to Chief Executive Officer		
				Chief International Strategy Officer	Chief Operating Officer
Franchise Development Headquarters	Happy Lemon Brand Headquarters	Finance Headquarters	Marketing Headquarters	R&D Headquarters	Engineering Equipment Headquarters
Subsidiaries in Hong Kong	Supply Chain Headquarters	Human Resources Headquarters	Hippo Bobatea Brand Headquarters	RBT Brand Headquarters	Subsidiaries in Taiwan
Overseas Strategic Headquarters	Tea Opal Brand Headquarters	The Spiceland Brand Headquarters	Alma Brand Headquarters	Information Center	Training Optimization Center

## 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.
CSR Project Office	Plan and organize CSR-related matters
Legal Office	Conduct legal risk assessments with respect to various decisions made by the Company.
Overseas Strategic Headquarters	Develop overseas stores and multi-unit franchise to increase the influence of its brands abroad.
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.
Franchise Development Headquarters	Expand and develop stores for the Company's various brands, as well as verify the selection of high-quality stores. Select outstanding partners, promote the Company's franchise program, enter into franchise agreements, build franchise files, and solidify good cooperation with franchisees.
Engineering Equipment Headquarters	Carry out design, construction management and repair and maintenance to standardize and enhance brand image, as well as selection of equipment, search for suppliers, price negotiation, and asset management to enhance competitiveness.
Marketing Headquarters	Responsible for building, managing, and maintaining the Company's various brands, and public relations regarding brand-related matters.
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.
Human Resources Headquarters	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.
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.
Headquarters for Various Brands	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.

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

(I) Information on Directors and Supervisors

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

As of April 30, 2019; Unit: shares; %

Title (Note 1)	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 (Note 3)	Positions Currently Held in the Company and Other Companies	Executives, Directors or Supervisors who are Spouses or within the Second Degree of Kinship			Remark (Note 4)
							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%	5,062,956	14.50%	18,000	0.05%	—	—	Retired Air Force Captain Chairman, Committee of Catering, China Chain Store & Franchise Association(CCFSA); 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	—	—	18,000	0.05%	5,062,956	14.50%	—	—	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	R.O.C.	Lu, Hsiao-Huei (Note 2)	Female	2018.06.15	2 years	2018.06.15	24,000	0.07%	26,400	0.08%	—	—	—	—	Bachelor of International Trade, Tunghai University Senior Vice President of Operations, McDonald's Taiwan	—	—	—	—	—
Juristic-Person Director	Samoa	Yummy Town International Ltd.					5,950,583	17.69%	6,538,681	18.73%	—	—	—	—		—	—	—	—	—
	R.O.C.	Representative: Chan, Wen-Liang (Note 4)	Male	2018.06.15	3 years	2012.02.06	—	—	—	—	—	—	—	—	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 4)	Male				—	—	600	0.00%	—	—	—	—	Director, The Fifth Credit Cooperation Of Hsinchu	Note 5	—	—	—	—

Title (Note 1)	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 (Note 3)	Positions Currently Held in the Company and Other Companies	Executives, Directors or Supervisors who are Spouses or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
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, 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, and RBT Holdings Limited; 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, and Xian Zong Lin Food & Beverage Management (Shanghai) 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., Happy Lemon Food & Beverage Management (Tianjin) Co., Ltd., Happy Lemon Food & Beverage Management (Shenzhen) Co., Ltd., Shanghai Han Pin Food Co., Ltd., You Xiang Food & Beverage Management (Shanghai) Co., Ltd., and Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.; as well as the Company's litigation and non-litigation agent.

Note 3: Director Lu, Hsiao-Huei resigned on July 26, 2019.

Note 4: A new legal representative has been appointed on January 16, 2020.

Note 5: Positions held concurrently in the Company and other companies at present: Chairman, Eowg Kuang Soap Co., 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, 2020

Name of Juristic-Person Shareholder	Major Shareholders of Juristic-Person Shareholder
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, 2020

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
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.

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.	Lu, Hsiao-Huei (Note 1)	Female	2016.08.09	—	—	—	—	—	—	Bachelor of International Trade, Tunghai University Senior Vice President of Operations, 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.	—	—	—	—
Chief Executive Officer	R.O.C.	Chang, Miao-Ling	Female	2016.10.11	23,600	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.	—	—	—	—
Vice President, R&D Headquarters	R.O.C.	Huang, Hsin-Lin	Male	2012.11.02	20,193	0.06%	—	—	—	—	Diploma in Mechanical Engineering, Kun Shan Industrial Junior College F&B Manager at Headquarters, Cashbox Partyworld Co., Ltd., Taiwan	—	—	—	—	
Vice President, Engineering Equipment Headquarters	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, Human Resources Headquarters	R.O.C.	Wang, Pei-Chun	Female	2016.09.06	15,600	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	—	—	—	—	
Vice President and Accounting Supervisor, Finance Headquarters	R.O.C.	Huang, Hui-Ting (Note 2)	Female	2013.09.30	—	—	—	—	—	—	Bachelor of Business Administration, National Taiwan University CPA, Deloitte Taiwan Assistant Manager, Administration Department, Shanghai All Ready Go Co., Ltd.	—	—	—	—	
Vice President, Finance Headquarters Finance Headquarters	R.O.C.	Wu, Tsung-Ju	Male	2019.8.12	—	—	—	—	—	—	Financial Director, Maxim Label and Packaging Co., Ltd. Senior Finance Manager, Win-Win Precision Technology Co., Ltd. Assistant Controller, ASML Taiwan Ltd.	—	—	—	—	
Chief Investment Officer	R.O.C.	Cheng, Sheng-Chung	Male	2019.12.2	30,000	0.09%	—	—	—	—	President, Sino Tacful Co., Ltd. President, Ray Shi Capital Co., Ltd. Vice President, Pao Lai Funds Co., Ltd.	—	—	—	—	

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, Overseas Strategic Headquarters	R.O.C.	Lin, Wan-Ting	Female	2017.06.19	14,720	0.04%	—	—	—	—	Master of Arts in Modern British Culture, University of Warwick, UK Senior Financial Reporter/Anchor in Shanghai, TVBS News	—	—	—	—	—
Vice President, Marketing Headquarters	R.O.C.	Li, Tsung-Yi	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	—	—	—	—	—
Vice President, Supply Chain Headquarters	R.O.C.	Li, Yi-Hsing	Male	2017.11.22	12,000	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, Franchise Development Headquarters	China	Shen, Meixue	Female	2018.01.02	—	—	—	—	—	—	Bachelor of Business Administration, Jiangnan University, China Manager, Real Estate Division, Shanghai McDonald's Co., Ltd., China	—	—	—	—	—
Vice President, Happy Lemon Brand Headquarters	R.O.C.	Li, Yun-Chu	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	—	—	—	—	—
Supervisor, Auditing Office	R.O.C.	Chen, Tsui-Ling	Female	2013.03.31	1,600	—	—	—	—	—	Bachelor of Accounting, Chung Yuan Christian University Audit Supervisor and Acting Spokesperson, Shun On Electronic Co., Ltd. Audit Supervisor and Supervisors at Logistics Center, Kunshan Eson Precision Engineering Co., Ltd.	—	—	—	—	—
Acting Spokesperson	R.O.C.	Hsu Mei-Hua	Female	2019.8.12	—	—	—	—	—	—	Master of International Business, University of Tamkang Manager of Wealth management in Sinopac Securities	—	—	—	—	—

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	
Manager, Overseas Strategic Headquarters	R.O.C	Han Ding-guo	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					

Note 1: Chief Executive Officer Lu, Hsiao-Huei resigned on July 26, 2019. Chang, Miao-Ling took over the position of Chief Executive Officer on August 1, 2019.

Note 2: Vice President Huang, Hui-Ting underwent position adjustment on June 28, 2019.

Note 3: Manager, Overseas Strategic Headquarters, Han Ding-guo underwent position adjustment on Feb.20,2020.

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

#### 1. Remuneration Paid to Directors in 2019

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 Reinvestment Companies Other Than Subsidiaries of the Company		
		Compensation (A)		Severance Pay and Pension (B)		Directors' Bonus (C)		Expenses for Performance of Duty (D)		The Company	All the Companies Listed in the Financial Statements	Salary, Rewards and Special Allowances (E)		Retirement Pension (F)		Employee Bonus (G)					The Company	All the Companies Listed in the Financial Statements
		The Company	All the Companies Listed in the Financial Statements	The Company	All the Companies Listed in the Financial Statements	The Company	All the Companies Listed in the Financial Statements	The Company	All the Companies Listed in the Financial Statements			The 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			
Directors	Wu, Po-Chao	—	—	—	—	—	—	—	—	—	—	4,539	—	52	—	—	—	425	—	4.06%	無	
	Chen, Yu-Chen																					
	Yummy Town International Ltd. (Note 1) Representative: Chan, Wen-Liang Representative: Yen, Hsien-Ming	—	—	—	—	—	—	—	12	—	—	7,059	—	—	—	—	—	1,015	—	6.55%	無	
	Lu, Hsiao-Huei (Note 2)																					
Independent Directors	Hsu, Shih-Chun																					
	Hsu, Yi-Fang	—	1,800	—	—	—	—	—	45	—	1.51%	—	—	—	—	—	—	—	—	1.51%	無	
	Chen, Cheng-Chong																					

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

Note 2: Director, Lu, Hsiao-Huei resigned on July 26, 2019.

### 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)	
	The Company	All the Companies Listed in the Financial Statements (H)	The Company	All the Companies Listed in the Financial Statements (H)
Less than NT\$1,000,000	—	Wu, Po-Chao Chen, Yu-Chen Chan, Wen-Liang Yen, Hsien-Ming Lu, Hsiao-Huei Hsu, Shih-Chun Hsu, Yi-Fang Chen, Cheng-Chong	—	Hsu, Shih-Chun Hsu, Yi-Fang Chen, Cheng-Chong Chan, Wen-Liang
NT\$1,000,000 (inclusive) to NT\$2,000,000	—	—	—	—
NT\$2,000,000 (inclusive) to NT\$3,500,000	—	—	—	—
NT\$3,500,000 (inclusive) to NT\$5,000,000	—	—	—	Lu, Hsiao-Huei Chen, Yu-Chen
NT\$5,000,000 (inclusive) to NT\$10,000,000	—	—	—	Wu, Po-Chao
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: Juristic-person director Yummy Town International Ltd. has appointed Mr. Yen, Hsien-Ming as its new representative on January 16, 2020.

2. Remuneration Paid to Supervisors in 2019: The Company has not appointed any supervisor. Hence, this section is not applicable.

### 3. Remuneration Paid to President and Vice President in 2019

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 Person Receives Remuneration from Reinvestment Companies Other Than Subsidiaries of the Company or the Parent Company
		The Company	All the Companies Listed in the Financial Statements	The Company	All the Companies Listed in the Financial Statements	The Company	All the Companies Listed in the Financial Statements	The 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	Lu, Hsiao-Huei (Note 1)	—	17,634	—	268	—	15,716	—	—	—	—	—	27.25%	—
Chief Executive Officer	Chang, Miao-Ling (Note 1)													
Vice President, R&D Headquarters	Huang, Hsin-Lin													
Vice President, Engineering Equipment Headquarters	Huang, Jo-Han													
Vice President, Finance Headquarters	Huang, Hui-Ting (Note 2)													
Vice President, Finance Headquarters	Wu, Tsung-Ju (Note 2)													
Vice President, Human Resources Headquarters	Wang, Pei-Chun													
Chief Investment Officer	Cheng, Sheng-Chung													
Vice President, Overseas Strategic Headquarters	Lin, Wan-Ting													
Vice President, Marketing Headquarters	Li, Tsung-Yi													
Special Assistant to the CEO	Li, Yi-Hsing													
Vice President, Franchise Development Headquarters	Shen, Meixue													
Vice President, Happy Lemon Brand Headquarters	Li, Yun-Chu													
Manager, Overseas Strategic Headquarters	Han, Din-guo													

### Range of Remuneration

Range of Remuneration Paid to President and Vice Presidents of the Company	Name of President and Vice President	
	The Company	All the Companies Listed in the Financial Statements
Less than NT\$1,000,000	—	Cheng, Sheng-Chung Han, Din-Guo
NT\$1,000,000 (inclusive) to NT\$2,000,000	—	Wu, Tsung-Ju
NT\$2,000,000 (inclusive) to NT\$3,500,000	—	Huang, Hui-Ting Wang, Pei-Chun Huang, Hsin-Lin Li, Yi-Hsing Shen-Meixue Li, Yun-Chu Lin, Wan-Ting Huang, Jo-Han Li, Tsung-Yi
NT\$3,500,000 (inclusive) to NT\$5,000,000	—	Lu, Hsiao-Huei 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	—	14

Note 1: Chief Executive Officer Lu, Hsiao-Huei resigned on July 26, 2019. Chang, Miao-Ling took over the position of Chief Executive Officer on August 1, 2019.

Note 2: Vice President Huang, Hui-Ting underwent position adjustment on June 28, 2019.

4. Name of Managers to Whom Employee Bonus is Paid and Distribution of Dividends in 2019: None

5. 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	2018		2019	
		The Company	Consolidated Financial Statements	The Company	Consolidated Financial Statements
Amount of Remuneration for Directors		—	14,274	—	14,947
Percentage of Total Remuneration for Directors in Terms of Net Profit After Tax		—	15.07%	—	12.12%
Total Remuneration for Supervisors		—	—	—	—
Percentage of Total Remuneration for Supervisors in Terms of Net Profit After Tax		—	—	—	—
Total Remuneration for President and Vice Presidents		—	43,803	—	33,618
Total Remuneration for President and Vice Presidents in Terms of Net Profit After Tax		—	46.25%	—	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 6 meetings (A) in the most recent year (2019), 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	5	1	83%	
Director	Chen, Yu-Chen	6	0	100%	
Juristic-Person Director	Yummy Town International Ltd.	6	0	100%	
Director	Lu, Hsiao-Huei	3	0	100%	Resigned on July 26, 2019 Required attendance: 3 times
Independent Director	Hsu, Yi-Fang	6	0	100%	
Independent Director	Hsu, Shih-Chun	5	1	83%	
Independent Director	Chen, Cheng-Chong	4	2	67%	

##### 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 2019, 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 10, 2019, Chairman Wu, Po-Chao, Director Chen, Yu-Chen, and related managers recused themselves from discussions on the 2018 annual bonus distribution 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.
  - (II) During the Board of Directors' meeting on March 22, 2019, Chairman Wu, Po-Chao, Director Chen, Yu-Chen, and related managers recused themselves from discussions on the 2018 employee remuneration and directors' remuneration distribution plans and the Group's 2019 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, 2019 to December 31, 2019	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"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>

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 the relevant training courses for directors and supervisors.

2. Training Courses for Directors in 2019

<b>Director</b>	<b>Course Title</b>	<b>Hours</b>	<b>Training Unit</b>
Wu, Po-Chao	Discussion on Information Security Governance Facing Enterprises	3	Securities and Futures Institute
	Analysis of Early Warning and Types of Enterprise Financial Crisis	3	
Chen, Yu-Chen	Discussion on Information Security Governance Facing Enterprises	3	Securities and Futures Institute
	Analysis of Early Warning and Types of Enterprise Financial Crisis	3	
Legal Representative Chan, Wen-Liang	Corporate Governance and Operations of the Board of Directors	3	Securities and Futures Institute
	Legal Issues to be Noted by Directors and Supervisors of Public Companies	3	
Hsu, Shih-Chun	Seminar on Board Practices and Corporate Governance	3	Taiwan Academy of Banking and Finance
	Sharing of Strategies in the Malaysian Market and Planning of Tax Framework	3	Taiwan Corporate Governance Association
Hsu, Yi-Fang	Corporate Governance and Securities Regulations	6	Taiwan Corporate Governance Association
Chen, Cheng-Chong	Analysis of Audit Control and Management Practices in the New Corporate Governance Roadmap	6	Accounting Research and Development Foundation

## (II) Operation of Audit Committee:

The Audit Committee convened 6 meetings (A) in the most recent year (2019), 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	6	0	100%	
Independent Director	Hsu, Shih-Chun	6	0	100%	
Independent Director	Chen, Cheng-Chong	4	2	67%	

## 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.

(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.

Meeting Date and Session	Proposal	Opinions of All Independent Directors and the Company's actions
January 10, 2019 (5 <sup>th</sup> meeting of the 3 <sup>rd</sup> Audit Committee)	1. Evaluation of the independence of CPAs and the appointment and remuneration of CPAs attesting the Company's 2019 financial statements 2. Amendments to the Company's "Accounting System" 3. Amendments to the Company's "Procedures for Acquisition or Disposal of Assets" 4. Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees" 5. Adjustment of the individual limits on funds loaned between the Company's investment businesses	The proposals were unanimously approved by all the independent directors
March 22, 2019 (6 <sup>th</sup> meeting of the 3 <sup>rd</sup> Audit Committee)	1. 2018 Business Report and Consolidated Financial Statements 2. 2018 Statement of Internal Control	
August 12, 2019 (8 <sup>th</sup> meeting of the 3 <sup>rd</sup> Audit Committee)	1. Change of Chief Financial Officer and Accounting Supervisor of the Company	

(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.	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. 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" to clearly specify control over insiders using information yet to be published in the market to engage in the purchase and sale of securities. Thus, the Company has complied with the risk control mechanism.	No significant difference																																										
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 six 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>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 two 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	✓	✓	✓		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	✓	✓	✓																																										
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 the relevant performance evaluation method for directors during the Board of Directors' meeting, where performance evaluation is conducted every year and related results will be reported to the Board of Directors.	No significant difference																																										
(IV) Regular Assessment of CPAs' Independence	V		The Company has approved the regular assessment of CPAs' independence during the Board of Directors' meeting held on January 16, 2020. Besides, the Company has obtained the "Statement on Auditor and CPA Independence" which	No significant difference																																										

Item	Status of Implementation		Summary	Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No		
			stipulates that both CPAs and auditors shall comply with the regulations governing their independence, in order to their independence and impartiality during audit and attestation.	
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 appointed dedicated personnel to be in charge of corporate governance-related matters, including 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.	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
(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 own website and has established information on the Company's financial affairs and corporate governance. The Company has set up a spokesperson system, and implements this system in accordance with the relevant laws and systems.	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 reports them according to the period stipulated in the relevant regulations.	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		(1) The Company has arranged refresher courses for directors and independent directors. (2) Except for special circumstances, directors and independent directors will attend the relevant meetings. In the event of conflict of interests relating to an agenda listed by the Board of Directors, the director involved may not participate in voting. (3) The Company has renewed liability insurance totaling US\$5 million for the directors, and reported it to the Board of Directors in November 2019.	No significant difference
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): None				

(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 (Note 1)	Name	Criteria			Meets the status of independence (Note 2)										Number of other public companies where the individual is concurrently serving as a remuneration committee member	Remark End of this section	
		Meets one of the following professional qualifications, with at least five years of work experience	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 4 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 (%)	Remark
Convener	Hsu, Yi-Fang	4	0	100%	
Member	Hsu, Shih-Chun	4	0	100%	
Member	Chen, Cheng-Chong	2	2	50%	

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 10, 2019 3 <sup>rd</sup> meeting the 3 <sup>rd</sup> Remuneration Committee	1. Amendments to the Company's "Regulations Governing the Performance Appraisal of Board of Directors" 2. Year-end Bonus Distribution Plan	Approved without objection	Approved by the Board of Directors
March 22, 2019 4 <sup>th</sup> meeting of the 3 <sup>rd</sup> Remuneration Committee	1. 2018 Employee Remuneration and Directors' Remuneration Distribution Plan 2. Discussion on Managers' Compensation		
May 13, 2019 5 <sup>th</sup> meeting of the 3 <sup>rd</sup> Remuneration Committee	Transfer of the Company's treasury shares to employees		

August 12, 2019 6 <sup>th</sup> meeting of the 6 <sup>th</sup> Remuneration Committee	1. Deliberation on the compensation of the Company's newly appointed President 2. Deliberation on the compensation of the Company's newly appointed Chief Financial Officer and Accounting Supervisor 3. Deliberation on the compensation of the Company's Chief Strategy Officer at the Overseas Strategic Headquarters		
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(V) Implementation of Corporate Social Responsibility

Assessment Item	Status of Implementation (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons
	Yes	No	Summary (Note 2)	
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 relevant questionnaires to stakeholders every year. By analyzing the questionnaires, the Company can learn about the major issues during the year under survey. Then can conduct self-evaluation and make improvements during the stage when each department prepares the CSR 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 expectations as they expect the Company to 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.
(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 customers to hold beverages with their hands to reduce the use of plastic bags and reduce waste generation.	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, our 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 our main operating locations. In addition to the requirements of local regulations,	No significant difference

		the Company has also clearly specified that internal benefits do not differ significantly by gender, race, and age. We purchase retirement/endowment insurance for our employees in accordance to local regulations.	
(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	V	According to the 2018 CSR Report published in 2019, the Company has received the assurance letter issued by CPAs in accordance with the Assurance Standards Bulletin No. 1 "Assurance Case other than Audits or Reviews of Historical Financial Information."	No significant difference

institutions?				
<p>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: Kindly refer to the CSR reports prepared annually by the Company on MOPS: <a href="http://mops.twse.com.tw/mops/web/t100sb11">http://mops.twse.com.tw/mops/web/t100sb11</a></p>				
<p>VII. Other important information to facilitate a better understanding of the Company's CSR practices: According to the 2018 CSR Report published in 2019, the Company has received the assurance letter issued by CPAs in accordance with the Assurance Standards Bulletin No. 1 "Assurance Case other than Audits or Reviews of Historical Financial Information." The identity of stakeholders, issues of concern, communication channels, and response methods are listed as follows:</p>				
Stakeholder	Importance	Issue of Concern	Communication Method	Communication Frequency
<b>Consumers</b>	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"> <li>Food safety and quality control</li> <li>Human rights and equality</li> <li>Product and service innovation</li> </ul>	<ul style="list-style-type: none"> <li>Weibo Official Account</li> <li>WeChat Official Account</li> <li>Alipay Service Channel</li> </ul>	<ul style="list-style-type: none"> <li>Daily</li> <li>Weekly</li> <li>Weekly</li> <li>Once a month</li> </ul>
<b>Employees</b>	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"> <li>Food safety and quality control</li> <li>Human rights and equality</li> <li>Brand image</li> </ul>	<ul style="list-style-type: none"> <li>Induction/Introduction to new job</li> <li>Phone, e-mail, and meetings</li> <li>Training, seminars and job fairs</li> <li>Campus recruitment and recruitment website</li> <li>Food safety training</li> </ul>	<ul style="list-style-type: none"> <li>As required</li> </ul>
<b>Internal Customers</b>	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"> <li>Food safety and quality control</li> <li>Product and service innovation</li> <li>Brand image</li> </ul>	<ul style="list-style-type: none"> <li>Strategic planning meetings</li> <li>Monthly business management meetings</li> <li>Information disclosure on the Company's website</li> <li>Franchise information sessions</li> <li>Signing of non-disclosure agreement</li> <li>Participation in social welfare activities</li> </ul>	<ul style="list-style-type: none"> <li>Once a year</li> <li>Once a month</li> <li>Irregular</li> <li>Once every two weeks</li> <li>Signing the franchise agreement</li> <li>Irregular</li> </ul>
<b>Government Agencies</b>	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"> <li>Legal compliance</li> <li>Human rights and equality</li> <li>Food safety and quality control</li> </ul>	<ul style="list-style-type: none"> <li>Phone consultation</li> <li>Letter</li> <li>Forum</li> </ul>	<ul style="list-style-type: none"> <li>Irregular</li> </ul>

<p><b>Suppliers</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Food safety and quality control</li> <li>• Legal compliance</li> <li>• Service quality and customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• On-site review</li> <li>• Supplier self-assessment</li> <li>• Communication on routine procurement</li> <li>• Communication on reconciliation of accounts</li> <li>• Communication on product development and issue handling</li> <li>• Business communication on regular factory audit</li> </ul>	<ul style="list-style-type: none"> <li>• Initial stage of development</li> <li>• Yearly</li> <li>• Irregular</li> <li>• Monthly</li> <li>• Irregular</li> <li>• Yearly</li> </ul>
<p><b>Shareholders</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Food safety and quality control</li> <li>• Sustainable development strategies</li> <li>• Operating performance</li> </ul>	<ul style="list-style-type: none"> <li>• Financial statements</li> <li>• Public disclosure in annual reports</li> <li>• Shareholders' meeting reports</li> <li>• CSR reports</li> <li>• Company website</li> <li>• Investor conference</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Yearly</li> <li>• Yearly</li> <li>• Yearly</li> <li>• At least once a year</li> </ul>
<p><b>Media</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Product and service innovation</li> <li>• Food safety and quality control</li> <li>• Operating performance</li> </ul>	<ul style="list-style-type: none"> <li>• Phone, e-mail, and meetings</li> <li>• Press release</li> <li>• Press conference</li> </ul>	<ul style="list-style-type: none"> <li>• Irregular</li> </ul>
<p><b>Neighboring Communities</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Food safety and quality control</li> <li>• Customer health and nutrition</li> <li>• Supply chain and source tracing management</li> </ul>	<ul style="list-style-type: none"> <li>• Phone and e-mail</li> <li>• Personal visits</li> </ul>	<ul style="list-style-type: none"> <li>• Irregular</li> </ul>

(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	
<p>I. Establishment of Ethical Corporate Management Policies and Programs</p> <p>(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?</p>	V		<p>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.</p>	No significant difference
<p>(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"?</p>	V		<p>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.</p>	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	
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	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 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.	No significant difference
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 whistleblowers so that they are safe from improper treatment?	V		Whistleblowers can file a report to the whistleblowing mailboxes anonymously to avoid improper treatment.	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. 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) Other important information to enhance the understanding of the implementation of corporate governance at the Company shall be disclosed together:

The Company prepares a CSR report and discloses it on MOPS every year.

## (IX) Implementation of Internal Control System

### 1. Statement on Internal Control

Date: March 26, 2019

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2019.

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. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered from changes in the environment and under different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company 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, 2019 (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 26, 2020. Among 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

Manager: Chang, Miao-Ling

(X) 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

(XI) 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 2019 to April 2020:

<b>Date</b>	<b>Item</b>	<b>No.</b>	<b>Important Resolution</b>
<b>2019.1.10</b>	Discussions	1	Deliberation on the 2019 Business Plan and Financial Budget
		2	Evaluation of CPAs' independent, and appointment and remuneration of CPAs attesting the Company's 2019 financial statements
		3	Amendments to the Company's "Accounting System"
		4	Proposal to liquidate the Company's joint venture, Shanghai Han Pin Food Co., Ltd.
		5	Amendments to the Company's "Procedures for Acquisition or Disposal of Assets", and abolition of overseas subsidiaries' "Procedures for Acquisition or Disposal of Assets" beginning today
		6	Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"
		7	Adjustment of individual limits on the funds loaned between the Company's investment businesses
		8	Determination of the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction, and recovery of stock appreciation rights
		9	Amendments to the Company's "Regulations Governing the Performance Appraisal of Board of Directors"
		10	Proposals related to the Remuneration Committee
<b>2019.3.22</b>	Discussions	1	The Company's 2018 Business Report and Consolidated Financial Statements
		2	Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"
		3	Amendments to the Company's "Regulations Governing Operations Management and Supervision for Subsidiaries"
		4	The Company's 2018 Earnings Distribution Plan
		5	The Company's distribution of cash dividends with capital surplus
		6	The Company's 2018 Statement on Internal Control System
		7	Amendments to the Company's "Articles of Incorporation" and "Memorandum of Founding of Company"
		8	Establishment of the Company's "Standard Operating Procedures for Handling Directors' Requests"
		9	Establishment of the Company's "Procedures for Repurchasing Treasury Shares"
		10	Determination of the duration and location for accepting directors' proposals in accordance with Article 172-1 of the Company Act
		11	Convening of the Company's 2019 Annual General Shareholders' Meeting
		12	2018 Employee Remuneration and Directors' Remuneration Distribution Plan
		13	Proposals related to the Remuneration Committee

<b>Date</b>	<b>Item</b>	<b>No.</b>	<b>Important Resolution</b>
<b>2019.5.13</b>	Discussions	1	The Company's 2019 Q1 Consolidated Financial Statements
		2	Renewal and adjustment of bank financing limit
		3	Determination of the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction, and recovery of stock appreciation rights
		4	Amendments to the Company's "Procedures for Repurchasing Treasury Shares"
		5	Deliberation on the Transfer of the Company's treasury shares to employees
<b>2019.8.12</b>	Discussions	1	The Company's 2019 Q2 Consolidated Financial Statements
		2	The Company's proposal to adjust the individual limits on funds loaned between the Company's investment businesses
		3	Amendments to the Company's "Regulations Governing the Transfer of Shares Repurchased by the Company to Employees"
		4	Amendments to the Company's "Rules of Procedure for Board of Directors' Meetings"
		5	Amendments to the Company's "Audit Committee Charter"
		6	Amendments to the Company's "Corporate Governance Best Practice Principles"
		7	Submission of the Company's "2018 CSR Report"
		8	Ratification of change of President of the Company
		9	Change of Chief Financial Officer and Accounting Supervisor of the Company
		10	Change of Spokesperson of the Company
		11	Proposal to appoint a Chief Strategy Officer at the Company's Overseas Strategic Headquarters
		12	Determination of the dates for the cancellation of new restricted employee shares recovered by the Company and capital reduction, and recovery of stock appreciation rights
<b>2019.10.5</b>	Discussions	1	Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"
<b>2019.11.11</b>	Discussions	1	The Company's 2019 Q3 Consolidated Financial Statements
		2	Request to approve the Company's 2020 Audit Plan
		3	Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"
		4	Adjustment of individual limits on the funds loaned between the Company's investment businesses
<b>2020.1.16</b>	Discussions	1	Deliberation on the 2020 Business Plan and Financial Budget
		2	Evaluation of CPAs' independent, and appointment and remuneration of CPAs attesting the Company's 2019 financial statements
		3	Amendments to the Company's "Regulations Governing the Performance Appraisal of Board of Directors"
		4	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

<b>Date</b>	<b>Item</b>	<b>No.</b>	<b>Important Resolution</b>
<b>2020.3.26</b>	Discussions	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 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 the 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

2. Implementation of resolutions adopted by the 2019 Annual General Shareholders' Meeting (June 13, 2019):

1. Proposal 2018 Business Report and Consolidated Financial Statements
- The proposal was approved after voting
- Voting (or Election) Results Approval votes: 25,844,886  
Disapproval votes: 4,227  
Invalid votes: 0  
Abstention votes/no votes: 1,222,321  
Total votes: 27,071,434
2. Proposal Amendments to the Company's "Articles of Incorporation" and "Memorandum of Founding of Company"
- The proposal was approved after voting
- Voting (or Election) Results Approval votes: 25,844,886  
Disapproval votes: 4,227  
Invalid votes: 0  
Abstention votes/no votes: 1,222,321  
Total votes: 27,071,434
3. Proposal 2018 Earnings Distribution Plan
- The proposal was approved after voting
- Voting (or Election) Results Approval votes: 25,844,886  
Disapproval votes: 4,227  
Invalid votes: 0  
Abstention votes/no votes: 1,222,321  
Total votes: 27,071,434
4. Proposal Distribution of cash dividends with capital surplus
- The proposal was approved after voting
- Voting (or Election) Results Approval votes: 25,844,885  
Disapproval votes: 4,229  
Invalid votes: 0  
Abstention votes/no votes: 1,222,320  
Total votes: 27,071,434
5. Proposal Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"
- The proposal was approved after voting
- Voting (or Election) Results Approval votes: 24,100,885  
Disapproval votes: 1,748,228  
Invalid votes: 0  
Abstention votes/no votes: 1,222,321  
Total votes: 27,071,434
6. Proposal Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"
- The proposal was approved after voting
- Voting (or Election) Results Approval votes: 25,844,886  
Disapproval votes: 4,227  
Invalid votes: 0  
Abstention votes/no votes: 1,222,321  
Total votes: 27,071,434

- (XII) 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
- (XIII) Resignation or dismissal of the Company's Chairman, CEO, 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, 2020

TITLE	NAME	DATE APPOINTED	DATE DISCHARGED	REASON FOR RESIGNATION OR DISCHARGE
Chief Executive Officer	Lu, Hsiao-Huei	August 9, 2016	July 26, 2019	Completed mission for the current phase
Vice President/Accounting Supervisor, Finance Headquarters	Huang, Hui-Ting	September 30, 2013	June 28, 2019	Position adjustment

#### V. CPA Fees

Name of Accounting Firm	Name of CPAs	Audit Period	Remark
Deloitte Taiwan	Ker-Chang Wu and Yi-Min Huang	2019	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

(I) Information of the former CPAs

Date of change	January 2018		
Cause and explanation of change	Appointment of CPA Yu Hung-Bing and CPA Hung Kuo-Tien at Deloitte Touche Tohmatsu Limited was ceased as a result of reshuffle at the said accounting company.		
Explanation about whether change resulted from termination by rejection by the Principal or the CPAs	Parties concerned	By CPAs	By Principal
	Facts	V	
	Termination at discretion?		
	Rejection from acceptance (continued retaining)		
Audit report with opinions other than unqualified (unreserved) opinion and the causes in the past two years	Nil		
Opinions different from the Issuer's	Yes		Accounting principles and practices
			Disclosure of financial reports
			Scope or steps of audit
			Others
	No	V	
	Explanation		
Other facts of disclosure (Facts to be disclosed under Article 10, Paragraph 6, Subparagraph 1, Points 4~7 of the Regulations)	Nil		

(II) About Successor CPAs

Name of Accounting Firm	Deloitte Taiwan
Name of CPAs	Ker-Chang Wu and Yi-Min Huang
Date Appointed	Approved by the Board of Directors on January 19, 2018
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	None and not applicable
Written opinions from successor CPAs with regards to matters with which former CPAs disagreed	None and not applicable

(III) Former CPAs' response to Article 10, Subparagraph 6, Items 1 and Item 2-3 of the

Regulations: 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	2019		Current Year up to April 15	
		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	73,000	(65,000)	—	400,000
Director	Chen, Yu-Chen	18,000	—	—	—
Shareholder Concurrently Serving as Director Whose Shareholding Percentage Exceeds 10 percent	Yummy Town International Ltd.	131,000	—	—	—
Independent Director	Hsu, Shih-Chun	—	—	—	—
Independent Director	Hsu, Yi-Fang	—	—	—	—
Independent Director	Chen, Cheng-Chong	—	—	—	—
Chief Executive Officer	Lu, Hsiao-Huei (Date Discharged: July 26, 2019)	25,000	—	—	—
Chief Executive Officer	Chang, Miao-Ling	20,000	—	—	—
Vice President, Finance Headquarters	Huang, Hui-Ting (Date Discharged: July 28, 2019)	12,000	—	—	—
Vice President, Finance Headquarters Finance Headquarters	Wu, Tsung-Ju	—	—	—	—
Chief Investment Officer	Cheng, Sheng-Chung	10,000	—	20,000	—
Vice President, R&D Headquarters	Huang, Hsin-Lin	12,000 (26,000)	—	—	—
Vice President, Engineering Equipment Headquarters	Huang, Jo-Han	12,000 (12,000)	—	—	—
Vice President, Human Resources	Wang, Pei-Chun	12,000	—	—	—

Title	Name	2019		Current Year up to April 15	
		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
Headquarters					
Vice President, Overseas Strategic Headquarters	Lin, Wan-Ting	12,000	—	—	—
Vice President, Marketing Headquarters	Li, Tsung-Yi	12,000	—	—	—
Vice President, Supply Chain Headquarters	Li, Yi-Hsing	12,000	—	—	—
Vice President, Franchise Development Headquarters	Shen, Meixue	—	—	—	—
Vice President, Happy Lemon Brand Headquarters	Li, Yun-Chu	24,000 (16,000)	—	—	—
Supervisor, Auditing Office	Chen, Tsui-Ling	—	—	—	—
Acting Spokesperson	Hsu Mei-Hua	—	—	—	—
Manager, Overseas Strategic Headquarters	Han Ding-guo	—	—	—	—

(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 30, 2020; 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	
Special investment account of Yummy Town International Ltd. under the custody of Yuanta Commercial Bank	6,538,681	18.73%	—	—	—	—	Yummy Town International Ltd.	Wu, Po-Chao is the director of Yummy Town International Ltd.	
Wu, Po-Chao	5,062,956	14.50%	—	—	—	—	Wu, Po-Chao	Wu, Po-Chao is the director of Yummy Town International Ltd.	
Special investment account of Proco (Hong Kong) International Co., Ltd. under the custody of Cathay United Bank Co., Ltd.	2,570,256	7.36%	—	—	—	—	—	—	—
Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.	1,801,208	5.16%	—	—	—	—	—	—	—
Special investment account of Xinle Investment Co., Ltd. under the custody of Cathay United Bank Co., Ltd.	1,104,630	3.16%	—	—	—	—	—	—	—
Ma, Der-Lin	1,062,400	3.04%	—	—	—	—	—	—	—
Cheng, Hui-Yi	880,000	2.52%	—	—	—	—	—	—	—

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	
Special investment account of Preferred Investment Advisors (HK) Ltd.	780,294	2.24%	—	—	—	—	—	—	—
Lu, Han-Fen	765,639	2.19%	—	—	—	—	—	—	—
Special investment account of Standard Chartered Bank of Liechtenstein	728,000	2.09%	—	—	—	—	—	—	—

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, 2019; 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	註 2	100%	—	—	註 2	100%
Yen Qun 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	註 2	100%	—	—	註 2	100%
Yummy-town UK Ltd	註 2	100%	—	—	註 2	100%

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
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	註 2	100%	—	—	註 2	100%
You Xiang Food & Beverage Management (Shanghai) CO.,LTD.	註 2	55.5%	—	—	註 2	55.5%
Ai Qun Food & Beverage Management (Shanghai) CO.,LTD	註 2	100%	—	—	註 2	100%
Shanghai Tai Quan Trading CO., LTD.	註 2	100%	—	—	註 2	100%
Zhan Cheng Food & Beverage Management (Guangzhou) CO.,LTD	註 2	100%	—	—	註 2	100%
Jia Qun Food & Beverage Management (Beijing) CO.,LTD	註 2	100%	—	—	註 2	100%
Happy Lemon Food & Beverage Management (Shanghai) CO.,LTD	註 2	100%	—	—	註 2	100%
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	註 2	100%	—	—	註 2	100%
Freshtea Japan Co., Ltd.	註 1	40%	—	—	註 2	40%
Happy Lemon California, Inc.	註 1	49%	—	—	註 2	49%

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 30, 2020; Unit: shares

Type of Shares	Authorized Capital			Remark
	Number of Outstanding Shares	Number of Unissued Shares	Total	
Registered ordinary shares	34,908,543	65,091,457	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

Year and Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source 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
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	
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

Note:

1. 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, and June 2016, 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.
3. Information on the shelf registration system: Not applicable

## (II) Shareholder Structure

As of April 25, 2019

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	1	14	20	3,359	1	3,395
Number of Shares Held (shares)	0	107,385	1,060,370	15,714,931	17,298,857	727,000	34,908,543
Shareholding Percentage (%)	0.00%	0.31%	3.04%	45.02%	49.55%	2.08%	100%

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

## (III) Distribution of Equity Ownership

## 1. Common Shares

As of April 25, 2019

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

Range of Shares	Number of Shareholders	Number of Shares Held (shares)	Shareholding Percentage (%)
1 to 999	1,996	26,376	0.08%
1,000 to 5,000	1,105	2,062,561	5.91%
5,001 to 10,000	114	881,991	2.53%
10,001 to 15,000	59	757,035	2.17%
15,001 to 20,000	19	348,600	1.00%
20,001 to 30,000	29	742,193	2.13%
30,001 to 50,000	24	922,047	2.64%
50,001 to 100,000	13	946,556	2.71%
100,001 to 200,000	11	1,574,685	4.51%
200,001 to 400,000	10	2,733,355	7.83%
400,001 to 600,000	4	1,892,080	5.42%
600,001 to 800,000	4	3,000,933	8.60%
800,001 to 1,000,000	1	880,000	2.52%
1,000,001 and above	6	18,140,131	51.95%
Total	3,395	34,908,543	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 15, 2019; 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		6,538,681	18.73%
Wu, Po-Chao		5,062,956	14.50%
Special investment account of Proco (Hong Kong) International Co., Ltd. under the custody of Cathay United Bank Co., Ltd.		2,570,256	7.36%
Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.		1,801,208	5.16%
Special investment account of Xinle Investment Co., Ltd. under the custody of Cathay United Bank Co., Ltd.		1,104,630	3.16%
Ma, Der- Lin		1,062,400	3.04%
Cheng, Hui-Yi		880,000	2.52%
Special investment account of Preferred Investment Advisors (HK) Ltd.		780,294	2.24%
Lu, Han-Fen		765,639	2.19%
Special investment account of Standard Chartered Bank of Liechtenstein		728,000	2.09%

## (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

Item \ Year		2018	2019	2020 up to end of March (Note 8)	
Market Price Per Share (Note 1)	Highest	96.60	84.40	82.60	
	Lowest	44.00	48.60	46.50	
	Average	73.00	65.62	61.45	
Net Worth Per Share (Note 2)	Before distribution	20.85	20.93	16.75	
	After distribution	17.85	17.93	16.75	
Earnings Per Share	Weighted average number of shares		33,179	34,002	34,081
	Earnings per share (Note 3)	Before adjustment	3.11	3.80	-1.57
		After adjustment	3.11	3.80	-1.57
Dividends Per Share	Cash dividends		3	3 (Note 9)	—
	Stock dividends	Dividends from retained earnings	—	—	—
		Dividends from capital surplus	—	—	—
	Accumulated unpaid dividends (Note 4)		—	—	—
Return on Investment	Price/earnings ratio (Note 5)		23.47	18.21	—
	Price/dividends ratio (Note 6)		24.33	23.06	—
	Cash dividend yield (Note 7)		4.11%	4.34%	—

\* 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 2020.

## (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 2019 earnings distribution proposal was approved by the Board of Directors on March 26, 2020:

Unit: NT\$

Item	Amount	Remark
Accumulated undistributed earnings at the beginning of the period	\$ 33,024,861	
Add: Net profit after tax for the period	129,368,492	
Earnings available for distribution	162,393,353	
Less: Allocation to statutory surplus reserve (10%)	(12,936,849)	
Less: Allocation to special surplus reserve	(24,892,323)	Foreign exchange conversion difference
Distributed items:		
Cash dividends	(85,202,895)	NT\$2.5 distributed per share
Stock dividends	(17,040,580)	NT\$0.5 distributed per share
Accumulated undistributed earnings at the end of the period	\$ 22,320,706	

Note 1: Pending approval from the shareholders' meeting in 2020.

Note 2: It is calculated based on the number of outstanding shares on February 28, 2020 (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 (still in progress):

Number of Repurchases	Third Time (Term)
Purpose of Repurchase	Transfer of shares to employees
Type of Shares Repurchased	Common shares
Upper Limit on the Total Amount of Shares Repurchased	NT\$305,238,555
Expected Repurchase Period	109.3.27~109.5.26
Expected Number of Shares to be Repurchased	1,000,000 shares
Price Range for Shares to be Repurchased	NT\$42 to NT\$82
Type and Number of Shares Repurchased	55,000 shares (until May.15,2020)
Amount of Shares Repurchased	NT\$3,168,782
Percentage of Expected Number of Shares to be Repurchased in Terms of Total Number of Shares Repurchased (%)	5.5%

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, 2020

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	0.77%	0.23%
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> <ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> </ol> <p>B. Vested Percentage of Individual Performance</p> <ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(3) The abovementioned individual performance appraisal, assessment, and review shall be based on the Company's regulations governing the management of employee</li> </ol>	

	<p>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. Less than one share shall not be counted.</p>
Restricted Rights to New Restricted Employee Shares	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
Custody of New Restricted Employee Shares	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.
Methods for Handling Allotment of Shares to or Subscription of Shares by Employees Who Are Yet to Meet the Vesting Conditions	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.
Number of New Restricted Employee Shares Recovered or Repurchased	255,790
Number of New Restricted Employee Shares Extinguished	35,640
Number of New Restricted Employee Shares Yet to be Extinguished	58,570
Percentage of New Restricted Employee Shares Yet to be	0.17% (Note)

Extinguished in Terms of the Total Number of Shares Issued (%)	
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.

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 May 15, 2020

	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)	0.78%	25,520	0	0	0.07%	41,098	0	0	0.12%
	President	Chang, Miao-Ling										
	Vice President and Accounting Manager, 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 CEO	Chang, Hsin-Jung (resigned)										
	Special Assistant to CEO	Li, Yi-Hsing										
	Vice President, Management Headquarters	Wang, Pei-Chun										
	Vice President, Overseas Strategic Headquarters	Lin, Wan-Ting										
	Vice President, Marketing Headquarters	Li, Tsung-Yi										
	Supervisor, Auditing Office	Chen, Tsui-Ling										
Employees	Director	Chen, Yi-Hung (resigned)	76,000 (Note 3)	0.22%	10,120	0	0	0.03%	17,472	0	0	0.05%
	Director	Wu, Hua-Chao										
	Director	Chen, Chien-Wen										
	Director	Lin, Tai-Yi										
	Director	Lung, Shu-Chih (resigned)										
	Director	Chiang, Ping-Chang										
	Director	Tsao, Chia-Hung										
	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, 2020, a total of 34,908,543 shares had 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 snacks 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	2018		2019	
	Amount of Sales	Proportion of Sales	Amount of Sales	Proportion of Sales
Franchise, agent and other related revenues	1,241,397	57.11%	1,389,423	62.67%
Revenue from company-operated stores	932,203	42.89%	827,689	37.33%
Total	2,173,600	100.00%	2,217,112	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:

①Franchise 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.

②Food 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:

<b>RBT</b>	
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
Main course	Beef noodle series, Taiwanese-style curry series, Spaghetti series, and cheese baked rice series
Light meals	Waffle series, and thin and crispy series
Snacks	Taiwanese-style classic snacks
Desserts	Dessert series and snow fungus soup series
Others	New seasonal products and products promoted during festive celebrations

<b>Happy Lemon</b>	
Product Category	Series
Winter limited	Grand slam milk tea with tapioca pearls, taro oat cocoa, oat milk tea with taro, and black rice milk tea with red beans
Drinkable cake	Milk tea with Internet celebrity cake; milk tea with tapioca pearls and half-baked cake; milk tea with tapioca pearls and taro balls; milk tea with tapioca pearls, cake, and cream; and milk tea with OREO cookies
Signature milk tea	Mellow milk tea, milk tea with tapioca pearls, grand slam pudding milk tea, red bean and pudding milk tea, and milk tea with taro balls
Fascinating cheese cream topping	Rock salt cheese green tea, rock salt cheese black tea, rock salt cheese milk tea, and rock salt cheese cocoa

<b>Happy Lemon</b>	
Product Category	Series
Rock lemon	Happy Lemon tea, kumquat lemon tea, colorful fruit tea, lemon-flavored pineapple drink, pomelo-flavored lemon tea, fresh lemon-flavored green tea, and fresh lemon-flavored black tea
Foam mellow tea and Yakult	Green tea with two bottles of Yakult, lemon green tea with two bottles of Yakult, jasmine green tea, and honey black tea
Spring all year round	Mango, orange, and passion fruit-flavored four season spring tea; fresh lemon-flavored four season spring tea; rock salt cheese-flavored four season spring tea; and four season spring tea
Bursting toast	Cheese and smoked chicken salad toast; pearl milk tea bursting toast; egg salad bursting toast; and cheese and spicy smoked chicken bursting toast
Happy set meals (exclusive for online platform)	Two cups of warm heart (set meal), red hot Internet celebrity (set meal), and three-cup classic (set meal)

<b>The Spiceland</b>	
Product Category	Series
Curry	White sauce curry, original curry, omelette rice series, and udon series
Fried foods	Japanese-style fried chicken, Japanese-style pork chop, crisp fish fillet, Japanese-style fried shrimp, karaage (deep fried) squid, golden tofu, three golden crispy snacks, and karaage (deep fried) chicken wings
Donburi rice bowl	Beef with fried egg, pork chop donburi, and king chicken and egg donburi
Appetizers	French fries, takoyaki (octopus balls), teriyaki chicken nuggets, squid balls, and roasted seasonal vegetables
Chinese-Japanese fusion	Sesame miso oysters, unlike mapo tofu, spicy garlic razor clams, and fire-kissed squid
Salad	Poached egg and smoked chicken salad, chicken avocado mango salad, Caesar salad, Cobb salad, and Italian ham salad
Beverages	Tea, coffee, vegetable juice, cocktail, and beer
Desserts	Mocha pudding burnt cake, lava doze-off bear, and leopard's holiday

<b>Alma</b>	
Product Category	Series
ensalada	Chicken Caesar salad/ homemade salmon and citrus salad/ Russian salad
bread/ sopa	3 kinds bread/pa amb tomaquet/sopa de pescado/caldo gallego/gazpachi/lentejas con chorizo
cold plate	Paleta iberico de bellota/jamon iberico de bellota/iberico plater/manchego cheese/chorizo iberico/lomo iberico/melon serrano/salchichon iberico
tortilla	tortilla/crab tortilla/tortilla de bacalao/tortilla de cocido
Fish and seafood	Pulpu a la gallega/basque style fish/salt baked seasonal fish/marinated mussel/piquillo rellenos bacalao/grilled squid skewed with chimichurri/pelayo style squid/fried mussel
Stewed and grilled	albondigas/pork cheekbones/callos/Spanish stewed beef/churrasco/US rib eye, chimichurri/US beef cap/raxo
Vegetables	Espinacas a la crema/escalibada/vino tinto mushroom
Spanish classic	Bravas “mojo&mayo”/tapa de sardine/picantes/chorizo casero/empanada
croquetas	jamon/seafood/mushroom/combo
paella	Arroz con iberico pluma/vegetables paella/fideua/lobster paella
dessert	Xiao long bao/chocolate world/liquid nitrogen ice citrus fruit/alma torrijas/mont blanc/basque style baked cheese cake/rose berry mousse/tarta de santiago/churros con chocolate/Nuts & chocolate/Piedmont/ Hazelnut chocolate mousse/ Arroz con Leche/ Spanish Flan/

<b>Tea Opal</b>	
Product Category	Series
Original taste of tea	Sweet-dew jasmine tea, concentrated Jin Xuan tea, and honey leaf-scented black tea
Tea au lait	Tea Opal thick milk tea, hand-made leaflet milk tea, amber milk tea with tapioca pearls, potted plant milk tea with fruits, snowball floating milk tea, caramel mousse milk tea, and cocoa fresh milk mousse
Thick cheese cream	Cheese-flavored jasmine tea, cheese-flavored Jin Xuan oolong tea, cheese-flavored honey leaf-scented black tea, and cheese-flavored red oolong tea
Fruit mix	Lime and Hiram lemon tea, passion fruit tea, green

<b>Tea Opal</b>	
Product Category	Series
	apple-flavored jasmine tea, grapefruit tea, Yakult and Hiram lemon tea, and snowball mango Jin Xuan tea
Fragrant iced tea	Jin Xuan jasmine green tea and Jin Xuan leaflet black tea
Microfoam	Lychee-flavored tea with microfoam, bull planet, and pomelo-flavored Long Island iced tea
Flame cream	Flame cream jasmine tea, flame cream Jin Xuan oolong tea, flame cream honey leaf black tea, flame cream red oolong tea, and flame cream thick milk tea
Tea snacks	Desserts and cookies: American sweetheart New York cheese cake, strawberry brulee cheese cake, American sweetheart fragrant chocolate cake, American sweetheart big boy rich chocolate cake, original salty cream-flavored mousse cake, coffee salty cream-flavored mousse cake, special tiramisu cake, cranberry apple cheese, white chocolate cointreau mousse cake, colorful strawberry mousse cake, chestnut salty cream-flavored mousse cake, two-color chocolate mousse cake, chocolate mango-flavored mousse cake, double peach and mocha-flavored mousse cake, rum coconut cake, royal silky chocolate cake, English cream cake, seaweed shortbread, cinnamon bread sticks, and sea salt chocolate cookies
Merchandise	Tea bags: Jin Xuan jasmine tea and Jin Xuan leaflet black tea Others: Four types of tea cups and tea sets and one type of tea gift box

<b>Hippo Bobatea</b>	
Product Category	Series
Milk	Brown sugar-flavored milk, brown sugar milk with grass jelly, brown sugar milk with tapioca pearls, brown sugar milk with tapioca pearls and grass jelly
Cheese cream topping	Cheese cream-topped jasmine tea, cheese cream-topped oolong tea, and cheese cream-topped leaflet black tea
Milk tea	Brown sugar milk tea, brown sugar milk tea with grass jelly, brown sugar milk tea with tapioca pearls, brown sugar milk tea with tapioca pearls and grass jelly Upgrade to fresh milk tea by adding RMB3 to 4 Burnt cream milk tea, burnt cream fresh milk tea, and burnt cream milk
Fruit tea	Orange tea with fruit flesh; lemon black or green tea with fruits; black or green tea with pomelo flesh and coconut jelly; colorful passion fruit oolong tea; fresh mandarin tea; and Hi-C oolong or green tea with passion fruit, orange and grapefruit
Delicious add-ons	Red beans, grass jelly, stir-fried brown sugar tapioca pearls, roasted brulee, and coconut jelly

#### (4) New Products in Development

##### ①RBT:

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.

##### ②Happy Lemon:

In 2019, Happy Lemon focused on cross brand collaborations. In May 2019, Happy Lemon and White Rabbit Creamy Candy worked together to open a pop-up store in Shanghai, incorporated the happy element of the brand's new image, and developed a series of milk candy beverages whose daily sales surpassed 1,800 cups, thus successfully becoming the talk of the town and achieving outstanding sales performance. At the end of the year, both brands collaborated once again to supply the upgraded White Rabbit thick milk tea during the China International Import Expo in Shanghai and offered them to business representatives from all over the world, thereby enabling the brand to stand tall on the world stage and gain exposure internationally. Happy

Lemon also collaborated with high-end mineral water brand, the Tibet 5100 Natural Glacial Mineral Water, to launch healthy lemon beverages that are made using high-quality water, which eventually became camera-worthy products among Internet celebrities. Besides, Happy Lemon worked with international cocoa brand Swiss Miss to launch new products in conjunction with Christmas Day, thus creating another round of hype.

③The Spiceland:

Setting Chinese-Japanese fusion as its core, The Spiceland combines both Chinese and Japanese elements into its meals, offering a wide variety of ingredients that enable customers to enjoy new and refreshing flavors in one go. The Spiceland also developed new product series in its widely popular omelette rice series, offering a wider selection of flavors. The brand also added new Western-style items in its salad products in response to customer feedback on their needs for a healthy meal comprising vegetables, fruits, and meat. With the addition of a variety of set meals in co-branding events, The Spiceland has developed a series of healthy set meals to enrich the selection of lunch meals.

④Alma:

In 2019, Alma updated the main menu twice in May and October, respectively, where more innovative products and Spanish local snacks were added 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 work with Taiwanese tea plantations in contract farming, as well as resources including tea farmers and tearistas. We also incorporate fruits that are abundant in each season and deliver them fresh to stores, in order to enhance and optimize the flavors and health elements of tea beverages through the combination of Jin Xuan tea and the best fresh fruits of the season. Technology-wise, we will upgrade top selling products and develop the market for our top-selling "Flame Fruit Tea Beverages". Besides, the "Tea Opal Thick Milk Tea" will also use fresh milk to improve its richness and aroma, thereby creating high standards for similar products in the market.

2. Product creation and ideas

We want to promote good Taiwan local tea because we love to drink tea. We constantly optimize the tea-making technology because we specialize in tea.

We refine tea beverages and create new ones, thus establishing a connection between modern people and tea. We do not want anyone to be excluded from sophisticated tea art. Hence, we offer good products and promote the connotation of tea culture, so that more people can appreciate and fall in love with tea, as well as learn about the origin of tea culture.

© "Hippo Bobatea":

Adhering to the mission of making the tastiest branded tapioca pearls so that people can eat healthily and have fun too, Hippo Bobatea has successively developed tapioca pearls with different fruit flavors in order to create unique and differentiated products while our competitors are still flooding the market with brown sugar pearl milk tea, thus further upgrading the flavors of tapioca pearls.

## 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. Hence, the level of awareness and support toward the brand remains high in first- and second-tier cities. It can be expected that the brand has high growth potential in China in the future.

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.

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 2019, there were over 300 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.

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. The brand also seizes opportunities in the stay-at-home economy to create more consumption experience in the new era and generate more revenue.

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 snacks, 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.

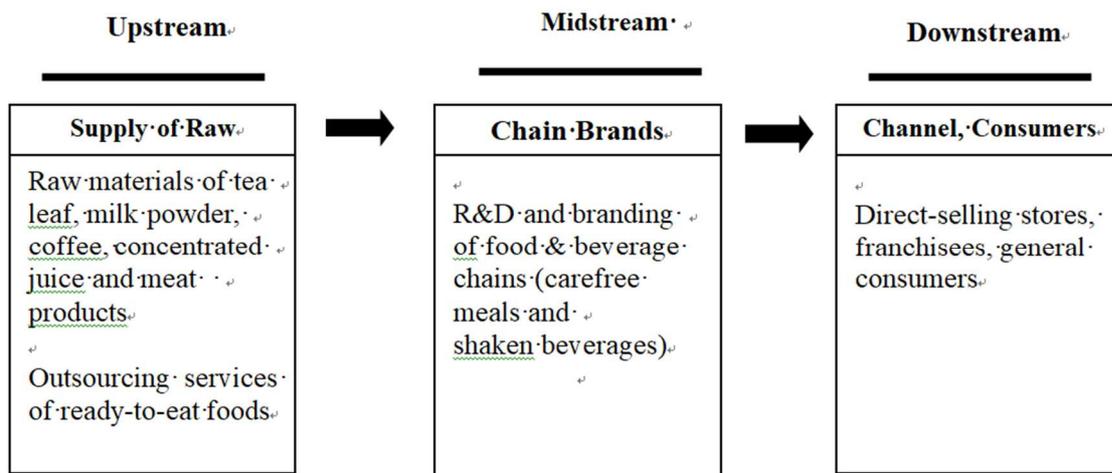
Alma is a restaurant that uses healthy and safe ingredients. It offers traditional Spanish cuisine with a modern twist, in hopes of promoting delicious Spanish cuisine at affordable prices in China. Since its opening, the brand has been well loved by customers. Alma has been honored by Shanghai Michelin 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 NT1,000 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 Mainland China market 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.

## (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 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. 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:

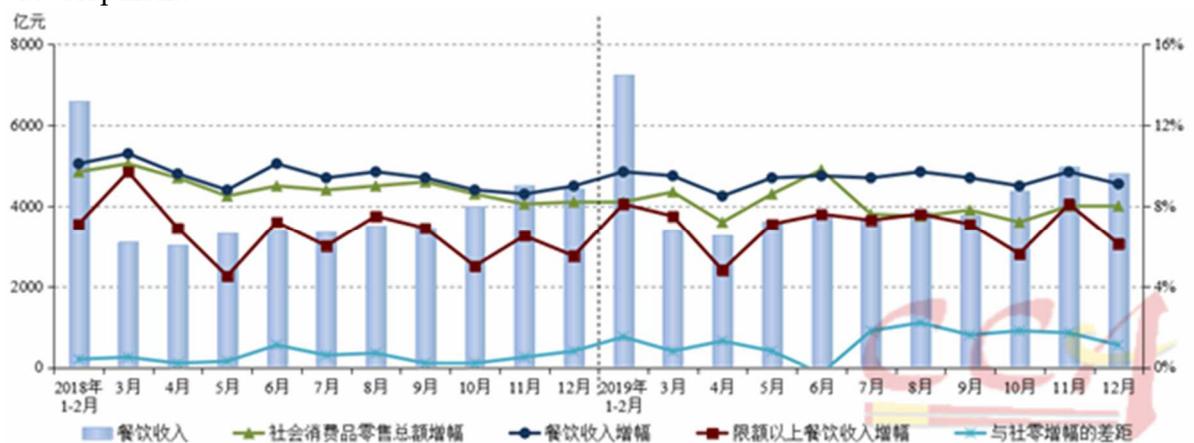
- ✧ Strengthen product diversification, and make good use of the media for publicity and promotion, supplemented by promotional strategies to stimulate potential consumption.
- ✧ Earnestly implement planning for market launch, R&D, and introduction of each product to the market; and be sensitive to market 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

According to the latest data published by the National Bureau of Statistics of China, revenue in the food and beverage industry in 2019 was RMB467.1 billion, an increase of 9.4 percent year-on-year but a decrease of 0.1 percentage point from the same period last year. China Cuisine Association (CCA) opined that the food and beverage market continued to maintain generally stable and progressive development.



This year, the momentum of development for the food and beverage market shifted from south to north and east to west. The food and beverage market in the eastern region occupies a dominant position in the country's food and beverage industry, while the food and beverage consumption level per capita in provinces and regions remains above the national average. However, the food and beverage market in central and western regions have great potential for development, while consumption level per capita in Inner Mongolia and Chongqing are also at the forefront.

As residents' income increases and people's standard of living improves, people still have full confidence in food and beverage consumption as a rigid need for people's livelihood. Besides, as new features and new trends in consumption upgrade have emerged, the food and beverage industry will become increasingly sophisticated in competition. Chained-brand food and beverage companies are playing an increasingly significant role in driving the market.

At present, the night-time economy is gradually becoming a new engine for increasing the vitality of cities and driving economic development. As an

important part of the night-time economy, food and beverage consumption has also prospered.

With in-depth information-based and smart development, the food and beverage industry is accelerating the process of transforming from externally-expansive to internally-intensive and upgrading from scale and speed to quality and efficiency. As the construction of smart cities advances further, 5G, Internet of Things, big data, artificial intelligence, blockchain and other information technologies are increasingly used in the food and beverage industry.

However, at the beginning of 2020, the overall economic development trend has been greatly affected by the COVID-19 pandemic. According to recent data published in China, revenue in the food and beverage industry from January to February 2020 was RMB419.4 billion, a decrease of 43.1 percent year-on-year, and its growth fell by 52.8 percentage points compared to the same period last year, demonstrating a cliff-like decline. Compared to the decline in total retail sale of consumer goods (20.5 percent), the decline in the country's food and beverage market was 22.6 percentage points higher than the decline in the country's overall consumption market, and the food and beverage market has become an area severely affected by the COVID-19 pandemic. Since the COVID-19 outbreak, residents have drastically reduced shopping and dining activities outside, while stay-at-home consumption demand has increased considerably, thus giving rise to the "stay-at-home economy." The "stay-at-home economy" has triggered growth in platform economy, Internet economy, and information economy. In response to the COVID-19 pandemic, offline companies have actively expanded online sales, causing Internet sales growth to buck the trend. According to statistics, the number of food and daily supplies sold via the Internet from January to February in 2020 grew by 32.7 percent and 10.0 percent, respectively. Therefore, as the pandemic situation remains grim, maintaining the good reputation of our brands and seizing opportunities in the "stay-at-home economy" are matters of great importance.

### 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 Two Most Recent Years

Unit: NT\$ thousands; %

Item \ Year	2019	As of March 31, 2020
R&D Expenses (A)	14,894	2,802
Net Operating Revenue (B)	2,217,112	277,063
Percentage of R&D Expenses in Terms of Net Operating Revenue (A)/(B)	0.67%	1.01%

(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
2019	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
		Beverage	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
		Snacks	Tasty double skewers, karaage chicken nuggets, and golden crispy

Year	Brand	Product Category	Successfully Developed Technology or Product
	Happy Lemon		trio
Beverage		<p>Mainland China: Strawberry half-baked cake; pink macarons; aqua blue macarons; grapefruit and lychee-flavored four season spring tea; kumquat and lemon-flavored four season spring tea; super concentrated lemon black tea; super concentrated lemon green tea; half-baked mango cake; crystal mango jelly; crystal dragon fruit jelly; mango ice; dragon fruit ice; ice cream black tea; ice cream lemon; ice cream four season spring tea; kumquat and lemon C; happy lemon C; signature thick fresh milk tea; thick fresh milk tea with tapioca pearls; thick fresh milk tea with taro balls; tiramisu thick fresh milk tea; pink milk tea with half-baked cake and tapioca pearls (Chinese Valentine's Day event); raspberry ice; ice full of berries; light mango smoothie; light dragon fruit smoothie; summer passion fruit iced tea; secretland lemonade; secretland pomelo juice; grand slam milk tea with tapioca pearls; oat cocoa with taro; oat milk tea with taro; black rice milk tea with red bean; Christmas cocoa; and Christmas matcha</p> <p>Overseas: Milk tea with tapioca pearls and half-baked cake; happy dessert cup; berry fruit tea; rock salt cheese ice cream; purple taro black tea; purple taro milk; purple taro smoothie; tofu thick milk tea; grand slam thick milk tea; and snowball thick milk tea</p> <p>Items during the collaboration event with White Rabbit Creamy Candy: White Rabbit Creamy Candy milk tea, White Rabbit Creamy Candy crystal ball milk tea, White Rabbit Creamy Candy red bean milk tea, White Rabbit tiramisu milk tea, White Rabbit tiramisu crystal ball milk tea, and White Rabbit thick milk tea.</p> <p>Items for the Xinjiang region: Raspberry ice and ice full of berries</p> <p>Coffee items: Selected iced coffee, selected black coffee, selected hot latte, selected iced latte, caramel macchiato, vanilla latte, and lime iced coffee</p>	
Snacks		<p>Bursting toast: Strawberry bursting toast, chicken egg salad toast, and cheese and spicy smoked chicken toast</p> <p>Overseas egg waffle: Chocolate sesame egg waffle, black sesame chocolate r mocha or ocean egg waffle, and purple potato egg waffle with small taro balls</p> <p>Happy fried chicken cup set and ala carte: Fried chicken, squid balls, and shrimp chips; fried chicken, squid, and shrimp chips; fried chicken, sweet fries; fried chicken - ala carte; shrimp chips - ala carte; and sweet fries - ala carte</p>	

Year	Brand	Product Category	Successfully Developed Technology or Product
	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
		Snack 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 mealbox for the Shanghai International Model event: Event Mealbox 1, Event Mealbox 2, Event Mealbox 3, and Event Mealbox 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		Chicken Caesar salad/ homemade salmon and citrus salad/ Russian salad 3 kinds bread/pa amb tomaquet/sopa de pescado/caldo gallego/gazpachi/lentejas con chorizo Paleta iberico de bellota/jamon iberico de bellota/iberico plater/manchego cheese/chorizo iberico/lomo iberico/melon serrano/salchichon iberico tortilla/crab tortilla/tortilla de bacalao/tortilla de cocido Pulpu a la gallega/basque style fish/salt baked seasonal fish/marinated mussel/piquillo rellenos bacalao/grilled squid skewed with chimichurri/pelayo style squid/fried mussel albondigas/pork cheekbones/callos/Spanish stewed beef/churrasco/US rib eye, chimichurri/US beef cap/raxo Espinacas a la crema/escalibada/vino tinto mushroom Bravas “mojo&mayo”/tapa de sardine/picantes/chorizo

Year	Brand	Product Category	Successfully Developed Technology or Product
			casero/empanada jamon/seafood/mushroom/combo Arroz con iberico pluma/vegetables paella/fideua/lobster paella Xiao long bao/chocolate world/liquid nitrogen ice citrus fruit/alma torrijas/mont blanc/basque style baked cheese cake/rose berry mousse/tarta de santiago/churros con chocolate/Nuts & chocolate/Piedmont/ Hazelnut chocolate mousse/ Arroz con Leche/ Spanish Flan/
	Tea Opal	Beverage	Tea Opal thick milk tea, lucky orange tea, orange sparkling ice tea, 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 oolong tea, caramel peanut thick milk tea, Jinxuan cream cranberry tea, cream jasmine cranberry tea, strawberry iced milk tea, hot strawberry milk tea, and strawberry cream tea
		Snacks	Lemon croissant, strawberry croissant, original honey waffle, chocolate banana waffle, peal milk tea waffle, caramel apple waffle, mango waffle, mango dessert, Earl Grey rabbit, peanut butter thick toast, chocolate thick toast, caramel biscuit thick toast, smoked chicken thick toast, and strawberry thick toast
	Hippo Bobatea	Beverages	Stir-fried brown sugar milk tea with grass jelly; stir-fried brown sugar milk tea with tapioca pearls and grass jelly; stir-fried brown sugar latte with grass jelly; stir-fried brown sugar latte with tapioca pearls and grass jelly; stir-fried brown sugar milk with grass jelly; stir-fried brown sugar milk with tapioca pearls and grass jelly; brown sugar tea with grass jelly; brown sugar lemon with grass jelly; brown sugar ginger milk tea with tapioca pearls; brown sugar ginger milk with tapioca pearls; mango milk tea with tapioca pearls; mango milk with tapioca pearls; mango fresh milk tea with tapioca pearls; pomelo tea with mango and tapioca pearls; grape dodo milk tea; grape dodo milk; grape dodo fresh milk tea; grape roselle tea; mocha with coconut cream; and mocha with black pearls.  New items on new menu: Black tea in love with tapioca pearls; cream cheese-topped jasmine tea; cream cheese-topped oolong tea; cream cheese-topped leaflet black tea; vibrant black double fresh milk tea; vibrant yellow mango fresh milk tea; orange and mango fresh milk tea; brown sugar milk tea with tapioca pearls and grass jelly; coconut-love milk tea; au lait duo; au lait misses you; lemon black tea with fruits; lemon green tea with fruits; black tea with pomelo flesh and coconut jelly; green tea with pomelo flesh and

Year	Brand	Product Category	Successfully Developed Technology or Product
			coconut jelly; colorful passion fruit oolong tea; fresh mandarin tea; Hi-C oolong tea with passion fruit, orange, and grapefruit; and Hi-C green tea with passion fruit, orange, and grapefruit
		Snacks	Cocoa croissant: Hot-pressed croissant with tapioca pearls and original hot-pressed croissant

#### 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.

For RBT, we plan to move the brand toward the direction of developing exquisite and healthy products with less salt and less fumes, as well as create trendy and healthy leisure tea, food, and beverage.

Happy Lemon will launch a development plan focusing on elements including lemon, fruits, and rock salt cheese, increase products with the element of fresh fruits, as well as enhance the healthy and natural image of its products and its lemon-based signature products. In addition, Happy Lemon will continue to develop a series of products with various elements such as healthy, delicious, tasty, and fun. The brand will also develop new snacks such as happy fried chicken, waffles, and croissants, and other items such as coffee-related products, which are then provided to stores with different positioning needs, as well as place top-selling products at entry stores according to appropriate conditions, in its challenge to generate more revenue.

As regards Tea Opal, its product line is still being promoted using Jin Xuan tea produced in Taiwan. We use various types of craft Jin Xuan tea to make tea with different kinds of fragrance and extend the application and development of tea beverages with the features of the brand. Besides, for the quarterly product promotion plan, we will incorporate seasonal fruits and plan collaborations with fruit farmers so that fresh fruits are delivered directly to stores, as well as add a variety of croissants to improve its overall revenue.

##### (2) Mid-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, the brands not only procure and use key raw materials that can be traced to their places of origin, but

also invest in the development of key equipment to stabilize product quality at its stores, which will help ensure that the quality of products sold at each store is stable and consistent. It will be easier to master and control quality during induction training. We will continue to develop and sell merchandise, as well as promote high-quality products on Happy Lemon's online e-commerce platform and snacks and desserts sold at its offline stores, and tea snacks, stylish tea gift boxes, tea utensils, and tea sets under Tea Opal. For Tea Opal, we plan to introduce a new tea drinking culture by presenting the experience of an exquisite and stylish sense of ritual during the consumption process. In 2019, we continued to deepen the level of our R&D staff to cultivate product innovation capabilities and develop the uniqueness and competitiveness of the Group's raw materials, and increase self-development of product raw materials in the future to increase profits. In addition, we will implement a multi-brand strategy and rely on the stable customer base of existing brands. While continuing to develop and upgrade existing brands, we will also continue to acquire new customers and expand into new products and new market areas, in order to improve the Company's overall competitiveness.

### (3) Long-term development plan

Using six major values, including positivity, training and development, teamwork, innovation and change, customer satisfaction, and performance-oriented, as our code of conduct, we will serve consumers with different types of needs, and adopt a brand new business model comprising multiple brands, company-operated stores, and franchise, with tea culture as the core, to achieve an aggressive store expansion strategy and create the best entrepreneurship platform for the Chinese. The Group will adopt three clear directions, namely "store expansion," "international cooperation alliance," and "investment in mergers and acquisitions", and create the best global entrepreneurship platform.

## II. Market, Production and Sales Overview

### 1. Market Analysis

#### (1) Sales Regions for Main Products

Unit: NT\$ thousands; %

Region	2018		2019	
	Amount of Sales	Percentage	Amount of Sales	Percentage
Taiwan, Hong Kong, and Mainland China	2,039,983	93.85%	2,001,722	90.29%
Other regions in Asia	39,931	1.84%	61,725	2.78%
Australia	5,469	0.25%	17,905	0.81%
America	80,279	3.69%	126,523	5.71%
Europe	7,938	0.37%	9,237	0.41%
Total	2,173,600	100.00%	2,217,112	100.00%

#### (2) Market Share

In 2019, food and beverage continued to play an important role in the consumer industry. Revenue growth in the country's food and beverage industry was 1.4 percentage points higher than growth in the total retail sales of consumer goods. Food and beverage accounted for 11.3 percent of the total retail sales of consumer goods, and contributed to 13.1 percent of growth in the total retail sales of consumer goods, thus driving growth in the total retail sales of consumer goods by one percentage point.

According to the "2019-2024 Report on the Prospects and Investment Forecast Analysis of the Food and Beverage Industry in China," the development of China's food and beverage industry has entered a new stage of RMB4 trillion, while food and beverage operators are facing new opportunities in digital transformation and consumption upgrade. In the future, branding, standardization, retailing, and smart solutions will become important directions for the transformation and development of the food and beverage industry.

According to data provided by Meituan Dianping, after 2017, the number of beverage stores continued to grow at a high speed in 2018, reaching 220,000 stores throughout the entire year. With 590,000 stores, we ranked third in the food and beverage category. 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 is yet to reach saturation point. The younger generation, in particular, is a consumer group with huge potential. The continuously rising number of stores shows that the beverage industry has

become an important racetrack. In 2019, the actual room for beverage has exceeded RMB100 billion.

In the past 10 years, the sales of carbonated beverages represented by Coca Cola and Sprite have been declining continuously due to consumers' increasing attention to health. Mature food and beverage companies that saw the huge potential of the beverage industry have started snatching every slice of cake in the market. From 2018 to 2019, freshly brewed tea beverage stores with RMB15 per capita and below constituted 72 percent of the market share, thus becoming the mainstream in the tea beverage category. At the same time, an increasing number of food and beverage brands choose to penetrate into third-, fourth-, and fifth-tier cities to occupy the gap in areas that are still in the early stage of the beverage consumer market.

There are currently 660 provincial-level administrative regions in Mainland China. At present, the Company's largest brand Happy Lemon has successfully entered the 167 regions, and has successfully opened stores over 200 cities in 20 countries. The total number of global stores exceeds 1,100. In the future, it will further accelerate the layout scale and footsteps of creating the best tea entrepreneurship platform. 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. At the same time, we will also pay attention and actively expand into overseas markets, with a view to realizing Happy Lemon's efforts to rapidly expand its stores in overseas regions.

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

#### - Focus on food safety

This is the highest priority for the food and beverage industry as 100 minus 1 equals zero. Particularly after the COVID-19 pandemic, consumers will pay more attention to food safety. Hence, food and beverage staff have to continuously implement food safety procedures without slacking.

#### - Seize the stay-at-home economy and rapid growth in the scale of food and beverage O2O

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. Seizing the opportunities in this wave of stay-at-home economy can help generate more revenue.

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. In 2019, the scale of China's food and beverage O2O market rose to RMB147 million. In the future, food and beverage O2O will no longer be restricted to takeaways, and there will be more O2O closed-loop businesses such as marketing solutions using location-based services (LBS).

- Innovate experience, connect with consumers, and strike a chord with them

Online media such as TikTok and live streaming platforms 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. In the future, leading food and beverage brands will adopt various methods, such as new tools and festivals, coupled with the help of new context marketing, to connect with consumers, especially young people, and strike a chord with them.

- Unmanned smart sales are not unfounded

Unmanned smart sales have long been experimented in the tea beverage industry. Happy Lemon collaborated with Alibaba's Koubei early last year 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. As the COVID-19 pandemic has led to the obstruction and restriction of human flow, unmanned retail and sales have once again been brought into public view.

- New demand: individualized, personalized, and customized services

With the change of times, the food and beverage consumption structure has become younger, with 80s and 90s babies becoming the backbone of the food and beverage consumption market. This means that many food and beverage industries will come up with a variety of personalized and individualized food and beverage services for this large consumer group, thus bringing great opportunities.

#### (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.

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

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 one of the earliest brands that offer "takeaway tea beverages," Happy Lemon has a good brand image and a stable product system, thus earning consumers' recognition. Besides, the continuous expansion of the takeaway beverage market has effectively driven business development for the Happy Lemon brand. Coupled with various additional product strategies, Happy Lemon has greatly increased customer loyalty toward its brand.

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:

The Company has established standard operating procedures (SOP), strengthened internal training, and enhanced the operation of workstations. The Company selects high-quality ingredients that are real, healthy, and natural, and adopts the "make-to-order" method such that customers enjoy the freshest taste of our beverages when taking the first sip. The Company effectively differentiates itself from other "marauding" brands in the takeaway tea beverage market, creates a "healthy, fresh, and happy" brand image in consumers' minds,

and occupy a dominant position in brand image.

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.

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, 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:

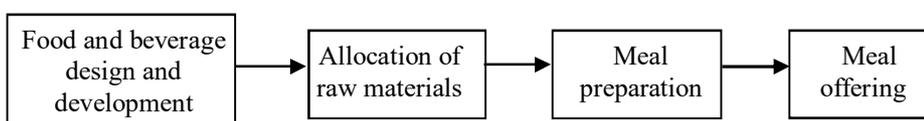
The Company adjust wages in accordance with the law, while planning to provide employee benefits. The Company attaches great importance to improving work efficiency and enhances its reward system to balance rising personnel costs. Besides, the Company establishes central kitchens to reduce manpower in 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	A、K、S、T	Happy Lemon and Tea Opal	Good and stable
Fruit juice and fruit jam	B、E、U	RBT, Happy Lemon, Hippo Bobatea	Good and stable
Powder	D、C	RBT, Happy Lemon, Hippo Bobatea	Good and stable
Fast food pack	Q、R	RBT and The Spiceland	Good and stable
Packaging materials	L	Happy Lemon, Tea Opal, and Hippo Bobatea	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	2018	2019	Percentage of Change
Operating Revenue	2,173,600	2,217,112	2.00%
Gross Profit	1,138,044	1,146,295	0.73%
Gross Profit Margin	52.36%	51.70%	-1.26%

- (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; %

		2018				2019				2020 up to the previous quarter			
Item	Name	Amount	Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the	Relationship with the Issuer	Name	Amount	Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the	Relationship with the Issuer	Name	Amount	Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the	Relationship with the Issuer	

		Entire Year (%)			Entire Year (%)				Current Year up to the Previous Quarter (%)		
1				D	99,547	10.58%	無	D	14,559	12.69%	None
2											
3											
	Others	874,421	100.00%	Others	841,386	89.42%		Others	100,182	87.31%	
	Net Purchase of Goods	874,421	100.00%	Net Purchase of Goods	940,933	100.00%		Net Purchase of Goods	114,741	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 2017 and 2018.

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	2018				2017			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products									
Agent and Franchise		—	1,107,780	—	133,617	—	1,174,033	—	215,390
Company-operated Stores		—	932,203	—	—	—	827,689	—	—
Total		—	2,039,983	—	133,617	—	2,001,722	—	215,390

Reason for increase or decrease: The Company's sales volume in 2019 increased from 2018, mainly due to the expansion of the Company's operations and growth in sales. Only sales values are shown due to our ever-changing product mix, different and frequently changing product specifications, highly different units of measurements for our products, and the absence of basis for comparing our products.

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

Unit: persons

Year		2018	2019	As of March 31, 2020
Number of Employees	Managers	18	18	17
	General Employees	308	313	306
	Production Line Staff	868	763	433
	<b>Total</b>	<b>1,194</b>	<b>1,094</b>	<b>756</b>
Average Age (years old)		29.95	28.28	28.56
Average Years of Service (years)		2.24	2.48	2.53
Distribution by Education Background (%)	PhD degree	0.08%	0.08%	0.13%
	Master's degree	1.17%	1.74%	2.51%
	College (including Bachelor's degree)	54.94%	52.47%	51.21%
	High school	30.65%	33.82%	35.05%
	Below high school	13.16%	11.89%	11.10%

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:

(1) 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.

(2) 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.

(3) 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
	Company	Contract Counterparty			
Franchise	Subsidiaries in China	Franchisees	No fixed period	Franchise contract	None
Regional franchise	Subsidiaries in China	Franchisees	No fixed period	Franchise contract	None
Purchase and sale of licensed products	Subsidiaries in China	Franchisees	No fixed period	Product sales contract	None
Investment contract	RBT Holdings Limited	Keio Corporation	No fixed period	Joint venture contract	None
Investment contract	Shanghai Tai Quan Trading Co., Ltd.	R Corporation	No fixed period	Joint venture contract	None
Investment contract	Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Keio Corporation Restaurant Keio Co., Ltd. USD Ltd.	No fixed period	Joint venture contract	None
Investment contract	RBT Holdings Limited	Sunmerry Foods Ltd.	No fixed period	Joint venture contract	None
Trademark licensing	RBT Enterprise Limited	Subsidiaries in China	October 1, 2013 to December 31, 2020	Trademark licensing contract	None
Property lease	Shanghai Tai Quan Trading Co., Ltd.	Shanghai Li Yuan Asset Management Co., Ltd.	September 15, 2017 to September 30, 2020	Office lease contract	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, 2020
		2015	2016	2017	2018	2019	
Current assets		840,997	919,103	1,164,663	1,003,016	1,116,871	962,406
Property, plant and equipment		175,021	178,569	193,649	184,309	161,492	150,166
Intangible assets		9,670	8,292	10,207	8,727	7,486	8,231
Other assets		327,257	258,996	141,439	188,246	515,912	462,849
Total asset value		1,352,945	1,364,960	1,509,958	1,384,298	1,801,761	1,583,652
Current liabilities	Before distribution	354,398	586,168	533,365	468,422	707,494	669,042
	After distribution	395,438	677,103	664,631	395,438	Note	Note
Non-current liabilities		466,459	215,416	225,718	203,433	368,490	332,717
Total liabilities	Before distribution	820,857	801,584	759,083	671,855	1,075,984	1,001,759
	After distribution	861,897	892,519	890,349	Note	Note	Note
Equity attributable to owners of the parent company		513,647	552,172	718,821	691,744	711,641	570,889
Share capital	Before distribution	273,503	302,151	334,040	350,693	349,085	349,085
	After distribution	300,863	302,151	334,040	Note	Note	Note
Capital surplus		273,503	302,151	334,040	350,693	234,600	234,600
Retained earnings	Before distribution	114,157	167,045	230,746	202,539	264,123	125,511
	After distribution	45,757	76,110	99,480	Note	Note	Note
Other equity		25,678	(21,555)	(67,395)	(58,559)	(78,888)	(81,028)
Treasury shares		—	—	(1,476)	(66,763)	(57,279)	(59,279)
Non-controlling interest		18,441	11,204	32,054	20,699	14,136	11,004
Total equity	Before distribution	532,088	563,376	750,875	712,443	725,777	581,893
	After distribution	491,048	472,441	619,609	Note	Note	Note

Source: Consolidated financial statements audited or attested by CPAs from 2015 to 2019 and in the first quarter of 2020, Note: The 2019 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, 2020
		2015	2016	2017	2018	2019	
Operating revenue		1,603,920	1,756,577	1,994,450	2,173,600	2,217,112	277,063
Gross profit		776,844	932,604	1,088,792	1,138,044	1,146,295	123,746
Operating income		72,866	163,426	192,558	139,785	174,542	(55,848)
Non-operating revenue and expenses		27,244	6,488	21,309	(6,486)	(703)	(6,485)
Net income before tax		100,110	169,914	213,867	133,299	173,839	(62,333)
Net income from continuing operations		68,536	115,153	152,981	94,704	123,353	(56,416)
Loss from discontinued operations		—	—	—	—	—	—
Net profit for this period		68,536	115,153	152,981	94,704	123,353	(56,416)
Other comprehensive income		(4,495)	(48,335)	(26,297)	(2,811)	(25,440)	(3,403)
Total comprehensive income		64,041	66,818	126,684	91,893	97,913	(59,819)
Net income attributable to owners of the parent company		72,581	121,288	155,881	103,081	129,368	(53,409)
Net profit attributable to non-controlling interest		(4,045)	(6,135)	(2,900)	(8,377)	(6,015)	(3,007)
Total comprehensive income attributable to owners of the parent		68,491	74,055	129,347	100,809	104,476	(56,687)
Total comprehensive income attributable to non-controlling interests		(4,450)	(7,237)	(2,663)	(8,916)	(6,563)	(3,132)
Earnings per share - basic (NT\$) (Note)		2.41	4.03	5.02	3.11	\$3.80	-1.57
Earnings per share - diluted (NT\$) (Note)		2.40	3.64	4.60	3.03	\$3.79	-1.56

Source: Consolidated financial statements audited or attested by CPAs from 2015 to 2019 and in the first quarter of 2020

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
2015	Deloitte Taiwan	Yu, Hung-Pin and Kenny Hong	Unqualified 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	Yi-Min Huang and Ker-Chang Wu	Unqualified opinion
2019	Deloitte Taiwan	Ker-Chang Wu and Yi-Min Huang	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, 2020
		2015	2016	2017	2018	2019		
Financial Structure (%)	Debt-to-asset ratio	60.67	58.72	50.27	48.53	59.71	63.25	
	Proportion of long-term capital to property, plant, and equipment	457.48	331.54	406.73	406.40	470.87	409.37	
Debt-Paying Ability	Current ratio	237.30	156.79	218.36	214.12	157.86	143.84	
	Quick ratio	216.23	143.73	198.36	194.40	143.54	130.62	
	Interest coverage ratio	24.00	29.41	36.71	36.25	9.58	13.66	
Operating Ability	Receivables turnover (times)	57.29	64.71	60.89	52.12	48.88	22.34	
	Average collection days	6	6	6	7	7.46	16	
	Inventory turnover (times)	10.59	10.41	9.48	9.76	10.38	6.26	
	Payable turnover (times)	9.82	8.05	7.70	8.12	8.39	7.39	
	Average inventory turnover days	34	35	39	37	35.16	58	
	Property, plant and equipment turnover (times)	9.15	9.93	10.71	11.50	12.82	7.11	
	Total asset turnover (times)	1.20	1.29	1.38	1.50	1.39	0.65	
Profitability	Return on assets (%)	5.41	8.80	10.95	6.74	8.69	(3.11)	
	Return on equity (%)	13.06	21.02	23.28	12.94	17.15	(8.62)	
	Ratio of income before tax to paid-in capital (%)	36.60	56.23	64.02	38.01	49.79	(15.99)	
	Net profit margin (%)	4.27	6.55	7.67	4.35	5.56	(20.36)	
	Earnings per share (NT\$)	2.41	4.03	5.02	3.11	3.80	(1.57)	
Cash Flow	Cash flow ratio (%)	45.25	(22.05)	21.69	22.44	55.46	(4.50)	
	Cash flow adequacy ratio (%)	122.17	71.28	57.59	41.77	80.15	58.37	
	Cash reinvestment ratio (%)	11.09	(21.71)	2.18	(2.49)	33.55	(13.09)	
Leverage	Degree of operating leverage (DOL)	10.20	5.51	5.41	7.74	6.30	(2.12)	
	Degree of financial leverage (DFL)	1.06	1.03	1.03	1.02	1.13	0.91	

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

- In 2019, an increase in short-term borrowings due to operational needs led to an increase in financial structure ratios and affected debt-paying ability.
- Increase in profitability indicators (return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin, and earnings per share): This was mainly due to the growing number of franchise stores in 2019, coupled with the Company's active optimization of internal processes and a decrease in various costs and expenses

arising from cost saving measures, thereby leading to an increase in profit after tax.

3. Increase in cash flow adequacy ratio and cash flow: This was mainly due to an increase in net profit before tax in 2019, as well as the effective use of idle funds in the Company's expansion plan, thereby leading to an increase in net cash inflow from operating activities in 2019. Besides, a decrease in short-term borrowings, the distribution of cash dividends, and the repurchase of treasury stocks in the same period last year led to an increase in cash reinvestment ratio.
4. Decrease in degree of operating leverage: This was mainly due to an increase in operating scale and an increase in operating profit due to change from business tax to value-added tax in Mainland China in 2019, thereby leading to a decrease in degree of operating leverage compared to 2018.

Source: Consolidated financial statements audited by CPAs from 2014 to 2018 and consolidated financial statements reviewed by CPAs in the first quarter of 2019

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) Proportion of long-term capital to property, factory and equipment ratio = (Total equity + Non-current liabilities)/Net 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 = (Net operating revenue - Change in operating costs and operating expenses)/Operating income.

(2) Degree of financial leverage = Operating income/(Operating income - Interest expenses).

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

#### Audit Committee's Report

The Board of Directors has prepared the Company's 2019 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

- IV. Financial Statements for the Most Recent Year: Kindly refer to Page132 to Page189.
- 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	2018	2019	Difference	
			Amount	%
Current assets	1,003,016	1,116,871	113,855	11.35%
Investment accounted for using equity method	47,739	14,859	(32,880)	-68.87%
Property, plant and equipment	184,309	161,492	(22,817)	-12.38%
Intangible assets	8,727	7,486	(1,241)	-14.22%
Other assets	140,507	501,053	360,546	256.60%
Total asset value	1,384,298	1,801,761	417,463	30.16%
Current liabilities	468,422	707,494	239,072	51.04%
Non-current liabilities	203,433	368,490	165,057	81.14%
Total liabilities	671,855	1,075,984	404,129	60.15%
Share capital	350,693	349,085	(1,608)	-0.46%
Capital surplus	263,834	234,600	(29,234)	-11.08%
Retained earnings	202,539	264,123	61,584	30.41%
Other equity	(58,559)	(78,888)	(20,329)	(34.72%)
Treasury shares	(66,763)	(57,279)	9,484	14.21%
Non-controlling interest	20,699	14,136	(6,563)	-31.71%
Total shareholder equity	712,443	725,777	13,334	1.87%
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)				
<ol style="list-style-type: none"> <li>1. Current assets: The change occurred mainly due to an increase of NT\$127,046,000 in cash and restricted bank deposits compared to 2018.</li> <li>2. Investment accounted for using equity method: The change occurred mainly due to an increase in losses from joint ventures in Japan and the US in 2019.</li> <li>3. Property, plant and equipment: The change occurred mainly due to the lower number of company-operated stores in 2019 compared to 2018.</li> <li>4. Other assets: The change occurred mainly due to right-of-use assets recognized due to the implementation of IFRS 16 totaling NT\$358,394,000.</li> <li>5. Current liabilities: The change occurred mainly due to current lease liabilities recognized due to the implementation of IFRS 16 totaling NT\$196,608,000, an increase of NT\$87,833,000 in short-term loans, and a decrease of NT\$16,896,000 in other payables.</li> <li>6. Non-current liabilities: The change occurred mainly due to non-current liabilities recognized caused by the implementation of IFRS 16 totaling NT\$172,989,000.</li> <li>7. Capital surplus: The change occurred mainly because capital surplus totaling NT\$33,892,000 was disbursed for the issuance of cash dividends in 2019.</li> <li>8. Retained earnings: The change occurred mainly due to an increase in statutory surplus reserve, special surplus reserve, and undistributed surplus caused by an increase in profit in 2019.</li> <li>9. Other equity: The change occurred mainly due to an increase in exchange differences arising from the translation of financial statements by foreign operating agencies caused</li> </ol>				

by an increase in foreign currency exchanges against the New Taiwan dollar.

## 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	2018	2019	Increase or Decrease	Percentage of Change (%)
Operating revenue	2,173,600	2,217,112	43,512	2.00%
Operating costs	1,035,556	1,070,817	35,261	3.41%
Gross profit	1,138,044	1,146,295	8,251	0.73%
Operating expenses	998,259	971,753	(26,506)	-2.66%
Operating profit	139,785	174,542	34,757	24.86%
Non-operating revenue and expenses	(6,486)	(703)	5,783	-89.16%
Profit before tax	133,299	173,839	40,540	30.41%
Income tax expense	38,595	50,486	11,891	30.81%
Net profit after tax	94,704	123,353	28,649	30.25%
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 profit: It increased mainly due to an increase in revenue in 2019 compared to last year, coupled with lower operating expenses due to cost control.				
2. Non-operating revenue and expenses: It decreased mainly due to government tax refund and an increase in interest income. However, due to the adoption of IFRS 16 - "Leases" in 2019, the recognized interest expenses increased. Coupled with losses from closing stores and an increase in the recognized operating losses of joint ventures in Japan and the US invested using the equity method, as well as a decrease in currency exchange gain for the period compared to the same period last year due to the impact of currency exchanges, the net non-operating expenses were lower than that last year.				
3. Profit before tax: It increased mainly due to an increase in operating profit and a decrease in non-operating expenses.				
4. Net profit after tax: It increased as profit before tax rose.				

### (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	2018	2019	Increase or Decrease	Percentage of Change (%)
Operating activities	105,141	392,395	287,254	273.21%
Investing activities	151,613	(59,904)	(211,517)	-139.51%
Financing activities	(236,541)	(212,759)	23,782	-10.05%

#### Analysis and explanation of percentage of change:

1. Operating activities: For this period, net profit before tax was NT\$173,839,000. Due to the adoption of IFRS 16 - "Leases" in 2019, depreciation expense increased significantly by NT\$213,049,000; investment fund and wealth management products decreased by NT\$65,609,000; other current assets increased by NT\$32,967,000; and other account payable decreased by NT\$15,328,000, thus resulting in net cash inflow from operating activities totaling NT\$392,395,000. For the same period last year, net profit before tax was NT\$133,299,000; depreciation expense increased by NT\$59,346,000; investment fund and wealth management products increased by NT\$61,323,000; other payables decreased by NT\$20,533,000, thus resulting in net cash inflow from operating activities totaling NT\$105,141,000.
2. Investing activities: For this period, net cash outflow from investing activities was NT\$59,904,000, mainly due to payments for renovation and equipment and an increase in bank deposits. Meanwhile, for the same period last year, net cash outflow from investing activities was NT\$151,613,000, mainly due to a decrease in bank deposits, an increase in payments for renovation and equipment, and a decrease in restricted bank deposits.
3. Financing activities: For this period, net cash outflow from financing activities was NT\$212,759,000, mainly due to an increase in short-term borrowings, principal and interest payment for lease liabilities, and the issuance of cash dividends. Meanwhile, for the same period last year, net cash outflow from financing activities was NT\$236,541,000, mainly due to a decrease in short-term borrowings, the issuance of cash dividends, and the repurchase of treasury shares.

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 (2020)

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
333,507	65,958	128,240	271,225	—	—

#### 1, Analysis of changes in cash flow for the coming year:

Operating activities: Due to the COVID-19 pandemic, the estimated operating revenue and profit will decline in the coming year, thereby leading to a decrease in cash flow from operating activities.

#### 2. Analysis of cash liquidity and improvement plan for inadequate liquidity for the coming year:

Although the Company's operating revenue and profit will fall in the coming year, it is expected that operating activities will still bring in a net cash inflow. Furthermore, financing activities will also bring in a net cash inflow, which should be adequate to support cash flow from investing activities. Therefore, there is no concern about inadequate liquidity.

### 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" 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	2019	First Quarter of 2020
Net income income (expense) (A) (Note 1)	(13,620)	(3,681)
Foreign exchange gain (loss) - net (B) (Note 2)	(1,333)	(4,301)
Operating revenue - net (C)	2,217,112	277,063
(A)/(C)	-0.61%	-1.33%
(B)/(C)	-0.06%	-1.55%

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 2019 was NT\$13,620,000, accounting for 0.61 percent of our operating revenue in the same year, while the Company's net interest expense in the first quarter of 2020 was NT\$3,681,000, accounting for 1.33 percent of our operating revenue in the first quarter of the same year. This goes to show that interest 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 loss in 2019 was NT\$1,333,000, accounting for 0.06 percent of our operating revenue in the same year, while the Company's foreign exchange loss in the first quarter of 2020 was NT\$4,301,000, accounting for 1.56 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 cause 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 directions

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.

For RBT, we plan to move the brand toward the direction of developing exquisite and healthy products with less salt and less fumes, as well as create trendy and healthy leisure tea, food, and beverage.

Happy Lemon will launch a development plan focusing on elements including lemon, fruits, and rock salt cheese, increase products with the element of fresh fruits, as well as enhance the healthy and natural image of its products and its lemon-based signature products. In addition, Happy Lemon will continue to develop a series of products with various elements such as healthy, delicious, tasty, and fun. The brand will also develop new snacks such as happy fried chicken, waffles, and croissants, and other items such as coffee-related products, which are then provided to stores with different positioning needs, as well as place top-selling products at entry stores according to appropriate conditions, in its challenge to generate more revenue.

As regards Tea Opal, its product line is still being promoted using Jin Xuan tea produced in Taiwan. We use various types of craft Jin Xuan tea to make tea with different kinds of fragrance and extend the application and development of tea beverages with the features of the brand. Besides, for the quarterly product promotion plan, we will incorporate seasonal fruits and plan collaborations with fruit farmers so that fresh fruits are delivered directly to stores, as well as add a variety of croissants to improve its overall revenue.

② Middle- and long-term R&D directions

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, the brands not only procure and use key raw materials that can be traced to their places of origin, but also invest in the development of key equipment to stabilize product quality at its stores, which will help ensure that the quality of products sold at each store is stable and consistent. It will be easier to master and control quality during induction training. We will continue to develop and sell merchandise, as well as

promote high-quality products on Happy Lemon's online e-commerce platform and snacks and desserts sold at its offline stores, and tea snacks, stylish tea gift boxes, tea utensils, and tea sets under Tea Opal. For Tea Opal, we plan to introduce a new tea drinking culture by presenting the experience of an exquisite and stylish sense of ritual during the consumption process. In 2019, we continued to deepen the level of our R&D staff to cultivate product innovation capabilities and develop the uniqueness and competitiveness of the Group's raw materials, and increase self-development of product raw materials in the future to increase profits. In addition, we will implement a multi-brand strategy and rely on the stable customer base of existing brands. While continuing to develop and upgrade existing brands, we will also continue to acquire new customers and expand into new products and new market areas, in order to improve the Company's overall competitiveness.

(2) Expected R&D investments

In 2019, 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 2019.

(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: 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 purchase and sale of raw materials for food and beverage
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, Xinhua 1st Rd., Neihu Dist., Taipei	NT\$90,000,000	Purchase and sale of beverage
Yen Qun International Co.,Ltd	2019.11.25	1F., No. 11, Dongfeng St., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	NT\$25,000,000	Operation of food and beverage outlets
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	Purchase and sale of raw materials for food and beverage

Name of Company	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
Yummy-town USA LLC	2017.8.30	1013 Centre Road,Suite 403S,Wilmington,DE 19805,County of New Castle	US\$50,000	Purchase and sale of beverage and collection of franchise fee and royalties
Yummy-town UK Ltd	2019.12.	CHASE BUSINESS CENTRE,39-41 CHASE SIDE,SOUTHGATE, LONDON N14 5BP,UK	£400,000 (Note 1)	Purchase and sale of beverage and collection of franchise fee and royalties
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	Purchase and sale of raw materials for food and beverage
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 raw materials for food and beverage
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

Note 1.Exchange rates on December 31, 2020:

RMB:NT\$ = 1:4.305; HK\$:NT\$ = 1:3.849; US\$:NT\$ = 1:29.98

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

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

Unit: NT\$ thousands; foreign currency; %

Name of Company	Director	Supervisor	President	Shareholding	
				Number of Shares (Note 1)	Shareholding Percentage
RBT Enterprise Limited	Chen, Yu-Chen and Wu, Po-Chao	-	-	HK\$8,800	100%
Yen Mei Enterprise Limited	Lin, Chin-Jen	-	-	NT\$40,000	100%
Yen Qun International Co.,Ltd	Chen, Yu-Chen	-	-	NT\$25,000,000	100%
RBT Holdings Limited	Chen, Yu-Chen and Wu, Po-Chao	-	-	HK\$50,200,000	100%
Happy Lemon HK Limited	Chen, Yu-Chen	-	-	HK\$7,000,000	100%
RBT Resources Limited	Chen, Yu-Chen and Wu, Po-Chao	-	-	HK\$26,000,000	100%
Yummy-town USA LLC	Chen, Yu-Chen	-	Chen, Yu-Chen	US\$450,000	100%
Yummy-town UK Ltd	Chen, Yu-Chen	-	Chen, Yu-Chen	GBP\$40,000	100%
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	Wu, Po-Chao; Chen, Yu-Chen; and Wu, Hua-Chao	Lin, Chin-Jen	-	US\$3,500,000	100%
Shanghai Tai Quan Trading Co., Ltd.	Wu, Po-Chao	Chen, Yu-Chen	-	RMB1,000,000	100%
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	Wu, Hua-Chao	Chen, Yu-Chen	-	RMB1,000,000	100%
Jia Qun Food & Beverage Management	Wu, Po-Chao	Lin, Tai-Yi	-	RMB1,000,000	100%

Name of Company	Director	Supervisor	President	Shareholding	
				Number of Shares (Note 1)	Shareholding Percentage
(Beijing) Co., Ltd.					
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	Wu, Po-Chao	Chen, Yu-Chen	-	RMB1,000,000	100%
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	Lin, Tai-Yi	Chen, Yu-Chen	-	RMB1,000,000	100%
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	Wu, Po-Chao; Lu, Hsiao-Huei; Lin, Tai-Yi; Kajiwara Fumito; and Sugita Shinichi	Chen, Yu-Chen and Kondou Hiroyuki	Lu, Hsiao-Huei	RMB11,000,000	55.5%
Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.	Chen, Yu-Chen	Wu, Po-Chao	Lu, Hsiao-Huei	RMB4,239,500 (Note 2)	100%

### 3. Business Overview of Affiliated Companies

Unit: NT\$ thousands

Name of Company	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Profit After Tax	Earnings Per Share (NT\$) (After Tax)
RBT Holdings Limited	853,027	5,748	847,279	1,543	-4,124	137,548	Note
RBT Enterprise Limited	26,718	5,093	21,625	28,731	13,391	11,064	Note
Yen Mei Enterprise Limited	74,643	21,269	53,374	13,447	-6,672	-5,990	Note
Happy Lemon HK Limited	161,725	82,061	79,663	109,400	46,125	45,761	Note

Name of Company	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Profit After Tax	Earnings Per Share (NT\$) (After Tax)
RBT Resources Limited	143,398	52,652	90,746	209,003	14,638	11,697	Note
Yummy-town USA LLC	36,926	21,846	15,080	5,385	3,239	2,582	Note
Yummy-town UK LLC	38,450	22,747	15,702	0	-1	1,284	Note
Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.	761,595	180,194	581,401	241,099	-12,410	106,605	Note
Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	144,272	114,568	29,704	260,385	2,965	9,642	Note
Shanghai Tai Quan Trading Co., Ltd.	317,175	192,888	124,287	1,177,430	126,420	109,148	Note
Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	135,061	115,726	19,335	252,234	20,072	13,267	Note
Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	78,010	66,165	11,845	101,571	1,781	-1,263	Note
Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	68,791	59,126	9,664	85,192	4,352	4,238	Note
You Xiang Food & Beverage Management (Shanghai) Co., Ltd.	46,425	14,658	31,767	34,998	-13,531	-13,516	Note
Ai Qun Food & Beverage	2,952	502	2,450	11,460	-9,675	-15,905	Note

Name of Company	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Profit After Tax	Earnings Per Share (NT\$) (After Tax)
Management (Shanghai) Co., Ltd.							
Yen Qun International Co., Ltd.	50,004	73	49,931	0	-73	-69	Note

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

Closing exchange rates on December 31, 2019: RMB:NT\$ = 1:4.305; HK\$:NT\$ = 1:3.849; US\$:NT\$ = 1:29.98

Average exchange rates on December 31, 2019: RMB:NT\$ = 1:4.472; HK\$:NT\$ = 1:3.945; US\$:NT\$ = 1:30.912

Consolidated Financial Statements of Affiliated Companies: Not applicable

(II) 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):

The Company has promised to key in the relevant information as major information disclosures on MOPS and report to TPEX in writing for reference when adding or removing some controlled companies from the "Operational Procedures for Acquisition and Disposal of Assets" and revising regulations with regard to disposal of assets.

Current status of implementation: With the approval of the Board of Directors on January 10, 2019, the Company plans to liquidate 38% of the shares of invested company Shanghai Han Pin Food Co., Ltd., and has written to TPEX in according to the relevant regulations.

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

## 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, 2019 and 2018, 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, 2019 and 2018, 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 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. In 2018, 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. 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 for the year ended December 31, 2019 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, 2019 are stated as follows:

#### Recognition of brand revenue

Transaction type of Yummy Town Group and subsidiaries' brand revenue is separated into franchise

fee and royalty revenue based on the franchise consideration collected pursuant to the contracts. Of which, the franchise fee is recognized only when obligations are performed. Royalty revenue, however, is recognized using straight-line basis over the franchise period. For details, please refer to Notes IV (XIII) and V. As the timing and amount for recognizing these types of revenue must be judged according to the contracts, it is considered a key audit matter in the audit of consolidated financial report for the year ended December 31, 2019.

For the aforementioned transaction type, we learned of the internal control procedures for the brand revenue recognition of Yummy Town Group and subsidiaries and performed tests on the effectiveness of internal controls related to the operation cycles of franchisee selection and franchise revenue recognition. In addition, we checked the franchise contracts and related information to confirm the performance status of contractual obligations, evaluated whether the franchise fees were recognized when obligations were fulfilled, and obtained the royalty revenue allocation table prepared by the management to verify the accuracy of contracts' franchise periods and calculate the revenue to be recognized during the franchise periods.

### **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 within the audit of Yummy Town Group and subsidiaries' consolidated financial statements for the year ended December 31, 2019. 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 & Touche  
CPA Ke-chang Wu

CPA I-min Huang

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

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

March 3, 2020

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2019 and 2018

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 333,507	18	\$ 235,438	17
1110	Financial assets at fair value through profit or loss - current (Notes IV, VII and XXX)	462,590	26	510,547	37
1136	Financial assets at amortized cost - current (Notes IV, VI, VIII and XXX)	48,296	3	26,832	2
1170	Accounts receivable (Notes IV and IX)	47,407	3	43,083	3
1180	Accounts receivables - related parties (Notes IV, IX, and XXIX)	143	-	70	-
1200	Other receivables	32,952	2	32,964	2
130X	Inventories (Notes IV and X)	101,279	5	92,362	7
1479	Other current assets - others (Notes VI and XXX)	90,697	5	61,720	4
11XX	Total Current Assets	<u>1,116,871</u>	<u>62</u>	<u>1,003,016</u>	<u>72</u>
	<b>NON-CURRENT ASSETS</b>				
1535	Financial assets at amortized cost - non-current (Notes IV and VIII)	43,050	2	44,720	3
1551	Investments accounted for using equity method (Notes IV and XII)	14,859	1	47,739	4
1600	Property, plant & equipment (Notes IV, XIII, and XXX)	161,492	9	184,309	13
1755	Right-of-use assets (Notes IV and XIV)	358,394	20	-	-
1780	Intangible assets (Notes IV and XV)	7,486	1	8,727	1
1840	Deferred income tax assets (Notes IV and XXIII)	24,619	1	23,635	2
1920	Refundable deposits (Note XIV)	74,990	4	70,649	5
1990	Other non-current assets (Notes VI and XXX)	-	-	1,503	-
15XX	Total Non-current Assets	<u>684,890</u>	<u>38</u>	<u>381,282</u>	<u>28</u>
1XXX	Total Assets	<u>\$ 1,801,761</u>	<u>100</u>	<u>\$ 1,384,298</u>	<u>100</u>
	<b>Liabilities and Equity</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term loans (Note XVI)	\$ 232,749	13	\$ 144,916	10
2170	Accounts payable	118,224	7	123,471	9
2180	Accounts payable - related parties (Note XXIX)	-	-	9,964	1
2219	Other payables (Note XVIII)	107,747	6	124,643	9
2230	Income tax liabilities for the period (Notes IV and XXIII)	9,218	-	15,199	1
2280	Lease liabilities - current (Notes IV and XIV)	196,608	11	-	-
2399	Other current liabilities	42,948	2	50,229	4
21XX	Total Current Liabilities	<u>707,494</u>	<u>39</u>	<u>468,422</u>	<u>34</u>
	<b>NON-CURRENT LIABILITIES</b>				
2527	Contract liabilities - non-current (Notes IV, XXI and XXIX)	34,656	2	36,603	3
2570	Deferred income tax liabilities (Notes IV and XXIII)	6,283	-	6,080	-
2580	Lease liabilities - non-current (Notes IV and XIV)	172,989	10	-	-
2645	Guarantee deposits received	154,562	9	160,750	12
25XX	Total Non-current Liabilities	<u>368,490</u>	<u>21</u>	<u>203,433</u>	<u>15</u>
2XXX	Total Liabilities	<u>1,075,984</u>	<u>60</u>	<u>671,855</u>	<u>49</u>
	<b>Equity attributable to shareholders of the parent (Note XX)</b>				
	Share capital				
3110	Common stock	349,085	19	350,693	25
	Capital reserve				
3210	Share premium	218,612	12	252,504	18
3220	Treasury stock trade	3,050	-	-	-
3273	Employee restricted stocks	12,938	1	11,330	1
3200	Total Capital Reserve	<u>234,600</u>	<u>13</u>	<u>263,834</u>	<u>19</u>
	Retained earnings				
3310	Legal reserve	51,369	3	41,061	3
3320	Special reserve	50,361	3	48,089	4
3350	Unappropriated earnings	162,393	9	113,389	8
3300	Total Retained Earnings	<u>264,123</u>	<u>15</u>	<u>202,539</u>	<u>15</u>
	Other equity				
3410	Exchange differences on translation of foreign operations	( 75,253 )	( 4 )	( 50,361 )	( 4 )
3490	Unearned employee benefits	( 3,635 )	( 1 )	( 8,198 )	-
3400	Total Other Equity	<u>( 78,888 )</u>	<u>( 5 )</u>	<u>( 58,559 )</u>	<u>( 4 )</u>
3500	Treasury stock	( 57,279 )	( 3 )	( 66,763 )	( 5 )
31XX	Total Equity Attributable to Shareholders of the Parent	<u>711,641</u>	<u>39</u>	<u>691,744</u>	<u>50</u>
36XX	NON-CONTROLLING INTERESTS	<u>14,136</u>	<u>1</u>	<u>20,699</u>	<u>1</u>
3XXX	Total Equity	<u>725,777</u>	<u>40</u>	<u>712,443</u>	<u>51</u>
	Total Liabilities and Equity	<u>\$ 1,801,761</u>	<u>100</u>	<u>\$ 1,384,298</u>	<u>100</u>

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

Chairman: Po-chao Wu

President: Miao-ling Chang

Accountant Supervisor: Tsung-ju Wu

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2019 and 2018

In Thousands of New Taiwan Dollars, except for  
earnings per share which is in New Taiwan  
Dollars

Code		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (Notes IV, V, XXI and XXIX)	\$ 2,217,112	100	\$ 2,173,600	100
5000	Operating costs (Notes X, XXII and XXIX)	<u>1,070,817</u>	<u>48</u>	<u>1,035,556</u>	<u>48</u>
5900	Gross profit	<u>1,146,295</u>	<u>52</u>	<u>1,138,044</u>	<u>52</u>
	Operating expenses (Note XXII)				
6100	Sales and marketing expenses	606,069	27	642,298	29
6200	General and administrative expenses	350,790	16	340,967	16
6300	Research and development expenses	<u>14,894</u>	<u>1</u>	<u>14,994</u>	<u>1</u>
6000	Total operating expenses	<u>971,753</u>	<u>44</u>	<u>998,259</u>	<u>46</u>
6900	Operating income	<u>174,542</u>	<u>8</u>	<u>139,785</u>	<u>6</u>
	Non-operating income and expenses (Note XXII)				
7010	Other income	33,809	2	14,005	1
7020	Other gains and losses	3,590	-	( 7,934)	-
7050	Finance costs	( 20,240)	( 1)	( 3,781)	-
7770	Share of profit or loss of associates accounted for using equity method (Notes IV and XII)	( <u>17,862</u> )	( <u>1</u> )	( <u>8,776</u> )	( <u>1</u> )
7000	Total non-operating income and expenses	( <u>703</u> )	<u>-</u>	( <u>6,486</u> )	<u>-</u>
7900	Income before income tax	173,839	8	133,299	6
7950	Income tax expense (Notes IV and XXIII)	( <u>50,486</u> )	( <u>3</u> )	( <u>38,595</u> )	( <u>2</u> )
8200	Net income for the period	<u>123,353</u>	<u>5</u>	<u>94,704</u>	<u>4</u>

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Code		2019		2018	
		Amount	%	Amount	%
	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(\$ 25,772)	( 1)	(\$ 4,122)	-
8370	Share of other comprehensive income of associates accounted for using equity method	<u>332</u>	-	<u>1,311</u>	-
8300	Total other comprehensive income	<u>( 25,440)</u>	<u>( 1)</u>	<u>( 2,811)</u>	<u>-</u>
8500	Total comprehensive income for the period	<u>\$ 97,913</u>	<u>4</u>	<u>\$ 91,893</u>	<u>4</u>
	Net income attributable to				
8610	owners of the parent	\$ 129,368	6	\$ 103,081	5
8620	Non-controlling interests	<u>( 6,015)</u>	<u>( 1)</u>	<u>( 8,377)</u>	<u>( 1)</u>
8600		<u>\$ 123,353</u>	<u>5</u>	<u>\$ 94,704</u>	<u>4</u>
	Total comprehensive income attributable to				
8710	owners of the parent	\$ 104,476	5	\$ 100,809	5
8720	Non-controlling interests	<u>( 6,563)</u>	<u>( 1)</u>	<u>( 8,916)</u>	<u>( 1)</u>
8700		<u>\$ 97,913</u>	<u>4</u>	<u>\$ 91,893</u>	<u>4</u>
	Earnings per share (Note XXIV)				
9710	Basic	<u>\$ 3.80</u>		<u>\$ 3.11</u>	
9810	Diluted	<u>\$ 3.79</u>		<u>\$ 3.03</u>	

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

Chairman:  
Po-chao Wu

President:  
Miao-ling Chang

Accountant Supervisor:  
Tsung-ju Wu

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2019 and 2018

In Thousands of New Taiwan Dollars

		Equity Attributable to owners of the parent										
		Share Capital	Retained Earnings				Other Equity					
Code		Share Capital - Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unearned Employee Benefits	Treasury Stock	Total	Non-controlling Interests	Total Equity
A1	Balance as of January 1, 2018	\$ 334,040	\$ 222,906	\$ 25,473	\$ 21,555	\$ 183,718	( \$ 48,089 )	( \$ 19,306 )	( \$ 1,476 )	\$ 718,821	\$ 32,054	\$ 750,875
	Appropriation and distribution of 2017 earnings (Note XX)											
B1	Recognition of legal reserve	-	-	15,588	-	( 15,588 )	-	-	-	-	-	-
B3	Recognition of special reserve	-	-	-	26,534	( 26,534 )	-	-	-	-	-	-
B5	Distribution of cash dividends	-	-	-	-	( 131,266 )	-	-	-	( 131,266 )	-	( 131,266 )
D1	Net income for the year ended December 31, 2018	-	-	-	-	103,081	-	-	-	103,081	( 8,377 )	94,704
D3	Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	( 2,272 )	-	-	( 2,272 )	( 539 )	( 2,811 )
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	-	103,081	( 2,272 )	-	-	100,809	( 8,916 )	91,893
I1	Conversion of corporate bonds into common stocks (Note XVII)	15,955	49,228	-	-	-	-	-	-	65,183	-	65,183
L1	Treasury stock buyback (Note XX)	-	-	-	-	-	-	-	( 65,287 )	( 65,287 )	-	( 65,287 )
M5	Acquisition of subsidiaries' partial equity (Note XXVI)	-	-	-	-	( 22 )	-	-	-	( 22 )	( 3,258 )	( 3,280 )
N1	Issuance of employee restricted stocks (Notes XX and XXV)	810	5,555	-	-	-	-	( 6,365 )	-	-	-	-
N1	Cancellation of employee restricted stocks (Notes XX and XXV)	( 112 )	112	-	-	-	-	-	-	-	-	-
N1	Compensation cost of employee restricted stocks (Note XXV)	-	( 13,967 )	-	-	-	-	17,473	-	3,506	-	3,506
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	819	819
Z1	Balance as of December 31, 2018	350,693	263,834	41,061	48,089	113,389	( 50,361 )	( 8,198 )	( 66,763 )	691,744	20,699	712,443
	Appropriation and distribution of 2018 earnings (Note XX)											
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 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 XX and XXV)	( 1,608 )	1,608	-	-	-	-	-	-	-	-	-
N1	Compensation cost of employee restricted stocks (Note XXV)	-	-	-	-	-	-	4,563	-	4,563	-	4,563
C15	Cash dividends from capital reserves (Note XX)	-	( 33,892 )	-	-	-	-	-	-	( 33,892 )	-	( 33,892 )
C17	Subscription of treasury stocks by employees (Note XX)	-	3,050	-	-	-	-	-	9,484	12,534	-	12,534
Z1	Balance as of December 31, 2019	<u>\$ 349,085</u>	<u>\$ 234,600</u>	<u>\$ 51,369</u>	<u>\$ 50,361</u>	<u>\$ 162,393</u>	<u>( \$ 75,253 )</u>	<u>( \$ 3,635 )</u>	<u>( \$ 57,279 )</u>	<u>\$ 711,641</u>	<u>\$ 14,136</u>	<u>\$ 725,777</u>

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

Chairman: Po-chao Wu

President: Miao-ling Chang

Accountant Supervisor: Tsung-ju Wu

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

Code		In Thousands of New Taiwan Dollars	
		2019	2018
	Cash flows from operating activities		
A10000	Income before income tax for the period	\$ 173,839	\$ 133,299
A20010	Income and expense items		
A20100	Depreciation	272,395	59,346
A20200	Amortization	5,061	5,480
A20400	Net gain on financial assets at fair value through profit or loss	( 17,652)	( 18,743)
A20900	Interest expense	20,240	3,781
A21200	Interest income	( 6,620)	( 4,712)
A21900	Employee compensation cost	7,647	3,506
A22300	Share of loss of associates accounted for using equity method	17,862	8,776
A22500	Loss on disposal of property, plant and equipment	8,122	15,553
A23200	Loss on disposal of investments	407	-
A23700	Impairment loss on property, plant and equipment	-	2,101
A23700	Inventory valuation and obsolescence loss (gain on reversal)	( 5,038)	4,787
A24100	Net foreign exchange loss (gain)	1,333	( 1,056)
A29900	Gains on lease modification	( 1,349)	-
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	65,609	( 61,323)
A31150	Accounts receivable	( 4,324)	( 2,830)
A31160	Accounts receivable - related parties	( 73)	( 70)
A31180	Other receivables	371	( 8,939)
A31200	Inventories	( 3,879)	9,508
A31240	Other current assets	( 32,967)	( 9,630)
A32125	Contract liabilities	( 1,947)	( 156)
A32150	Accounts payable	( 5,247)	1,916
A32160	Accounts payable - related parties	( 9,964)	9,964
A32180	Other payables	( 15,328)	( 20,533)
A32230	Other current liabilities	( 7,281)	17,092
A33000	Cash generated from operations	461,217	147,117
A33100	Interest received	6,261	5,123

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Code		2019	2018
A33300	Interest paid	(\$ 17,835)	(\$ 2,281)
A33500	Income tax paid	( 57,248)	( 44,818)
AAAA	Net cash generated by operating activities	<u>392,395</u>	<u>105,141</u>
	Cash flows from investing activities		
B00060	Net (increase) decrease in financial assets at amortized cost	( 25,613)	75,193
B01900	Proceeds from disposal of investments accounted for using equity method	14,942	-
B02700	Acquisition of property, plant and equipment	( 46,588)	( 65,008)
B02800	Proceeds from disposal of property, plant and equipment	259	171
B03700	Increase in refundable deposits	( 4,341)	( 488)
B04500	Acquisition of intangible assets	( 4,056)	( 4,053)
B06600	Decrease in other current assets - others	3,990	145,771
B06700	Decrease in other non-current assets	<u>1,503</u>	<u>27</u>
BBBB	Net cash (used in) generated by investing activities	( 59,904)	<u>151,613</u>
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loans	92,319	( 20,362)
C03000	Decrease in guarantee deposits received	( 6,188)	( 17,165)
C04020	Principal repayment of lease liabilities	( 206,664)	-
C04500	Distribution of cash dividends	( 101,676)	( 131,266)
C04900	Costs for treasury stock buyback	-	( 65,287)
C05100	Proceeds from subscription of treasury stocks by employees	9,450	-
C05800	Net changes in non-controlling interests	<u>-</u>	<u>( 2,461)</u>
CCCC	Net cash used in financing activities	( 212,759)	( 236,541)
DDDD	Effect of exchange rate changes on cash and cash equivalents	( 21,663)	( 4,360)
EEEE	Net increase in cash and cash equivalents	98,069	15,853
E00100	Cash and cash equivalents at beginning of year	<u>235,438</u>	<u>219,585</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 333,507</u>	<u>\$ 235,438</u>

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

Chairman:  
Po-chao Wu

President:  
Miao-ling Chang

Accountant Supervisor:  
Tsung-ju Wu

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(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 was 1,095 and 1,194 as of December 31, 2019 and 2018, 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 26, 2020.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) The amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC")

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

1. IFRS 16 "Leases"

IFRS 16 stipulates the identification of lease agreements and the accounting treatments for lessors and lessees. It will replace IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", and related interpretations. Please refer to Note IV for related accounting policies.

Definition of leases

The Consolidated Entity elects to evaluate only contracts signed (or amended) after January 1, 2019 on whether they are (or contain) leases in accordance with IFRS 16. The lease contracts identified in accordance with IAS 17 and IFRIC 4 will not be reassessed and are processed in accordance with the transitional provisions of IFRS 16.

The Consolidated Entity is the lessee

The Consolidated Entity shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for leases of low-value assets or short-term leases which are recognized on a straight-line basis. On the consolidated statements of comprehensive income, the depreciation expenses on right-of-use assets and interest expenses computed by using the effective interest method on lease liabilities are presented separately. In the consolidated statements of cash flows, principal repayments for lease liabilities are presented as financing activities, whereas interest repayments are classified as operating activities. Before the adoption of IFRS

16, lease payments of contracts classified as operating leases are recognized as expenses based on straight-line method. Cash flows from operating leases are presented under operating activities in the consolidated statements of cash flows.

The Consolidated Entity elected to adjust the cumulative impact of the retroactive application of IFRS 16 to retained earnings as of January 1, 2019, and not to compile the comparative information.

For leases classified as operating leases under IAS 17, lease liabilities are measured on January 1, 2019 by the present value of remaining lease payments, discounted using the incremental borrowing rate of lessee of that date. The right-of-use assets are measured as the amount of lease liabilities on that date, adjusted for all prepaid or accrued lease payments recognized previously. IAS 36 are applicable to the impairment assessment on all right-of-use assets recognized.

The Consolidated Entity is eligible for application of the following practical expedients:

- (1) Leases with reasonably similar characteristics under the same portfolio are measured using a single one discount rate.
- (2) Leases with terms that end before December 31, 2019 are treated as short-term leases.
- (3) Original direct cost is not included in right-of-use asset measurement as of January 1, 2019.
- (4) When measuring lease liabilities, hindsight is used for matters such as lease terms.

For leases classified as financial leasing under IAS 17, the carrying amount of lease assets and lease liabilities as of December 31, 2018 are adopted as the carrying amount of right-of-use assets and lease liabilities as of January 1, 2019.

The weighted average incremental borrowing rate of interest applicable to lease liabilities recognized by the Consolidated Entity as of January 1, 2019 was 4%. The difference between the amount of lease liabilities and the total amount of future minimum lease payments under non-cancellable operating leases as of December 31, 2018 is explained as follows:

Total amount of future minimum lease payments under non-cancellable operating leases on December 31, 2018	\$ 486,049
Less: Short-term leases to which exemptions are applicable	( 11,979)
Less: Leases of low-value assets to which exemptions are applicable	( _____ 10)
Undiscounted total amount as of January 1, 2019	<u>\$ 474,060</u>
Present value discounted at the incremental borrowing rate as of January 1, 2019	<u>\$ 454,487</u>
 Lease liabilities as of January 1, 2019	 <u>\$ 454,487</u>

The consolidated entity is the lessor

No adjustments are made to the lessor's leases during the transition and IFRS 16 is adopted on January 1, 2019.

There is no significant impact on the accounting treatment for the Consolidated Entity being a lessor.

Adjustments in assets and liabilities as of January 1, 2019 due to the first-time adoption of IFRS 16 are as follows:

	Balance as of January 1, 2019 - Before Adjustment	Adjustment for the First-time Adoption	Balance as of January 1, 2019 - After Adjustment
Right-of-use assets	\$ -	\$ 454,487	\$ 454,487
Impact on assets	<u>\$ -</u>	<u>\$ 454,487</u>	<u>\$ 454,487</u>
Lease liabilities - current	\$ -	\$ 200,863	\$ 200,863
Lease liabilities - non-current	-	253,624	253,624
Impact on liabilities	<u>\$ -</u>	<u>\$ 454,487</u>	<u>\$ 454,487</u>

2. IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty about the income tax treatment, the Consolidated Entity must assume that the tax authorities will be able to take all relevant information for review. If it is decided that the tax treatment of its filing is likely to be accepted by the tax authorities, the taxable income, tax base, unused tax losses, unused tax credits and tax rates must be consistent with the tax treatment used in filing the income tax. Otherwise, the Consolidated Entity shall use either the most likely amount or the expected value, depending on which method is more likely to predict the final outcome of the uncertainty. The Consolidated Entity shall reassess its judgments and estimates if facts and circumstances change.

(II) FSC-endorsed IFRSs that are applicable from 2020 onwards

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1. The amendments are applicable to business combination and asset acquisition with an acquisition date after the annual reporting period starting on January 1, 2020.

Note 2. The amendments are retrospectively applied to annual periods starting after January 1, 2020.

Note 3. The amendments are prospectively applied to annual periods starting after January 1, 2020.

Besides the aforementioned effects, 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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
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, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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) 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) 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 expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income (attributed to shareholders 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.

(VI) 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.

(VII) 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 fails to subscribe according to its shareholding percentage, and its shareholder percentage and the net equity value of the investment change as a result, 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.

(VIII) Property, plant and equipment (PP&E)

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.

(IX) 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.

(X) Impairment of tangible and intangible assets (excluding goodwill)

The Consolidated Entity has to assess if there are any signs of possible impairment in tangible 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.

(XI) 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 XXVIII for the determination of fair value.

B. Financial assets at amortized cost

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

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

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

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

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

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

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

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

(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. Convertible corporate bonds

The components of compound financial instruments issued by the Company (convertible corporate bonds) are classified as financial liabilities and equity upon initial recognition in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

The fair value of liability component is estimated by using the prevailing market interest rate of similar non-convertible instruments on initial recognition, and subsequently measured at amortized cost calculated using the effective interest method until the conversion or the instrument's maturity date. The liability component of an embedded non-equity derivative instrument is measured at fair value.

The conversion option classified as equity is the fair value of the compound instrument as a whole less the fair value of liability component individually determined. It is recognized under equity after deducting the income tax effect and is not subsequently remeasured. When the conversion option is exercised, the carrying amounts of the liability component and the equity balance are reallocated to share capital and capital reserve - share premium. If a conversion option remains unexercised at maturity, the balance recognized in equity is reclassified to capital reserve - share premium.

Transaction costs related to the issuance of the convertible corporate bonds are allocated to the instrument's liability component (included in the carrying amount of liability) and equity component (recognized in equity) in proportion to the allocation of gross proceeds.

4. Financial liabilities

(1) Subsequent measurement

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

- (2) Derecognition of financial liabilities  
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.
- (XII) 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.
- (XIII) 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.
- (XIV) Leases  
2019  
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.
  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 (including fixed payments; in-substance fixed payments; variable lease payments that are determined by an index or a rate; amounts expected to be paid by the lessee under residual value guarantees; the exercise price of a purchase option when it is reasonably certain to exercise the option; and penalties for terminating the lease reflected in the lease term; less any lease incentives receivable.) 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.

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.

#### 2018

Payments for operating leases are recognized as expenses on a straight-line basis during the lease period.

#### (XV) 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.

#### (XVI) 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.

(XVII) 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.

(XVIII) Income tax

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

1. Current income tax

The additional tax levied on the unappropriated earnings pursuant to the local income tax act by the Company's subsidiaries in Taiwan is recognized as income tax expense 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.

VI. Cash and Cash Equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and working capital	\$ 3,106	\$ 3,969
Check and demand deposits	243,634	117,655
Cash equivalents		
Time deposits with original	<u>86,767</u>	<u>113,814</u>

maturity dates within 3 months

\$333,507

\$235,438

As of December 31, 2019 and 2018, time deposits with original maturity dates within 3 months of \$11,254 thousand and \$9,237 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 XXX for details.

As of December 31, 2019 and 2018, the time deposits with original maturity dates over 3 months were \$91,346 thousand and \$71,552 thousand, respectively. They were classified as financial assets at amortized cost. Of which, \$48,296 thousand and \$26,832 thousand were provided to banks as collateral for short-term loans, respectively. Please refer to Notes VIII, XVI and XXX for details.

As of December 31, 2018, \$1,503 thousand of demand deposits were provided to banks as performance bond for the issuance of cash cards and recognized under other non-current assets. Please refer to Note XXX for details.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Beneficiary certificates	\$146,683	\$ 64,322
Wealth management products	<u>315,907</u>	<u>446,225</u>
	<u>\$462,590</u>	<u>\$510,547</u>

For the years ended December 31, 2019 and 2018, net gains on financial assets at fair value through profit or loss were \$17,652 thousand and \$18,743 thousand, respectively.

As of December 31, 2019 and 2018, \$78,422 thousand and \$81,523 thousand of wealth management products were provided to banks as collateral for short-term loans. Please refer to Notes XVI and XXX and Table III for details.

VIII. Financial assets at amortized cost

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Time deposit with original maturity date over 3 months	\$ 48,296	\$ 26,832
Less: Loss allowance	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 48,296</u>	<u>\$ 26,832</u>
<u>Non-current</u>		
Time deposit with original maturity date over 3 months	\$ 43,050	\$ 44,720
Less: Loss allowance	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 43,050</u>	<u>\$ 44,720</u>

(I) As of December 31, 2019 and 2018, the interest rate ranges of time deposits with original maturity dates over 3 months were 1.95% to 4.18% and 1.82% to 4.18%, respectively.

(II) The Consolidated Entity's current credit risk rating mechanism and the gross carrying amount of investments in debt instruments at different credit ratings are as follows:

Credit Rating	Definition	Basis of Recognition of Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount as of December 31, 2019	Gross Carrying Amount as of December 31, 2018
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0%	<u>\$ 91,346</u>	<u>\$ 71,552</u>

IX. Accounts receivable

December 31, 2019

December 31, 2018

<u>Accounts receivable</u>		
Measured at amortized cost		
Gross carrying amount	\$ 47,407	\$ 43,083
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 47,407</u>	<u>\$ 43,083</u>

Accounts receivable - related parties

Measured at amortized cost		
Gross carrying amount	\$ 143	\$ 70
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 143</u>	<u>\$ 70</u>

The Consolidated Entity's average collection term for sales 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, 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>Total</u>
Expected credit loss rate	-	-	-	-	-
Gross carrying amount	\$ 33,181	\$ 10,844	\$ 3,260	\$ 122	\$ 47,407
Loss allowance (lifetime expected credit loss)	<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>\$ 122</u>	<u>\$ 47,407</u>

December 31, 2018

<u>Not past due</u>	<u>1 to 90 Days</u>	<u>91 to 180</u>	<u>Overdue</u>	<u>Total</u>
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		Past Due	Days Past Due	over 180 Days	
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 40,519	\$ 2,288	\$ 75	\$ 201	\$ 43,083
Loss allowance (lifetime expected credit loss)	-	-	-	-	-
Amortized cost	<u>\$ 40,519</u>	<u>\$ 2,288</u>	<u>\$ 75</u>	<u>\$ 201</u>	<u>\$ 43,083</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 impairment loss is recognized.

The allowance for doubtful receivable for the years ended December 31, 2019 and 2018 remained unchanged.

#### X. Inventories

	December 31, 2019	December 31, 2018
Raw materials	\$ 82,580	\$ 71,298
Merchandise inventories	<u>18,699</u>	<u>21,064</u>
	<u>\$101,279</u>	<u>\$ 92,362</u>

The cost of sales associated with inventories was \$933,472 thousand and \$889,892 thousand for the years ended December 31, 2019 and 2018, respectively.

The cost of sales included inventory valuation and obsolescence loss (gain on reversal) of \$(5,038) thousand and \$4,787 thousand for the years ended December 31, 2019 and 2018, 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:

Investor company	Name of subsidiaries	Nature of Business	Percentage of Ownership		Remark
			December 31, 2019	December 31, 2018	
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	Managing trademark	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	
EN MEI Enterprise Limited	Yen Chun International Co., Ltd.	Catering shop	100.00	-	Note 3
3T Holdings Limited	RBT Resources Limited	Trading of raw materials for catering	100.00	100.00	
3T Holdings Limited	Xian Zong Lin Food & Beverage Management (Shanghai) CO., LTD	Catering shop, collection of franchise fees and royalties	100.00	100.00	
3T Holdings Limited	Happy Lemon HK Limited	Trading of beverages, collection of franchise fees and royalties	100.00	100.00	
3T Holdings Limited	Yummy-town USA LLC	Trading of beverages, collection of franchise fees and royalties	-	100.00	Note 4
3T Holdings Limited	Yummy-town UK Ltd	Investment holding	100.00	-	Note 2
Yummy-town UK Ltd	Yummy-town USA LLC	Trading of beverages, collection of franchise fees and royalties	100.00	-	Note 4
an Zong Lin Food & Beverage Management (Shanghai) CO., LTD	Shanghai Tai Quan Trading CO., LTD.	Trading of raw materials for catering	100.00	100.00	
an 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	
an 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	

an Zong Lin Food & Beverage Management (Shanghai) CO., LTD	You Xiang Food & Beverage Management (Shanghai) CO., LTD	Catering shop	55.50	55.50	
an Zong Lin Food & Beverage Management (Shanghai) CO., LTD	Ai Qun Food & Beverage Management (Shanghai) CO., LTD	Catering shop	100.00	100.00	Note 1
an 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	
appy 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 May 9, 2017 and the paid-up capital is estimated to be RMB6,000,000. The Consolidated Entity's shareholding percentage was 84.7% initially. In 2018, it signed an equity transfer agreement with non-related parties to purchase the remaining 15.3%. Thus, the shareholding percentage rose to 100%. The company's paid-up capital was RMB4,239,500 as of December 31, 2019. According to the Articles of Association, it must collect all share subscription payments before May 9, 2020.

Note 2. 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 3. 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 4. 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 5. The financial statements of subsidiaries included in the consolidated financial statements for the years ended December 31, 2019 and 2018 were all based on audited financial statements.

## XII. Investments Accounted for Using Equity Method

### Investment in associates

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Associates not individually material</u>		
Shanghai Han Pin Food CO., LTD.	\$ -	\$ 15,060
Freshtea Japan CO., LTD.	7,841	20,194
Happy Lemon California, Inc.	<u>7,018</u>	<u>12,485</u>
	<u>\$ 14,859</u>	<u>\$ 47,739</u>

The Consolidated Entity's ownership and voting right percentages in associates on the balance sheet date are as follows:

<u>Name</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Shanghai Han Pin Food CO., LTD.	-	38%
Freshtea Japan CO., LTD.	40%	40%
Happy Lemon California, Inc.	49%	49%

Information of associates not individually material is summarized as follows:

	<u>2019</u>	<u>2018</u>
The Consolidated Entity's share of		
Net loss for the period	(\$ 17,862)	(\$ 8,776)
Other comprehensive income	<u>332</u>	<u>1,311</u>
Total comprehensive income	<u>(\$ 17,530)</u>	<u>(\$ 7,465)</u>

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

The liquidation of Shanghai Han Pin Food CO., LTD. was completed in April 2019 and the Consolidated Entity recognized a liquidation loss of \$407 thousand.

Freshtea Japan CO., LTD. reduced capital to make up for losses in March 2018. It used share capital and capital reserve of Yen 100,000 thousand each (a total of \$55,180 thousand) to offset the accumulated losses as of December 31, 2017. The shareholding percentage remains 40%.

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

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 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, 2018	\$ 40,334	\$ 39,120	\$ 99,335	\$ 163,659	\$ 18,623	\$ 361,071
Additions	-	-	16,143	43,852	7,545	67,540
Disposals	-	-	( 24,397)	( 28,067)	( 3,456)	( 55,920)
Net exchange differences	1,208	1,171	( 1,767)	( 2,732)	( 173)	( 2,293)
Reclassification	-	-	571	( 305)	( 78)	188
Balance as of December 31, 2018	<u>\$ 41,542</u>	<u>\$ 40,291</u>	<u>\$ 89,885</u>	<u>\$ 176,407</u>	<u>\$ 22,461</u>	<u>\$ 370,586</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2018	\$ -	\$ 3,651	\$ 60,610	\$ 93,130	\$ 10,031	\$ 167,422
Depreciation expense	-	790	12,843	41,120	4,593	59,346
Impairment loss	-	-	93	2,008	-	2,101
Disposals	-	-	( 21,451)	( 16,433)	( 2,312)	( 40,196)
Net exchange differences	-	125	( 1,017)	( 1,630)	( 62)	( 2,584)
Reclassification	-	-	489	( 356)	55	188
Balance as of December 31, 2018	<u>\$ -</u>	<u>\$ 4,566</u>	<u>\$ 51,567</u>	<u>\$ 117,839</u>	<u>\$ 12,305</u>	<u>\$ 186,277</u>
Net balance as of December 31, 2018	<u>\$ 41,542</u>	<u>\$ 35,725</u>	<u>\$ 38,318</u>	<u>\$ 58,568</u>	<u>\$ 10,156</u>	<u>\$ 184,309</u>
<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>

The consolidated entity recognized impairment losses of \$2,101 thousand for the year ended December 31, 2018 as it expected the future cash flows from some of the property, plant and equipment would decrease and result in having recoverable amount less than the carrying amount.

The consolidated entity determines the recoverable amount of property, plant and equipment at fair value less disposal costs. The relevant fair value is determined by the market method and the key assumptions include the estimation of sale value, which belongs to Level 2 fair value measurement.

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

Building	
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 XXX.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Freehold Land	\$ 40,779	\$ 41,542
Buildings	<u>34,279</u>	<u>35,725</u>
	<u>\$ 75,058</u>	<u>\$ 77,267</u>

XIV. Lease Agreements

(I) Right-of-use assets - 2019

	<u>December 31, 2019</u>
Carrying amount of right-of-use assets	
Buildings	\$357,735
Other equipment	<u>659</u>
	<u>\$358,394</u>
	<u>2019</u>
Addition of right-of-use assets	<u>\$182,958</u>
Disposal of right-of-use assets	( <u>\$ 46,884</u> )
Net exchange difference on right-of-use assets	( <u>\$ 12,534</u> )
	<u>2019</u>
Depreciation expenses of right-of-use assets	
Buildings	\$218,720
Other equipment	<u>913</u>
	<u>\$219,633</u>

(II) Lease liabilities - 2019

	<u>December 31, 2019</u>
Carrying amount of lease liabilities	
Current	<u>\$196,608</u>
Non-current	<u>\$172,989</u>

Discount rate ranges for lease liabilities are as follows:

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

(III) Other lease information  
2019

	<u>2019</u>
Expense of short-term leases	\$ 23,657
Expense of leases of low value assets	<u>\$ 31</u>
Variable lease payments not included in lease liability measurement	<u>\$ 38,869</u>
Total cash (outflow) from lease	<u>(\$284,990)</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.

2018

Operating leases are for leasing shops and the lease term is between 1 to 5 years. When the lease term ends, the Consolidated Entity has no preferential purchase rights to the leased shops.

As of December 31, 2018, the refundable deposits paid by the Consolidated Entity as a result of the operating lease contracts were \$70,649 thousand.

As of December 31, 2018, the Consolidated Entity's total future lease payments in accordance with the lease contracts was \$363,560 thousand.

XV. Intangible Assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2018	\$ 8,203	\$ 22,345	\$ 30,548
Additions	688	3,365	4,053
Disposals	( 857)	-	( 857)
Net exchange differences	<u>242</u>	<u>( 521)</u>	<u>( 279)</u>
Balance as of December 31, 2018	<u>\$ 8,276</u>	<u>\$ 25,189</u>	<u>\$ 33,465</u>
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2018	\$ 5,691	\$ 14,650	\$ 20,341
Amortization	651	4,829	5,480
Disposals	( 857)	-	( 857)
Net exchange differences	<u>166</u>	<u>( 392)</u>	<u>( 226)</u>
Balance as of December 31, 2018	<u>\$ 5,651</u>	<u>\$ 19,087</u>	<u>\$ 24,738</u>
Net balance as of December 31, 2018	<u>\$ 2,625</u>	<u>\$ 6,102</u>	<u>\$ 8,727</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	<u>( 174)</u>	<u>( 1,058)</u>	<u>( 1,232)</u>
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	<u>( 123)</u>	<u>( 873)</u>	<u>( 996)</u>
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>

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. Short-term loans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Secured loans</u>		
Bank loans	<u>\$ 232,749</u>	<u>\$ 144,916</u>
Interest rate	<u>1.26%~ 3.7%</u>	<u>1.26%~ 3.7%</u>

The above-mentioned secured loans are mainly loans 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, XXIX and XXX for details.

XVII. Corporate Bonds Payable

On November 19, 2015, the Company issued 2,000 convertible corporate bonds with a face value of NT\$100 thousand at 100% of the face value. The total issuance amounted to NT\$200,000 thousand.

(I) The important rights and obligations of the above convertible corporate bonds are as follows:

- The bond has a maturity of 3 years, which starts from the issuance date of November 19, 2015 and ends on November 19, 2018.
- The coupon rate is 0%
- Conversion period:  
From the date following one month after the issuance date to the end of the maturity date, bondholders can request the Company's stock transfer agency to convert their bonds into the Company's common stocks in accordance with the conversion rules by contacting the Taiwan Depository & Clearing Corporation through their brokerage firms at any time, except for fifteen business days prior to the book closure date for issuance of bonus shares, book closure date for cash dividends, or book closure date for rights issue until the ex-right date, between the recordation date for capital reduction and one day before the commencement date for stock exchange due to capital reduction, and other periods in which transfer is suspended by laws.
- Conversion price and its adjustment:  
For the determination of conversion price of the corporate bond, the Company set November 11, 2015 as the base date with conversion price of NT\$50 per share. After the issuance of the convertible corporate bonds, the conversion price shall be adjusted in accordance with the issuance and conversion rules of the convertible corporate bonds.
- The Company's redemption rights for the convertible corporate bonds  
Between December 20, 2015 and October 10, 2018, if the closing price of the Company's common stocks exceeds the then conversion price by 30% for 30 consecutive business days, the Company may redeem the outstanding convertible corporate bonds within 30 business days.  
Between December 20, 2015 and October 10, 2018, if the balance of outstanding convertible bonds is lower than its original aggregate face value by 10%, the Company may redeem outstanding convertible corporate bonds at any time afterwards.
- Bondholders' put options on the convertible corporate bonds:

November 19, 2017 is the put option date for bondholders of the convertible corporate bonds. The Company shall notify the bondholders and publicly announce the bondholders' exercise of put options 30 days prior to the put option date. Bondholders may notify the Company's stock transfer agency requesting the Company to redeem the convertible corporate bonds at the face value plus interest compensation within 30 days prior to the put option date.

The interest compensation is 2.516% of the bond's face value after two-year period.

7. Handling of convertible corporate bonds upon maturity:

Except for the aforesaid redemption right, put options and redeemed for cancellation, the Company would redeem bonds at their face value with cash in one lump sum payment at the maturity of the bonds.

(II) The convertible corporate bonds have been fully converted into common stocks, and the trading at TPEx was terminated on November 8, 2018.

(III) The convertible corporate bonds include asset, liability and equity components. The equity component is presented as capital reserve - stock options under equity. The liability component is initial recognized at the effective interest rate of 2.44%.

	<u>2018</u>
Liability component at beginning of year	\$ 64,108
Interest calculated at an effective interest rate of 2.44%	1,075
Bonds payable converted into common stocks	( 65,183)
Liability component at end of year	<u>\$ -</u>

The changes in debt instruments of the host contract and financial assets with put options are as follows:

	<u>Debt Instruments of Host Contract</u>	<u>Financial Assets with Put Options</u>
Balance as of January 1, 2018	\$ 64,108	\$ 7
Interest expense	1,075	-
Bonds payable converted into common stocks	( 65,183)	-
Changes in fair value (profit or loss)	<u>-</u>	( 7)
Balance as of December 31, 2018	<u>\$ -</u>	<u>\$ -</u>

XVIII. Other Payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payroll and bonus payable	\$ 45,748	\$ 50,835
Untaken leave payable	9,171	9,013
Business tax payable	4,722	8,972
Social security and provident fund payable	6,684	6,312
Professional service fee payable	3,700	2,823
Other gift card payable	956	1,002
Payables on equipment	3,470	7,332
Others	<u>33,296</u>	<u>38,354</u>
	<u>\$107,747</u>	<u>\$124,643</u>

XIX. Provisions - current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Employee benefits (under other payables)	<u>\$ 9,171</u>	<u>\$ 9,013</u>

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

XX.

Equity

(I) Share capital

Common stocks

	<u>December 31, 2019</u>	<u>December 31, 2018</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>34,909</u>	<u>35,069</u>
Issued share capital	<u>\$ 349,085</u>	<u>\$ 350,693</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.

The Company's paid-in capital amounted to \$349,085 thousand and \$350,693 thousand as of January 1, 2019 and 2018, respectively. The Company's convertible corporate bonds were converted into the Company's common stocks in the amount of \$15,955 thousand pursuant to the conversion rules in 2018. In addition, the Company resolved in the Board of Directors' meeting on March 22, 2018 to issue the second batch of restricted shares for employees. 81 thousand shares with an amount of \$810 thousand would be issued. As some employees resigned, the Board meetings on August 12, May 13, and January 10 in 2019 and May of 2018 had resolved to recall 33 thousand, 64 thousand, 64 thousand and 11 thousand shares with an amount of \$330 thousand, \$638 thousand, \$640 thousand and \$112 thousand and the recordation dates for capital reduction of August 12, May 13, January 10 in 2019 and May 4 of 2018, respectively. As of December 31, 2019, the Company has completed the cancellation procedures for employee restricted shares recalled by the Company.

(II) Capital reserve

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Stock issuance premium	\$ 63,811	\$ 97,703
Premium on conversion of corporate bonds	154,801	154,801
Treasury stock transaction	3,050	-
<u>Not for any purpose (2)</u>		
Employee restricted stocks	<u>12,938</u>	<u>11,330</u>
	<u>\$234,600</u>	<u>\$263,834</u>

1. Capital reserve related to the income derived from the issuance of shares at a premium may be used to offset deficit. 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. The stock options were generated from the Company's first issuance of domestic convertible corporate bonds in 2015 and the restricted shares for employees were from the Company's issuance of restricted shares for employees in 2018 and 2017. Those two shall not be used for any purpose.

(III) Retained earnings and dividend policy

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,

appropriate reserves pursuant to the Articles of Incorporation, allocate 10% as legal reserve in accordance with regulations applicable to public companies (except where the accumulated legal reserve equals the total paid-in capital) and appropriate reserves 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%. For details on the Company's policies of compensation to employees and remuneration to Directors in the Articles of Incorporation, please refer to Note XXII(VI).

Details on the 2018 and 2017 earnings appropriation resolved in the Company's shareholders' meetings on June 13, 2019 and June 15, 2018 were as follows:

	Earnings Appropriation		Dividend per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 10,308	\$ 15,588	\$ -	\$ -
Special reserve	2,272	26,534	-	-
Cash dividend	67,784	131,266	2.00	4.00

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.

The 2019 earning appropriation proposed in the Board of Directors' meeting on March 26, 2020 was as follows:

	Earnings Appropriation	Dividend per Share (NT\$)
Legal reserve	\$ 12,937	\$ -
Special reserve	24,892	-
Cash dividend	85,203	2.50
Stock dividend	17,041	0.50

The 2019 earning appropriation is pending for a resolution from the 2020 annual shareholders' meeting.

Please access the "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's earning distribution resolved in the shareholders' meetings.

(IV) Special reserve

	December 31, 2019	December 31, 2018
Beginning balance	\$ 48,089	\$ 21,555
Recognition of special reserve		
Deduction in other equity	<u>2,272</u>	<u>26,534</u>
Ending balance	<u>\$ 50,361</u>	<u>\$ 48,089</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 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

	2019	2018
Beginning balance	(\$ 8,198)	(\$ 19,306)
Issued during the period	-	( 6,365)
Share-based payment	<u>4,563</u>	<u>17,473</u>

Ending balance

(\$ 3,635)

(\$ 8,198)

## (VI) Treasury stock

Unit: In Thousand Share

Reason for Buyback - To be Transferred to Employees	2019	2018
Beginning balance	909	16
Increase	-	893
Decrease	( 189 )	-
Ending balance	<u>720</u>	<u>909</u>

On May 13, 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 stocks 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 stock transactions of \$3,050 thousand upon the transfer.

In order to motivate employees and enhance their loyalty, the Company resolved in the Board of Directors' meeting on October 22, 2018 and December 15, 2017 to buyback the Company's common stocks at the price ranges of \$35 to \$80 per share and \$80 to \$120 per share (the buyback continues even when the market price is below the lower limit of the price range) between October 22, 2018 to December 21, 2018 and December 18, 2017 to February 12, 2018, respectively.

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.

## XXI. Operating Revenue

	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	\$ 1,095,078	\$ 989,336
Catering revenue	827,689	932,203
Brand revenue	267,359	234,769
Other operating revenues	<u>26,986</u>	<u>17,292</u>
	<u>\$ 2,217,112</u>	<u>\$ 2,173,600</u>

## (I) Contract balance

	December 31, 2019	December 31, 2018
Contract liabilities - non-current		
Brand revenue	\$ 33,067	\$ 31,368
Customer loyalty program under catering revenue	<u>1,589</u>	<u>5,235</u>
	<u>\$ 34,656</u>	<u>\$ 36,603</u>

(II) Disaggregation of revenue from contracts with customers  
2019

Product type	Reportable Segment			Total
	Catering	Trade	Others	
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>19,064</u>	<u>7,938</u>	-	<u>26,986</u>
	<u>\$ 1,114,099</u>	<u>\$ 1,103,016</u>	<u>\$</u>	<u>\$ 2,217,112</u>

2018

	Reportable Segment			Total
	Catering	Trade	Others	
Product type				
Revenue from sale of goods	\$	\$ 989,330	\$	\$ 989,330
Catering revenue	932,200			932,200
Brand revenue	234,700			234,700
Other operating revenues	9,900	7,290		17,290
	<u>\$ 1,176,900</u>	<u>\$ 996,630</u>	<u>\$</u>	<u>\$ 2,173,600</u>

XXII. Net Income of Continuing Operations

(I) Other income

	2019	2018
Interest income	\$ 6,620	\$ 4,712
Others	27,189	9,293
	<u>\$ 33,809</u>	<u>\$ 14,005</u>

(II) Other gains and losses

	2019	2018
Loss on disposal of property, plant and equipment	(\$ 8,122)	(\$ 15,553)
Impairment loss of property, plant and equipment (Note XIII)	-	( 2,101)
Loss on disposal of investments (Note XI)	( 407)	-
Gains on lease modification	1,349	-
Net foreign exchange (loss) gain	( 1,333)	1,056
Gain on financial assets at fair value through profit or loss (Note VII)	17,652	18,743
Others	( 5,549)	( 10,079)
	<u>\$ 3,590</u>	<u>(\$ 7,934)</u>

(III) Finance costs

	2019	2018
Interest on bank loans	\$ 4,471	\$ 2,706
Interest expense on lease liabilities	15,769	-
Interest on convertible corporate bonds (Note XVII)	-	1,075
	<u>\$ 20,240</u>	<u>\$ 3,781</u>

(IV) Depreciation and amortization

	2019	2018
Depreciation expense summarized by function		
Operating costs	\$ 14,810	\$ 5,171
Operating expenses	257,585	54,175
	<u>\$ 272,395</u>	<u>\$ 59,346</u>
Amortized cost summarized by function		
Operating expenses	<u>\$ 5,061</u>	<u>\$ 5,480</u>

(V) Employee benefits		
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$441,682	\$465,954
Benefits after retirement	<u>2,575</u>	<u>2,165</u>
	<u>\$444,257</u>	<u>\$468,119</u>
Summarized by functions		
Operating costs	\$ 88,052	\$ 93,068
Operating expenses	<u>356,205</u>	<u>375,051</u>
	<u>\$444,257</u>	<u>\$468,119</u>

(VI) Compensation to employee and remuneration to Directors

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

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

The Company's Board of Directors' meetings on March 22, 2019 and March 22, 2018 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, 2018 and 2017, 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 2019 and 2018 Board of Directors' meetings.

XXIII. Income Tax Expense

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

	<u>2019</u>	<u>2018</u>
Current income tax expense	\$ 47,760	\$ 24,723
Adjustment on income taxes of prior years	( 572)	5,247
Adjustment on deferred income tax assets	<u>3,298</u>	<u>8,625</u>
	<u>\$ 50,486</u>	<u>\$ 38,595</u>

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

	<u>2019</u>	<u>2018</u>
Income before income tax (Note)	<u>\$ 247,088</u>	<u>\$ 197,410</u>
Income tax expense at the statutory rate (Note)	\$ 79,087	\$ 65,636
Tax effects of reconciled items		
Other permanent differences	( <u>31,327</u> )	( <u>40,913</u> )
Current income tax expense	<u>\$ 47,760</u>	<u>\$ 24,723</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. For entities subject to the income tax law of the Republic of China, the corporate income tax rate was adjusted from 17% to 20%. However, the amendments in tax act do not have any effect on the consolidated entity. 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%.

(III)	The components of income tax liabilities for the current period are as follows:		
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Income tax payable	\$ 9,218	\$ 15,199

(IV)	The components of deferred income tax assets (liabilities) are as follows:		
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Deferred income tax assets		
	Deferred income	\$ 7,261	\$ 7,033
	Loss carryforward	14,539	12,613
	Other book-tax differences	<u>2,819</u>	<u>3,989</u>
		<u>\$ 24,619</u>	<u>\$ 23,635</u>
	Deferred income tax liabilities		
	Withholding tax on earnings remitted from subsidiaries	<u>\$ 6,283</u>	<u>\$ 6,080</u>

(V) Income tax approval status  
The income tax returns of the Company's Taiwan subsidiaries have been assessed and approved by tax authorities through 2018.

#### XXIV. Earnings Per Share (EPS)

		2019	Unit: NT\$ per share 2018
	Basic EPS	<u>\$ 3.80</u>	<u>\$ 3.11</u>
	Diluted EPS	<u>\$ 3.79</u>	<u>\$ 3.03</u>

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

#### Net income for the period

	2019	2018
Net profit used in calculating the basic EPS	\$129,368	\$103,081
Impact of common stocks with dilutive effect:		
Interest after tax on convertible corporate bonds	-	<u>1,075</u>
Net income used in calculating diluted EPS	<u>\$129,368</u>	<u>\$104,156</u>

#### Number of shares

	2019	Unit: In thousands 2018
Weighted average number of common stocks for the purpose of calculating basic EPS	34,002	33,179
Impact of common stocks with dilutive effect:		
Convertible corporate bonds	-	1,100
Employee restricted stocks	<u>122</u>	<u>98</u>
Weighted average number of common stocks for the purpose of calculating diluted EPS	<u>34,124</u>	<u>34,377</u>

#### XXV. Share-based Payment Arrangement

##### New employee restricted stocks

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

On August 10, 2017, the Company's Board of Directors resolved to issue 269 thousand bonus shares. The actual distribution date was August 10, 2017 and the stock's closing price on the grant day was \$99.5. The vesting percentage of employees awarded on May 1,

2018 is 20%, with another 25%, 25% and 30% for every additional full-year service rendered. Moreover, the employee shall remain an employee at the end of each time period stipulated with performance maintain at a certain level for the vesting to take effect.

When the employee fails to meet the vesting conditions, the Company would retrieve the employee's new restricted stocks and cancel them. The Company resolved in the Board of Directors' meeting on May 4, 2018 and December 15, 2017 to retrieve 11 thousand and 35 thousand shares with an amount of \$112 thousand and \$350 thousand and set the recordation dates for capital reduction on May 4, 2018 and December 15, 2017, respectively. As of December 31, 2019, the said new restricted stocks retrieved had all been canceled.

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

Restricted rights of new shares distributed to or subscribed by 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, 2019 and 2018, the number of new restricted stocks outstanding was 107 thousand and 268 thousand shares, respectively.

Relevant information on new restricted stocks is as follows:

	2019	2018
	Number of Shares (in thousands)	Number of Shares (in thousands)
Outstanding, beginning of year	268	234
Granted	-	81
Vested	-	( 36)
Retrieved	( 161)	( 11)
Outstanding, end of year	<u>107</u>	<u>268</u>

In December 2018, the Company adjusted the turnover rate used for the estimation of compensation cost associated with the new restricted stocks, resulting in a decrease of \$13,967 thousand in capital reserve for new restricted employee stocks. The compensation costs recognized by the Company for the years ended December 31, 2019 and 2018 were \$4,563 thousand and \$3,506 thousand, respectively.

#### Cash-settled share-based payment

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

The Company granted the first batch of employee stock appreciation rights of 105 thousand units in August, 2017 and retrieved 5 thousand and 10 thousand units in May, 2018 and December 2017, respectively. The vesting percentage of employees awarded on May 1, 2018 is 20%, with another 25%, 25% and 30% for every

additional full-year service rendered. Moreover, the employee shall remain an employee at the end of each time period stipulated with performance maintain at a certain level for the vesting to take effect.

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

As of December 31, 2019 and 2018, the number of stock appreciation rights outstanding was 61 thousand units and 117 thousand units, respectively.

	2019	2018
	<u>Unit (in thousands)</u>	<u>Unit (in thousands)</u>
Outstanding, beginning of year	117	95
Granted	-	41
Vested	-	( 14 )
Retrieved	( 56 )	( 5 )
Outstanding, end of year	<u>61</u>	<u>117</u>

The compensation costs recognized by the Company for the years ended December 31, 2019 and 2018 were \$2,271 thousand and \$1,952 thousand, respectively.

#### XXVI. Equity Transactions with Non-controlling Interests

The Consolidated Entity's shareholding percentage in Ai Qun Food & Beverage Management (Shanghai) CO., LTD was 84.7% initially. In 2018, it signed an equity transfer agreement with non-related parties to purchase the remaining 15.3%. Thus, the shareholding percentage rose to 100%.

	<u>Ai Qun Food &amp; Beverage Management (Shanghai)</u>
Cash consideration (paid) obtained	( \$ 3,280 )
Carrying amount of subsidiaries' net assets to be transferred out (in) of non-controlling interests based on changes in shareholding percentage	<u>3,258</u>
Difference in equity transactions	( \$ <u>22</u> )
<u>Account for adjusting difference in equity transactions</u>	
Unappropriated earnings	( \$ <u>22</u> )

As the above-mentioned transaction did not change the Consolidated Entity's control over the subsidiary, the transaction is accounted for as an equity transaction.

#### XXVII. Capital Risk Management

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

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

## XXVIII. Financial Instruments

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

The carrying amounts of the Consolidated Entity's financial assets and financial liabilities not measured at fair value approach their fair values. As of December 31, 2019 and 2018, 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

#### 1. Fair value hierarchy

##### 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	\$ 146,68	\$	\$	\$ 146,68
Wealth management products		<u>315,90</u>		<u>315,90</u>
	<u>\$ 146,68</u>	<u>\$ 315,90</u>	<u>\$</u>	<u>\$ 462,59</u>

##### December 31, 2018

	<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	\$ 64,32	\$	\$	\$ 64,32
Wealth management products		<u>446,22</u>		<u>446,22</u>
	<u>\$ 64,32</u>	<u>\$ 446,22</u>	<u>\$</u>	<u>\$ 510,54</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

#### 2. Reconciliation of Level 3 fair value measurement of financial instruments

##### 2019

None.

##### 2018

<u>Financial Assets at Fair Value through Profit or Loss</u>	<u>Amount</u>
Beginning balance	\$ 7
Recognized in profit or loss (gain on financial asset at fair value through profit or loss)	
- Not realized	( 7)
Ending balance	<u>\$ -</u>

#### 3. Valuation techniques and inputs for Level 3 fair value measurement

The fair value of financial assets' repurchase option is estimated using the option pricing model, and the significant unobservable inputs used are stock price volatility. When stock price volatility increases, the fair value of these derivatives will increase.

### (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 analyses risk exposures according to the degree and breadth of risks. Such risks include market risk, credit risk and liquidity risk.

#### 1. Market risks

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

The financial instruments' exposure to market risk and the management and measurement of such exposure 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.

	Impact of USD		Impact of the HKD	
	2019	2018	2019	2018
Effect on profit or loss	(\$ 8,695)	\$ 10,168	(\$ 3,705)	(\$ 11,389)

(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:

	December 31, 2019	December 31, 2018
Cash flow interest rate risks		
Financial assets	\$189,367	\$194,603
Financial liabilities	232,749	144,916

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 by \$434 thousand and \$497 thousand for the years ended December 31, 2019 and 2018, respectively.

2. Credit risk

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

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

3. Liquidity risk

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

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

December 31, 2019				
	Within 1 year	1 to 3 years	Over 3 years	Total
<u>Non-derivative 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>
December 31, 2018				
	Within 1 year	1 to 3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 305,625	\$ 59,794	\$ 53,409	\$ 418,828
Liabilities with floating interest rates	<u>144,916</u>	<u>-</u>	<u>-</u>	<u>144,916</u>
	<u>\$ 450,541</u>	<u>\$ 59,794</u>	<u>\$ 53,409</u>	<u>\$ 563,744</u>

#### XXIX. Related Party Transactions

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

##### (I) The names and relationships of related parties

Name of Related Party	Relationship with the Consolidated Entity
Shanghai Han Pin Food CO., LTD.	Associate (liquidated in April 2019)
Freshtea Japan CO., LTD.	Associates
Happy Lemon California, Inc.	Associates
Mr. Po-chao Wu	Chairman of the Company

##### (II) Operating revenue

Financial Statement Account	Category of Related Parties/Name	2019	2018
	Associate		
Revenue from sale of goods	Freshtea Japan CO., LTD.	\$ 1,49	\$ 1,86
	Happy Lemon California, Inc.		2,78
Brand revenue	Freshtea Japan CO., LTD.	2,80	
	Happy Lemon California, Inc.	<u>1,28</u>	<u>1,46</u>
		<u>\$ 5,58</u>	<u>\$ 6,11</u>

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



(III)	Purchases		
	<u>Category of Related Parties/Name</u>	<u>2019</u>	<u>2018</u>
	Associate		
	Shanghai Han Pin Food CO., LTD.	\$ <u>          -</u>	\$ <u>22,948</u>

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

(IV)	Receivables from related parties (excluding loans to related parties)			
	<u>Financial Statement</u>	<u>Category of Related</u>	<u>December</u>	<u>December</u>
	<u>Account</u>	<u>Parties/Name</u>	<u>31, 2019</u>	<u>31, 2018</u>
	Accounts receivables - Associate			
	related parties			
		Happy Lemon California, Inc.	\$ <u>          -</u>	\$ <u>          -</u>
		Freshtea Japan CO., LTD.	\$ <u>          -</u>	\$ <u>          -</u>
			\$ <u>          -</u>	\$ <u>          -</u>

The outstanding amount of receivables - related parties is not guaranteed. Expected credit loss is not recognized for receivables - related parties for the years ended December 31, 2019 and 2018.

(V)	Accounts payable - related parties (excluding loans from related parties)		
	<u>Financial Statement</u>	<u>Category of Related</u>	<u>December 31,</u>
	<u>Account</u>	<u>Parties/Name</u>	<u>2019</u>
	Accounts payable - Associate		
	related parties		
		Shanghai Han Pin Food	\$ <u>          -</u>
		CO., LTD.	\$ <u>9,964</u>

Collateral is not provided for outstanding balance of payables - related parties.

(VI)	Contract liabilities		
	<u>Category of Related Parties/Name</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Associate		
	Happy Lemon California, Inc.	\$ <u>          -</u>	\$ <u>532</u>

(VII) Loans

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

(VIII) Endorsement and guarantee

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

(IX) Short-term loan guarantee

The Consolidated Entity's short-term loans were guaranteed by the Chairman, Mr. Po-chao Wu.

(X) Compensation to key management

		<u>2019</u>	<u>2018</u>
	Short-term employee benefits	\$ 34,052	\$ 46,056
	Share-based payments	<u>11,809</u>	<u>2,679</u>
		\$ <u>45,861</u>	\$ <u>48,735</u>

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

(XI) Other related party transactions

For equity transactions, please refer to Notes XII and XXVI.

XXX. Pledged Assets

The following assets of the Consolidated Entity have been provided to financial institutions as collateral for short-term loans and performance bonds for the issuance of cash cards:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Restricted bank deposits (recognized under other current assets - others) (Note VI)	\$ 11,254	\$ 9,237
Restricted bank deposits (recognized under other non-current assets) (Note VI)	-	1,503
Restricted bank deposits (recognized under financial assets at amortized cost) (Note VI)	48,296	26,832
Wealth management products (Note VII)	78,422	81,523
Freehold land (Note XIII)	40,779	41,542
Buildings (Note XIII)	<u>34,279</u>	<u>35,725</u>
	<u>\$213,030</u>	<u>\$196,362</u>

XXXI. Significant Subsequent Events

Due to the Covid-19 outbreak in mainland China in January 2020, the Consolidated Entity's shops in China would comply with the local government's preventive measures and the policy to postpone the resumption of work. Work would commence in accordance with local regulations. Up until the publishing date of the consolidated financial statements, it has not yet been possible to evaluate the containment of the epidemic and its impact on the overall industry.

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 ones used to translate amount in foreign currencies to the functional currency.

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$
Unit: Foreign currency/in thousands of NT\$						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 2,712,159	29.98	\$ 81,311	\$ 3,310,571	30.715	\$ 101,684
HKD	375,059	3.849	1,444	1,280,811	3.921	5,022
<u>Non-monetary items</u>						
Yen	28,412,000	0.276	7,841	72,586,400	0.2782	20,194
USD	234,074	29.98	7,018	406,494	30.715	12,485
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	5,612,367	29.98	168,259	-	-	-
HKD	10,000,000	3.849	38,490	30,328,000	3.921	118,916

The Company's foreign exchange (losses) gains, including unrealized and realized portions, were \$(1,333) thousand and \$1,056 thousand for the years ended December 31, 2019 and 2018, 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 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 or sales 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

### 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  
 - Happy Lemon Food & Beverage Management (Tianjin) CO., LTD  
 - Happy Lemon Food & Beverage Management (Shenzhen) 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
- 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 makers consider the constituent entities within the group as individual operating segments. However, when compiling the consolidated financial report, the Consolidated Entity considers the following factors and treat operating segments with the following features as a single operating entity:

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

#### Segment revenues and the results of operations

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

	2019					
	Catering	Trade	Others	Total	Adjustments and Elimination	Total
Operating revenue	<u>\$ 1,115,142</u>	<u>\$ 1,387,976</u>	<u>\$ 28,731</u>	<u>\$ 2,531,849</u>	<u>(\$ 314,737)</u>	<u>\$ 2,217,112</u>
Operating income	<u>\$ 36,157</u>	<u>\$ 136,934</u>	<u>\$ 134</u>	<u>\$ 173,225</u>	<u>\$ 1,317</u>	\$ 174,542
Other income						33,809
Other gains and losses						3,590
Finance costs						( 20,240)
Share of loss of associates accounted for using equity method						( 17,862)
Income before income tax						<u>\$ 173,839</u>

	2018					
	Catering	Trade	Others	Total	Adjustments and Elimination	Total
Operating revenue	<u>\$ 1,180,998</u>	<u>\$ 1,292,514</u>	<u>\$ 31,388</u>	<u>\$ 2,504,900</u>	<u>(\$ 331,300)</u>	<u>\$ 2,173,600</u>
Operating income	<u>\$ 50,617</u>	<u>\$ 70,817</u>	<u>\$ 10,700</u>	<u>\$ 132,134</u>	<u>\$ 7,651</u>	\$ 139,785
Other income						14,005
Other gains and losses						( 7,934)
Finance costs						( 3,781)
Share of loss of associates accounted for using equity method						( 8,776)
Income before income tax						<u>\$ 133,299</u>

Interdepartmental transactions in 2019 and 2018 were eliminated.

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

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
 Financing Provided to Others  
 For the Year Ended December 31, 2019

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 Doubtful Receivables	Collateral		Limit on Financing to a Single Party	Total Limit on Financing
													Name	Value		
0	Yummy Town (Cayman) Holdings Corporation	YEN MEI Enterprise Limited	Receivables from related parties	Yes	\$ 14,990	\$ 14,990	\$ 5,996	-	2	\$ -	Operating capital	\$ -	-	\$ -	(Note I)	(Note I)
1	RBT Holdings Limited	Yummy-town USA LLC	Receivables from related parties	Yes	USD 500,000	USD 500,000	USD 200,000	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
		Yummy-town UK Ltd	Receivables from related parties	Yes	USD 2,000,000	USD 1,500,000	USD 300,000	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
2	RBT Resources Limited	Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	USD 1,500,000	USD 1,500,000	USD -	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	USD 23,094	USD 11,547	USD -	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
3	Happy Lemon HK Limited	RBT Holdings Limited	Receivables from related parties	Yes	HKD 6,000,000	HKD 3,000,000	HKD -	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
		Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	HKD 10,000,000	HKD 5,000,000	HKD -	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
4	Yummy-town UK Ltd	Yummy Town (Cayman) Holdings Corporation	Receivables from related parties	Yes	HKD 30,792	HKD 30,792	HKD 30,792	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
		Yummy-town USA LLC	Receivables from related parties	Yes	HKD 8,000,000	HKD 8,000,000	HKD 8,000,000	-	2	-	Operating capital	-	-	-	(Note I)	(Note I)
					USD 1,500,000	USD 1,500,000	USD -	-								

Note 1. The maximum limit of the Company's financing to external parties is NT\$284,656 thousand = Net worth of NT\$711,641 thousand x 40%, of which the Company's total financing for short-term financing needs cannot exceed NT\$142,328 thousand = Net worth of NT\$711,641 thousand x 20%. In addition, financing provided to a single enterprise cannot exceed NT\$71,164 thousand = Net worth of NT\$711,641 thousand x 10%. Between companies where the Company directly or indirectly holds 100% of their shares, the total amount of financing shall not exceed NT\$569,313 thousand = Net worth of NT\$711,641 thousand x 80% and the financing provided to a signal party shall not exceed NT\$355,821 thousand = Net worth of NT\$711,641 thousand x 50%. Financing provided by the Company's 100%-owned subsidiaries in Taiwan cannot exceed 40% of the subsidiaries' net worth.

Note 2. The exchange rate as of December 31, 2019 was USD:NTD = 1:29.98; HKD:NTD = 1:3.849.

Note 3. 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, 2019

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	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 Allowable	
		Company Name	Relationship (Note III)											
1	Xian Zong Lin Food & Beverage Management (Shanghai) CO., LTD	RBT Resources Limited	4	Note I	\$ 26,000	\$ -			-	-	-	-	Note I	
		RBT Holdings Limited	4	Note I	29,980				-	-	-	-	Note I	
		Yummy Town (Cayman) Holdings Corporation	3	Note I	119,920					-	-	V	-	Note I
		Yummy Town (Cayman) Holdings Corporation	3	Note I	119,920	119,920	61,500	61,500	17	-	V	-	-	Note I
		Yummy Town (Cayman) Holdings Corporation	3	Note I	299,800	227,840	38,400	38,400	32	-	V	-	-	Note I
2	RBT Resources Limited	Yummy Town (Cayman) Holdings Corporation	3	Note I	59,970	34,000	9,000	9,000	5	-	V	-	Note I	
		RBT Resources Limited - Taiwan Branch	4	Note I	26,000	26,000	26,000	26,000	4	-	-	-	Note I	

Note 1. The maximum limit of the Company's endorsement and guarantee to external parties is NT\$355,821 thousand = Net worth of NT\$711,641 thousand x 50%, and to a single party is NT\$142,328 thousand = Net worth of NT\$711,641 thousand x 20%. This restriction does not apply where the endorsement and guarantee are provided between companies 100%-owned by the Company, either directly or indirectly. However, the limit of overall endorsement and guarantee of the Company and its subsidiaries is NT\$2,134,920 thousand = Net worth of NT\$711,641 thousand x 300% and to a single party is NT\$711,641 thousand = Net worth of NT\$711,641 thousand x 100%.

Note 2. The exchange rate as of December 31, 2019 was USD:NTD = 1:29.98; HKD:NTD = 1:3.849.

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

1. Trading partner
2. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
3. Companies that directly and indirectly 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, 2019

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	End of the Period				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	Beneficiary certificates CR Yuanta Money Market Fund Type B	None	Financial assets at fair value through profit or loss - current	6,000,000	\$ 25,854	-	\$ 25,854	
	Wealth management products Fubon China monthly wealth management product - No. 3	None	"	18,000,000	78,422	-	78,422	Note III
	CCB Qian Yuan Man Yi wealth management product	None	"	15,000,000	65,665	-	65,665	
	CCB Qian Yuan An Xin wealth management product	None	"	1,000,000	4,401	-	4,401	
	ICBC Tian Li Bao wealth management product	None	"	5,000,000	21,670	-	21,670	
	Fullgoal Asset Management Yummy No. 1 wealth management product	None	"	10,000,000	43,452	-	43,452	
	Beneficiary certificates CR Yuanta Money Market Fund Type A	None	"	4,000,000	17,230	-	17,230	
Wealth management products Fubon China monthly wealth management product - No. 3	None	"	5,500,000	23,810	-	23,810		
Shanghai Tai Quan Trading CO., LTD.	Beneficiary certificates CR Yuanta Money Market Fund Type B	None	"	11,500,000	49,636	-	49,636	
	Wealth management products CCB Qian Yuan Long Yue wealth management product	None	"	2,600,000	11,539	-	11,539	
	CCB Qian Yuan Long Yue wealth management product	None	"	1,500,000	6,652	-	6,652	
	SPDB Wealth Shuttle wealth management product	None	"	4,500,000	19,461	-	19,461	
	CCB Qian Yuan Man Yi wealth management product	None	"	2,500,000	10,920	-	10,920	
	Beneficiary certificates CR Yuanta Money Market Fund Type A	None	"	1,500,000	6,475	-	6,475	
Zhan Cheng Food & Beverage Management (Guangzhou) CO., LTD	Beneficiary certificates CR Yuanta Money Market Fund Type B	None	"	6,500,000	28,063	-	28,063	
	Wealth management products ICBC Tian Li Bao wealth management product	None	"	1,000,000	4,334	-	4,334	
	Beneficiary certificates CR Yuanta Money Market Fund Type A	None	"	4,500,000	19,425	-	19,425	
Happy Lemon Food & Beverage Management (Beijing) CO., LTD	Wealth management products ICBC Tian Li Bao wealth management product	None	"	500,000	2,228	-	2,228	
	Beneficiary certificates CR Yuanta Money Market Fund Type A	None	"	4,500,000	19,425	-	19,425	
Happy Lemon Food & Beverage Management (Chengdu) CO., LTD	Wealth management products ICBC Tian Li Bao wealth management product	None	"	500,000	2,228	-	2,228	
	Beneficiary certificates CR Yuanta Money Market Fund Type A	None	"	4,500,000	19,425	-	19,425	
You Xiang Food & Beverage Management (Shanghai) CO., LTD	Wealth management products CCB Qian Yuan weekly wealth management product	None	"	5,100,000	23,353	-	23,353	
	Beneficiary certificates CR Yuanta Money Market Fund Type A	None	"	4,500,000	19,425	-	19,425	

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

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

Note 3. Of which NT\$78,422 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, 2019

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		
					No. of Shares/Unit (Note 6)	Amount (Note 5)	No. of Shares/Unit (Note 6)	Amount (Note 5)	No. of Shares/Unit (Note 6)	Selling price	Carrying value	Gain or Loss on Disposal	No. of Shares/Unit (Note 6)	Amount (Note 5)
Xian Zong Lin Food & Beverage Management (Shanghai) CO., LTD	China Merchants Bank daily wealth management product	Financial assets at fair value through profit or loss	-	-	22,000,000	\$ 98,6	2,000,0	\$ 9,2	24,000,00	\$ 107,9	\$ 107,3	\$		\$
	BEA structured wealth management product	"	-	-			20,000,000	90,3	20,000,00	90,3	89,4			
	BEA structured deposit wealth management product	"	-	-			20,000,000	90,3	20,000,00	90,3	89,4			
Happy Lemon Food & Beverage Management (Shanghai) CO., LTD	Fubon China monthly wealth management product - No. 3	"	-	-	20,000,000	90,4	36,000,000	161,3	38,000,00	173,4	169,9	3	18,000,00	78,4
	China Merchants Bank daily wealth management product	"	-	-	11,450,000	51,4	11,500,000	51,7	22,950,00	103,2	102,6			
	Fubon China monthly wealth management product	"	-	-			24,500,000	110,4	24,500,00	110,4	109,5			
Shanghai Tai Quan Trading CO., LTD.	SPDB Tian Tian Li wealth management product	"	-	-			27,000,000	121,3	27,000,00	121,3	120,7			
	CR Yuanta Cash Income Money Market Fund Type B	"	-	-			24,000,000	105,8	12,500,00	56,2	55,9		11,500,00	49,6

Note 1. Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2. 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 3. 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 4. Note IV: Paid-in capital referred to herein is the paid-in capital of parent company.

Note 5. Note V: The evaluation amount is included.

Note 6. Note VI: It is listed by the share of original investment unit.

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, 2019

Table V

Unit: Thousands of NT Dollars

No. (Note I)	Company Name	Counterparty	Relationship with the Company (Note II)	Transaction Details			% to Consolidated 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	\$ 5,99	No major differences from non-related parties	-
1	Shanghai Tai Quan Trading CO., LTD.	Xian Zong Lin Food & Beverage Management (Shanghai) CO., LTD	3	Sales	43,94	"	2
		Happy Lemon Food & Beverage Management (Shanghai) CO., LTD	"	Accounts receivables	4,97	"	-
		Happy Lemon Food & Beverage Management (Shanghai) CO., LTD	3	Sales	66,09	"	3
		Jia Qun Food & Beverage Management (Beijing) CO., LTD	"	Accounts receivables	5,83	"	-
		Jia Qun Food & Beverage Management (Beijing) CO., LTD	3	Sales	63,29	"	3
		Zhan Cheng Food & Beverage Management (Guangzhou) CO., LTD	"	Accounts receivables	10,03	"	-
		Zhan Cheng Food & Beverage Management (Guangzhou) CO., LTD	3	Sales	20,63	"	1
		You Xiang Food & Beverage Management (Shanghai) CO., LTD	"	Accounts receivables	2,94	"	-
		You Xiang Food & Beverage Management (Shanghai) CO., LTD	3	Sales	4,42	"	-
		Happy Lemon Food & Beverage Management (Chengdu) CO., LTD	"	Accounts receivables	95	"	-
		Happy Lemon Food & Beverage Management (Chengdu) CO., LTD	3	Sales	13,54	"	1
		RBT Holdings Limited	"	Accounts receivables	2,42	"	-
		RBT Resources Limited	3	Sales	92	"	-
		RBT Resources Limited	3	Sales	6,76	"	-
2	RBT Resources Limited	Happy Lemon HK Limited	3	Sales	11,34	"	1
			"	Accounts receivables	1,48	"	-
			"	Management fee income	1	"	-
			"	Service income	13	"	-
		Shanghai Tai Quan Trading CO., LTD.	3	Sales	42,66	"	2
			"	Accounts receivables	3,94	"	-
		YEN MEI Enterprise Limited	3	Sales	3,21	"	-
			"	Accounts receivables	37	"	-
			"	Rent income	22	"	-
		Yummy-town USA LLC	3	Sales	6,53	"	-
			"	Accounts receivables	6,43	"	-
3	Xian Zong Lin Food & Beverage Management (Shanghai) CO., LTD	You Xiang Food & Beverage Management (Shanghai) CO., LTD	3	Management fee income	1,01	"	-
			"	Accounts receivables	14	"	-
		Ai Qun Food & Beverage Management (Shanghai) CO., LTD	3	Management fee income	2	"	-

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No. (Note I)	Company Name	Counterparty	Relationship with the Company (Note II)	Transaction Details			
				Financial Statement Account	Amount	Transaction Terms (Note IV)	% to Consolidated Revenue or Total Assets (Note III)
4	RBT Holdings Limited	RBT Resources Limited	3	Sales	\$ 1,54	No major differences from non-related parties	-
			//	Accounts receivables	2	//	-
		Yummy-town USA LLC	3	Receivables from advances to related parties	8,99	//	-
5	RBT Enterprise Limited	Happy Lemon Food & Beverage Management (Shanghai) CO., LTD	3	Royalty income	13,32	//	1
			//	Accounts receivables	4,97	//	-
		Happy Lemon Food & Beverage Management (Chengdu) CO., LTD	3	Royalty income	4,84	//	-
			//	Accounts receivables	2,26	//	-
		Happy Lemon HK Limited	3	Royalty income	81	//	-
			//	Accounts receivables	79	//	-
		Jia Qun Food & Beverage Management (Beijing) CO., LTD	3	Royalty income	9,74	//	-
6	Happy Lemon HK Limited		//	Accounts receivables	4,85	//	-
		Yummy Town (Cayman) Holdings Corporation	2	Receivables from advances to related parties	30,79	//	2

Note 1. The information on business dealings between the parent company and subsidiaries shall be numbered in the "Code" column with the following coding method:

1. Parent company will be coded "0".
2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2. Relations with counterparty can be any one of the following three types:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries.

Note 3. Regarding the percentage of transaction amount to consolidated revenue or total assets, it is computed based on the ending balance to the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated revenue for profit or loss items.

Note 4. The collection terms for sales to related parties are delivery upon cash receipt or three months from end of month, and to non-related parties are delivery upon cash receipt or one month from end of month.