

Stock No.: 1232

# **2019 Annual Report**

## **TTET UNION CORPORATION**

Date of Publication: April 20, 2020

TTET UNION CORPORATION Website: [http : //www.ttet.com.tw](http://www.ttet.com.tw)

Website for reference: <http://mops.twse.com.tw>

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Speaker: Chen, Chao-Liang

Title: General Manager

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Title: Assistant General Manager, Finance Department

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II. Address and telephone number of the company's head office and plant:

Address: No.32, Gongye W. Rd., Erzhen Vil., Guantian Dist., Tainan City

Telephone: (06)698-4500

III. Stock transfer agency:

Name of the agent: President Securities Corp.

Address: B1, No.8, Dongxing Rd., Taipei City

Telephone: (02)2746-3608

Website: <http://www.pscnet.com.tw>

IV. Certified public accountants (CPAs) who audited the company's annual financial report for the most recent fiscal year:

Names of the CPAs: Lin, Tzu-Yu, Lin, Yung-Chih

Name of the accounting firm: PwC Taiwan

Address and: 12F., No.395, Sec. 1, Linsen Rd., Tainan City

Telephone: (06)234-3111

Website: <http://www.pwc.com/tw>

V. Any exchanges where the company's securities are traded offshore: None.

VI. Company website: [http : //www.ttet.com.tw](http://www.ttet.com.tw)

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# Report to Shareholders

Ladies and gentlemen, our cherished shareholders:

Hello everyone,

First, we welcome all of you as our honored guests to participate and engage in the regular meeting of shareholders today. On behalf of the Company, I would like to thank you for your support and care with the utmost respect.

The Company's operating revenue amounted to NT\$13.78 billion in 2019, representing a decrease of approximately 1.06% over 2018, and the consolidated operating revenue amounted to NT\$17.15 billion. The Company's net income before tax amounted to NT\$1.19 billion in 2019, representing an increase of approximately 7.4% over 2018.

The decrease of operating revenue in 2019 was mainly due to the price of soybean futures and the changes in demand and supply in the market that affected the selling price of the products. However, with the issues of Sino-US trading, the Company was able to react to the market changes in terms of procurement and sales strategies in timely manner, so the net income before tax grew from the previous year and recorded the highest annual income (net income before tax) in history.

The Company has been focusing on the domestic market and the production and sale of soybeans related products (such as, soybean oil, soybean powder, soybean flakes, whole fat soybean powder and genetically and non-genetically modified edible soybeans) and a number of vegetable oil products (such as palm oil, canola oil or sunflower oil). Currently, most of the products of the Company are with the highest market share nationwide. However, we do not feel self-satisfied with the result; we even feel there is neglect. We will continue to start from our core business, concentrate on the development of our industry, constantly improve quality, endeavor to reduce costs, and enhance service standards. We hope to meet customer needs through listening to the voice of the customer, and to build the foundation for the Company's long-term development under the guidance of corporate culture of "*bona fides*."

The Company is in the industry of bulk materials with all raw materials used imported from abroad. Therefore, there are a few important tasks to be completed by the Company in order to ensure the stable supply of raw materials, the accurate control of the procurement position of raw materials and the costs of procurement (especially when facing severe market volatility) and the proper management of the position of the US dollar.

Recently, several issues have been international concerns: 1. Sino-U.S. trade war: the Company will continue closely monitoring its impact on the soybean cost and conduct the necessary analyses, to judge and act on the required corresponding measures. 2. African Swine Fever: the Company will closely monitor the development of the outbreak, as well as assess and prepare for the potential impact on animal husbandry. 3. For the COVID-19 outbreak, the Company will continue closely monitoring the impacts to the

supply.

The Group hereby presents its operating results in 2019 and business plan for the next year as follows:

## I. 2019 Business Report

### (I) Implementation of the business plan

Unit: NT\$1,000

(except for the after-tax earnings per share)

Title	Actual amount in 2019	Actual amount in 2018	Percentage of Increase (Decrease) %
Operating revenue	17,150,108	16,948,746	1.19%
Operating income	1,230,776	1,111,880	10.69%
Pre-tax profit or loss	1,250,743	1,155,913	8.20%
Post-tax earnings per share	6.09	5.67	7.41%

### (II) Status of budget implementation on operating income and expenses

#### 1. Operating revenue and expenses:

(1) Revenue: The consolidated net operating revenue amounted to NT\$17,150,108,000 in 2019.

(2) Expense: The consolidated operating cost amounted to NT\$15,131,192 in 2019.

The consolidated operating expenses amounted to NT\$ 788,140,000 in 2019.

The consolidated net non-operating expenses amounted to NT\$19,967,000 in 2019.

(3) Earnings: The consolidated net income before tax amounted to NT\$1,250,743,000, income tax expense amounted to NT\$251,639,000, and net income after tax amounted to NT\$999,104,000 in 2019.

2. The Company did not disclose the consolidated financial forecast for the year of 2019; therefore, the information regarding budget implementation is not available.

### (III) Analysis of revenues, expenditures and profitability

Title		2019	2018
Financial structure (%)	Debt-Asset Ratio (%)	28.86	27.94
	Ratio of Long-term Capital to Fixed Assets (%)	651.57	637.96
Solvency (%)	Current Ratio	337.41	327.27
	Quick Ratio (%)	204.07	193.77
Profitability (%)	Return on Assets (%)	17.87	17.05
	Return on Shareholders' Equity (%)	24.75	23.85
	Net Profit Ratio (%)	5.83	5.47
	Basic Earnings Per Share (%)	6.09	5.67

#### (IV) R&D Status:

The Company commits to the R&D for the soybean powder products and the edible oil products. The whole-fat soybean powder was developed and launched. In 2019, the sunflower oil product was launched and became popular among consumers. In the future, various products will be launched to satisfy customers' need for one-stop shopping.

## II. Summary of the Business Plan for 2020

### (I) Business policy

The Company has focused on the domestic bulk materials markets development for a long time, aiming at production and sales business of products such as soybean and related products with competitive advantage (soybean meal, soy lecithin, soybean oil, carefully selected soybean and non-GMO soybean), manufacture and sales of various vegetable oils (palm oil, canola oil, and sunflower oil). Currently the market shares of bread-winning products are all top one in the country.

The Company is committed to become one of the most competitive soybean processing and vegetable oil manufacturers in Asia. On the basis of the core business, the Company will continue to focus on the development of major businesses, expand the differentiated competitive edges, while emphasizing the food safety/factory safety/environment protection, to establish the roots of the Company's sustainable development.

The materials used by the Company are all imported from overseas. Therefore, ensuring the stable supply of materials, accurately determining the timing of acquiring materials and USD, and precisely forecasting the movement of domestic demands and supplies for the purpose of responding in advance, are the several key tasks to the Company.

### (II) Sales volume forecast and supporting basis

The business that the Company operates is a domestic food industry, and the products are livelihood essential. Changes in the business performance of the Company are significantly related to the economic cycles, the Chicago soybeans futures prices, and the movement of the domestic competitions. For the past few years, the Company has continuously enhanced its overall competitiveness through methods such as cost reduction, quality and service enhancement, creation of brand values, among other things, in order to strengthen the overall competitiveness and thus the stable growth in sales volume is achieved.

The Company's sales volume forecasts for its main products in 2020 are as follows:

Title	Volume (ton)
Soybean flour	580,000
Soybean oil	135,000
Other vegetable oils	60,000
Carefully selected soybean	70,000
Non-genetically modified soybean	12,000

### (III) Important production and sales policies

The Company is the largest domestic supplier of soybean meal and vegetable oils; consequently, regarding the production and sale policies, the Company is responsible of the stable supply and satisfaction of the domestic consumers' needs. The Company uses soybeans as main raw materials for production, which all rely on imports from the U.S. and Brazil. During soybean processing, soybean flour and soybean oil are main products. Soybean flour contains rich soybean protein and is the primary source of protein supply in feed ingredients. Soybean oil is also known as salad oil and is the most widely used vegetable oil in the country. It is mainly supplying to channels such as eating out/catering, chemical industry, home market, etc.

Prices are determined by demands and supplies, which are the major influencing factor for the profitability of bulk material business. The key points of the Company's production and sale policy, is to grasp the procurement of soybean material precisely, with flexible adaption to the movements of the domestic demand and supplies to avoid the imbalanced demand and supply. This is one of the continuous key tasks to the Company.

### **III. The Company's Future Development Strategy**

With the competitive edges established for long time, the Company expands the scale of the core business in the related areas, to pursue the sustainable growth and development of the Company under the corporate culture of "bona fides, innovation and progress."

### **IV. External Competition, Legal Environment and Overall Business**

#### **Environment**

Under the globalized and liberalized economic system, we are used to the competitions from the foreign products in the domestic market. The key for the Company's survival is how strong our own competitiveness. In an environment with low-tariffs, our products not only face domestic competition but also international competition within the same industry for the long term. Only by keeping the competitiveness of domestic soybean oil and soybean meal at any time can we prevent the massive invasion of imported oil and flour.

The characteristics of food or livelihood industries is that there will be certain basic needs that must necessarily exist regardless of the state of the economy. Products made in our own country have many local advantages, such as quality of freshness, convenience of delivery, full supply at once and allowance of small-volume transactions. As long as we make good use of these advantages, we will overcome the difficulties and create sustainable development.

Respectfully yours, Chairman Lo, chih-hsien



# One. Company Profile

**I. Date of Incorporation/Registration:** May 24, 1982

**II. Address and telephone number of the company's head office and plant:**

Address: No.32, Gongye W. Rd., Erh Chen Vil., Guantian Dist., Tainan City

Telephone: (06)6984500

**III. Company History**

1. May 1982: The Company was a joint venture formed by Uni-President Enterprises Corporation, Great Wall Enterprise Co., Ltd., Eagle Holding Corporation, and Tai Hwa Oil Ind. Co., Ltd. with a paid-in capital of Ten Million New Taiwan Dollars, and named "TTET UNION CORPORATION."
2. August 1983: In response to the demand for funds, a capital increase of One Hundred Eighty-Eight Million and Two Hundred Thousand New Taiwan Dollars in cash was carried out and the amount of capital was changed to One Hundred Ninety Eight Million and Two Hundred Thousand New Taiwan Dollars.
3. November 1984: The construction of the plant was completed and the pilot production was finished successfully.
4. April 1985: To meet the demand for working capital, a capital increase of One Hundred One Million and Eight Hundred Thousand New Taiwan Dollars by cash was carried out and the amount of capital was changed to Three Hundred Million New Taiwan Dollars. The Company also became a public company.
5. October 1987: Part of equity interests were purchased by Mitsubishi Corporation, which become one of the shareholders of the Company. It is quite helpful for the Company to move toward internationalization.
6. March 1990: Hundred and Eighty Million New Taiwan Dollars by cumulative unappropriated earnings was carried out and the amount of capital was changed to Four Hundred and Eighty Million New Taiwan Dollars.
7. November 1990: The construction of the oil refinery was completed and the pilot production was finished successfully. It began to produce refined soybean salad oil.
8. January 1991: To increase the working capital, a capital increase of Seventy-Two Million New Taiwan Dollars by cumulative unappropriated earnings was carried out and the amount of capital was changed to Five Hundred and Fifty Two Million New Taiwan Dollars.

9. August 1991: The CNS Mark Certification was obtained from Central Standard Bureau, Ministry of Economic Affairs. In addition, 18-liter soybean salad oil was introduced into the market.
10. January 1992: To increase the working capital, a capital increase of Sixty Million Seven Hundred and Twenty Thousand New Taiwan Dollars by unappropriated earnings was carried out and the amount of capital was changed to Six Hundred Twelve Million Seven Hundred and Twenty Thousand New Taiwan Dollars.
11. December 1992: A share distribution for capital increase of Seventy Nine Million Six Hundred Fifty-Three Thousand and Six Hundred New Taiwan Dollars by unappropriated earnings and a capital increase of Two Million Sixty-Two Thousand Six Hundred and Forty shares were carried out after the approval of the shareholders' meeting on April 15, 1992, and the amount of paid-in capital was changed to Seven Hundred and Thirteen Million New Taiwan Dollars.
12. September 1993: A capital increase of Fifty-Three Million Four Hundred and Seventy Five Thousand New Taiwan Dollars by capital surplus was carried out after the approval of the shareholders' meeting on May 8, 1993 and the amount of paid-in capital was changed to Seven Hundred Sixty Six Million and Four Hundred Seventy Five Thousand New Taiwan Dollars.
13. December 1994: A capital increase of Seventy-Six Million Six Hundred Forty Seven Thousand and Five Hundred New Taiwan Dollars by earnings was carried out after the approval of the shareholders' meeting on June 29, 1994 and the amount of paid-in capital was changed to Eight Hundred Forty-Three Million One Hundred Twenty-Two Thousand and Five Hundred New Taiwan Dollars.
14. August 1995: A capital increase of One Hundred Nine Million Six Hundred Five Thousand Nine Hundred and Thirty New Taiwan Dollars by earnings was carried out after the approval of the shareholders' meeting on May 26, 1995 and the amount of paid-in capital was changed to Nine Hundred Fifty-Two Million Seven Hundred Twenty-Eight Thousand Four Hundred and Thirty New Taiwan Dollars Only.
15. February 1996: The Company's shares are listed on the TWSE.
16. June 1996: A capital increase of One Hundred Seventy-One Million Four Hundred Ninety-One Thousand One Hundred and Twenty New Taiwan Dollars by earnings was carried out after the approval of the shareholders' meeting on June 10, 1996 and the amount of paid-in capital was changed to One Billion One Hundred Twenty-Four Million Two Hundred Nineteen Thousand Five Hundred and Fifty New Taiwan Dollars Only.

17. February 1997: The Company passed ISO-9002 Certification and five products including soybean meal, brewing bean chips, carefully selected soybean, soybean salad oil and canola oil were granted registration.
18. June 1997: A capital increase of One Hundred Forty-Six Million One Hundred Forty-Eight Thousand Five Hundred and Fifty New Taiwan Dollars by earnings was carried out after the approval of the Annual Meeting of Shareholders on June 21, 1997 and the amount of paid-in capital was changed to One Billion Two Hundred Seventy Million Three Hundred Sixty-Eight Thousand and One Hundred New Taiwan Dollars Only.
19. August 1997: A One Investment Co, Ltd was established through investment by the Company on August 18, 1997.
20. The Second quarter of 1998: The Company completed the construction of oil extraction plant II, cogeneration plant and the second set of equipment of oil refinery and finished the pilot run successfully and officially became the largest soybean oil extraction plant in the Far East.
21. June 1998: A capital increase of One Hundred Twenty-Seven Million Thirty Six Thousand Eight Hundred and Ten New Taiwan Dollars by earnings was carried out after the approval of the Annual Meeting of Shareholders on June 27, 1998 and the amount of paid-in capital was changed to One Billion Three Hundred Ninety-Seven Million Four Hundred Four Thousand Nine Hundred and Ten New Taiwan Dollars Only.
22. June 1999: A capital increase of One Hundred Eleven Million Seven Hundred Ninety-Two Thousand and Four Hundred New Taiwan Dollars by earnings was carried out after the approval of the Annual Meeting of Shareholders on June 25, 1999 and the amount of paid-in capital was changed to One Billion Five Hundred Nine Million One Hundred Ninety- Seven Thousand Three Hundred and Ten New Taiwan Dollars Only.
23. 2001: The Company obtained international standards of ISO-14001 Certification and OHSAS 18001 Certification.
24. June 2002: A capital increase of Ninety Million Five Hundred Fifty-One Thousand Eight Hundred and Forty New Taiwan Dollars by earnings was carried out after the approval of the Annual Meeting of Shareholders on June 14, 2002 and the amount of paid-in capital was changed to One Billion Five Hundred Ninety-Nine Million Seven Hundred Forty-Nine Thousand One Hundred and Fifty New Taiwan Dollars Only.
25. 2007: The Company passed ISO22000 Certification.
26. 2008: ISO9002 Certification updated to the version and revised to

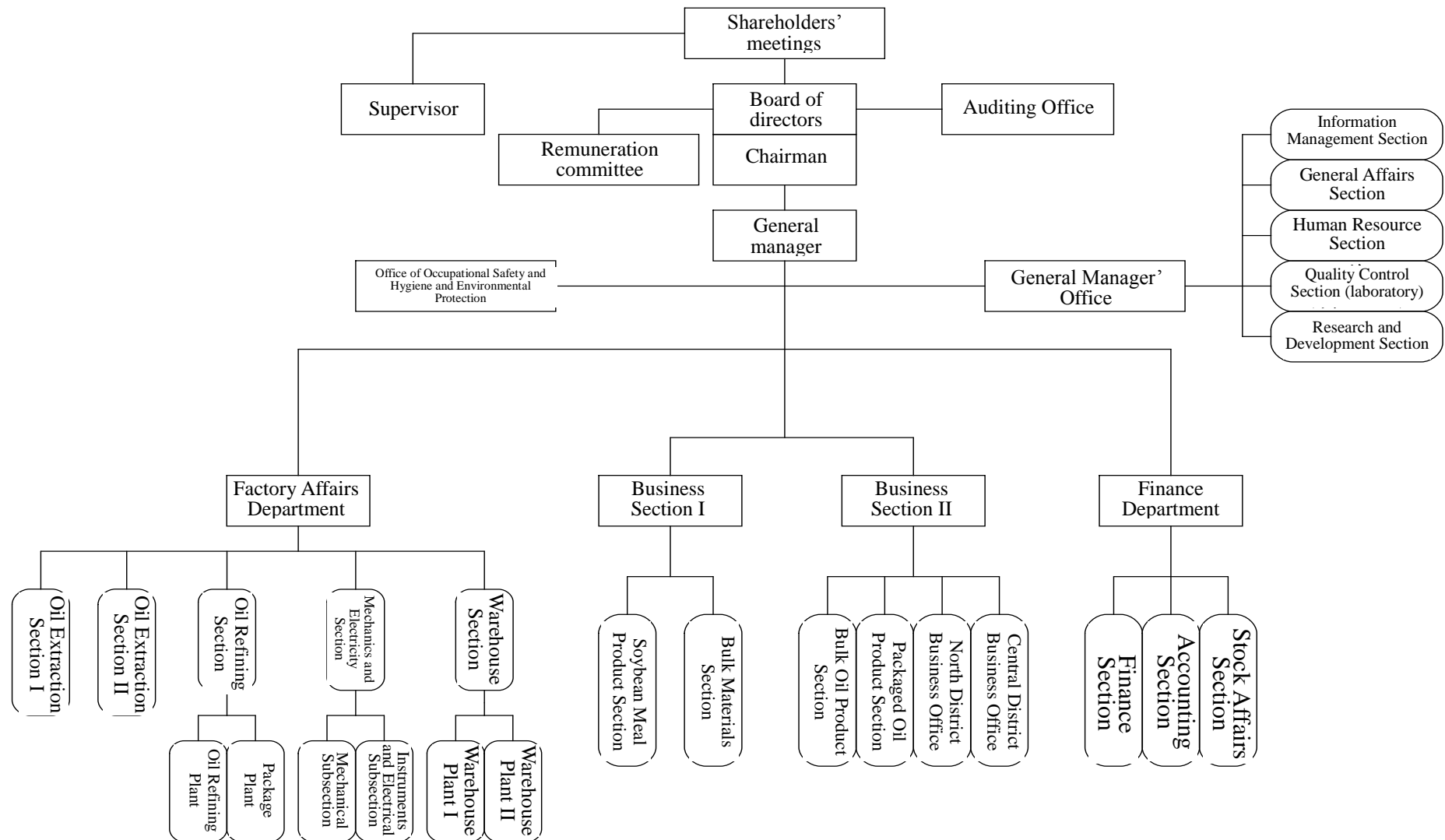
ISO 9001 Certification.

- 27. 2009: The Company obtained KOSHER certification.
- 28. 2010: The Company obtained TOSHMS (Taiwan Occupational Safety and Health Management System) Certification.
- 29. September 2012: A One Investment Co, Ltd, the invested company was dissolved by a resolution adopted by the special meeting of shareholders. After winding up, 80.27% of the equity interests of Master Channels Corporation held by the invested company were distributed to the Company.
- 30. 2013: The Company passed FSSC22000 Certification while obtaining FSSC22000, ISO22000, and HACCP Certifications at the same time; and passed TAF Lab Certification on crude fat and moisture as the scope of certification.
- 31. 2014: Crude protein was included in the scope of TAF Lab Certification.
- 32. 2015: The original GMP was converted to TQF.
- 33. 2016: Acid value, peroxide price and fatty acid composition added within the scope of TAF laboratory certification.
- 34. 2017: Obtained the Halal Association HALAL certification.
- 35. 2018: Obtained the Level 2 QC certification from the Ministry of Health and Welfare; the original OHSAS18001 Standards had been successfully converted to ISO45001 Occupational Health and Safety Management System.

# Two. Corporate Governance Report

## I. Organizational System of the Company

Organizational Chart of TTET Union Corporation



## Businesses of principal divisions:

Auditing Office: Perform audits of internal control operation procedure of the company's divisions.

Office of Occupational Safety and Hygiene and Environmental Protection: Manage the environmental safety of office and factory area and entering and exiting people and vehicles.

### General Manager's Office:

Information Management Section: Plan, design and maintain computer applications information systems of the Company.

General Affairs Section: Procure materials, inspect and accept and control inventory.

Human Resource Section: Arrange education and training, deploy human resources and manage salaries and personnel changes.

Quality Control Section: Perform quality control of manufacturing raw materials entering the plant and finished goods packaging and shipment.

Research and Development Section: Research and Develop; research, design and trial-manufacture improvements to existing products, collect; collect, preserve and analyze domestic and foreign technical information.

### Business Section I

Soybean Meal Product Section: responsible for marketing of bean meal and bean chips and investigation and services of after-sales quality.

Bulk Material Section: responsible for soybean raw materials procurement operations, collect and analyze dynamic data of vessels and docks, bulk materials futures trading, Loading of materials to trucks, finished product stocking out and dispatching trucks.

### Business Section II:

Bulk Oil Product Section: responsible for marketing of bulk oil and investigation and services of after-sales quality.

Packaged Oil Product Section: responsible for marketing of barrel oil and items sold in the same channels and investigation and services of after-sales quality.

North District Business Office: sales of the Company's products in North District.

Central District Business Office: sales of the Company's products in Central District.

### Factory Affairs Department:

Oil Extraction Section: production management of oil extraction, control and resolution of process quality, repair and maintenance of equipment.

Oil Refining Section: production management of oil refining, control and resolution of process quality, repair and maintenance of equipment.

Mechanics and Electricity Section: additions or maintenance in connection with machinery, water and electricity equipment, civil engineering

Warehouse Section: packaging and warehouse management of soybean raw materials, carefully selected bean, soybean meal, etc.

### Finance Department:

Finance Section: fund allocation, budget preparation and control

Accounting Section: responsible for the Company's accounting handling and calculation of costs.

Stock Affairs Section: responsible for handling of stock affairs.

## II. Information on the Company’s Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of All the Company’s Divisions and Branch Units:

### (I) 1. Information on Directors and Supervisors

December 31, 2019

Title	Nationality or place of registration	Name	Gender	Date of Electing (Appointment)	Term of Office	Date of First Elected	Shareholdings on election		Current shareholdings		Shares currently held by spouses and/or children of minor age		Shares held through nominees		Principal work experience and academic qualifications (Note 4)	Position(s) held concurrently in the company and/or in any other company	Any other supervisor, Director or Supervisor who is a spouse or a relative within the second degree of kinship of this person			Notes (Note 5)
							Number of shares	Percentage of shares held (%)	Number of shares	Percentage of shares held (%)	Number of shares	Percentage of shares held (%)	Number of shares	Percentage of shares held (%)			Title	Name	Relationship	
Director (Corporate shareholder)	R.O.C.	Uni-President Enterprises Corporation	—	2018.06.13	3-Year	1982.04.23	61,594,201	38.50	61,594,201	38.50	-	-	-	-	—	(Note 4)	None	None	None	None
Chairman (Corporate representative)		Lo, Chih-Hsien (Note 1)	Male				-	-	-	-	-	-	-	-	MBA, Business School UCLA					
Director (Corporate shareholder)	R.O.C.	Uni-President Enterprises Corporation	—	2018.06.13	3-Year	1982.04.23	61,594,201	38.50	61,594,201	38.50	-	-	-	-	—	(Note 4)	None	None	None	None
Director (Corporate representative)		Wu, Liang-Feng (Note 1)	Male				-	-	-	-	-	-	-	-	Department of Japanese Language and Literature, Tamkang University					
Director (Corporate shareholder)	R.O.C.	Tai Hwa Oil Industrial Co., Ltd.	—	2018.06.13	3-Year	1982.04.23	31,186,706	19.49	31,186,706	19.49	-	-	-	-	—	(Note 4)	Supervisors	Chen, I-Tsunz	Brother	None
Director (Corporate representative)		Chen, Yi-Tu (Note 2)	Male				192,000	0.12	192,000	0.12	151,000	0.09	-	-	MBA, Armstrong University					
Director (Corporate shareholder)	R.O.C.	Great Wall Enterprise Co., Ltd.;	—	2018.06.13	3-Year	1982.04.23	15,416,960	9.64	15,416,960	9.64	-	-	-	-	—	(Note 4)	None	None	None	None
Director (Corporate representative)		Han, Chia-Yau (Note 3)	Male				-	-	-	-	-	-	-	-	MBA, University of Connecticut					
Director	R.O.C.	Huang, Yi-Shen	Male	2018.06.13	3-Year	85.06.10	410,054	0.26	410,054	0.26	-	-	-	-	Department of Law, Soochow University	None	None	None	None	None
Independent Director	R.O.C.	Huang, Pei-Wen	Male	2018.06.13	3-Year	2015.06.29	-	-	-	-	-	-	-	-	PhD, Institute of Human Resources Management, NSYSU	None	None	None	None	None
Independent Director	R.O.C.	Yu, Chung-Ying	Male	2018.06.13	3-Year	2015.06.29	-	-	-	-	-	-	-	-	Department of Law, National Chengchi University	(Note 4)	None	None	None	None
Independent Director	R.O.C.	Hsia, Liang-Chou	Male	2018.06.13	3-Year	2018.06.13	-	-	-	-	-	-	-	-	PhD, University of Edinburgh	(Note 4)	None	None	None	None
Supervisors	R.O.C.	Lee, Ching-Tyan	Male	2018.06.13	3-Year	2018.06.13	-	-	-	-	-	-	-	-	MBA, THUNDERBIRD School of Global Management	(Note 4)	None	None	None	None
Supervisors	R.O.C.	Chang, Li-Hsun	Male	2018.06.13	3-Year	2015.06.29	4,000	-	4,000	-	-	-	-	-	MBA, National Cheng Kung University	(Note 4)	None	None	None	None
Supervisors	R.O.C.	Chen, I-Tsunz	Male	2018.06.13	3-Year	2015.06.29	55,131	0.03	55,131	0.03	23,622	0.01	-	-	Master, Keio University	(Note 4)	Director	Chen, Yi-Tu	Brother	None

Note 1: Representative of Uni-President Enterprises Corporation. Note 2: Representative of Tai Hwa Oil Industrial Co., Ltd. Note 3: Representative of Great Wall Enterprise Co., Ltd.

Note 4: For information on principal work experiences of Directors and Supervisors please refer to the “Table of Positions Held Concurrently by Directors and Supervisors in Other Companies” on page 12~13.

Note 5: If the chairperson, general manager or person holding an equivalent position are the same person or are spouses, the information regarding the reasons, reasonableness, necessity and countermeasures must be disclosed.

## 2. Table of Positions Held Concurrently by Directors and Supervisors in Other Companies

February 28, 2020

Title	Name	Positions Held Concurrently in Other Companies
Chairman (Note 1)	Lo, Chih-Hsien	<p>Chairman of Board: Uni-President Enterprises Corp., President Chain Store Corporation, President Natural Industrial Corporation, Ton Yi Industrial Corp., Prince Housing &amp; Development Corp., Cheng Shi Holdings Co., Ltd., Times Square International holding Company, Times Square International Stays Corp., Times Square International hotel Corporation,, Prince Industrial Co., Ltd., Prince Real Estate Co., Ltd., President Packaging Industrial Corp., President International Development Corporation, Ltd., President Property Corporation, Scinopharm Taiwan, Ltd., Uni-President Cold-Chain Corp., Presco Netmarketing, Inc., Uni-President Dream Parks Co., Uni-President OAO Travel Service Corp., President Century Corp., ZhongjiaGang President Nisshin Food Co., Ltd., Uni-President (Vietnam) Co., Ltd., Uni-President (Thailand) Ltd., Uni-President (Philippines) Corp., Uni-President China Holdings Ltd., Uni-President Enterprises (China) Investment Ltd., Woongjin Foods Co.Ltd., and Daeyoung Foods Co.Ltd.</p> <p>Vice Chairman of Board: President Nisshin Corp.</p> <p>Director: President Professional Baseball Team Corp., Nanlien International Corporation, Tong Shang Development and Construction Co., Ltd., Retail Support International Corporation, Presicarre Corporation, President Fair Development Corp., Uni-Wonder Corporation, Uni-President Organics Corp., Uni-President Glass Industrial Co., Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Ltd., Uni-President Development Corporation, Tait MARKETING &amp; Distribution Co., Ltd., Wei Lih Food Industrial Co., Ltd., Howard Beach Resort Kenting Co., Ltd., Prince Apartment Management Maintain Corp, Ltd., Top Power Investment Limites, President Chain Store (BVI) Holdings Ltd., President Chain Store (Labuan Island) Holdings Ltd., Cayman President Holdings Ltd., Kai Yu(BVI) Investment Co., Ltd, President Packaging Holdings Ltd., Uni-President Southeast Asia Holdings Ltd., President Energy Development(Cayman Islands) Ltd., Uni-President Asia Holdings Ltd., Uni-President Assets Holdings Ltd., Uni-President Hong Kong Holdings Ltd., Huang Ming Capital Ltd., Huang Ming Management Consulting (Shanghai) Co., Ltd., Guiyang President Enterprises Co., Ltd., Shanghai President Enterprises Co., Ltd., Taizhou President Enterprises Co., Ltd., Fuzhou President Enterprises Co., Ltd., Hefei President Enterprises Co., Ltd., Ningxia President Enterprises Co., Ltd., Xuzhou President Enterprises Co., Ltd., Hangzhou President Enterprises Co., Ltd., Jinan President Enterprises Co., Ltd., Guangzhou President Enterprises Co., Ltd., Hainan President Enterprises Co., Ltd., Nanchang President Enterprises Co., Ltd., Nanning President Enterprises Co., Ltd., Zanzhang President Enterprises Co., Ltd., Changsha President Enterprises Co., Ltd., Zhenzhou President Enterprises Co., Ltd., Chongqing President Enterprises Co., Ltd., Jiangsu President Enterprises Co., Ltd., Hunan President Enterprises Co., Ltd., Tianjiang President Enterprises Food Co., Ltd., Shanxi President Enterprises Co., Ltd., Shenyang President Enterprises Co., Ltd., Changchun President Enterprises Co., Ltd., Shaanxi President Enterprises Co., Ltd., Henan President Enterprises Co., Ltd., Baiyin President Enterprises Co., Ltd., Akesu President Enterprises Co., Ltd., Shijiazhuang President Enterprises Co., Ltd., Harbin President Enterprises Co., Ltd., Inner Mongolia President Enterprises Co., Ltd., Xinjiang President Enterprises Food Co., Ltd., Wuhan President Enterprises Food Co., Ltd., Chengdu President Enterprises Food Co., Ltd., Kunming President Enterprises Food Co., Ltd., Kunshan President Enterprises Food Co., Ltd., Bama President Mineral Water Co., Ltd., Wuyuan President Mineral Water Co., Ltd., Wuxue President Mineral Water Co., Ltd., Changbaishan Mountain President Enterprises (Jilin) Mineral Water Co., Ltd., President (Kunshan) Trading Co., Ltd., President (Hubei) Trading Co., Ltd., President (Shanghai) Trading Co., Ltd., Uni-President (Kunshan) Food Technology Limited, Beijing Uni-President Beverage Limited., Shanghai Uni-President Beverage Limited, Hutubi Uni-President Tomato Product Technology Limited, Yan-Tai Tong Li Beverage Industrial Limited, and Uni-President Shanghai Pearly Century Co.</p> <p>General Manager: Presco Netmarketing, Inc.</p>



Title	Name	Positions Held Concurrently in Other Companies
Director (Note 1)	Wu, Liang-Feng	Chairman of Board: Tung Lo Development Co., Ltd., Master Channels Corporation, Tianjiang President Enterprises Food Co., Ltd., Qingdao President Feed and Livestock Co., Ltd., Zhongshan President Enterprises Co., Ltd. Director: ZhongjiaGang President Nissan Food Co., Ltd., President Chain Store Corporation, and President Nisshin Corp. President: Tung Lo Development Co., Ltd., ZhongjiaGang President Nissan Food Co., Ltd.
Director (Note 2)	Chen, Yi-Tu	Chairman: Tai Hwa Oil Industrial Co., Ltd., President International Trade and Investment Corp.
Director (Note 3)	Han, Chia-Yau	Chairman of Board: Great Wall Enterprise Co., Ltd., Chu Fu Investment Co., Ltd., River Huang Investment Limited, Saboten Co., Ltd., Gino Pasco, Great Wall Feedtech Co., Ltd., Total Nutrition Technologies Co., Ltd., Kouchan Mill Co., Ltd., City Chain Food Ltd., Honolulu Chain Food and Beverage Co., Ltd., Oriental Best Foods Co., Ltd., Wan Neng Biomedical Co., Ltd., San Ming Investment Co., Ltd. Director: An-Hsin-Chao-Chu Corporation, Wi Harper Global Venture Capital Corporate, De-Jia Investment Co., Ltd.
Independent Director	Yu, Chung-Ying	Director: Hwa-Shong Construction Group, Hwa-Zong Construction Co., Ltd.
Supervisors	Lee, Ching-Tyan	Director: Shanghai Songjiang President Enterprises Co., Ltd., Tianjiang President Enterprises Food Co., Ltd., Qingdao President Feed and Livestock Co., Ltd., Uni-President (Vietnam) Co.,Ltd., Uni-President (Philippines)Corp, and President Nisshin Corp. General Manager: President Nisshin Corp.
Supervisors	Chang, Li-Hsun	Director: President Securities Corporation
Supervisors	Chen, I-Tsunz	Chairman: TAI CHENG FLOUR MILL CO., LTD.

Note 1: Representative of Uni-President Enterprises Corporation.

Note 2: Representative of Tai Hwa Oil Industrial Co., Ltd.

Note 3: Representative of Great Wall Enterprise Co., Ltd.

### 3. Principal shareholders of institutional shareholders

December 31, 2019

Name of institutional shareholder	Principal shareholders of institutional shareholders
Uni-President Enterprises Corporation	Top Power Investment Limited (4.93%), Hongkong Branch of PNB Paribas, under custody of HSBC (3.04%), HOU,PO-MING (2.60%), HOU,PO-YU (2.27%), GOS-EFMC of Singapore Government, under custody of CITI (2.06%), KAO,HSIU-LING (1.64%) Investment Account of Saudi Arabian Monetary Agency, under custody of Taipei Branch, JP Morgan (1.54%), First State-Stewart Investors Asia Pacific Leaders, under custody of HSBC (1.52%), Investment Account of PGIA Advanced Comprehensive International Stock Index, under custody of the Taipei Branch, JP Morgan (1.34%) Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan (1.30%)
Tai Hwa Oil Industrial Co., Ltd.	President International Trade & Investment Corp. (19.87%),CHEN,YI-JEN (20.03%), CHEN,YI-CHIA (11.23%), CHEN,YI-LIANG (5.76%), PAN,HUI-LING (8.67%), CHEN,I-TSUNZ (3.61%), CHEN,YI-TU (3.75%), LIN,SHU-CHING (3.38%), WANG,MEI-LIEN (3.46%), LIN,MING-YI (4.32%)
Great Wall Enterprise Co., Ltd.;	Fu Ju Investment Co., Ltd. (8.30%), Furui Investment Co., Ltd. (4.35%), Huang He Investment Co., Ltd. (3.91%), De-Jia Investment Co., Ltd. (3.89%), City Chain Food Ltd. (3.10%), Jui Cheng Management Consulting Co., Ltd. (3.01%), Huan He Investment Co., Ltd. (2.38%) Dedicated account of Norges Bank Investment Management in custody by Citibank Taiwan (2.25%) Lien Hwa Industrial Holdings Corp. (2.12%), Kou Feng Industrial Co., Ltd. (1.50%)

#### 4. Principal shareholders of the principal shareholders who are juristic persons

December 31, 2019

Corporation name	Principal shareholders of institutions
TOP POWER INVESTMENT LIMITED	Kao Hsiu-Ling(63.17%), Lo, Chih-Hsien(20.71%), Kao Han-Di(5.70%), Kao, Zhi-Yi(5.26%), Lo, Si-Ai (5.16%)
President International Trade & Investment Corp.	Chen, Yi-Jen (23.73%), Chen Yi-Chia (17.65%), Chen, Yi-Liang (10.40%), Pan, Hui-Ling (5.85%)、 Chen, I-Tsunz (10.42%), Chen, Yi-Tu (10.42%), Lin, Shu-Ching (6.25%), Wang, Mei-Lien(6.25%), Lin, Ming-Yi(6.25%)
Fu-Ju Investment Co., Ltd.	Fei-Tai Investment Co., Ltd. (18.53%), Han, Chia-Yau (14.81%), Han, Chia-Chen (14.81%), Han, Chia-Huan (14.81%), Han, Chia-Ying (14.81%)

#### 5. Information on Directors and Supervisors

December 31, 2019

Qualifications	At least 5 years of experience at work and qualified professionally as follows			Conform to independent status (note 1)												The number of other public companies Part-time as an independent director for
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant or other specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the areas of commerce, law, finance, or accounting or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Lo, Chih-Hsien	--	--	V	V	--	V	V	--	V	--	--	V	V	V	--	None
Wu, Liang-Feng	--	--	V	--	--	V	V	--	V	V	--	V	V	V	--	None
Han, Chia-Yau	--	--	V	V	--	V	V	--	V	V	--	V	V	V	--	None
Chen, Yi-Tu	--	--	V	V	--	V	--	--	V	V	--	V	V	V	--	None
Huang, Yi-Shen	--	--	V	V	V	V	V	V	V	V	V	V	V	V	V	None
Huang, Pei-Wen	V	--	V	V	V	V	V	V	V	V	V	V	V	V	V	None
Yu, Chung-Ying	--	V	V	V	V	V	V	V	V	V	V	V	V	V	V	None
Hsia, Liang-Chou	V	--	V	V	V	V	V	V	V	V	V	V	V	V	V	None
Lee, Ching-Tyan	--	--	V	--	--	V	V	--	V	V	--	V	V	V	V	None
Chang, Li-Hsun	--	--	V	--	--	V	V	--	V	V	--	V	V	V	V	None
Chen, I-Tsunz	--	--	V	V	V	--	--	V	V	--	V	--	V	V	V	None

Note 1: Please "✓"the corresponding boxes if the directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child or in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Paragraph 1 or 2, Article 27 of the Company Act (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).

- (6) Not a director, supervisor or employee of another company where a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (7) Not a director (or governor), supervisor or employee of that other company or institution where the chairperson, general manager or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company (provided, if the certain company or institutions holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company; and independent directors appointed in accordance with the Act or the laws and regulations of the local country by and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (9) Not a professional individual who or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company or institution that provides auditing services to the company or any affiliate of the company or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
- (11) None of the conditions indicated under Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

**(II) 1. Information on the Company's General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of All the Company's Divisions and Branch Units**

December 31, 2019

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shares held by spouses and/or children of minor age		Shares held through nominees		Principal work experience and academic qualifications	Positions Held Concurrently in Other Companies	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Notes (Note 1)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
General manager	R.O.C.	Chen, Chao-Liang	Male	2016.7.01	-	-	60,000	0.038%	-	-	Graduate School	Director of Master Channels Corporation	None	None	None	None
Assistant General Manager	R.O.C.	Yu, Yao-Pin (Note 2)	Male	2002.6.17	7,643	0.005%	-	-	-	-	University	None	None	None	None	None
Assistant General Manager	R.O.C.	Liu, Hsin-Jen (Note 2)	Male	2012.6.06	-	-	-	-	-	-	University	None	None	None	None	None
Assistant General Manager	R.O.C.	Hu, Yu-Chih	Male	2017.5.16	1,050	0.001%	-	-	-	-	College	Supervisor of Master Channels Corporation	None	None	None	None
Manager	R.O.C.	Li, Wen-Sheng	Male	2016.7.01	46	-	-	-	-	-	University	None	None	None	None	None
Manager	R.O.C.	Chen, Guan-Chou	Male	2017.5.16	50,509	0.03%	-	-	-	-	Graduate School	None	None	None	None	None
Manager	R.O.C.	Lin, Kun-Cheng	Male	2017.5.16	-	-	-	-	-	-	Graduate School	None	None	None	None	None
Manager	R.O.C.	Liao, Hsiu-Chuan	Female	2018.11.01	-	-	-	-	-	-	Graduate School	None	None	None	None	None
Manager	R.O.C.	Li, Yun-Yu	Male	2019.8.16	-	-	-	-	-	-	University	None	None	None	None	None

Note 1: If the chairperson, general manager or person holding an equivalent position are the same person or are spouses, the information regarding the reasons, reasonableness, necessity and countermeasures (such as adding more seats of independent directors, with a majority of directors not concurring employees or managers) shall be disclosed.

Note 2: Yu, Yao-Pin, the Assistant General Manager and Liu, Hsin-Jen, the Assistant General Manager have transferred to be advisors since November 1, 2018.

(III) Remuneration paid during the most recent fiscal year to Directors, Supervisors, the General Manager and Assistant General Managers

**Remuneration to the Directors and Independent Directors**

December 31, 2019

Unit: NT\$1,000

Title	Name (Note 1) (Note 12)	Remuneration of Directors								After-tax earnings ratio of the sum of A, B, C, and D (Note 10)		Relevant remunerations received by Directors who are also employees								Percentage of total amount of A, B, C, D, E, F, and G to net income after tax (Note 10)		Claim of remunerations from re-invested businesses other than subsidiaries or the parent company (Note 11)
		Remuneration (A) (Note 2)		Retirement allowance/ severance (B)		Remuneration to Directors (C) (Note 3)		Businesses execution expenses (D) (Note 4)				Salary, bonus and special disbursement (E) (Note 5)		Retiring allowance/ severance (F)		Employees' compensation (G) (Note 6)						
		This company	Companies in the financial statements (Note 7)	This company	Companies in the financial statements (Note 7)	This company	Companies in the financial statements (Note 7)	This company	Companies in the financial statements (Note 7)	This company	Companies in the financial statements	This company	Companies in the financial statements (Note 7)	This company	Companies in the financial statements (Note 7)	This company		Companies in the financial statements (Note 7)		This company	Companies in the financial statements	
Chairman	Representative of Uni-President Enterprises Corp.: Lo, Chih-Hsien	--	--	--	--	12,236	12,687	3,000	3,360	1.56%	1.65%	--	--	--	--	--	--	--	--	1.56%	1.65%	None
Director	Representative of Uni-President Enterprises Corp.: Wu, Liang-Feng																					
Director	Representative of Tai Hwa Oil Industrial Co., Ltd.: Chen, Yi-Tu																					
Director	Representative of Great Wall Enterprise Co., Ltd.: Han, Chia-Yau																					
Director	Huang, Yi-Shen																					
Independent Director	Huang, Pei-Wen	--	--	--	--	--	--	900	900	0.09%	0.09%	--	--	--	--	--	--	--	--	0.09%	0.09%	None
Independent Director	Yu, Chung-Ying																					
Independent Director	Hsia, Liang-Chou																					
1. Please specify the payment policy, system, standards and structure of the remuneration of independent directors, as well as the relevance between the factors, such as their responsibilities, risks, input time and the amount of paid remuneration: the Company's independent directors are paid with only fixed monthly transportation, but no performance bonus or any remuneration for directors/supervisors.																						
2. Other than the disclosures in the previous table, please specify the remunerations paid to the directors who provided services to any company in the financial statements (such as serving as non-employee advisor) in the recent year: None.																						

## Remuneration Range Table

Range of remuneration to the Company's Directors	Name of Directors			
	Total amount of the first four remunerations (A + B + C + D)		Total amount of the first seven remunerations (A + B + C + D + E + F + G)	
	This company (note 8)	Companies in the financial statements (Note 9) H	This company (note 8)	Companies in the financial statements (Note 9) I
Less than NT\$1,000,000	Wu, Liang-Feng ( Note 12), Chen, Yi-Tu ( Note 12), Han, Chia-Yau (Note 12), Huang, Pei-Wen (Note 12), Yu, Chung-Ying (Note 12), Hsia, Liang-Chou(Note 12)	Wu, Liang-Feng ( Note 12), Chen, Yi-Tu ( Note 12), Han, Chia-Yau (Note 12), Huang, Pei-Wen (Note 12), Yu, Chung-Ying (Note 12), Hsia, Liang-Chou(Note 12)	Wu, Liang-Feng ( Note 12), Chen, Yi-Tu ( Note 12), Han, Chia-Yau (Note 12), Huang, Pei-Wen (Note 12), Yu, Chung-Ying (Note 12), Hsia, Liang-Chou(Note 12)	Wu, Liang-Feng ( Note 12), Chen, Yi-Tu ( Note 12), Han, Chia-Yau (Note 12), Huang, Pei-Wen (Note 12), Yu, Chung-Ying (Note 12), Hsia, Liang-Chou(Note 12)
NT\$1,000,000 (including) to NT\$2,000,000 (excluding)	Lo, Chih-Hsien (Note 12),	Lo, Chih-Hsien (Note 12),	Lo, Chih-Hsien (Note 12),	Lo, Chih-Hsien (Note 12),
NT\$2,000,000 (including) to NT\$3,500,000 (excluding)	Huang, Yi-Shen, Tai Hwa Oil Industrial Co., Ltd., Great Wall Enterprise Co., Ltd.;	Huang, Yi-Shen, Tai Hwa Oil Industrial Co., Ltd., Great Wall Enterprise Co., Ltd.;	Huang, Yi-Shen, Tai Hwa Oil Industrial Co., Ltd., Great Wall Enterprise Co., Ltd.;	Huang, Yi-Shen, Tai Hwa Oil Industrial Co., Ltd., Great Wall Enterprise Co., Ltd.;
NT\$3,500,000 (including) to NT\$5,000,000 (excluding)	None	None	None	None
NT\$5,000,000 (including) to NT\$10,000,000 (excluding)	Uni-President Enterprises Corporation	Uni-President Enterprises Corporation	Uni-President Enterprises Corporation	Uni-President Enterprises Corporation
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	None	None	None	None
NT\$15,000,000 (including) to NT\$30,000,000 (excluding)	None	None	None	None
NT\$30,000,000 (including) to NT\$50,000,000 (excluding)	None	None	None	None
NT\$50,000,000 (including) to NT\$100,000,000 (excluding)	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	8	8	8	8

Note 1: Names of Directors shall be listed separately (names and representatives of the institutional shareholders shall be listed separately) and Directors and Independent Directors shall be categorized separately and each amount of payment shall be disclosed on an aggregate basis. Where the Chairman concurrently serves as the General Manager or Assistant General Manager, this table and remuneration paid to General Manager and Assistant General Managers shall be completed (to disclose aggregate remuneration information with the name(s) indicated for each remuneration range), and the remuneration brackets shall be specified.

Note 2: It indicates the remuneration paid to Directors (including Directors' salaries, duty allowances, severance pay, various bonuses and incentives, etc.) for the most recent fiscal year.

Note 3: The distribution amount of remuneration to Directors approved by the Board of Directors for the most recent fiscal year shall be provided.

Note 4: It indicates the expenses related to business executions of Directors (including travel expenses, special disbursement, allowances, accommodation, company car, and other physical items) for the most recent fiscal year. Where houses, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, expenses on fuel and other benefits shall be disclosed. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, which is not included in the remuneration. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, as it is not included in the remuneration.

Note 5: It indicates the remuneration paid to a director who is also an employee (position held currently as General Manager, Assistant General Managers, other managerial officers or an employee) including directors' salaries, duty allowances, severance pay, various bonuses and incentives, etc., for the most recent fiscal year. Where houses, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, expenses on fuel and other benefits shall be disclosed. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, which is not included in the remuneration. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, as it is not included in the remuneration. In addition, the salaries recognized by IFRS 2 "Share-based Payment;" including the employee stock certificates, restricted employee rights to new shares and participation in cash replenishment of shares; must be calculated as compensation.

Note 6: It indicates the employees' remuneration (including stocks and cash) received by a Director who is also an employee (including the position held currently as General Manager, Assistant General Managers, other managerial officer or an employee) for the most recent fiscal year, the distribution amount of employees' remunerations approved by the Board of Directors for the most recent fiscal year shall be disclosed. If it cannot be estimated, the proposed distribution amount this year shall be calculated in proportion to the actual distribution amount last year. For employee bonus paid to managerial officers, the names and distribution shall be additionally provided.

Note 7: The total remunerations paid to Directors of this Company by companies in the consolidated financial statements (including this Company) shall be disclosed.

Note 8: The total remunerations paid to Directors by this Company, the name of a Director shall be disclosed in the corresponding remuneration range.

Note 9: The names of the directors must be disclosed in the attributable pay grade of the various remuneration amounts paid to the various directors by all of the companies listed in the consolidated report (including this company).

Note 10: After-tax earnings refer to the after-tax earnings listed in the unconsolidated or individual financial statements in the recent year.

Note 11: a. The amount of relevant remunerations received by a Supervisor of this Company from the invested company other than subsidiaries, or the parent company, shall be provided clearly in this column (please indicate "none" if there is no such remuneration)

b. Where Directors of this Company received relevant remunerations from the invested company other than subsidiaries, or the parent company, the remunerations received by Directors of this Company from the invested company other than subsidiaries shall be included in the "I" column of the remuneration range table with the field name changed to "the parent company and all reinvested companies."

c. The compensation refers to relevant remunerations to the Company's Directors including remunerations, compensation (including employees' remunerations and remunerations to Directors and Supervisors) and business execution expenses received by a Director of this Company in the capacity of a Directors, Supervisor or Managerial Officer of the invested company or the parent company.

Note 12: a. Representative of Uni-President Enterprises Corporation: Lo, Chih-Hsien and Wu, Liang-Feng;

b. Representative of Tai Hwa Oil Industrial Co., Ltd.: Chen, Yi-Tu;

c. Representative of Great Wall Enterprise Co., Ltd.: Han, Chia-Yu;

d. Independent Director: Huang, Pei-Wen; Yu, Chung-Ying; and Hsia, Liang-Chou

\* The information on the compensation disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

## Remuneration paid to Supervisors

December 31, 2019

Unit: NT\$1,000

Title	Name (Note 1)	Remunerations for supervisors						After-tax earnings ratio of the sum of A, B, and C (%) (Note 6)		Claim of remunerations from re-invested businesses other than subsidiaries or the parent company (Note 7)
		Remuneration (A) (Note 2)		Remunerations (B) (Note 3)		Operating expenditure (C) (Note 4)				
		This company	All companies within the Financial Report (Note 5)	This company	All companies within the Financial Report (Note 5)	This company	All companies within the Financial Report (Note 5)	This company	Companies in the financial statements	
Supervisors	Lee, Ching-Tyan	--	--	2,110	2,110	300	300	0.25%	0.25%	None
Supervisors	Chang, Li-Hsun	--	--	2,110	2,110	300	300	0.25%	0.25%	
Supervisors	Chen, I-Tsunz	--	--	2,110	2,110	300	300	0.25%	0.25%	

Note 1: Names of supervisors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder) and individual payments made shall be disclosed through a summary.

Note 2: The remunerations paid to supervisors in the latest year (including salaries, additional pay, severance pay, various prizes, rewards, among others)

Note 3: The distribution amount of remuneration to Supervisors approved by the Board of Directors for the most recent fiscal year shall be provided.

Note 4: Related expenses for carrying out tasks incurred by supervisors in the latest year (including transportation, special expenditure, various allowances, dormitory and car, among other actual items provided). Where houses, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, expenses on fuel and other benefits shall be disclosed. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, which is not included in the remuneration. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, as it is not included in the remuneration.

Note 5: The total value of remunerations paid to supervisors of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 6: After-tax earnings refer to the after-tax earnings listed in the unconsolidated or individual financial statements in the recent year.

Note 7: a. The amount of relevant remunerations received by a Supervisor of this Company from the invested company other than subsidiaries, or the parent company, shall be provided clearly in this column (please indicate "none" if there is no such remuneration)

b. Where Supervisors of this Company received relevant remunerations from the invested company other than subsidiaries, or the parent company, the remunerations received by Supervisors of this Company from the invested company other than subsidiaries shall be included in the "I" column of the remuneration range table with the field name changed to "the parent company and all reinvested companies."

c. The compensation refers to relevant remunerations to the Company's Supervisors including remunerations, compensation (including employees' compensation and remunerations to Directors and Supervisors), and business execution expenses received by a Director of this Company in the capacity of a Directors, Supervisor, or Managerial Officer of the invested company or the parent company.

\* The information on the compensation disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

## Remunerations for the General Manager and Vice General Manager

December 31, 2019

Unit: NT\$1,000

Title	Name (Note 1)	Salaries (A) (Note 2)		Retirement allowance/severance (B)		Bonus and special expenditure (C) (Note 3)		Employee remunerations (D) (Note 4)				After-tax earnings ratio of the sum of A, B, C, and D (%) (Note 8)		Claim of remunerations from re-invested businesses other than subsidiaries or the parent company (Note 9)
		This company	Companies in the financial statements (Note 5)	This company	Companies in the financial statements (Note 5)	This company	Companies in the financial statements (Note 5)	This company		Companies in the financial statements (Note 5)		This company	Companies in the financial statements	
								Current value	Stock value	Current value	Stock value			
General manager	Chen, Chao-Liang	6,847	6,847	389	389	13,433	13,673	2,140	--	2,140	--	2.34%	2.37%	None
Assistant General Manager	Yu, Yao-Pin (Note 10)													
	Liu, Hsin-Jen (Note 10)													
	Hu, Yu-Chih													

Note: The information of the Company's retiring allowance/severance: NT\$389,000 is the contributed amount.



## Remuneration Range Table

Bracket by which remunerations are paid to respective general managers and vice general managers of the Company	Name of General Manager/Vice General Manager	
	The Company (Note 6)	All companies within the Financial Report (Note 7) E
Less than NT\$1,000,000	None	None
NT\$1,000,000 (including) to NT\$2,000,000 (excluding)	None	None
NT\$2,000,000 (including) to NT\$3,500,000 (excluding)	None	None
NT\$3,500,000 (including) to NT\$5,000,000 (excluding)	Liu, Hsin-Jen	Liu, Hsin-Jen
NT\$5,000,000 (including) to NT\$10,000,000 (excluding)	Chen, Chao-Liang; Yu, Yao-Pin; and Hu, Yu-Chih	Chen, Chao-Liang; Yu, Yao-Pin; and Hu, Yu-Chih
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (including) to NT\$30,000,000 (excluding)	None	None
NT\$30,000,000 (including) to NT\$50,000,000 (excluding)	None	None
NT\$50,000,000 (including) to NT\$100,000,000 (excluding)	None	None
Over NT\$100,000,000	None	None
Total	4	4

Note 1: Names of general managers and vice general managers shall be listed separately and individual payments made shall be disclosed through a summary. Where the Chairman concurrently serves as the General Manager or Assistant General Manager, this table and remuneration paid to Directors/Independent Directors shall be completed (to disclose aggregate remuneration information with the name(s) indicated for each remuneration range) and the remuneration brackets shall be specified.

Note 2: Salaries, additional pay, and severance pay for general managers and vice general managers in the latest year.

Note 3: Various prizes, awards, transportation, special expenditure, various allowances, dormitory, cars and other actual items provided and other compensations for general managers and vice general managers in the latest year. Where houses, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, expenses on fuel and other benefits shall be disclosed. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, which is not included in the remuneration. In addition, where a driver is placed, please provide an explanation in the notes on the compensation paid to the driver by the company, as it is not included in the remuneration. In addition, the salaries recognized by IFRS 2 "Share-based Payment;" including the employee stock certificates, restricted employee rights to new shares and participation in cash replenishment of shares; must be calculated as compensation. The car leasing expenses for general managers and vice general managers were NT\$837,000 in 2019.

Note 4: Employee remunerations (including stock and cash) distributed to general managers and vice general managers through the Board of Directors in the latest year (including stock and cash). If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. In addition, the attached Table 1-3 shall be completed.

Note 5: The total value of remunerations paid to general managers and vice general managers of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 6: For the total value of various remunerations paid to each general manager and vice general manager by the Company, disclose the name of the general manager and the vice general manager in the respective bracket.

Note 7: For the total value of various remunerations paid to each general manager and vice general manager of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the general manager and vice general manager in the respective bracket.

Note 8: After-tax earnings refer to the after-tax earnings listed in the unconsolidated or individual financial statements in the recent year.

Note 9: a. The amount of relevant remunerations received by the general managers and vice general managers of this Company from the invested company other than subsidiaries, or the parent company, shall be provided clearly in this column (please indicate "none" if there is no such remuneration)

b. In the event that the general managers and vice general managers of the Company claim related remunerations from reinvested businesses other than subsidiaries or the parent company, the said remunerations shall be combined in Column E of the remuneration bracket table and the name of the column shall be changed to "the parent company and all reinvested businesses."

c. Remunerations are the compensation, rewards (including rewards for employees, directors and supervisors) and operational expenses, among others, claimed by general managers and vice general managers of the Company who serve as the director, supervisor or manager at a reinvested business other than the subsidiary or the parent company.

Note 10: Yu, Yao-Pin, the Assistant General Manager and Liu, Hsin-Jen, the Assistant General Manager have transferred to be advisors since November 1, 2018.

\* The information on the compensation disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

## Managers received the distributed remuneration and their status

December 31, 2019

Unit: NT\$1,000

	Title (Note 1)	Name (Note 1)	Stock value	Current value	Total	Total amount to after-tax earnings ratio (%)
Manager	General manager	Chen, Chao-Liang	--	3,740	3,740	0.38%
	Assistant General Manager	Yu, Yao-Pin (Note 5)				
	Assistant General Manager	Liu, Hsin-Jen (Note 5)				
	Assistant General Manager	Hu, Yu-Chih				
	Manager	Li, Wen-Sheng				
	Manager	Lin, Kun-Cheng				
	Manager	Chen, Guan-Chou				
	Manager	Liao, Hsiu-Chuan				
	Manager	Li, Yun-Yu (Note 6)				

Note 1: The name and title of the individual shall be disclosed but distribution of profits may be disclosed through an aggregation.

Note 2: Employee remunerations (including stock and cash) distributed to managers through the Board of Directors in the latest year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. After-tax earnings are those in the latest year. When the International Financial Reporting Standards are adopted, after-tax earnings are those indicated in the entity or individual financial report from the most recent year.

Note 3: For the applicability to managers, follow the Tai-Cai-Zheng-San-Zi No. 0920001301 letter dated March 27, 2003. It shall apply to the following:

(1) The general manager and his/her equivalent; (2) the vice general manager and his/her equivalent; (3) the associate manager and his/her equivalent; (4) the head of the Department of Finance; (5) the head of the Department of Accounting; (6) others that deal with corporate management and have the right to provide their signatures.

Note 4: If the director, general manager and vice general manager claimed employee remunerations (including stock and cash), besides providing information about remunerations paid to directors (including independent directors), supervisors, general managers and vice general managers, this table shall also be completed.

Note 5: Yu, Yao-Pin, the Assistant General Manager and Liu, Hsin-Jen, the Assistant General Manager have transferred to be advisors since November 1, 2018.

Note 6: Mr. Li, Yun-Yu was promoted to be a manager at the Business Section II on August 16, 2019.

(IV) Compare and describe separately the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two years by the Company and all companies in the Consolidated Report in after-tax earnings indicated in the entity or individual financial reports and describe correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future.

### 1. Analysis of remunerations paid in the most recent two years

Unit: NT\$1000

Title	2018					2019				
	Total value of remunerations		After-tax earnings	Total value to after-tax earnings ratio		Total value of remunerations		After-tax earnings	Total value to after-tax earnings ratio	
	This company	Companies in the financial statements	906,880	This company	Companies in the financial statements	This company	Companies in the financial statements	974,572	This company	Companies in the financial statements
Director	43,515	44,471		4.80%	4.90%	46,175	47,226		4.74%	4.85%
Supervisors										
General managers and vice general managers										

2. Correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future:

- (1) For the tasks carried out by the Company's directors and supervisors, the Company may pay remunerations; the remunerations are to be enforced in compliance with the Company's internal management system and to be paid according to the general criteria.
- (2) The Company's general managers and vice general managers perform tasks related to the Company following the Board of Directors' order; their remunerations are to be enforced in compliance with the Company's internal management system and to be determined with reference to the payment criteria on the market.

- (3) The Company's remuneration policy is established according to personal capabilities, contribution to the Company and performance, and market value of the post served and is positively correlated to the management performance. The overall compensation includes the basic salaries (determined according to the market value of the post served), prize (determined according to the fulfilled goals or corporate management performance) and welfare (sound welfare measures are designed as required by laws and regulations and reflective of personal needs).
- (4) The Company already established its Organic Rules for Compensation Committee and set up the Compensation Committee in compliance with the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter announced through the Financial Supervisory Commission's Jin-Guan-Zheng-Fa-Zi No. 1000009747 letter dated March 18, 2011. The Compensation Committee performs related duties as required. The operation of the Compensation Committee is disclosed on Page 34 of this Annual Report.

### III. State of the Company's Implementation of Corporate Governance

#### (I) Board of Directors:

Throughout 2019 and up to the date this Annual Report was printed, the Board of Directors met seven times (A); attendance of directors and supervisors is as follows:

Title	Name	Actual frequency of attendance (being seated) in meetings (B)	Frequency of attendance through proxy	Actual attendance (being seated) rate (B/A)	Notes
Chairman	Uni-President Enterprises Corp. Representative: Lo, Chih-Hsien	7	-	100%	Date of Board of Directors Meeting: 1. March 19, 2019 (The 6 <sup>th</sup> Meeting of the 14 <sup>th</sup> Term) 2. April 24, 2019 (The 7 <sup>th</sup> Meeting of the 14 <sup>th</sup> Term) 3. June 11, 2019 (The 8 <sup>th</sup> Meeting of the 14 <sup>th</sup> Term) 4. July 30, 2019 (The 9 <sup>th</sup> Meeting of the 14 <sup>th</sup> Term) 5. October 29, 2019 (The 10 <sup>th</sup> Meeting of the 14 <sup>th</sup> Term) 6. December 10, 2019 (The 11 <sup>th</sup> Meeting of the 14 <sup>th</sup> Term) 7. March 20, 2020 (The 12 <sup>th</sup> Meeting of the 14 <sup>th</sup> Term)
Director	Uni-President Enterprises Corp. Representative: Wu, Liang-Feng	7	-	100%	
Director	Tai Hwa Oil Industrial Co., Ltd. Representative: Chen, Yi-Tu	7	-	100%	
Director	Great Wall Enterprise Co., Ltd.; Representative: Han, Chia-Yau	7	-	100%	
Director	Huang, Yi-Shen	5	2	71.43%	
Independent Director	Huang, Pei-Wen	7	-	100%	
Independent Director	Yu, Chung-Ying	7	-	100%	
Independent Director	Hsia, Liang-Chou	5	2	71.43%	
Supervisors	Lee, Ching-Tyan	6	-	85.71%	
Supervisors	Chang, Li-Hsun	5	1	71.43%	
Supervisors	Chen, I-Tsunz	7	-	100%	

Other details to be documented:

- I. In case of any following situation during the operation of the Board of Directors, the date, meeting, description of proposal, opinions from all independent directors and the Company's treatment to such opinions shall be specified.
  - (I) Matters specified in Paragraph 3, Article 14, Securities and Exchange Act:  
Throughout 2019 and up to the date this Annual Report was printed, the Board of Directors, seven meetings were convened. All the resolutions are described in page 51 to 53 of the Annual Report. All independent directors had no objections to the matters specified in Paragraph 3, Article 14, Securities and Exchange Act and passed these proposals.
  - (II) Other than the aforementioned, any resolution of the Board of Directors meetings objected to by the independent directors or with reserved opinions, recorded or by written statements: None.
- II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described: Article 16 of the Company's Board of Directors Meeting Rules requires that for matters being discussed, (I) if they conflict with a director's own interest or the interest of the legal entity he/she represents to accordingly undermine the interest for the Company, the director shall be recused; (II) directors shall recuse themselves if they determine for themselves that a recusal is required; (III) directors may express their opinions and answer questions but may not exercise their voting rights on behalf of other directors if they are determined by the Board of Directors should be recused. As of the date this Annual Report was printed, no directors of the Company had conflicts of interest in matters discussed.
- III. The public listed company shall disclose the cycle and period, scope, method, and description of self-evaluation or peer evaluation of the board of directors, and complete Table 2 (2) Status of the Board of Directors Evaluation Implementation: The Company passed the evaluation guidelines for the Board of Directors on March 20, 2020, and such evaluation will be conducted and disclosed in the annual reports annually from 2020.
- IV. Assessment of the reinforced functional objectives of the Board of Directors (e.g., to set up the Audit Committee and to enhance information transparency, among others) and implementation status of the objectives of the immediate year and the latest year: Related information on the Company's website has been updated one after another in 2020 to enhance information transparency.

## (II) Participation of supervisors in the operations of the Board of Directors:

Throughout 2019 and up to the date this Annual Report was printed, the Board of Directors met seven times (A); attendance to the meetings are as follows:

Title	Name	The actual frequency of being seated in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (B/A)	Notes
Supervisors	Lee, Ching-Tyan	6	-	85.71%	<b>Date of Board of Directors Meeting:</b> 1. March 19, 2019 (The 6th Meeting of the 14th Term) 2. April 24, 2019 (The 7th Meeting of the 14th Term) 3. June 11, 2019 (The 8th Meeting of the 14th Term) 4. July 30, 2019 (The 9th Meeting of the 14th Term) 5. October 29, 2019 (The 10th Meeting of the 14th Term) 6. December 10, 2019 (The 11th Meeting of the 14th Term) 7. March 20, 2020 (The 12th Meeting of the 14th Term)
Supervisors	Chang, Li-Hsun	5	1	71.43%	
Supervisors	Chen, I-Tsunz	7	-	100%	

Other details to be documented:

### I. Composition and Responsibilities of Supervisors:

- (I) Communication between Supervisors and Company employees and shareholders (*e.g.*, communication channel and method, among others): Telephones or email are the means of correspondence whenever needed and the Company will hold related meetings from time to time.
- (II) Communication between supervisors and the internal audit head and the CPA (*e.g.*, on the financial and business status of the Company, the means and the results, among others): If supervisors have any questions, they may ask the Company's Board of Directors or managers to report to them and the Company will hold related meetings from time to time. The CPA will communicate inspection or review results of financial reports for respective quarters with the Company's supervisors in writing by issuing a communication letter as the governing authority and through periodic meetings.

II. If supervisors seated in Board of Directors meetings state opinions, the date of the Board of Directors meeting, session number, contents of the proposal and decision made by the Board of Directors, and how stated opinions of the supervisors are handled by the Company shall be described: As of the date this Annual Report was printed, no supervisors of the Company had been seated in the Board of Directors meeting to state opinions.

(III) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Assessed areas	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and 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/TPEX Listed Companies?	V		The Company has established and discloses its corporate governance best practice principles in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on October 29, 2015. On December 22, 2016, the Company amended some clauses of it pursuant to the Letter Tai-Zheng-Zhi-Li-Zi No. 1050018981, and disclosed such amendments at the Company’s website and the MOPS.	None
II. Shareholding structure and shareholders' rights (I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or litigation and handle related matters accordingly?	V		(I) The Company mainly authorizes a professional shareholder service agency to take care of related affairs and there are also the spokesperson and specialists responsible for shareholders’ service to take care of related matters in a rational and reasonable way. In case of legal issues, on the other hand, the legal counsel will take care of them.	None
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholdings?			(II) The Company keeps track of its shareholding structure in accordance with the roster of shareholders provided by the shareholder service agency and declares changes in the stock options held by directors, supervisors, and managers periodically. In addition, the Company keeps a good relationship with major shareholders and is able to keep track of related information at any time.	
(III) Has the company established and implemented risk management and firewall systems within its affiliated enterprises?			(III) The operating procedure for monitoring subsidiaries is in place and is effectively enforced.	

Assessed areas	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Has the company established internal rules against insiders trading with undisclosed information?	V		(IV) The Company has the “Internal Operating Procedures for Handling Significant Information” in place to prevent insiders from trading securities taking advantage of information yet to be released on the market and the Procedures are communicated from time to time through respective meetings held inside the Company. Meanwhile, respective directors, supervisors and high-ranking officials are reminded of applicable laws and regulations in writing periodically.	None
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors developed and implemented a diversified policy for the composition of its members?</p> <p>(II) Does the Company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee that are established as required by laws?</p> <p>(III) Has the Company established the evaluation guidelines and methods for the Board of Directors’ performance, for the regular annual performance evaluation; as well as presents the outcome of such evaluations to be</p>	V		<p>(I) Article 20 of the Company’s Corporate Governance Best Practice Principles defines the overall competencies expected of the Board of Directors and discloses the diversification policy with regard to the members comprising the Board of Directors. Currently, the Company’s Board of Directors consists of 8 (including 3 independent) directors highly experienced in corporate management.</p> <p>(II) At the moment, the Company only has the Compensation Committee in place (for the operations of the Compensation Committee, it is already disclosed on Page 40 of this Annual Report). Members of the 4<sup>th</sup> term serve a term from June 13, 2018 to June 12, 2021 (the same as existing directors and supervisors). The other functional committees to take care of nomination, for example, are pending establishment.</p> <p>(III) The Company has established and discloses its performance evaluation guidelines for the Board in accordance with Article 37 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on March 20, 2020,</p>	<p>(I) None</p> <p>(II) It is pending evaluation.</p> <p>(III) None</p>

Assessed areas	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>applied to the remuneration to each director and their re-election nominations?</p> <p>(IV) Does the Company regularly evaluate the independence of CPAs?</p>	V		<p>for the regular annual performance evaluation; as well as presents the outcome of such evaluations to be applied to the remuneration to each director and their re-election nominations.</p> <p>(IV) As required by Article 29 of the Corporate Governance Best Practice Principles, the Company evaluates the independence of CPAs once a year and the results are submitted to the Board of Directors to be deliberated. Pursuant to the review by the Board of Directors on March 20, 2020, the CPAs, Lin, Tzu-Yu, Lin, Yung-Chih, of PwC Taiwan, both have met the Company's criteria of independence evaluation (Note 1), and are qualified to be the Company's certifying CPAs; the accounting firm also provided the statement (Note 2).</p>	(IV) None
IV. Has the Company had an adequate number of corporate governance personnel with appropriate qualifications, as well as assigned the head of corporate governance, to take charge of corporate governance-related affairs (including without limitation providing information required for directors and supervisors to carry out their tasks, organizing matters relating the Board of Directors' and shareholders' meetings, taking care of registration and alteration registration of the company, producing minutes of the Board of Directors' and shareholders' meetings)?	V		The Company's Department of Finance is responsible for providing information required for directors and supervisors to carry out their tasks, assisting them to comply with laws and regulations, organizing matters relating the Board of Directors' and shareholders' meetings, producing minutes of the Board of Directors' and shareholders' meetings, among other matters relating corporate governance.	None



Assessed areas	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
V. Does the company establish a communication channel and set up a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, and suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		(I) We have established the spokesperson system as required to take care of related matters. (II) Interactions with stakeholders are maintained through various forms, including telephone or email. (III) The Company has a designated section for investors and a designated section to deal with corporate social responsibility on its website and has an external correspondence box under the charge of a specialist to facilitate communications with stakeholders and responding to related issues in a timely manner.	None
VI. Does the company designate a professional shareholder service agency to deal with affairs related to shareholders' meetings?	V		The Shareholder Service Department of President Securities Corp. is currently taking care of related matters concerning the Company's shareholders' meetings.	None
VII. Disclosure of Information (I) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?  (II) Does the company have other information disclosure channels (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, enforcing a spokesperson system, webcasting investor conference on company website)?	V		(I) The Company has the website ( <a href="http://www.ttet.com.tw">http://www.ttet.com.tw</a> ) and in the section for stakeholders, there are sub-sections of "Investor Relations" and "Corporate Governance" to disclose related information on the finance, business and corporate governance and update related information at any time. (II) Except for disclosing the related financial and non-financial information at the MOPS, as required by the competent authorities, the Company has set up the English version website ( <a href="http://www.ttet.com.tw/index.php?lang=en">http://www.ttet.com.tw/index.php?lang=en</a> ). Based on the function, dedicated personnel are assigned to the tasks of collecting and disclosing the Company's information. The spokesperson system is also	None

Assessed areas	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?			<p>established and implemented. The information about the institutional investor conferences are also disclosed on the Company's website.</p> <p>(III) For the announcement and reporting schedule of the annual and the first, second and third quarter financial reports, the Company maintain the current practices.</p>	
VIII. Is there any other important information available to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>The Company cares about the rights of all stakeholders, to implement a good corporate governance, the Company keeps tracking issues that stakeholders are concerned about through various channels and re-inforces the management of and improves these issues.</p> <p>(I) The Company highly values employee welfare and rights. Besides providing employees with a complete educational training system, there are employee canteen, child-care subsidies, commuter buses, employee physical checkup, employee bonus, among others, so that employees are entitled to a sound welfare system and can be assured while devoting themselves to work.</p> <p>(II) The Company maintains close interactive relationships with suppliers so that the purchase cost of the Company and profits for the suppliers can reach a balance.</p> <p>(III) The Company discloses related financial and operating information as required by law and continues to reinforce its information transparency. Meanwhile, there is the spokesperson system in place to provide investors and stakeholders with necessary related information.</p> <p>(IV) Continuing education for directors and supervisors:</p>	None

Assessed areas	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>The Company follows the requirements of the reference examples provided in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. For related continuing education update, refer to Note 3.</p> <p>(V) Attendance by directors and seating of supervisors in Board of Directors’ meetings are handled as required. Related information is disclosed on Pages 24 and 25 of this Annual Report.</p> <p>(VI) With regard to purchasing liability insurance for the Company’s directors and supervisors, it has been done according to regulatory requirements. The Company extended duration of insurance coverage on June 2019.</p> <p>(VII) For other matters concerning corporate governance, the Company follows applicable specific laws and regulations and handles them in precise compliance. In addition, there are the Corporate Governance Best Practice Principles, the Ethical Corporate Management Best-Practice Principles, and the Corporate Social Responsibility Best Practice Principles in place.</p>	
IX. Please explain improvements and introduce priorities to be improved and measures taken for those pending improvements according to the corporate governance evaluation results released by the Corporate Governance Center of Taiwan Stock Exchange Corporation for the most recent year.				
Improvements not implemented in the evaluation of 2018 but completed in 2019 are as the following:				
2.11	Does the Company disclose the proposals discussed in the Remuneration Committee and their resolution in details in the annual reports, as well as the Company’s treatment toward the members’ opinions?			Disclosed in the annual reports.
2.24	Has the Company established the information security risk management framework, the information security policies, and the actual management plan, and disclose such on the website or in the annual reports?			Disclosed on the Company’s website
3.2	Does the Company report the material information in English simultaneously?			Reported to the MOPS.

Assessed areas			Operational status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
			Yes	No	
	4.6	Has the Company established the policy to protect human rights and the actual managerial plan, as well as disclose such on the website or in the annual reports?			Disclosed on the Company's website
	4.11	Has the Company disclosed the emission volume of CO <sub>2</sub> or other GHG in the previous two years?			These have been disclosed in the Company's CSR report, and the report is uploaded to the MOPS and the Company's website
	4.12	Has the Company established any policies for energy-saving, carbon reducing, GHG reducing, water reducing, or other waste management?			
The evaluated items have not been improved in 2019 described as the follows:					
	2.21	Has the Company assigned a head of corporate governance, in charge of the affairs related to corporate governance, and disclosed his/her scope of authorities, the key points of the function executions in the year, and the continuing education on the website or in the annual reports?			Under assessment.
	2.22	Are the guidelines for the assessment of the Board's performance approved by the Board and at least one internal assessment to the Board's performance shall be conducted annually? Are the outcomes disclosed on the official website or in the annual report?			The Board of Directors passed the evaluation guidelines for the Board of Directors on March 20, 2020 and such evaluation will be conducted and disclosed in the annual reports annually from 2020.
	3.4	Has the Company released the financial reports within two months from the end of the financial year?			Under improvement.
	3.9	Does the annual report disclose the discussion of the trend overview from the macro economic environment and the industry which the Company belong to?			Under improvement.

Note 1: Accountant Independence Evaluation Criteria

Item	Description of key element reviews regarding independence	Are the independence elements fulfilled?
01	The accountant himself/herself or his/her spouse or underage children are not in an investment or sharing of financial interests relationship with the Company.	Yes
02	The accountant himself/herself or his/her spouse or underage children do not borrow funds from or lend them to the Company. If the client is a financial institution and normal correspondence is involved, however, this shall not apply.	Yes
03	There is no validated service report provided by the accounting firm for the effective operation of the financial information system it designs or helps implement.	Yes
04	The accountants or the audit service group members are not a director, manager or someone holding a post that has significant impacts on audit cases in the Company now and have not been so for the past two years.	Yes
05	There are no important items of the non-audit services provided to the Company that will have direct impacts on audit cases.	Yes
06	The accountants or the audit service group members are not promoting or brokering shares or other securities issued by the Company.	Yes
07	The accountants or the audit service group members are not defending the Company in its legal cases or other disputes involving a third party.	Yes
08	The accountants or the audit service group members are not the spouse, lineal relative by blood, lineal relative by affinity or relative within the second degree of kinship of a director, manager or someone holding an important post that has significant impact on audit cases in the Company.	Yes
09	Co-accountants that have left work for less than a year are not a director, manager or someone holding an important post that has significant impacts on audit cases in the Company.	Yes
10	The accountants or the audit service group members do not receive gifts or special offers of significant value from the Company or the director, manager or major shareholder.	Yes
11	The accountants are not hired by the client or the party being inspected to carry out routine tasks on a fixed salary or as a director or supervisor.	Yes
12	Listed companies: The accountants have not been providing the Company with audit service for 7 consecutive years. Non-listed companies: The accountants have not been providing the Company with audit service for 10 consecutive years.	Yes

	Description of the review to the operation of independence	Are the independence elements fulfilled?
01	Has the accountant recused himself or herself from handling matters authorized to him/her that were in direct or indirect yet significant conflicts of interest with him/her to possibly affect his/her impartiality and independence?	Yes
02	Does the accountant maintain formal independence besides substantial independence while inspecting, reviewing, performing follow-up review, or conducting project-based review of financial reports and rendering his/her opinions?	Yes
03	Do the audit service group members, other co-accountants or shareholders of legal accounting firms, accounting firms, their affiliated businesses, and allies maintain independence toward the Company?	Yes
04	Does the accountant provide professional services with a righteous and rigid attitude?	Yes
05	Does the accountant maintain an impartial and objective position while providing professional services and avoid bias, conflicts of interest or conflicting relationships that affect his/her professional judgment?	Yes
06	The accountant has not been affected with regard to his/her righteous, impartial and objective position because of the lack or loss of independence.	Yes



Statement

Recipient: TTET UNION CORPORATION

Date: January 9, 2020

Document reference: PcW Accounting General No. 19006338

Subject: Please be advised that the office has, in response to your esteemed company and your subsidiaries (hereinafter collectively referred to as “Your Esteemed Group’s”) request, in compliance with the Certified Public Accountants’ Ethical Guideline Journal number 10 – the “integral, fair, objective and independent” stipulations, performed our office’s evaluation on your esteemed group’s independence, with evaluation findings and the statement issues as described in the description section.

Description:

- I. As stipulated under article 4 of the Certified Public Accountants’ Ethical Guideline Journal number 10 (hereinafter referred to as the “Number 10 Journal”), a certified public accountant is not only to “maintained the tangible independence” when auditing or authenticating financial statements, and it is significantly more important to focus on its format. With that said, audit service team members, other peer practicing CPAs, the office and office-related enterprises (hereinafter referred to as the Service Team Members and the Office’s Related Parties) need to maintain their independence from the client being audited. Also article 7 of the number ten journal also explains that “the independence might be affected by self-interest, self-evaluation, defense, level of familiarity and threat”. Therefore, the office can only attest to your esteemed group on probable factors that might hinder the independence as described under article 7 one by one that our office’s independence has not been hindered by the foresaid factors.
- II. Our office’s independence has not been impaired by self-income  
Our office’s independence has not been hindered by self-interest. The office hereby attests that audit team members and the office’s related parties have not with your esteemed group or its directors and auditors had any (I) direct or significantly indirect financial gains relation; (II) close-knit commercial relation; (III) potential hiring relation; (IV) financing or guarantee conduct.
- III. Our office’s independence has not been impaired by self-evaluation  
The office hereby attests that audit service team members, at present or in the most recent two years, have not acted as your esteemed group’s directors or auditors or held any position bearing significant impact to the audit case; in addition, the office also has not supplied any non-audit service cases to directly affect the audit case’s critical items.
- IV. Our office’s independence has not been impaired by defense  
The office hereby attests that audit service team members have not been appointed to defend your esteemed groups’ stance or opinion, or represent your esteemed group as an intermediary to coordinate conflict occurred with third parties.
- V. Our office’s independence has not been hindered by familiarity  
The office hereby attests that (I) audit service team members have not had any blood

relation to your esteemed group's directors/auditors, managers or personnel holding significantly influential positions to the audit case; (II) our former co-practicing CPAs resigned within one year have not acted as your esteemed group's directors/auditors, managers or persons with significantly influential positions to the audit case; (III) audit service team members have not accepted significantly valuable gratuity or gift from your esteemed groups' directors/auditors, managers.

VI. Our office's independence has not been hindered by threat

The office hereby attests that audit service team members have not accepted or being influenced by your esteemed group management's improper request on the choice of accounting policy or financial statement disclosure; or reduce the mandated audit work to be executed on the ground of reducing the remuneration, to hinder its objectivity and professional skepticism.

The office, in making the above statement, has not only adhered to the office's relevant client independence check-related operating procedures, and has also exerted its due diligence on all professional cautions, as duly reported herein.

Appendages:

- I. Manifest of the audit service team members as stipulated by the number 10 journal.
- II. Manifest of legal counsels withdrew from the law office in the most recent one year.
- III. Manifest of enterprises affiliated with PcW.
- III. Non-audit service items PcW and its affiliated enterprises rendered on behalf of TTET Union Corporation.

Price Waterhouse & Cooper Taiwan

Certified public accountants: Lin, Tzu-Yu



Note 3: Status of Continuing Education for the directors and supervisors in 2019

Job Title	Name	Date	Organizer	Title of Program	Number of Hours Completed	Total Number of Hours Completed
Director	Lo, Chih-Hsien	2019/01/25	Taiwan Institute of Directors	Economic outlook for 2019 and the material decision-making of the board of directors	3.0	6.0
		2019/04/26	Taiwan Institute of Directors	Analysis to the new version of corporate governance blueprint and the latest amendments to the Company Act	3.0	
Director	Wu, Liang-Feng	2019/01/25	Taiwan Institute of Directors	Economic outlook for 2019 and the material decision-making of the board of directors	3.0	6.0
		2019/04/26	Taiwan Institute of Directors	Analysis to the new version of corporate governance blueprint and the latest amendments to the Company Act	3.0	
Director	Chen, Yi-Tu	2019/07/30	Taiwan Institute of Directors	Corporate governance enhanced by the internet and the big data supply chain innovations	3.0	6.0
		2019/10/29	Taiwan Corporate Governance Association	The impacts of the Sino-US trade war to Taiwanese companies and the countermeasures	3.0	
Director	Han, Chia-Yau	2019/08/08	Taiwan Corporate Governance Association	Big data/smart device/mobile applications/cloud algorithm - key tasks of the boards of directors regarding applying innovative technologies	3.0	6.0
		2019/11/08	Taiwan Corporate Governance Association	The best practices of corporate innovations	3.0	
Director	Huang, Yi-Shen	2019/07/30	Taiwan Institute of Directors	Corporate governance enhanced by the internet and the big data supply chain innovations	3.0	6.0
		2019/10/29	Taiwan Corporate Governance Association	The impacts of the Sino-US trade war to Taiwanese companies and the countermeasures	3.0	
Independent Director	Huang, Pei-Wen	2019/07/30	Taiwan Institute of Directors	Corporate governance enhanced by the internet and the big data supply chain innovations	3.0	6.0

Job Title	Name	Date	Organizer	Title of Program	Number of Hours Completed	Total Number of Hours Completed
		2019/10/29	Taiwan Corporate Governance Association	The impacts of the Sino-US trade war to Taiwanese companies and the countermeasures	3.0	
Independent Director	Yu, Chung-Ying	2019/07/30	Taiwan Institute of Directors	Corporate governance enhanced by the internet and the big data supply chain innovations	3.0	6.0
		2019/11/01	Taiwan Stock Exchange	Promotional seminar for effectively implementing the functions of the board of directors	3.0	
Independent Director	Hsia, Liang-Chou	2019/07/30	Taiwan Institute of Directors	Corporate governance enhanced by the internet and the big data supply chain innovations	3.0	6.0
		2019/11/01	Taiwan Stock Exchange	Promotional seminar for effectively implementing the functions of the board of directors	3.0	
Supervisors	Lee, Ching-Tyan	2019/01/25	Taiwan Institute of Directors	Economic outlook for 2019 and the material decision-making of the board of directors	3.0	6.0
		2019/04/26	Taiwan Institute of Directors	Analysis to the new version of corporate governance blueprint and the latest amendments to the Company Act	3.0	
Supervisors	Chang, Li-Hsun	2019/01/25	Taiwan Institute of Directors	Economic outlook for 2019 and the material decision-making of the board of directors	3.0	6.0
		2019/04/26	Taiwan Institute of Directors	Analysis to the new version of corporate governance blueprint and the latest amendments to the Company Act	3.0	
Supervisors	Chen, I-Tsunz	2019/07/30	Taiwan Institute of Directors	Corporate governance enhanced by the internet and the big data supply chain innovations	3.0	6.0
		2019/10/29	Taiwan Corporate Governance Association	The impacts of the Sino-US trade war to Taiwanese companies and the countermeasures	3.0	

(IV) If the Company has a Compensation Committee, the composition, responsibilities and operations of the Committee shall be disclosed:

**(1) Membership of Compensation Committee**

Status (Note 1)	Qualifications  Name	Meet one of the following professional requirements, together with at least five-year work experience			Compliance with the independence requirement (Note 2)										Number of other public offering companies with part-time membership of their Compensation Committee	Notes
		Lecturer or higher ranking position at the business, legal affairs, financial affairs or accounting department, or other departments related to operation of public and private colleges and universities	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Work experience required for business, legal affairs, financial affairs, accounting or corporate operation	1	2	3	4	5	6	7	8	9	10		
Independent Director	Huang, Pei-Wen	V	--	V	V	V	V	V	V	V	V	V	V	V	0	--
Independent Director	Yu, Chung-Ying	--	V	V	V	V	V	V	V	V	V	V	V	V	0	--
Independent Director	Hsia, Liang-Chou	V	--	V	V	V	V	V	V	V	V	V	V	V	0	--

Note 1: Provide “director, independent director or other” for the “status.”

Note 2: When any of the following conditions is met for each member during the two years prior to and during their tenure, please check “✓” in the box underneath each conditional code.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child or in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Paragraph 1 or 2, Article 27 of the Company Act (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (6) Not a director, supervisor or employee of another company where a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (7) Not a director (or governor), supervisor or employee of that other company or institution where the chairperson, general manager or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (8) Not a director, supervisor, officer or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (provided, if the certain company or institutions holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company; and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).

- (9) Not a professional individual who or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) None of the conditions indicated under Article 30 of the Company Act

## **(2) State of operations of the compensation committee**

- I. The Company's Compensation Committee has 3 members in total.
- II. Tenure of current members: From June 13, 2018 to June 12, 2021. The Compensation Committee met 3 times (A) in total throughout 2019 and up to the date this Annual Report was printed.
- Qualification and attendance of the members are as follows:

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Notes
Convener	Huang, Pei-Wen	3	-	100%	1. The Company re-elected the members of the Remuneration Committee of the 4 <sup>th</sup> term on June 13, 2018. 2. Date of meeting: (1) March 5, 2019 (The 2 <sup>nd</sup> meeting of the 4 <sup>th</sup> Term) (2) November 26, 2019 (The 3 <sup>rd</sup> meeting of the 4 <sup>th</sup> Term) (3) March 5, 2020 (The 4 <sup>th</sup> meeting of the 4 <sup>th</sup> Term)
Member	Yu, Chung-Ying	3	-	100%	
Member	Hsia, Liang-Chou	2	1	67%	

Other details to be documented:

- I. If the Board of Directors does not accept or modifies suggestions provided by the Compensation Committee, the date of the Board of Directors meeting, the session number, contents of the proposal, decisions made by the Board of Directors, and management of opinions from the Compensation Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Compensation Committee, there should be descriptions of the differences and reasons considered): The 2<sup>nd</sup> meeting of the 4<sup>th</sup> term was held on March 5, 2019 and minutes were produced and submitted to the Board of Directors of the Company on March 19, 2019 for decisions and were approved. The 3<sup>rd</sup> meeting of the 4<sup>th</sup> term was held on November 26, 2019 and minutes were produced and submitted to the Board of Directors of the Company on December 10, 2019 for decisions and were approved. The 4<sup>th</sup> meeting of the 4<sup>th</sup> term was held on March 5, 2020 and minutes were produced and submitted to the Board of Directors of the Company on March 20, 2020 for decisions and were approved. The Board of Directors has not rejected or revised proposals from the Compensation Committee.
- II. For decisions made by the Compensation Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Compensation Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described: Not applicable.

(V) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Assessed areas	Operational status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
I. Has the Company conducted the risk assessments regarding the environmental, social and corporate governance issues related to the Company's operations based on the principle of materiality and established the relevant risk management policies or strategies accordingly?	V		The CSR report prepared by the Company every year incorporate the analysis of materiality, to identify the sustainability issues concerned by the stakeholders and how the managers consider the impacts from such issues to the sustainable operation of the Company. For the identified material topics, the Company enhances their management, and discloses the relevant policies and systems in the report.	None
II. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management as authorized by the Board of Directors and reports its progress to the Board of Directors?	V		The Company has set up a managerial organization of CSR management, authorizing the executives to handle by the Board of Directors, to be responsible of the promotion of works related to CSR. From 2014, the CSR report has been issued annually. Currently the CSR reports from 2013 to 2018 are published on the Company's website and the MOPS. The 2018 CSR report has been published on October 29, 2019, upon the review of the Board of Directors.	None
III. Environmental Issues			(Refer to the Company's Corporate Social Responsibility Report – Environmental Protection)	
(I) Has the Company developed an appropriate environmental management system, given its distinctive industrial characteristics?	V		(I) The Company has established the management systems for environmental health and safety and energy. Through environmental and energy system certifications such as ISO14001, ISO50001, and ISO14064 as well as the internal and external audit at least once annually and the regular review of such managements, the performance of executions are assessed.	None
(II) Has the Company endeavored to improve the utilization efficiency of various resources and used recycled materials which have a low impact on the environment?			(II) The identification of environmental considerations based on the management systems for environmental, health and safety and energy. The material environmental considerations or energy consuming equipment based on the identification are controlled or improved. The	

Assessed areas	Operational status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
<p>(III) Has the Company evaluated the potential risks and opportunities from the climate changes to the current and future Company, and take countermeasures to the climate related issues?</p> <p>(IV) Has the Company had statistics of the greenhouse gas emission, water usage and the total weight of wastes in the past two years, as well as established the policies for energy-saving, carbon-reduction, water reduction and other waste management?</p>	V		<p>utilization efficiency of resources is counted, to set up the annual environmental, health and safety goals for pollution prevention, energy-saving, and carbon-reduction,</p> <p>(III) The Company has established the Safety and Environmental Office as the dedicate office for the environmental management, in charge of planning, promoting, and auditing the environmental management, including reviewing the climate change issues, as well as promoting the countermeasures of climate related issues, such as inventory and certification of greenhouse gas and voluntary reduction.</p> <p>(IV) The Company has set up a safe environment room to take charge of environmental management; the office is responsible for planning, promoting, and inspecting environmental management. The industrial greenhouse gas inventory checks are declared with the Bureau of Energy, the Industrial Development Bureau of the Ministry of Economic Affairs, and the Environmental Protection Administration periodically, annual 1% power-saving, and voluntary reduction of greenhouse gas, as well as the categorization of waste and in-house recycle; meanwhile, energy-saving and carbon reduction are promoted.</p>	None
<p>IV. Social issues</p> <p>(I) Has the Company developed related management policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?</p> <p>(II) Has the Company appropriately reflected the corporate business performance or achievements in the employee remuneration policy, to ensure</p>	V		<p>(I) The Company establishes its Code of Conduct and Management Rules, creates the environmental safety and health management system and defines related management methods and procedures in accordance with applicable labor laws and regulations. The training of human rights has also been conducted.</p> <p>(II) To fully take care of the employees, the employee benefit committee has been organized to provide diversified benefits and subsidies. The year-end bonuses are</p>	None

Assessed areas	Operational status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
<p>the recruitment, retention, and motivation of human resources and achieve the objective of sustainable operations?</p> <p>(III) Does the Company provide employees with a safe and healthy work environment as well as periodic safety and health education?</p> <p>(IV) Has the Company implemented an effective training program that helps employees develop skills over the course of their career?</p> <p>(V) Has the Company followed relevant laws, regulations and international guidelines when marketing or labeling their products and services and established the relevant police to protect consumers' interest and the complaint procedure?</p>	V		<p>distributed to employees based on their personal performance and the operating performance of the year, as a profit sharing.</p> <p>(III) The Company obtains measurements of the operating environment periodically (once every 6 months) by means of its safety and health system (ISO45001/CNS45001) that is implemented and certified to meet the requirements of occupational safety and health laws and regulations, conducting on-site patrol, safety observations, and submits them to the Occupational Safety and Health Committee for discussions in order to establish related improvement measures or facilitate promotion. In addition, health checkups and management are done and educational training on safety and health is provided for employees periodically as required by laws and regulations and the environmental safety and health system.</p> <p>(IV) The Company has established its own regulations governing educational training for employees and offers employees with various training channels to help empower them and help them develop their career.</p> <p>(V) The Company has passes ISO 9001, ISO 22000, FSSC 22000, and various management systems of HACCP and complied with the Act Governing Food Safety and Sanitation, together will all the regulations derived from the Act, to ensure the health and safety of our customers. In the regards of clients' privacy protection, the regulations related to the Personal Data Protection Act are complied with, and the personal data protection management committee is established to take care of all the affairs related to personal data protection. To ensure the consumers use our products correctly and their right of being informed, all the products comply with the</p>	None

Assessed areas	Operational status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
(VI) Has the Company established the supplier management policies, to require the suppliers to comply with related regulations of the environment, occupational health and safety and labor's rights and what is the status of the implementation?	V		<p>regulations of the Ministry of Health and Welfare regarding food labeling.</p> <p>(VI) The Company has established the "Guidelines of Supplier Management," to evaluate their quality, delivery, prices, environmental/health and safety regulations, and sources of materials periodically. From November 2015, the suppliers have been encouraged to sign the "CSR Clauses," stating that the corporations shall operate in the manners meeting the ethical codes, conforming to laws and general recognized standards, while considering the impacts to the society and nature environment. Since January 2017, 100% of the materials/packaging materials suppliers have signed the Clauses.</p>	None
V. Does the Company prepare the reports disclosing the Company's non-financial information, such as CSR reports, by referring the internationally recognized reporting standards or guidelines? Are the aforementioned reports assured or attested to by any third-party certifier?	V		The Company prepares the CSR reports by referring to the GRI Standards of Global Reporting Initiative, and G4 Sector Disclosures – Food Processing; the reports obtain the limited assurance reports from PwC Taiwan	None
VI. If the Company has its own CSR principles established according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the principles: There are no major differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.				
VII. Other Important Information to Help Understand Utilization of Corporate Social Responsibilities: <p>(I) The Company highly values its social responsibility and takes measures to protect the factory environment and product design environment with a sustainable management attitude. Meanwhile, it follows government laws and regulations and policies by educating its employees on honoring their responsibility as social citizen in energy-saving and carbon reduction efforts within the premises and releasing its accomplishments through the Corporate Social Responsibility Report.</p> <p>(II) In 2019, the Company proactively takes part in social public interest events and donated to 1. educational savings accounts of elementary and high schools in adjacent areas of the Company in order to help economically disadvantaged students; 2. Meal delivery activities to the seniors living alone in the communities. 3. Children's summer camp in Fo Guang Shan. 4. Building hospital building in Heng-Chuan Christian Hospital. 5. "1919 Studying with Kids" Program of Chinese Christian Relief Association 6. Sponsoring domestic children through World Vision 7. Children welfare center. 8. Yunsen Foundation in</p>				



Assessed areas	Operational status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
Yunlin County. For the public interest events above, the expenditure totaled NT\$1.145 million.				
(III) In 2019, among the American soybeans delivered to TTET Union Corporation’s plants, about 548,000 tonnes have obtained the “Certificate of Sustainability.” We urge the farmers in the US to reduce the environmental impact resulting from growing soybeans in the aspects of land utilization, water and soil loss, application of irrigation water, energy utilization and GHG.				

(VI) Deviation between Implementing Ethical Management and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons

Assessed areas	Operational status			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>I. Establishment of ethical corporate management policy and proposal</p> <p>(I) Has the Company established its ethical corporate management policies and procedures passed by the Board of Directors, as well as the commitment of its Board of Directors and executives to implementing the management policies in its rules and external documents?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis, at least covering the preventive measures to the behaviors specified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(III) Has the Company established the operational procedures, guidelines of conduct, punishment for violation, rules of complaint in the program preventing unethical conduct, implemented precisely and reviewed and/or amended the aforementioned program?</p>	V		<p>(I) The Company established the Ethical Corporate Management Best Practice Principles and the Ethical Corporate Management Operating Procedure and Behavioral Guide on October 29 and December 17, 2015 (disclosed on the Company’s website and the MOPS), respectively, which already specify the policy and practice of ethical corporate management and the commitment of the Board of Directors and the management to enforce the management policy.</p> <p>(II) Business activities with higher risk of being involved in unethical conduct have been prevented and controlled in the internal control system, employee’s manual, guidelines of management, and the Company’s operational procedure of ethical corporate management and guidelines of conducts.</p> <p>(III) Pursuant to the principles and code of conducts, the Company regulates the operational procedure of ethical corporate management, disciplinary actions to violations, and the complaint system, with precise implementation.</p>	None
<p>II. Consolidation of Ethical Corporate Management</p> <p>(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?</p>	V		<p>(I) From November 2015, material/package material suppliers encouraged to sign the “CSR Clauses” and currently 100% of them have signed the</p>	None

Assessed areas	Operational status			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>(II) Has the Company established a dedicated unit that is under the board of directors, report the ethical corporate management policies, prevention proposals for unethical behaviors, and their supervision to the implementation to the board of directors on a regular basis (at least once a year)?</p> <p>(III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?</p> <p>(IV) Has the Company established effective accounting systems and internal control systems and the internal audit unit, based on the results of assessment of the risk</p>	V		<p>Clauses. The Company purchases materials from the international grains companies with excellent reputation and major companies in Japan, whose ethical behavior has been validated for several decades to make them worth being relied upon and trustworthy. The Company has been known for its caution in choosing counterparties in order to effectively reduce risks arising from unethical behavior.</p> <p>(II) Article 17 of the Company's Ethical Corporate Management Best Practice Principles stipulates that in order to normalize ethical management, the corporate social responsibility task force is responsible for establishing and supervising the implementation of ethical management policies and prevention proposals, as well as report to the Board of Directors annually. The report date of 2019 was October 29.</p> <p>(III) The Ethical Corporate Management Best Practice Principles and the Ethical Corporate Management Operating Procedure and Behavioral Guide established by the Company already include the policy to prevent against conflicts of interest, provide appropriate channels for stating opinions, and related units of the Company are asked to precisely implement them.</p> <p>(IV) The Company has created a complete and effective accounting system and internal control system that are periodically inspected by the internal audit unit and audited by the authorized accountant.</p>	None

Assessed areas	Operational status			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>of involvement in unethical conduct, devise relevant audit plans to examine accordingly the compliance with the prevention programs or engage a certified public accountant to carry out the audit?</p> <p>(V) Does the Company hold internal and external educational trainings on operational integrity regularly?</p>	V		<p>(V) The Company declares its ethical management principles in the corporate management in various public occasions and includes related anti-corruption guidelines in the Factory Code of Conduct, Employee Handbook, Employee Honor and Discipline Guidelines and related promotional documents, in order to ensure that each of them understands applicable agreements and rules; the ethical corporate management is incorporated in the educational trainings to the newly-hires, to accordingly eradicate unethical behavior from happening.</p>	None
<p>III. Reporting System of the Company</p> <p>(I) Has the Company created substantial reporting and incentive systems and convenient reporting channels and assigned suitable dedicated personnel to investigate parties being reported?</p> <p>(II) Has the Company established any standard operating procedures or related confidentiality mechanisms for handling reported matters?</p> <p>(III) Does the Company adopt measures to protect reporters from being treated inappropriately because of their reports?</p>	V		<p>The Company has established regulations to help maintain ethical management. Employees of the Company or other stakeholders, as long as they discover that the Company's people are engaged in any illegal, fraudulent, corrupting, or other acts that are unethical, may report them through the mailbox for reporters. Besides being made known to the Company's people, related regulations and the mailbox for reporters are released on the Company's website. The regulations also specify that the identity of the reporter will be kept confidential and that the reporter will not be treated improperly because of the report; in addition, someone is designated to handle such reports. Once the reported incidence is found to be true, the Company will provide corresponding incentives reflective of the significance in a confidential manner. The reported person will be punished pursuant to the guidelines of employee management or the guidelines of contractor management</p>	None

Assessed areas	Operational status			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
IV. Reinforced Information Disclosure Has the Company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS.?	V		The Ethical Corporate Management Best Practice Principles and the Ethical Corporate Management Operating Procedure and Behavioral Guide established by the Company are already disclosed on the Company's website and the MOPS.	None
V. If the Company has its own Ethical Corporate Management Rules established according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the principles: There are no major differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.				
VI. Other important information to help understand ethical corporate management and operation: None.				

(VII) How they may be found shall be disclosed if the Company has established Corporate Governance Principles and related regulations: Please refer to the MOPS ([http://mops.twse.com.tw/mops/web/t100sb04\\_1](http://mops.twse.com.tw/mops/web/t100sb04_1)) and the Company's website (<http://www.ttet.com.tw/>).

(VIII) Other important information that is sufficient to boost knowledge of corporate governance shall be disclosed as well: Not applicable

(IX) Implementation of the Internal Control System:

1. Internal Control Statement

**TTET UNION CORPORATION**  
**Internal Control Statement**

Date: March 20, 2020

For the Company's internal control system of 2019, we would like to declare as follows according to the results of spontaneous inspections:

- I. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability, timeliness, and transparency of financial reports, and compliance with applicable laws and regulations, among other goals.
- II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism; however, built inside the internal control system of the Company that helps the Company take corrective action against deficiencies as soon as they are confirmed.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to the "Governing Regulations" for details.
- IV. The Company has adopted the abovementioned determining items and conducted inspection of the design and effectiveness of its internal control system.
- V. Pursuant to the results of the abovementioned inspections, the Company is of the view that the design and implementation of its internal control system as of December 31, 2019 (including its supervision and management of subsidiaries), including its awareness of the extent by which the operating effects and efficiency goals are fulfilled, reliability, timeliness, and transparency of reports, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring fulfillment of the above-mentioned goals.
- VI. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.
- VII. This Statement was approved at the meeting of the Company's Board of Directors on March 20, 2020 with none of the 8 directors attending the meeting expressing dissent. All agreed on the contents of this Statement.

**TTET UNION CORPORATION**

Chairman:	Chi-Hsien Lo	Signature
General Manager:	Chao-Liang Chen	Signature

2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: not applicable.

(X) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements, in the latest year and up to the date this Annual Report was printed; if the outcome of the disciplinary actions would affect the shareholders' interests or the share price materially, the description of the action, major deficiencies and improvements shall be specified: Not applicable.

(XI) Important decision reached in shareholders' meetings and made by the Board of Directors and the Compensation Committee in the latest year and up to the date this Annual Report was printed:

**1. Important decisions made in the 2019 general shareholders' meeting:**

A total of one general shareholders' meeting was held throughout 2019 and up to the date when this Annual Report was printed. The 2019 general shareholders' meeting of the Company took place on June 11, 2019. Matters approved in the meeting are summarized as follows:

(1) The 2018 Business Report and Financial Statement were acknowledged.

(2) Distribution of 2018 earnings was acknowledged:

Earnings of the Company from 2018 that can be distributed totaled NT\$1,027,918,429 and cash dividends in the value of NT\$5 per share were issued.

(3) The amendments to the Company's Articles of Incorporation were approved.

(4) The amendments to the Company's "Procedures for the Acquisition or Disposal of Assets" were approved.

(5) Passage for the relieving the restrictions of non-competition for the directors.

**2. Implementation of decisions reached in the 2019 general shareholders' meeting:**

(1) The 2018 Business Report and Financial Statement of the Company were acknowledged:

Related books have been filed with the competent authority for reference and declared through announcement in accordance with applicable laws and regulations such as the Company Act.

(2) The proposal for distribution of earnings from 2018 of the Company was acknowledged: The cash dividends in the value of NT\$5 per share were already distributed on July 31, 2018.

(3) The Amendments to the Company's Articles of Incorporation was approved and registration of changes was approved by the Ministry of Economic Affairs on July 15, 2019.

**3. Important decisions reached by the Board of Directors throughout 2019 and up to the date this Annual Report was printed:**

Throughout 2019 and up to the date this Annual Report was printed, the Company held a total of seven Board of Directors' meetings and decisions made in the meeting are summarized as follows:

**The 6<sup>th</sup> meeting of the 14<sup>th</sup> term of Board of Directors (March 19, 2019)**

(1) Employee remunerations and distribution of remunerations for directors and supervisors for 2018 were approved.

(2) The Company's 2018 Business Report was approved.

(3) The Company's 2018 Financial Statement was approved.

(4) Distribution of the Company's 2018 earnings was approved.

(5) The amendments to the Company's Articles of Incorporation were approved.

(6) The amendment to the Company's "Procedures for the Acquisition or Disposal of Assets" were approved.

(7) The relief for the non-competition restriction for the directors during their terms was approved

(8) The date of the Company's 2019 general shareholders' meeting was approved.

(9) The operation of accepting proposals from the shareholders to the 2019 AGM was approved. The

proposals from the shareholders to the 2019 AGM would be accepted from April 3 to April 15, 2018.

(10) The review of the self-assessment results for the internal control system of 2018 were approved.

(11) The delegation of and rewards for 2019 accountants were approved.

(12) The 2019 independence and suitability assessment of accountants was approved.

(13) The Company's extension of the contract for financing through a bank was approved.

Opinions from independent directors: None.

Handling of opinions from independent directors by the Company: None.

Final decision: All directors attending the meeting approved them unanimously.

**The 7<sup>th</sup> meeting of the 14<sup>th</sup> term of Board of Directors (April 24, 2019)**

(1) The Consolidated Financial Report of the 2019 Q1 was approved.

Opinions from independent directors: None.

Handling of opinions from independent directors by the Company: None.

Final decision: All directors attending the meeting approved them unanimously.

**The 8<sup>th</sup> meeting of the 14<sup>th</sup> term of Board of Directors (June 11, 2019)**

(1) The base date and issuance date of cash dividends for 2018 were approved.

(2) Passed the establishment of the "Standard Operational Procedures to Handle Directors' Requests."

Opinions from independent directors: None.

Handling of opinions from independent directors by the Company: None.

Final decision: All directors attending the meeting approved them unanimously.

**The 9<sup>th</sup> meeting of the 14<sup>th</sup> term of Board of Directors (July 30, 2019)**

(1) The Consolidated Financial Report of the 2019 Q2 was approved.

(2) The proposal for organizational adjustment and manager promotions was approved

(3) The Company's 2018 Corporate Social Responsibility Report was approved.

Opinions from independent directors: None.

Handling of opinions from independent directors by the Company: None.

Final decision: All directors attending the meeting approved them unanimously.

**The 10<sup>th</sup> meeting of the 14<sup>th</sup> term of Board of Directors (October 29, 2019)**

(1) The Consolidated Financial Report of the 2019 Q3 was approved.

Opinions from independent directors: None.

Handling of opinions from independent directors by the Company: None.

Final decision: All directors attending the meeting approved them unanimously.

**The 11<sup>th</sup> meeting of the 14<sup>th</sup> term of Board of Directors (December 10, 2019)**

(1) The Company's 2020 Operating Plan was approved.

(2) The Company's 2020 Audit Plan was approved.

(3) The proposal amending the "Sales and Payables Handling Cycle" and the "Detailed Principles of Implementing the Internal Audit to Sales and Payables Handling Cycle" under the internal control system was passed.

(4) The filing for reference of decisions made in the 3<sup>rd</sup> meeting of the 4<sup>th</sup> term of the Company's Remuneration Committee was approved.

Opinions from independent directors: None.

Handling of opinions from independent directors by the Company: None.

Final decision: All directors attending the meeting approved them unanimously.

**The 12<sup>th</sup> meeting of the 14<sup>th</sup> term of Board of Directors (March 20, 2020)**

(1) Employee remunerations and distribution of remunerations for directors and supervisors for 2019 were approved.

(2) The Company's 2019 Business Report was approved.

(3) The Company's 2019 Financial Statement was approved.

(4) Distribution of the Company's 2019 earnings was approved.

(5) Proposal amending the "Operating Procedures for Loaning Funds to Others" was approved.

(6) Proposal amending the "Regulations of Endorsements or Guarantees for Others" was passed.

(7) Proposal amending the "Rules and Procedures for Shareholders' Meetings" was passed.

(8) Proposal to rename the "Rules Governing Election of Directors and Supervisors" to "Rules Governing Election of Directors" was approved.



- (9) The relief for the non-competition restrictions for the directors during their terms was approved.
  - (10) The date of the Company's 2020 general shareholders' meeting was approved.
  - (11) The operations of accepting proposals from the shareholders to the 2020 AGM were approved.  
The proposals from the shareholders to the 2020 AGM would be accepted from April 3 to April 13, 2020.
  - (12) The review of the self-assessment results for the internal control system of 2019 were approved.
  - (13) The delegation of and rewards for 2020 accountants were approved.
  - (14) The 2020 independence and suitability assessment of accountants was approved.
  - (15) Proposal to establish the "Guidelines for Performance Evaluation of Board of Directors" was approved.
  - (16) Proposal of amending the "Procedure to Prepare Financial Statement" was approved.
  - (17) Proposal of amending the "Detailed Principles of Implementing the Internal Audit to Procedure to Prepare Financial Statement" was approved.
  - (18) The Company's extension of the contract for financing through a bank was approved.
- Opinions from independent directors: None.  
Handling of opinions from independent directors by the Company: None.  
Final decision: All directors attending the meeting approved them unanimously.

#### **4. Important decisions reached by the Compensation Committee throughout 2019 and up to the date this Annual Report was printed:**

Throughout 2019 and up to the date this Annual Report was printed, the Company held three Compensation Committee's meetings in total and decisions made in the meeting are summarized as follows:

##### **The 2<sup>nd</sup> meeting of the 4<sup>th</sup> term of Remuneration Committee (March 5, 2019)**

The Employee remunerations and distribution of remunerations for directors and supervisors for 2018 were approved.

Resolution: unanimously approved by all attending members after consulted by the chair.

##### **The 3<sup>rd</sup> meeting of the 4<sup>th</sup> term of Remuneration Committee (November 26, 2019)**

- (1) The discussion regarding whether or not the policies, systems, standards, and structures for appraising the performance of the Company's directors, supervisors and managers, as well as their remunerations are reasonable was approved.

Resolution: The distributed remunerations to the directors and supervisors are based on the stipulations in the Articles of Incorporation; the percentage and the fixed remuneration shall be resolved by the Board of Directors. The remunerations of managers are linked to the Company's and their personal performance. The related policies, systems, standards and structures are deemed reasonable.

- (2) The discussion regarding the status of receptions for the remunerations to the directors, supervisors, general manager and assistant general managers and whether or not these remunerations are reasonable compared to the food industry for 2018 peers was approved.

Resolution: compared to other food industry peers, the remunerations received by the directors, supervisors, general manager and assistant general managers of TTET Union Corporation were appropriate.

##### **The 4<sup>th</sup> meeting of the 4<sup>th</sup> term of Remuneration Committee (March 5, 2020)**

The Employee remunerations and distribution of remunerations for directors and supervisors for 2019 were approved.

Resolution: unanimously approved by all attending members after consulted by the chair.

- (XII) Main contents of different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors in the latest year and up to the date this Annual Report was printed: Not applicable.

- (XIII) Summary of resignations and dismissals of the Company's chairman, general manager, accounting head, financial head, internal audit head, corporate governance head, and R&D head in the latest year and up to the date this Annual Report was printed: Not applicable.

## IV. Information on CPA Professional Fees

CPA public expenditure information bracket table

Unit: NT\$1,000

Entry of public expenditure Value bracket		Audit public expenditure	Non-audit public expenditure	Total
1	Below NT\$2,000 thousand			
2	Between NT\$2,000 thousand (inclusive) and NT\$4,000 thousand	NT\$2,510 thousand	NT\$1,485 thousand	NT\$3,995 thousand
3	Between NT\$4,000 thousand (inclusive) and NT\$6,000 thousand			
4	Between NT\$6,000 thousand (inclusive) and NT\$8,000 thousand			
5	Between NT\$8,000 thousand (inclusive) and NT\$10,000 thousand			
6	More than NT\$10,000 thousand (inclusive)			

- (I) When the non-audit public expenditure paid to CPAs and their firms and their associated enterprises accounts for one-fourth of that of audit expenditure or more, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed:

Name of accounting firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					Accountant Audit Period	Notes
			System design	Business registration	Human resources	Others (Note)	Subtotal		
PwC Taiwan	LIN,TZU-YU LIN,YUNG-CHIH	NT\$2,510 thousand	—	NT\$10 thousand	—	NT\$1,475 thousand	NT\$1,485 thousand	Throughout 2019	Notes

Note: Mainly includes the public expenditure on transfer pricing report service, English Financial Report translation service and CSR audit validation, etc.

- (II) The accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year: not applicable
- (III) The audit public expenditure is reduced by more than 15% from the preceding year: not applicable

## V. Information on Replacement of Certified Public Accountant: Not applicable.

## VI. Chairman, General Manager, and managers in charge of financial or accounting affairs of the Company that held a post in the firm that the CPA is affiliated with or its associated enterprise: Not applicable.

## VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer or Shareholder with a Stake of more than 10%: Not applicable.

## VIII. Relationship Information among the Company's 10 Largest shareholders:

April 11, 2020

Name (Note 1)	Oneself		Shares held by spouses and/or children of minor age		Total shares including those held in someone else's name		The title or name and relationship among shareholders in the Top 10 shareholding list who are related, spouse to each other or relatives within the second degree of kinship (Note 3)		Notes
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Uni-President Enterprises Corporation	61,594,201	38.50%	--	--	--	--	Lo, Chih-Hsien	Company chairman	
							Kai Yu Investment Co., Ltd.	Subsidiary	
Representative: Lo, Chih-Hsien	--	--	--	--	--	--	Uni-President Enterprises Corporation	Company chairman	
Tai Hwa Oil Industrial Co., Ltd.	31,186,706	19.49%	--	--	--	--	Chen, Yi-Tu	Company chairman	
Representative: Chen, Yi-Tu	192,000	0.12%	151,000	0.09%	--	--	Tai Hwa Oil Industrial Co., Ltd.	Company chairman	
Great Wall Enterprise Co., Ltd.;	15,416,960	9.64%	--	--	--	--	Han, Chia-Yu	Company chairman	
							Huan He Investment Co., Ltd.	Subsidiary	
Representative: Han, Chia-Yu	--	--	--	--	--	--	Great Wall Enterprise Co., Ltd.;	Company chairman	
							Huan He Investment Co., Ltd.	Company chairman	
Kai Yu Investment Co., Ltd.	12,225,730	7.64%	--	--	--	--	Chen, Kuo-Hui	Company chairman	
							Uni-President Enterprises Corporation	Parent company	
Representative: Chen, Kuo-Hui	--	--	--	--	--	--	Uni-President Enterprises Corporation	CFO of the Company	
							Kai Yu Investment Co., Ltd.	Company chairman	
Huan He Investment Co., Ltd.	2,457,997	1.54%	--	--	--	--	Han, Chia-Yu	Company chairman	
							Great Wall Enterprise Co., Ltd.;	Parent company	
Representative: Han, Chia-Yu	--	--	--	--	--	--	Great Wall Enterprise Co., Ltd.;	Company chairman	
							Huan He Investment Co., Ltd.	Company chairman	
Yi-Jen Chen	575,000	0.36%	--	--	--	--	Ling-Yin Chen	Sister and Brother	
Ling-Yin Chen	502,560	0.31%	--	--	--	--	Yi-Jen Chen	Sister and Brother	
South China Insurance Co., Ltd.	458,000	0.29%	--	--	--	--	--	--	
Huang, Yi-Sheng	410,054	0.26%	--	--	--	--	--	--	
Zhou, Gen-Yu	390,460	0.24%	--	--	--	--	--	--	

Note 1: All the Top 10 shareholders shall be listed. For institutional shareholders, the names of the institutional shareholder and its representative shall be listed separately.

Note 2: The shareholding ratio is calculated separately for the shares in one's own name, the spouse's name, a minor child's name or in someone else's name.

Note 3: Shareholders indicated in the foregoing include legal entities and natural persons. Their correlation shall be disclosed in accordance with the requirements of the Financial Report Compilation Guidelines.

**IX. Shares Held by the Company, Directors, Supervisors, Managers of the Company, and Businesses Controlled Directly or Indirectly by the Company of Same Reinvestment Business and Consolidated Calculation of Comprehensive Shareholding Ratio:**

December 31, 2019

Re-invested Business (Note 1)	The Company's investments		Investments of directors, supervisors, managers and directly or indirectly controlled businesses		Comprehensive investments	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Master Channels Corporation	12,040 thousand shares	80.27%	0	0	12,040 thousand shares	80.27%

Note 1: Investments made by the Company applying the Equity Method.

# III. Fundraising

## I. Capital and Shares

### (I) Source of capital share

Unit: NT\$/share

Year /Month	Issuing price	Approved capital share		Paid-in capital share		Notes		
		Number of shares	Amount	Number of shares	Amount	Source of capital share	Share value written off by assets other than cash	Others (approval document number)
1998.9.16	10	177,800,000	1,778,000,000	139,740,491	1,397,404,910	Earnings turned capital increase 127,037 thousand	None	1998.7.13(88) Tai-Cai-Zheng (I) No. 59596 Letter
1999.9.16	10	177,800,000	1,778,000,000	150,919,731	1,509,197,310	Earnings turned capital increase 111,792 thousand	None	1999.7.9(88) Tai-Cai-Zheng (I) No. 63143 Letter
2002.8.27	10	177,800,000	1,778,000,000	159,974,915	1,599,749,150	Earnings turned capital increase 90,552 thousand	None	2002.7.2 Tai-Cai-Zheng (I) No. 0910135914 Letter

Type of shares	Approved capital share			Remark
	Circulating shares	Shares yet to be issued	Total	
Common stock	159,974,915	17,825,085	177,800,000	Shares of listed companies

### (II) Shareholder structure

April 11, 2020

Shareholder structure Quantity	Government agency	Financial institution	Other institutional entities	Individual	Foreign institution and foreigner	Total
Number of holders	0	0	65	12,225	78	12,368
Number of shares held	0	0	124,479,717	33,295,530	2,199,668	159,974,915
Shareholding ratio	0	0	77.81%	20.81%	1.38%	100%

### (III) Diversification of share options

Unit: thousand shares at denomination of NT\$10 per share  
April 11, 2020

Class of shareholding	Number of	Number of shares held	Shareholdings ratio
1 to 999	5,192	558,622	0.35
1,000 to 5,000	6,030	11,187,615	6.99
5,001 to 10,000	597	4,636,471	2.90
10,001 to 15,000	191	2,451,610	1.53
15,001 to 20,000	102	1,861,823	1.16
20,001 to 30,000	94	2,365,583	1.48
30,001 to 40,000	42	1,474,071	0.92
40,001 to 50,000	27	1,246,962	0.78
50,001 to 100,000	56	3,971,403	2.48
100,001 to 200,000	18	2,318,810	1.45
200,001 to 400,000	10	3,074,737	1.92
400,001 to 600,000	4	1,945,614	1.22
600,001 to 800,000	0	0	0.0
800,001 to 1,000,000	0	0	0.0
More than 1,000,001	5	122,881,594	76.81
Total	12,368	159,974,915	100

### (IV) List of major shareholders (Top ten shareholders with the most equities)

April 11, 2020

Share Name of major shareholder	Number of shares held	Shareholding ratio
Uni-President Enterprises Corp.	61,594,201	38.50%
Tai Hwa Oil Industrial Co., Ltd.	31,186,706	19.49%
Great Wall Enterprise Co., Ltd.	15,416,960	9.64%
Kai Yo Investment Co., Ltd.	12,225,730	7.64%
Yellow River Investment Co., Ltd.	2,457,997	1.54%
Yi-Jen Chen	575,000	0.36%
Ling-Yin Chen	502,560	0.31%
South China Insurance Co., Ltd.	458,000	0.29%
Huang, Yi-Shen	410,054	0.26%
Zhou, Gen-Yu	390,460	0.24%

(V) Market price per share, net value, earnings, dividends and related information for the past two years:

Unit: NT\$

Year		2018	2019	Current year up to April 20, 2020 (Note 5)
Title				
Per share Market price	Highest	102	132.5	124.5
	Lowest	89.90	97.70	92.80
	Average	95	116.80	110.45
Net value per share	Before distribution	24.26	25.38	27.53
	After distribution	19.26	Note 1	Note 1
Earnings per share	Weighted average number of shares (thousand shares)	159,975	159,975	159,975
	Earnings per share	5.67	6.09	1.66
Dividends per share	Cash	5.0	Note 1	Note 1
	Free placement	Surplus placement		-
		Capital reserve placement		-
	Accumulated unpaid dividends		-	-
Analysis of investment returns	Price-Earnings Ratio (Note 2)	16.75	18.86	-
	Price-Earnings Ratio (Note 3)	19.00	Note 1	Note 1
	Cash dividends yield (Note 4)	5.26	Note 1	Note 1

Note 1: The proposal for distribution of 2019 earnings of the Company is yet to be approved through the shareholders' meeting. The cash dividends to be distributed per share are to be finalized through the shareholders' meeting.

Note 2: Price-earnings ratio = Average closing price per share for the year/earnings per share.

Note 3: Price to dividends ratio = Average closing price per share for the year/cash dividends per share.

Note 4: Cash dividends yield = cash dividends per share/average closing price per share for the year

Note 5: For the net value per share and earnings per share, data inspected (reviewed) by CPAs from the latest quarter up to the date this Annual Report was printed shall be provided; for the other columns, data of the immediate year up to the date this Annual Report was printed shall be provided.

(VI) Dividends Policy and Implementation Status:

1. Dividends policy:

In the event that the annual audit renders earnings, the Company shall pay the business income tax according to law and cover losses from previous years and set aside 10% to be the legal reserve in case of surplus. In addition, after the special reserve is set aside or reversed as required by law, it becomes the disposable value for the current term, which, plus the undistributed earnings from the previous year, becomes the total distributable earnings. The Board of Directors is to stipulate the earnings distribution proposal reflective of future operational or re-investment needs and bring it forth in the shareholders' meeting for acknowledgement prior to distribution. Shareholders' bonus, shall account for 50% to 100% of the total earnings available for distribution. The industry the Company is in is changing; it is at the steady growth phase of its life cycle. The dividends policy takes into account budget expenditure from the Company's capital in the future and the demand for capital in the future and weighs the necessity of supporting the capital demand with earnings. Cash dividends are prioritized. For the others, stock dividends are assigned. The ratio of stock dividends is limited at 50% of all dividends assigned for the year.

2. Distribution of dividends as stipulated in the current shareholders' meeting:

In the distribution of earnings for 2019 of the Company, intended distribution of cash dividends totaling NT\$799,874,575 and NT\$5 per share was approved by the Board of Directors on March 20, 2020 in accordance with the Company Act and the Company's Articles of Incorporation. The distribution is to be carried out following acknowledgement through the



current shareholders' meeting.

(VII) Impacts of free placement intended through the current shareholders meeting on the Company's operating performance and earnings per share:

The Company did not announce its 2019 financial forecast and did not have free placement and hence this does not apply.

(VIII) Remunerations to employees, directors and supervisors:

1. Percentages or ranges of remunerations for employees, directors, and supervisors under the Articles of Incorporation:

The Company's Articles of Incorporation specify that in cases of profits for the year, the Company shall set aside no less than 2% to be the remunerations for employees and no more than 2% to be those for board directors and supervisors. If there are accumulated losses, however, the value to make up for the losses should be set aside first.

Profits for the year indicated in the preceding paragraph refer to the interest before employee remunerations and remunerations for directors and supervisors are subtracted from the before-tax interest of the year. Employee remunerations may be distributed to also employees of subordinate companies meeting certain criteria.

2. (1) 2019 values of remunerations for employees and directors and supervisors approved to be distributed after having been reviewed by the Board of Directors:

Remunerations for employees ----- NT\$24,753,665.

Remunerations for directors and supervisors ----- NT\$18,565,249.

(2) Difference in the values of remunerations for employees and directors and supervisors to be distributed as stipulated by the Board of Directors from the estimated values recognized for the year, the reasons and management:

A. When the Company can make reasonable estimates of the values under its legal obligations or extrapolation obligations, fees and liabilities are recognized and costs of the remunerations for employees and directors and supervisors that are recognized are NT\$24,756,000 and NT\$18,566,000, respectively. The values of remunerations for employees and directors and supervisors to be distributed as reviewed and approved by the Board of Directors were NT\$24,753,665 and NT\$ 18,565,249. The values distributed were short by NT\$2,335 and NT\$ 751 compared to their book estimates.

B. As required by the FSC Review Jin-Guan-Zheng-Shen-Zi No. 1050001900 letter dated January 30, 2016 from the Financial Supervisory Commission, in cases of differences from recognized remunerations for employees and for directors and supervisors, the differences and the reasons and their management shall also be specified. When the value of alterations reaches the criteria specified under Article 6 of the Securities and Exchange Act Enforcement Rules for re-preparing the financial report (with a value of NT\$10 million and above and reaching 1% of the net business income or 5% of the paid-in capital and above in the original audit), the financial report shall be re-prepared. If the value of alterations does not reach the criteria for re-preparing the financial report, it may be handled as estimated accounting changes and be listed as gains and losses for the following year and does not affect the originally acknowledged financial report.

C. The difference between the remunerations for employees and for directors and supervisors as determined by the Board of Directors for 2019 in the value of

NT\$43,318,914 and those recognized in the 2019 financial report in the value of NT\$43,322,000 is NT\$3,086, which is mainly the result of estimated calculation difference and will be listed in the 2020 gains and losses.

3. Actual remunerations for employees and for directors and supervisors distributed with 2018 earnings:

	Actual values to be distributed as determined through the shareholders' meeting and through the Board of Directors
Remunerations for employees:	\$23,039,747
Remunerations for directors and supervisors:	\$17,279,810

The actual values distributed as determined through the 2019 general shareholders' meeting were short by NT\$30,253 and NT\$ 20,190 compared to the book estimates from 2018 (the costs of remunerations for employees and for directors and supervisors recognized in 2018 were NT\$23,070,000 and NT\$17,300,000, respectively). The difference was already recognized as the gains and losses for the year upon actual distribution in 2019.

(IX) Shares repurchased by the Company: None.

## **II. Information on the Company's Issuance of Corporate Bonds: None.**

## **III. Performance in preferred shares, offshore deposit receipt certificates (DRC), employee stock option certificates, new shares with restriction upon employees from subscription, merger (including merger, acquisition and de-merger) or inward transfer of new shares issued by other companies: None.**

## **IV. States of Implementation of capital Allocation Plans:**

### **(I) Contents of the plan:**

As of March 31, 2020, the outstanding and uncompleted issuances or privately placed securities or such acts having been completed over the past three (3) years but with benefits not yet surfaced: such fact is nonexistent in the Company.

### **(II) Facts in implementation:**

The actual performance in comparison with the benefits of the original plans on the purposes in various plans, item-by-item analyses on the preceding Paragraph as of March 31, 2020: such fact is nonexistent in the Company.

# Four. Overview of Operations

## I. Business Content

### (I) Business Scope of the Group:

1. Manufacturing, processing, sales and import and export business for various vegetable greases.
2. Manufacturing/processing and sales business for bean flour (soybean slice), featured soybean, beverage (including packaged drinking water and mineral water), flour, noodles, wheaten food product, formula feed, complementary feed, corn flour and their by-products.
3. Import, processing, sales business for amylum, avena sativa, oatmeal, fructose, red bean, mung bean, rice, corn, soya, barley and wheat.
4. Distribution, quotation and bid business for agency of products mentioned above of domestic and foreign vendors.
5. Warehousing business for grains and businesses related to the items mentioned above.
6. Business of operating co-generation plant.
7. Manufacturing and wholesale for dairy products, flavoring material, feed, sugars; wholesale for vegetables and fruits, animal products, aquatic products, flavoring material, edible oil, frozen and pickled foods etc.
8. Wholesale and retail for daily foods.

### Operating proportions of the Group:

2019, Expressed in thousands of New Taiwan Dollars

Major business content	Operating amount	Operating proportion
Soybean powder	7,031, 931	41.00%
Refined soy bean oil	2,413,941	14.08%
Processing income	441,246	2.57%
Other and merchandise sales revenues	7,262,990	42.35%
Total	17,150,108	100%

New businesses under planning and development: Channel related products for food & beverage business.

### (II) Overview of Industry of the Group:

Soya processing is an important food industry, for which soya is the major production raw material, of which 100 % relies on imports mainly from USA and Brazil. The major products from soya through oil extraction processing are soya flour and soya oil. Soya flour is mainly used by feed related industries to satisfy feed formula by providing soya protein. Current customers include feed mills, fermented soy powder plants, feed OEM, distributors and livestock/aquaculture dealers etc. Soya oil (commonly referred to as soybean oil) is the most widely used vegetable oil. Its customers include food and beverage channels, food processing, chemical engineering and small-size packaged oil product channels.

The cost of raw materials is more than 90% of that of the manufacture cost of the Company, so that adequacy of raw material procurement and foreign exchange trading

dominates change of processing profit and loss significantly. Cost of raw materials changes mainly according to freight cost of bulk ship or container ship, exchange rate of NT\$/US\$ and price change in the U.S. futures market.

Currently, there are three major soya-processing vendors in Taiwan, wherein the Company owns the largest capacity, which is more than 50% of the total capacity in the market. Moreover, Master Channels Corporation, a subsidiary company of the Company, which belongs to food service for business industry, provides convenient one stop shop service with respect to foods for food and beverage dealers.

### (III) Overview of Technology and R&D:

1. R&D level: it includes FT-NIR (Fourier-near infrared ray spectroscope), GC (gas chromatography), and Diode Array-NIR (grain analysis instrument) R&D equipment.
2. R&D products and items: new products have been promoted in these 5 years, including “none-gene modified selected bean,” “none-gene modified canola oil,” “whole-fat soy powder,” and “sunflower oil,” among other things.
3. Education and experiences of staff: there are total 6 R&D staffs graduated from food, chemical engineering and chemical-related departments of colleges/universities.
4. From 2014 to 2018 the expense for updating “GC,” “oil colorimeter” and “spectrophotometer,” and procuring “grain analyzer” and other small equipment is about NT\$3 million.
5. Annual R&D investment expenditure in the most five recent years:

Unit: NT\$1,000

Year	2015	2016	2017	2018	2019
Total expenditure	4,285	6,586	7,996	7,965	7,297

### (IV) Planning of long/short-term business development:

Short-term plans:

1. Continuous expansion of existing niche-based product sales to improve scale competitiveness.
2. Continuous enhancement of quality control for raw materials and finished products to enhance food safety competitiveness.
3. Continuous increase of performance for raw material and foreign exchange procurement to enhance cost competitiveness.
4. Continuous enhancement of customer intimacy by listening to customers for fulfillment of customer need.

Long-term plans:

1. Continuous development of new products and new channels to fulfill customer need in conjunction with business growth.
2. Enhancement of soya oil export to neighbored Asian countries.
3. Enhancement of overseas training of staffs to improve international competitiveness in response to global challenge.
4. Evaluation of oil plant investment in major economically growing regions in Asia.

## II. Analysis of the Market and Production and Marketing Situation:

### (I) Market analysis

1. Sales of major merchandise regions and market share;

The raw materials of the Company is soybean, which is imported from USA and South America. Soybean powder is mainly sold to customers in Yunlin, Chiayi, Nantou, Kaohsiung and Pingtung areas. Soybean oil is sold to customers all over Taiwan. Major products of the Company include common bean flour, whole-fat soybean meal, high protein soybean slice, soybean lecithin, featured soybean, soybean oil, oil for frying, easy palm oil and canola oil, sunflower oil and etc., the major products have the highest market

share in Taiwan.

2. Possible supply and demand situation of the market in the future:

Although some emergent oil products, such as sunflower oil, olive oil, canola oil etc. have entered household vegetable oil market, soy oil (soybean oil) is still the major product in the market for business channel because of low price and good quality. The small-size packaged products (2.0/2.6/3.0 liters) are gradually hitting shelves in wholesale channels with continuing growth in sales. In addition, the Company also engages in selling bulk canola oil and sunflower oil for small-size packaged oil dealers in household market. Therefore, the Company also benefits from market growth even though the oil product is not sold on household channels directly. With good production technology and equipment, the Company can differentiate quality, and meet customer need, which are considerable niche for the Company.

With respect to bean flour, domestic livestock/aquaculture industries appear stable on demand side although there is competition of imported meat products in recent years. In addition to the advantage of differentiation and quality, as well as the advantage of one-station procurement of multi-products, the Company's soybean powder products have the strength in low-cost resulting from a large-scale production. Therefore, we are confident of facing challenges in the future although competition is getting fierce in the industry. We also concern the impacts of African Swine Fever to the husbandry business. Currently there is no domestic outbreak, but we will continue to monitor the development and impacts of the outbreak.

3. Advantages and disadvantages for development of the Company:

Advantages:

(1) Higher barrier to enter the industry:

Soya processing industry belongs to capital-intensive industry, so that competitiveness will not be comparable to existing dealers if large oil extraction plants are to be built because of large investment amount and difficult creation of marketing channels. The Company has relatively low manufacturing cost with soya processing equipment capable of 4,700 tons of daily capacity. Thus, the Company is advantageous of scale economy with large soybean processing plants in view of future development.

(2) Market demand is stable because our products are all livelihood necessities:

Soybean oil shares about 65% of overall edible grease, which is the edible oil product with the broadest application in Taiwan. With the increase of people who dine out and the increase in food processing volumes, the demand for soya oil for business is expected to grow steadily every year. Soybean powder has rich soya protein, which is a major protein source for feeds. Soya protein has both low price and good quality, has higher competitiveness over fishmeal, bone and meat meal etc., and has a steady demand.

(3) Stable supplies to satisfy the upper, middle and downstream clients' needs:

The market share is our goal and responsibility. Stabilizing the consumption demands of customers from the upper, mid-, and downstream of the supplying industries, is not only our goal but also a social responsibility. It is our sole responsibility to ensure a safe and stable supply, to comfort the customers of the mid- and downstream

(4) With excellent geographic locations, oil extraction plants and essential oil plants are capable of competitiveness:

The Company is located at the center of a region with developed livestock industry, transportation of soybean powder southward and northward are both convenient, so that the Company has an advantageous geographic location. In addition, the capacity of soybean oil extraction plants of the Company is more than half of the total capacity of Taiwan, so that the Company has the advantage of absolute economies of scale. Further, we have sufficient capability to compete with domestic and foreign competitors because of lower processing costs.

- (5) All edible oil products pass examination of food safety events:  
Safety events of edible oils disclosed from October 2013 and September 2014 resulted in a loss of confidence of citizens in Taiwan when using oils. To restore the confidence of the citizens, health authorities of the government examine all edible oil dealers in Taiwan in the shortest of terms. The Company was approved after a series of checks that all products are compliant with regulations without food safety issues. Because of such event, Master Channels and Uncle Charlie's, which are the two edible oil brands of the Company, are better trusted by customers, so that sales amounts have increased considerably.
- (6) Stable OEM business for soy beans:  
The Company not only expands market shares of its own products actively, but also develops soybean OEM business. With excellent production technology and low processing cost, the Company is currently trusted by Uni-President Enterprises Corporation, Great Wall, Tai Hwa etc. for processing and production.
- (7) Stable export sale business:  
Because of higher manufacturing cost and management and marketing expenditure, the price of soybean oil of Japan is much higher than that of Taiwan. Thereby, the 18-liter barrel soybean oil of the Company has been the number one brand without threat and is exported to the Tokyo, Osaka and Hokkaido regions of Japan. Bulk soybean oil of the Company is also exported in the form of liquid bag in bulk or container manner and has stable volume.
- (8) Pork exports may recover once the constraints of foot-and-mouth disease in the region is eased:  
Easing the constraints on pork export could encourage domestic livestock industry, and thus increase demand of soybean powder.

Disadvantages and corresponding counter measures:

- (1) After Taiwan entered WTO, imports of livestock products, such as pork and chicken meat, were opened and impact on overall demand for domestic livestock industry cannot be obviated to some extent. The Trans-Pacific Partnership has been suspended by USA, however, American pork import pressure was not reduced and the threat on imported meat remains. However, we believe that both flavor and freshness of imported meat products cannot be comparable to domestic products, so that their impact on the domestic livestock industry and thus soybean powder (raw materials of feed) with respect to demand should be limited. Nevertheless, the Company still improves quality, reduces cost and enhances competitiveness actively in order to keep its existing competitive advantages.
- (2) All raw materials of the Company come from abroad, so their costs change drastically with the prices of origin and fluctuation of exchange rate inherently. In the past years, the Company has had good response to fluctuations of prices for raw materials and exchange rates in general, especially during the Sino-US trade disputes. Team members in charge of procurement have rich real experience in response to fluctuations of prices of international grains and exchange rates, so the risks of raw materials procurement and exchange rate change can be reduced effectively.
- (3) The threat from avian influenza influences meat demand irregularly, so sales volumes of feed and soybean powder are influenced accordingly. In response to such situation, the Company adjusts procurement and arrival volumes of raw materials to avoid over supply situation.

4. Other factors

- (1) The Sino-US trading: the issue of the Sino-US trading drives the global economics, as well as the movement of the price of raw materials of soybeans. Clearly and precisely get the point of procuring is the task that the Company shall never fail.
- (2) African swine fever: attention is paid to the developments of the outbreak in China. The Government has been implementing rigorous boundary control and it is supposed to effectively quarantine the spreading of African swine fever.

- (3) For the COVID-19 outbreak, the Company will continue closely monitoring the impacts to the supply.

**(II) Important usage and production processes of major products:**

The Company is the largest supply for both soybean powder and soybean oil, which are major products of the Company now. Soybean powder is the main origin of vegetable protein and the main raw materials for feed formula, while soybean oil is used in cooking foods. Both are livelihood necessities. The main raw materials of soybean powder and soybean oil is soybean. During production, a solvent is used to extract crude soybean oil from soybeans, followed by de-acidification, de-coloration, deodorization processes to refine crude oil to become edible soybean oil. After soya oil is extracted from the soybean, the remaining portion is subjected to processing and becomes soybean powder.

**(III) Supply condition of major raw materials:**

Raw materials of soybean of the Company come from abroad completely. The main supply countries are USA and Brazil. All goods are supplied by international famous grain suppliers. The price of soybean fluctuates with the listed price of soybean at the Chicago Board of Trade. In order to handle price information, the Company and suppliers keep long-term close and good interaction.

(IV) List of major customers for purchase/sales in the most recent two years:

1. Major supplier data in the most recent two years

Unit: NT\$1,000

	2018				2019				As of March 31, 2020			
Title	Name	Amount	Proportion in annual net purchase amount [%]	Relationship with issuer	Name	Amount	Proportion in annual net purchase amount [%]	Relationship with issuer	Name	Amount	Net purchase amount proportion till the previous quarter in the corresponding year [%]	Relationship with issuer
1	NISSHIN	1,799,476	13	Note 1	BUNGE	1,851,944	13	Note 1	BUNGE	437,575	12	Note 1
2												
3												
4												
	Net purchase amount	13,930,778			Net purchase amount	14,372,955			Net purchase amount	3,782,121		

Note 1: General supply vendors.

Reason of increase/decrease: an open bidding is adopted by the Company in response to free market for procurement.

2. Sales customer with total sales amount above 10% in the most recent two years as of March 31, 2020: No such situation in the Group.



(V) Production and sales volume table for the most recent two years:

1. Production volume in the most recent two years

Unit: tons/NT\$1,000

Major merchandise \ Year	2018			2019		
	Capacity	Throughput	Output value	Capacity	Throughput	Output value
Grease product	1,830,000	598,432	8,809,186	1,830,000	649,160	9,180,866
Others	-	-	1,331,470	-	-	1,330,357
Total	-	-	10,140,656	-	-	10,511,223

Notes: Throughput, output value involves only portions of the Company without involving OEM.

2. Sales volume in the most recent two years

Unit: tons/NT\$1,000

Major merchandise \ Year	2018				2019			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Grease product	598,894	9,486,909	1,889	58,458	625,225	9,410,848	2,436	69,499
Other and merchandise sales revenues	-	6,791,572	-	184,687	-	6,950,170	-	278,345
Processing income	-	427,120	-	-	-	441,246	-	-
Total	-	16,705,601	-	243,145	-	16,802,264	-	347,844

### III. Information of Employees:

Year		2018	2019	April 20, 2020
Number of employees	Management	59	60	60
	Administrative staff	140	150	148
	Technical staff	179	185	184
	Total	378	395	392
Average age		39	40	40
Average tenure		14	14	14
Education distribution	University of Edinburgh	0	0	0
	Master	29	35	35
	College	227	231	232
	Senior high school	110	119	114
	Under senior high school	12	10	11

#### **IV. Disbursements for Environmental Protection:**

Since plant is built for sustainable operation, the Company has planned and executed environmental protection. Dedicated units were set up for planning, driving and checking various pollution prevention tasks for wastewater, wastes, noise and exhaust gas. Cost of related environmental protections reached NT\$13,717,000 in 2019.

In the recent year and up to the publication date of the annual report, the losses suffered from environmental pollution(including compensation and the breaches to the environmental laws and regulations identified during the environmental audit; the penalty date, no. of the penalty, the clause breached, the description of such clause, and the description of the penalty shall be specified): Not applicable.

#### **V. Labor relations:**

There is no labor dispute in the most recent year until the printing of the annual report. Existing collective bargaining agreement and implementation are as following:

1. Employee benefit measures:

In order to benefit all employees and improve harmony between labor and capital, perfect welfare system is made, and employee welfare committee is built. The Company appropriates welfare fund for the welfare committee to hold various welfare measures according to the laws. Besides providing employees with a complete educational training system, there are employee canteen, child-care subsidies, commuter buses, employee physical checkup, among others, so that employees are entitled to a sound welfare system and can be assured while devoting themselves to work.

2. Study and education training of employees:

The Company specify “Regulations for Management of Employee Educational Training” in regulations for management in order to assist employees in planning individual career development based on stimulation of employee potential, development of talents and job contents by providing perfect educational training courses:

- (1) On-job training: this is for work instruction executed by supervisors of various units and is included in key points of performance examination;
- (2) Outside training: educational training courses, seminars etc. held by external organization arranged by the Company or proposed and applied by employees actively as needed.
- (3) In-house training: the Human Resource Department is responsible for common and new employee trainings, while supervisors of various departments are responsible for professional trainings. Related courses are held inside the Company, but instructors may be hired from outside or internally.

(4) Execution condition of educational trainings in 2019:

Hours of educational trainings in 2019							
Job/ Item	Male (104)		Female (44)		Total (148 trainees)		Average hours for each person
	Number of people	Hours	Number of people	Hours	Number of people	Hours	
Supervisor staff (24)	172	508.5	43	154	215	662.5	28
Administrative staff (54)	57	132.5	213	512.5	734	2043.5	29
Technical staff (70)	718	1975.5	16	68	270	645	12
Total(148)	947	2616.5	272	734.5	1219	3351	23
Average hours for each person	25		17		23		

3. Retirement system:

The pensions of the retired employees comply with the “Labor Standard Act” and the “Labor Pension Act” to protect the lives of the retired employees.

- (1) According to “Labor Standards Act,” the Company established the “Supervisory Committee to Pension Funds” and specifies regulations for retirement with specific welfare, which is applicable to seniorities of all formal employees prior to implementation of “Labor Pension Act” on July 1, 2005 and subsequent seniorities of employees who select application to Labor Standards Act after implementation of “Labor Pension Act.” Also the actuaries are engaged to provide the annual actuarial reports. The contributions of pension are made to the pension reserve account in Bank of Taiwan based on the actuarial reports; the contributed amount conforms to the “full amount contribution” of the labors’ pension for the next year required by the competent authorities.
- (2) After the enforcement of the “Labor Pension Act” on July 1, 2005, for all the applicable permanent employees, the Company contributed 6% of their monthly wage to their personal account of labor’s pension in the Bureau of Labor Insurance.  
Two colleagues retired due to age in 2019. All retired colleagues were all given pensions conforming to the Labor Standard Act method of calculation. All pension dedicated account drawings were executed after approval by the company pension supervisory committee.

4. Other important agreements:

The Company always regards employees as the most important capital of the Company and pays much attention to employee benefit and career planning, so that Management-union relation is good without damage due to labor dispute since foundation. Good relation between labor and capital could remain in the future.

5. Safe and harmonious work environments and employee right maintenance measures:

The Company specifies the regulations for compensation and Indemnity of occupational accident, to protect the best protections to the employees’ interests. In addition, “Work Guidelines for Safety and Health of Labors” is specified by the Company to improve safety and health of employees in order for maintaining physical and mentor health of employees as principles of work safety.

**VI. Important contract: None.**

# Five. Overview of Financial Status

## I. The Condensed financial data over the past five years:

### (I) Condensed balance sheet and consolidated income statement:

#### 1. Condensed balance sheet (consolidated financial statement) :

Unit: NT\$1,000

Year Title		The financial data over the past five years (Note 1)					Current year up to March 31, 2020 Financial Information (Note 4)
		2015	2016	2017	2018	2019	
Current assets		4,237,990	4,920,167	4,821,436	4,781,152	4,880,827	5,409,688
Real estate, plants and Equipment (Note 2)		575,275	539,925	583,500	628,565	669,296	715,956
Intangible assets		1,626	2,803	2,722	2,969	2,108	1,703
Other assets		41,787	46,835	44,990	58,216	255,254	276,334
Total assets		4,856,678	5,509,730	5,452,648	5,470,902	5,807,485	6,403,681
Current liabilities	Before distribution	1,081,615	1,638,203	1,557,193	1,460,906	1,446,576	1,746,535
	After distribution	1,881,490	2,438,078	2,357,068	2,260,781	(Note 3)	(Note 3)
Non-current liabilities		69,025	65,008	70,228	67,716	229,424	252,650
Total liabilities	Before distribution	1,150,640	1,703,211	1,627,421	1,528,622	1,676,000	1,999,185
	After distribution	1,950,515	2,503,086	2,427,296	2,328,497	(Note 3)	(Note 3)
Equity belonging to the parent company proprietor		3,663,854	3,759,762	3,771,341	3,880,904	4,060,364	4,326,562
Share capital		1,599,749	1,599,749	1,599,749	1,599,749	1,599,749	1,599,749
Additional paid-in capital		23,784	23,784	23,784	23,784	23,784	23,784
Retained earnings	Before distribution	2,040,321	2,136,229	2,147,808	2,264,371	2,443,831	2,710,029
	After distribution	1,240,446	1,336,354	1,347,933	1,464,496	(Note 3)	(Note 3)
Other equity		-	-	-	( 7,000)	( 7,000)	( 7,000)
Treasury stocks		-	-	-	-	-	-
Non-controlled equity		42,184	46,757	53,886	61,376	71,121	77,934
Equity Total amount	Before distribution	3706,038	3,806,519	3,825,227	3,942,280	4,131,485	4,404,496
	After distribution	2,906,163	3,006,644	3,025,352	3,142,405	(Note 3)	(Note 3)

Note 1: The 2015-2019 financial data had been audited and attested by the CPAs.

Note 2: Asset reappraisals: Nil

Note 3: The distribution of earnings of 2019 has not been submitted to the shareholders' meeting for resolutions, and thus the distributed amount is not listed.

Note 4: The 2020 Q1 financial data had been reviewed by the CPAs.

2. Condensed balance sheet (individual financial statements):

Unit: NT\$1,000

Year Title		The financial data over the past five years (Note 1)					Current year up to March 31, 2020 Financial Information (Note 3)
		2015	2016	2017	2018	2019	
Current assets		3,669,313	4,256,954	4,120,211	4,020,546	4,038,521	
Real estate, plants and Equipment (Note 2)		545,222	505,680	524,063	563,390	575,020	
Intangible assets		1,242	1,877	1,690	2,042	1,772	
Other assets		202,311	218,912	244,420	280,807	357,454	
Total assets		4,418,088	4,983,423	4,890,384	4,866,785	4,972,767	
Current liabilities	Before distribution	701,848	1,176,018	1,067,054	935,571	834,048	
	After distribution	1,501,723	1,975,893	1,866,929	1,735,446	(Note 3)	
Non-current liabilities		52,386	47,643	51,989	50,310	78,355	
Total liabilities	Before distribution	754,234	1,223,661	1,119,043	985,881	912,403	
	After distribution	1,554,109	2,023,536	1,918,918	1,785,756	(Note 3)	
Equity belonging to the parent company proprietor		3,663,854	3,759,762	3,771,341	3,880,904	4,060,364	
Share capital		1,599,749	1,599,749	1,599,749	1,599,749	1,599,749	
Additional paid-in capital		23,784	23,784	23,784	23,784	23,784	
Retained earnings	Before distribution	2,040,321	2,136,229	2,147,808	2,264,371	2,443,831	
	After distribution	1,240,446	1,336,354	1,347,933	1,464,496	(Note 3)	
Other equity		-	-	-	( 7,000)	( 7,000)	
Treasury stocks		-	-	-	-	-	
Non-controlled equity		-	-	-	-	-	
Equity Total amount	Before distribution	3,663,854	3,759,762	3,771,341	3,880,904	4,060,364	
	After distribution	2,863,979	2,959,887	2,971,466	3,081,029	(Note 3)	

Note 1: The 2015-2019 financial data had been audited and attested by the CPAs.

Note 2: Asset reappraisals: Nil

Note 3: The distribution of earnings of 2019 has not been submitted to the shareholders' meeting for resolutions, and thus the distributed amount is not listed.

Note 4: The 2020 Q1 individual financial statements had not been prepared.

### 3. Condensed consolidated income statement (consolidated financial statements)

Unit: NT\$1,000

(except for the after-tax earnings per share)

Title \ Year	The financial data over the past five years (Note 1)					Current year up to Financial information as of March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating revenue	17,773,023	17,384,090	16,884,341	16,948,746	17,150,108	4,073,683
Gross operating profit	1,636,468	1,743,931	1,685,216	1,857,028	2,018,916	523,350
Operating profit and/or loss	1,036,713	1,100,333	1,014,616	1,111,880	1,230,776	327,369
Non-operating revenues and gains	85,176	( 6,045)	(10,354)	44,033	19,967	13,952
Net income before tax	1,121,889	1,094,288	1,004,262	1,155,913	1,250,743	341,321
Profit loss of continuing operation	921,298	902,771	831,835	926,310	999,104	273,011
Profit and/or loss of discontinued operation	-	-	-	-	-	-
Net income (loss)	921,298	902,771	831,835	926,310	999,104	273,011
Other net consolidated profit and/or loss of the term (Net amount after tax)	13,705	3,504	(5,851)	2,458	4,776	-
Total current profit and/or loss	935,003	906,275	825,984	928,768	1,003,880	273,011
Net income belonging to the parent company proprietor	912,106	892,059	817,239	906,880	974,572	266,198
Net income belonging to the non-controlled equity	9,192	10,712	14,596	19,430	24,532	6,813
Total consolidated profit and/or loss belongs to the parent company proprietor	926,198	895,783	811,454	909,438	979,335	266,198
Total consolidated profit and/or loss belongs to the non-controlled equity	8,805	10,492	14,530	19,330	24,545	6,813
Earnings per share	5.70	5.58	5.11	5.67	6.09	1.66

Note 1: The 2015-2019 financial data had been audited and attested by the CPAs.

Note 2: The 2020 Q1 financial data had been reviewed by the CPAs.

## 4. Condensed consolidated income statement (individual financial statements)

Unit: NT\$1,000

(except for the after-tax earnings per share)

Year Title	The financial data over the past five years (Note 1)					Current year up to Financial information as of March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating revenue	15,688,636	14,916,925	14,130,310	13,930,285	13,781,934	
Gross operating profit	1,340,543	1,402,605	1,280,348	1,372,208	1,463,021	
Operating profit and/or loss	981,654	1,032,588	925,210	989,542	1,073,360	
Non-operating revenues and gains	121,160	37,488	48,063	122,076	121,002	
Net income before tax	1,102,814	1,070,076	973,273	1,111,618	1,194,362	
Profit loss of continuing operation	912,106	892,059	817,239	906,880	974,572	
Profit and/or loss of discontinued operation	-	-	-	-	-	
Net income (loss)	912,106	892,059	817,239	906,880	974,572	
Other net consolidated profit and/or loss of the term (Net amount after tax)	14,092	3,724	(5,785)	2,558	4,763	
Total current profit and/or loss	926,198	895,783	811,454	909,438	979,335	
Net income belonging to the parent company proprietor	912,106	892,059	817,239	906,880	974,572	
Net income belonging to the non-controlled equity	-	-	-	-	-	
Total consolidated profit and/or loss belongs to the parent company proprietor	926,198	895,783	811,454	909,438	979,335	
Total consolidated profit and/or loss belongs to the non-controlled equity	-	-	-	-	-	
Earnings per share	5.70	5.58	5.11	5.67	6.09	

Note 1: The 2015-2019 financial data had been audited and attested by the CPAs.

Note 2: The 2020 Q1 individual financial statements had not been prepared.

**(II) Names of attesting Certified Public Accountants and opinions on the audit:**

Year	Name of accounting firm	Name of CPA	Opinions on the audit
2019	PwC Taiwan	Lin, Tzu-Yu, Lin, Yung-Chih	Audit Report with unqualified (unreserved) opinion
2018	PwC Taiwan	Lin, Tzu-Yu, Lin, Yung-Chih	Audit Report with unqualified (unreserved) opinion
2017	PwC Taiwan	Lin, Tzu-Yu, Lin, Yung-Chih	Audit Report with unqualified (unreserved) opinion
2016	PwC Taiwan	Liu, Tzumeng, Li, Minghsien	Audit Report with unqualified (unreserved) opinion
2015	PwC Taiwan	Liu, Tzumeng, Li, Minghsien	Audit Report with unqualified (unreserved) opinion



## II. Analyses of finance over the past five years:

### (1) Financial analysis (consolidated financial statements)

Analysis (Note 4) \ Year (Note 1)		Analyses of finance over the past five years					Current year up to Financial information as of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Liabilities to assets ratio	23.69	30.91	29.85	27.94	28.86	31.22
	Long-term working capital to real estate, plants and equipment ratio	656.22	717.05	667.60	637.96	651.57	650.48
Solvency(%)	Current ratio (%)	391.82	300.34	309.62	327.27	337.41	309.74
	Quick ratio (%)	197.93	150.87	155.75	193.77	204.07	182.82
	Interest coverage multiplicity (Note 1)	587.74	282.57	161.27	184.92	120.85	175.59
Manage-ability	Accounts receivable turnover rate (times)	18.73	18.36	17.26	17.25	17.17	4.35
	Average cash collection days	19.49	19.88	21.15	21.16	21.26	20.69
	Inventory turnover rate (times)	7.96	7.49	6.84	7.75	8.98	1.95
	Accounts payable turnover rate (times)	40.82	26.1	16.96	15.91	18.75	5.68
	Average days required for sales	45.85	48.73	53.36	47.10	40.65	46.15
	Real estate, plants and equipment turnover rate (times)	31.45	31.18	30.06	27.97	26.43	5.88
	Total asset turnover rate (times)	3.64	3.35	3.08	3.10	3.04	0.67
Profitability	Asset return ratio (%)	18.92	17.48	15.27	17.05	17.87	4.50
	Equity return ratio (%)	25.30	24.03	21.80	23.85	24.75	6.40
	Ratio of net income before tax to paid-in capital ratio (%) (Note 8)	70.13	68.40	62.78	72.26	78.18	21.34
	Net profitability (%)	5.18	5.19	4.93	5.47	5.83	6.7
	Earnings per share (NT\$)	5.70	5.58	5.11	5.67	6.09	1.66
Cash flow	Cash flow ratio (%)	127.95	49.57	77.65	95.17	77.60	(15.46)
	Cash flow adequacy ratio (%) (Description 3)	(Note 3)	77.95	103.35	86.45	119.65	112.54
	Cash reinvestment ratio (%) (Description 2)	8.00	0.16	5.44	7.65	4.08	(3.30)
Leverage	Operating Leverage	16.38	15.14	15.88	14.44	13.15	11.79
	Financial Leverage	1.00	1.00	1.01	1.01	1.01	1.01
<p>Reasons of change in financial ratio over the past two years: (A change for less than 20% needs not be analyzed):</p> <p>Description 1: The decrease of interest coverage multiplicity was mainly due to the increase of interest expense by 66.05% comparing to the year before.</p> <p>Description 2: The ratio of cash re-investment decreased because the pre-tax net profit of the term increased approximately 8.20% from the previous year, and the inventory changes of the term decreased 95.04% from the last term.</p> <p>Description 3: The cash flow adequacy ratio increased mainly because the sum of the five-year operating cash flow of the term increased approximately 21.09% from the last term.</p>							

Note 1: The 2015-2019 financial data had been audited and attested by the CPAs.

Note 2: The 2020 Q1 financial data had been reviewed by the CPAs.

Note 3: The data of the five-year net cash flow from operating activities were not available in 2015.

Note 4: The following formulas should be illustrated at the end of the table above:

1. Financial structure

(1) Liabilities to assets ratio = Total liabilities / Total assets.

(2) Long-term working capital to real estate, plants and equipment ratio = (Total equity + Non-current liabilities) / Net real estate, plants, and equipment.

2. Solvency

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

(2) Quick ratio = (Current assets – Inventory - Expenses paid in advance) / Current liabilities.

(3) Interest coverage multiplicity = Net profit before income tax and interest expenses / Current interest expenditures

3. Manageability

(1) Accounts receivable (including notes receivables from operating activities and accounts receivable) turnover rate = Net sales / Average balance of accounts receivable (including notes receivables from operating activities and accounts receivable) in various terms.

(2) Average cash collection days = 365 / Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold / Average amount of inventory.

(4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate = Cost of goods sold / Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms.

(5) Average days required for sales = 365 / Inventory turnover rate.

(6) Real estate, plants, and equipment turnover rate = Net sales / Average net real estate, plants, and equipment.

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

4. Profitability

(1) Asset return ratio = [Profit and/or loss after tax + Interest expenses × (1 – Tax rate)] / Average total assets.

(2) Equity return ratio = Profit and/or loss after tax / Average total equity.

(3) Net profitability = Profit and/or loss after tax / Net sales.

(4) Earnings per share = (Profit and/or loss belonging to parent company proprietor - Preferred shares dividend) / Weighted average number of outstanding shares. (Note 5)

5. Cash flow

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

(2) Net cash flow adequacy ratio = Net cash flow from operating activities over the past five years / (Capital expenditure + Amount of inventory increase + Cash dividend) over the past five years.

(3) Cash reinvestment ratio = (Cash flow from operating activities - Cash dividend) / (Real estate, plants, and equipment in gross amount + Long-term investment + Other noncurrent assets + Working capital) (Note 5)

6. Leverage:

(1) Operating Leverage = (Net operating revenues - Variable operating costs and expenses) / Operating profit (Note 7).

(2) Financial Leverage = Operating profit / (Operating profit - Interest expenses).

Note 5: The formula of the earnings per share should be measured with attentions paid to the following matters:

1. It is based on the weighted average number of common stock shares instead of the outstanding shares at yearend.

2. Where a cash capital increase or treasury shares trader should consider during its circulation, the weighted average number of shares.

3. For any capitalization from earnings or additional paid-in capital, the calculation of the post annual and semi-annual earnings per share should be adjusted retroactively and proportionally to the capitalization without considering the issue period of the capitalization.

4. If the preferred shares are non-convertible cumulative preferred shares, the current dividend (no matter distributed or not) should be subtracted from the net income or added to the net loss. The non-cumulative preferred shares should be deducted from the net income, if any, and no adjustment is needed if there is with net loss.

Note 6: Cash flow analysis should be measured with attention paid to the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flow.

2. Capital expenditure refers to the cash outflow from investing activities.

3. Inventories increase will be accounted for only when the ending balance is greater than the beginning balance. If the inventory is decreased at yearend, it is counted as zero.

4. Cash dividend includes the cash dividend for common shares and preferred shares.

5. The real estate, plants, and equipment in gross amount refer to the total amount of real estate, plants, and equipment before deducting the accumulated depreciation.

Note 7: The issuers shall have operating costs and operating expenses classified as fixed and variable by the nature of operation; in addition, the rationality and consistency of the estimates or subjective judgments made, if any, must be observed and maintained.

Note 8: If the Company's stock shares are without a par value or without a NT\$10 par value, the calculation of the "ratio to paid-in capital" should be replaced with the equity ratio belongs to the parent company proprietor on the balance sheet.

(2) Financial analysis (individual financial statements)

Year (Note 1)  Analysis (Note 4)		Analyses of finance over the past five years					Current year up to Financial information as of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Liabilities to assets ratio	17.07	24.55	22.88	20.26	18.35	
	Long-term working capital to real estate, plants and equipment ratio	681.60	752.93	729.56	697.78	719.75	
Solvency(%)	Current ratio (%)	522.81	361.98	386.13	429.74	484.21	
	Quick ratio (%)	247.84	169.73	179.84	243.89	280.69	
	Interest coverage ratio (times)	670.57	318.21	166.19	184.22	158.09	
Manage- ability	Accounts receivable turnover rate (times)	24.38	25.36	23.87	23.87	24.49	
	Average cash collection days	14.97	14.39	15.29	15.29	14.90	
	Inventory turnover rate (times)	7.63	7.03	6.3	7.15	8.35	
	Accounts payable turnover Rate (times) (Description 1)	126.94	49.05	23.23	22.18	32.85	
	Average days required for sales	47.84	51.92	57.94	51.05	43.71	
	Real estate, plants and equipment turnover rate (times)	29.06	28.39	27.44	25.62	24.21	
	Total asset turnover rate (times)	3.52	3.17	2.86	2.86	2.80	
Profitability	Asset return ratio (%)	20.47	19.04	16.65	18.69	19.93	
	Equity return ratio (%)	25.33	24.03	21.70	23.70	24.54	
	Ratio of net income before tax to paid-in capital (%)	68.94	66.89	60.84	69.49	74.66	
	Net profitability (%)	5.81	5.98	5.78	6.51	7.07	
	Earnings per share (NT\$)	5.70	5.58	5.11	5.67	6.09	
Cash flow	Cash flow ratio (%)	194.38	69.00	106.39	136.68	121.68	
	Cash flow adequacy ratio (%) (Description 2)	(註 3)	78.19	102.90	84.79	116.82	
	Cash re-investment ratio (%) (Description 3)	7.83	0.16	4.52	6.31	2.75	
Leverage	Operating Leverage	15.17	13.75	14.44	13.19	11.95	
	Financial Leverage	1.00	1.00	1.01	1.01	1.01	
Reasons of change in financial ratio over the past two years: (A change for less than 20% needs not be analyzed): Description 1: the accounts payable turnover rate increased, mainly because the sales cost decreased approximately 2% from the previous year and the average accounts payable decreased approximately 33.84% from a year ago. Description 2: the cash flow adequacy ratio increased mainly because the sum of the five-year operating cash flow of the term increased approximately 26.05% from the last term. Description 3: the cash reinvestment ratio decreased, mainly because the net cash flow from the operating activities decreased 20.63% from the last term and the long-term investment increased 15.80% from the last term.							

Note 1: The 2015-2019 financial data had been audited and attested by the CPAs.

Note 2: The 2020 Q1 individual financial statements had not been prepared.

Note 3: The data of the five-year net cash flow from operating activities were not available in 2015.

Note 4: The following formulas should be illustrated at the end of the table above:

1. Financial structure

- (1) Liabilities to assets ratio = Total liabilities / Total assets.
- (2) Long-term working capital to real estate, plants and equipment ratio = (Total equity + Non-current liabilities) / Net real estate, plants, and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets – Inventory - Expenses paid in advance) / Current liabilities.
- (3) Interest coverage multiplicity = Net profit before income tax and interest expenses / Current interest expenditures.

3. Manageability

- (1) Accounts receivable (including notes receivables from operating activities and accounts receivable) turnover rate = Net sales / Average balance of accounts receivable (including notes receivables from operating activities and accounts receivable) in various terms.
- (2) Average cash collection days = 365 / Accounts receivable turnover rate.
- (3) Inventory turnover rate = Cost of goods sold / Average amount of inventory.
- (4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate = Cost of goods sold / Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms
- (5) Average days required for sales = 365 / Inventory turnover rate.
- (6) Real estate, plants, and equipment turnover rate = Net sales / Average net real estate, plants, and equipment.
- (7) Total asset turnover rate = Net sales / Average total assets.

4. Profitability

- (1) Asset return ratio = [Profit and/or loss after tax + Interest expenses × (1 – Tax rate)] / Average total assets.
- (2) Equity return ratio = Profit and/or loss after tax / Average total equity.
- (3) Net profitability = Profit and/or loss after tax / Net sales.
- (4) Earnings per share = (Profit and/or loss belonging to parent company proprietor - Preferred shares dividend) / Weighted average number of outstanding shares. (Note 5)

5. Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities over the past five years / (Capital expenditure + Amount of inventory increase + Cash dividend) over the past five years.
- (3) Cash reinvestment ratio = (Cash flow from operating activities - Cash dividend) / (Real estate, plants, and equipment in gross amount + Long-term investment + Other noncurrent assets + Working capital) (Note 6)

6. Leverage:

- (1) Operating Leverage = (Net operating revenues - Variable operating costs and expenses) / Operating profit (Note 7).
- (2) Financial Leverage = Operating profit / (Operating profit - Interest expenses).

Note 5: The formula of the earnings per share should be measured with attentions paid to the following matters:

1. It is based on the weighted average number of common stock shares instead of the outstanding shares at yearend.
2. Where a cash capital increase or treasury shares trader should consider during its circulation, the weighted average number of shares.
3. For any capitalization from earnings or additional paid-in capital, the calculation of the post annual and semi-annual earnings per share should be adjusted retroactively and proportionally to the capitalization without considering the issue period of the capitalization.
4. If the preferred shares are non-convertible cumulative preferred shares, the current dividend (no matter distributed or not) should be subtracted from the net income or added to the net loss. The non-cumulative preferred shares should be deducted from the net income, if any, and no adjustment is needed if there is with net loss.

Note 6: Cash flow analysis should be measured with attention paid to the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flow.
2. Capital expenditure refers to the cash outflow from investing activities.
3. Inventories increase will be accounted for only when the ending balance is greater than the beginning balance. If the inventory is decreased at yearend, it is counted as zero.
4. Cash dividend includes the cash dividend for common shares and preferred shares.
5. The real estate, plants, and equipment in gross amount refer to the total amount of real estate, plants, and equipment before deducting the accumulated depreciation.

Note 7: The issuers shall have operating costs and operating expenses classified as fixed and variable by the nature of operation; in addition, the rationality and consistency of the estimates or subjective judgments made, if any, must be observed and maintained.

Note 8: If the Company's stock shares are without a par value or without a NT\$10 par value, the calculation of the "ratio to paid-in capital" should be replaced with the equity ratio belongs to the parent company proprietor on the balance sheet.

### **III. Supervisors' Review Report**

#### **The Audit Report from the Supervisors, TTET Union Corporation**

Hereby I approve the business report, the financial statement, and the proposal for profit distribution of the Year 2019. These reports have been audited by myself, the Supervisor, and no inconsistency has been found. In accordance of Article 219, the Company Act, the report is prepared, please review it.

Very Sincerely Yours

The General Shareholders' Meeting, 2020  
TTET Union Corporation

Lee, Ching-Tyan, Supervisor

March 20, 2020

## The Audit Report from the Supervisors, TTET Union Corporation

Hereby I approve the business report, the financial statement, and the proposal for profit distribution of the Year 2019. These reports have been audited by myself, the Supervisor, and no inconsistency has been found. In accordance of Article 219, the Company Act, the report is prepared, please review it.

Very Sincerely Yours

The General Shareholders' Meeting, 2020

TTET Union Corporation

Chang, Li-Hsun, Supervisor

March 20, 2020

## The Audit Report from the Supervisors, TTET Union Corporation

Hereby I approve the business report, the financial statement,  
and the proposal for profit distribution of the Year 2019.

These reports have been audited by myself, the Supervisor,  
and no inconsistency has been found. In accordance of  
Article 219, the Company Act, the report is prepared, please  
review it.

Very Sincerely Yours

The General Shareholders' Meeting, 2020  
TTET Union Corporation  
Chen I-Tsunz, Supervisor

March 20, 2020

## **IV. Auditor’s Report Prepared by CPAs and Financial Statements**

### **REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE**

To the Board of Directors and Shareholders of TTET Union Corporation

#### ***Opinion***

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

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

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

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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



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

### Description

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

### How our audit addressed the matter

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

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

## **Inventory valuation**

### Description

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

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

#### How our audit addressed the matter

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

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

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

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

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

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

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

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

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

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

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

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

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

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 20, 2020

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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



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

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

(Continued)

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

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

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

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

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

1. HISTORY AND ORGANIZATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

to be provided by lessors.

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

(3) Foreign currency translation

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

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

(4) Classification of current and non-current items

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

they are classified as non-current liabilities:

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

(5) Cash equivalents

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

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

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

(7) Accounts and notes receivable

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

(8) Inventories

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

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

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

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Investments accounted for under equity method / associates



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

(13) Property, plant and equipment

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

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

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

Effective 2019

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

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

Lease payments are comprised of the following:

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

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

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

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

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

(15) Operating leases (lessee)

Prior to 2019

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

(16) Intangible assets.

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

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

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

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

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

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

(20) Accounts payable

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

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

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

(24) Income tax

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

(25) Dividends

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

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

(26) Revenue recognition

A. Sales of merchandise and finished goods

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

B. Sales of services

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Notes and accounts receivable

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



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

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

The above ageing analysis was based on past due date.

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

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

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

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

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

#### (4) Inventories

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

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

The cost of inventories recognized as expense for the year:

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

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

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

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

(6) Investments accounted for under equity method

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

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

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

(7) Property, plant and equipment

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

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

- A. The Company's property, plant and equipment are all owner-occupied as at December 31, 2019 and 2018.
- B. The Company has not capitalized any interest for the years ended December 31, 2019 and 2018.
- C. For more information regarding the Company's property, plant and equipment pledged to others as at December 31, 2019 and 2018, please refer to Note 8, "Pledged assets".

(8) Leasing arrangements — lessee

Effective 2019

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

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

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

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

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

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

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

(9) Intangible assets

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

Details of amortization on intangible assets are as follows:

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

(10) Short-term borrowings

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

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

(11) Pensions

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

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

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2019</u>			
Balance at January 1	(\$ 252,233)	\$ 215,386	(\$ 36,847)
Current service cost	( 2,402)	–	( 2,402)
Interest (expense) income	( 1,836)	1,572	( 264)
	<u>( 256,471)</u>	<u>216,958</u>	<u>( 39,513)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	8,291	8,291
Change in financial assumptions	( 1,180)	–	( 1,180)
Experience adjustments	( 1,227)	–	( 1,227)
	<u>( 2,407)</u>	<u>8,291</u>	<u>5,884</u>
Pension fund contribution	–	3,373	3,373
Paid pension	8,882	( 8,882)	–
Balance at December 31	<u>(\$ 249,996)</u>	<u>\$ 219,740</u>	<u>(\$ 30,256)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2018</u>			
Balance at January 1	(\$ 254,003)	\$ 213,467	(\$ 40,536)
Current service cost	( 2,799)	–	( 2,799)
Interest (expense) income	( 2,487)	2,098	( 389)
	<u>( 259,289)</u>	<u>215,565</u>	<u>( 43,724)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	6,525	6,525
Change in financial assumptions	( 6,075)	–	( 6,075)
Experience adjustments	2,993	–	2,993
	<u>( 3,082)</u>	<u>6,525</u>	<u>3,443</u>
Pension fund contribution	–	3,434	3,434
Paid pension	10,138	( 10,138)	–
Balance at December 31	<u>(\$ 252,233)</u>	<u>\$ 215,386</u>	<u>(\$ 36,847)</u>

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



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

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

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

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

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

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

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

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

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

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

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

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

(12) Share capital

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

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

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

(13) Capital surplus

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

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

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

(14) Retained earnings

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

(15) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

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

B. Contract liabilities

- (a) As of December 31, 2019 and 2018 and as of January 1, 2018, the Company has recognized the revenue-related liabilities amounting to \$16,057, \$58,965 and \$11,570, respectively.
- (b) Revenue recognized that were included in the contract liabilities balance at the beginning of 2019 and 2018 amounted to \$58,956 and \$11,540, respectively.

(16) Other income

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

(17) Other gains and losses

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

(18) Finance costs

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

(19) Expenses by nature

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

(20) Employee benefit expense

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

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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



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

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

(22) Earnings per share

For the year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 974, 572	159, 975	\$ 6. 09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 974, 572	159, 975	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	261	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 974, 572	160, 236	\$ 6. 08

For the year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 906, 880	159, 975	\$ 5. 67
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 906, 880	159, 975	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	297	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 906, 880	160, 272	\$ 5. 66

(23) Operating leases

Prior to 2019

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

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

(24) Changes in liabilities from financing activities

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

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

## 7. RELATED PARTY TRANSACTIONS

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

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

(2) Significant related party transactions

A. Sales and processing revenue

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

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

B. Purchases

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

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

### C. Accounts receivable

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

### D. Accounts payable

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

### (3) Key management compensation

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

## 8. PLEDGED ASSETS

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

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

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

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

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

(2) Capital expenditures contracted for but not yet incurred

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

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

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

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

December 31, 2019			
	Foreign currency		
	amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 354	30.03	\$ 10,637
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	4,124	30.03	123,837

December 31, 2018			
	Foreign currency		
	amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 33	30.77	\$ 1,008
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	2,306	30.77	70,949

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

## II. Price risk

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



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

III. Cash flow and fair value interest rate risk

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

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

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

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

- D. The methods and assumptions the Company used to measure fair value are as follows:

The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward foreign exchange contracts are usually valued based on the current forward exchange rate.

- E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

- F. The following is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	<u>Equity Securities</u>
For the year ended December 31, 2019	\$ <u>          1, 275</u>
	<u>Equity Securities</u>
For the year ended December 31, 2018	\$ <u>          1, 275</u>

- G. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

- H. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of

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

### 13. SUPPLEMENTARY DISCLOSURES

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

#### (1) Significant transactions information

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

#### (2) Information on investees

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

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

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

### 14. SEGMENT INFORMATION

None

TTET Union Corporation

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

December 31, 2019

Table 1

Expressed in thousands of NTD

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

TTET Union Corporation

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

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

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

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

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

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



TTET Union Corporation  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD

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

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

TTET Union Corporation  
Information on investees (not including investees in China)  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

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

TTET Union Corporation  
Information on investments in Mainland China  
For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

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

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

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

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

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

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

# **V.A Consolidated Financial Statement for the Parent Company and Its Subsidiaries for the Most Recent Fiscal Year, Certified by CPAs**

## TTET UNION CORPORATION

### Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

TTET UNION CORPORATION

March 20, 2020

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TTET Union Corporation

### ***Opinion***

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

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

#### Description

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

#### How our audit addressed the matter

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

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

### **Inventory valuation**

#### Description

Refer to Notes 4(9) and 6(4) to the consolidated financial statements for the accounting policy and the details of accounting relating to inventory valuation. For the year ended December 31, 2019, inventory and allowance for market price decline amounted to \$1,629,563 thousand and \$4,886 thousand, respectively, with the net amount constituting 28% of consolidated total assets.

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

#### How our audit addressed the matter

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

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

#### ***Other matter – Parent company only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of TTET Union Corporation as at and for the years ended December 31, 2019 and 2018.

#### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### ***Auditor’s responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with R.O.C GAAS will always detect a material misstatement

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

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

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

Liu, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 20, 2020

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

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

**TTET UNION CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,952,494	34	\$ 1,791,441	33
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	223	-
1150	Notes receivable, net	6(3)	129,226	2	174,027	3
1170	Accounts receivable, net	6(3)	744,485	13	744,650	14
1180	Accounts receivable - related parties	6(3) and 7	102,774	2	92,962	2
1200	Other receivables		23,008	-	27,469	-
130X	Inventories	5(2) and 6(4)	1,624,677	28	1,650,269	30
1410	Prepayments		304,163	5	300,111	5
11XX	Total current assets		4,880,827	84	4,781,152	87
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	1,275	-	1,275	-
1600	Property, plant and equipment	6(6) and 8	669,296	12	628,565	11
1755	Right-of-use assets	3(1), 6(7) and 7	194,077	3	-	-
1780	Intangible assets	6(8)	2,108	-	2,969	-
1840	Deferred income tax assets	6(21)	28,136	-	27,930	1
1920	Guarantee deposits paid		31,725	1	28,918	1
1990	Other non-current assets		41	-	93	-
15XX	Total non-current assets		926,658	16	689,750	13
1XXX	Total assets		\$ 5,807,485	100	\$ 5,470,902	100

(Continued)

**TTET UNION CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 123,837	2	\$ 70,949	1
2110	Short-term notes and bills payable	6(10)	11,000	-	-	-
2120	Financial liabilities at fair value through profit or loss - current	6(2) and 12	6,791	-	-	-
2130	Current contract liabilities	6(15)	16,647	-	58,965	1
2150	Notes payable		4,389	-	-	-
2170	Accounts payable	7	729,040	13	843,265	16
2200	Other payables	3(1)	387,345	7	343,998	6
2230	Current income tax liabilities	6(21)	136,947	2	143,729	3
2280	Lease liabilities - current	3(1), 6(7) and 7	30,580	1	-	-
21XX	Total current liabilities		1,446,576	25	1,460,906	27
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	11,868	-	11,733	-
2580	Lease liabilities - non-current	3(1), 6(7) and 7	168,596	3	-	-
2640	Net defined benefit liabilities - non-current	6(11)	45,200	1	52,873	1
2645	Guarantee deposits received		3,760	-	3,110	-
25XX	Total non-current liabilities		229,424	4	67,716	1
2XXX	Total liabilities		1,676,000	29	1,528,622	28
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(12)	1,599,749	28	1,599,749	29
3200	Capital surplus	6(13)	23,784	-	23,784	-
	Retained earnings	6(14)				
3310	Legal reserve		1,229,453	21	1,138,765	21
3320	Special reserve		7,000	-	-	-
3350	Unappropriated retained earnings		1,207,378	21	1,125,606	21
Other equity interest						
3400	Other equity interest		( 7,000)	-	( 7,000)	-
31XX	Equity attributable to owners of the parent		4,060,364	70	3,880,904	71
36XX	Non-controlling interest		71,121	1	61,376	1
3XXX	Total equity		4,131,485	71	3,942,280	72
Significant contingent liabilities and unrecognized contract commitments		6(23) and 9				
3X2X	Total liabilities and equity		\$ 5,807,485	100	\$ 5,470,902	100

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

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

		Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	6(15) and 7	\$ 17,150,108	100	\$ 16,948,746	100
5000	<b>Operating costs</b>	6(4)(8)(11)(19)(20) and 7	( 15,131,192)	( 88)	( 15,091,718)	( 89)
5900	<b>Net operating margin</b>		2,018,916	12	1,857,028	11
	<b>Operating expenses</b>	6(8)(11)(19)(20)(23) and 7				
6100	Selling expenses		( 558,860)	( 3)	( 524,567)	( 3)
6200	General and administrative expenses		( 220,087)	( 2)	( 208,313)	( 1)
6300	Research and development expenses		( 7,297)	-	( 7,965)	-
6450	Expected credit losses	12	( 1,896)	-	( 4,303)	-
6000	<b>Total operating expenses</b>		( 788,140)	( 5)	( 745,148)	( 4)
6900	<b>Operating profit</b>		1,230,776	7	1,111,880	7
	<b>Non-operating income and expenses</b>					
7010	Other income	6(16)	19,959	-	21,199	-
7020	Other gains and losses	6(2)(17) and 12	10,458	-	29,128	-
7050	Finance costs	6(7)(18) and 7	( 10,450)	-	( 6,294)	-
7000	<b>Total non-operating income and expenses</b>		19,967	-	44,033	-
7900	<b>Profit before income tax</b>		1,250,743	7	1,155,913	7
7950	Income tax expense	6(21)	( 251,639)	( 1)	( 229,603)	( 2)
8200	<b>Profit for the year</b>		\$ 999,104	6	\$ 926,310	5
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Remeasurements of defined benefit obligations	6(11)	\$ 5,970	-	\$ 2,788	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	( 1,194)	-	( 330)	-
8300	<b>Other comprehensive income for the year</b>		\$ 4,776	-	\$ 2,458	-
8500	<b>Total comprehensive income for the year</b>		\$ 1,003,880	6	\$ 928,768	5
	<b>Profit attributable to:</b>					
8610	Owners of the parent		\$ 974,572	6	\$ 906,880	5
8620	Non-controlling interest		24,532	-	19,430	-
			\$ 999,104	6	\$ 926,310	5
	<b>Comprehensive income attributable to:</b>					
8710	Owners of the parent		\$ 979,335	6	\$ 909,438	5
8720	Non-controlling interest		24,545	-	19,330	-
			\$ 1,003,880	6	\$ 928,768	5
	<b>Earnings per share (in dollars)</b>	6(22)				
9750	<b>Basic</b>		\$ 6.09		\$ 5.67	
9850	<b>Diluted</b>		\$ 6.08		\$ 5.66	

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

**TTET UNION CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent						Non-controlling interest	Total equity	
		Share capital - common stock	Capital surplus	Retained Earnings			Other Equity			
				Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
<u>For the year ended December 31, 2018</u>										
Balance at January 1, 2018		\$ 1,599,749	\$ 23,784	\$ 1,057,040	\$ -	\$ 1,090,768	\$ -	\$ 3,771,341	\$ 53,886	\$ 3,825,227
Effects of retrospective appication		-	-	-	-	7,000	( 7,000 )	-	-	-
Balance at January 1, 2018 after adjustments		<u>1,599,749</u>	<u>23,784</u>	<u>1,057,040</u>	<u>-</u>	<u>1,097,768</u>	<u>( 7,000 )</u>	<u>3,771,341</u>	<u>53,886</u>	<u>3,825,227</u>
Net income for 2018		-	-	-	-	906,880	-	906,880	19,430	926,310
Other comprehensive income (loss) for 2018		-	-	-	-	2,558	-	2,558	( 100 )	2,458
Total comprehensive income for 2018		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>909,438</u>	<u>-</u>	<u>909,438</u>	<u>19,330</u>	<u>928,768</u>
Distribution of 2017 net income:										
Legal reserve		-	-	81,725	-	( 81,725 )	-	-	-	-
Cash dividends	6(14)	-	-	-	-	( 799,875 )	-	( 799,875 )	-	( 799,875 )
Decrease in non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 11,840 )</u>	<u>( 11,840 )</u>
Balance at December 31, 2018		<u>\$ 1,599,749</u>	<u>\$ 23,784</u>	<u>\$ 1,138,765</u>	<u>\$ -</u>	<u>\$ 1,125,606</u>	<u>( \$ 7,000 )</u>	<u>\$ 3,880,904</u>	<u>\$ 61,376</u>	<u>\$ 3,942,280</u>
<u>For the year ended December 31, 2019</u>										
Balance at January 1, 2019		<u>\$ 1,599,749</u>	<u>\$ 23,784</u>	<u>\$ 1,138,765</u>	<u>\$ -</u>	<u>\$ 1,125,606</u>	<u>( \$ 7,000 )</u>	<u>\$ 3,880,904</u>	<u>\$ 61,376</u>	<u>\$ 3,942,280</u>
Net income for 2019		-	-	-	-	974,572	-	974,572	24,532	999,104
Other comprehensive income (loss) for 2019		-	-	-	-	4,763	-	4,763	13	4,776
Total comprehensive income for 2019		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>979,335</u>	<u>-</u>	<u>979,335</u>	<u>24,545</u>	<u>1,003,880</u>
Distribution of 2018 net income:										
Legal reserve		-	-	90,688	-	( 90,688 )	-	-	-	-
Special reserve		-	-	-	7,000	( 7,000 )	-	-	-	-
Cash dividends	6(14)	-	-	-	-	( 799,875 )	-	( 799,875 )	-	( 799,875 )
Decrease in non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 14,800 )</u>	<u>( 14,800 )</u>
Balance at December 31, 2019		<u>\$ 1,599,749</u>	<u>\$ 23,784</u>	<u>\$ 1,229,453</u>	<u>\$ 7,000</u>	<u>\$ 1,207,378</u>	<u>( \$ 7,000 )</u>	<u>\$ 4,060,364</u>	<u>\$ 71,121</u>	<u>\$ 4,131,485</u>

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

**TTET UNION CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31,</u>	
		<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,250,743	\$ 1,155,913
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on financial assets at fair value through profit or loss		7,014 (	4,679 )
Expected credit losses	12	1,896	4,303
Provision for inventory market price decline	6(4)	961	685
Property, plant and equipment recognized as expense	6(6)	8,020	1,734
Depreciation	6(6)(7)(19)	161,381	96,210
Loss on disposal of property, plant and equipment	6(17)	507	1,682
Amortization	6(8)(19)	1,997	2,114
Dividend income	6(16)	-	( 412 )
Interest income	6(16)	( 8,723 )	( 7,847 )
Finance costs	6(18)	10,450	6,294
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		43,988	2,643
Accounts receivable		( 918 )	( 66,059 )
Accounts receivable - related parties		( 9,812 )	( 3,867 )
Other receivables		4,461	( 8,035 )
Inventories		24,631	496,447
Prepayments		( 4,052 )	( 51,407 )
Changes in operating liabilities			
Current contract liabilities		( 42,318 )	47,395
Notes payable		4,389	-
Accounts payable		( 114,225 )	( 166,084 )
Other payables		45,312	52,066
Net defined benefit liabilities - non-current		( 1,703 )	( 1,112 )
Cash inflow generated from operations		1,383,999	1,557,984
Dividends received		-	412
Interest received		8,723	7,847
Interest paid		( 10,436 )	( 6,285 )
Income tax paid		( 259,686 )	( 169,559 )
Net cash flows from operating activities		<u>1,122,600</u>	<u>1,390,399</u>

(Continued)

**TTET UNION CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31,</u>	
		<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(6)	(\$ 158,225 )	(\$ 144,691 )
Proceeds from disposal of property, plant and equipment		171	-
Increase in intangible assets	6(8)	( 1,136 )	( 2,361 )
Increase in guarantee deposits paid		( 2,807 )	( 10,139 )
Decrease in other non-current assets		<u>52</u>	<u>52</u>
Net cash flows used in investing activities		( <u>161,945</u> )	( <u>157,139</u> )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase (decrease) in short-term borrowings	6(25)	52,888	( 46,923 )
Increase (decrease) in short-term notes and bills payable	6(25)	11,000	( 39,997 )
Increase (decrease) in guarantee deposit received	6(25)	650	( 422 )
Repayment of lease principal	6(25)	( 49,465 )	-
Payment of cash dividends	6(14)	( 799,875 )	( 799,875 )
Decrease in non-controlling interest		( <u>14,800</u> )	( <u>11,840</u> )
Net cash flows used in financing activities		( <u>799,602</u> )	( <u>899,057</u> )
Net increase in cash and cash equivalents		161,053	334,203
Cash and cash equivalents at beginning of year	6(1)	<u>1,791,441</u>	<u>1,457,238</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,952,494</u>	<u>\$ 1,791,441</u>

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

TTET UNION CORPORATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

**1. HISTORY AND ORGANIZATION**

(1) TTET Union Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1982. The Company and its subsidiary (the “Group”) are primarily engaged in the manufacture, sales, processing, import and export of a variety of vegetable oils, and engaged in cogeneration plant business, wholesale and retailing of oils, etc.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since February 1996.

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

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

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

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

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

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

A. Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

B. The relevant explanations regarding the application of IFRS 16, ‘Leases’ for 2019 are as follows:

(a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases



with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- (b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$229,448, increased ‘lease liability’ by \$231,427 and decreased ‘rent payable’ by \$1,979 with respect to the lease contracts of lessees on January 1, 2019.
- (c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - I. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - II. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - III. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$13,822 was recognized for the year ended December 31, 2019.
  - IV. The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
  - V. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- (d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 0.89% to 1.60%.
- (e) The Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 255,346
Less: Short-term leases	( 7,804)
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	\$ 247,542
Incremental borrowing interest rate at the date of initial application	0.89%~1.60%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	\$ 231,427

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
TTET Union Corporation	Master Channels Corporation	Wholesale of food	80.27	80.27	—

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated

at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at

amortized cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(8) Accounts and notes receivables

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

(9) Inventories

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will

flow to the Group and the amount of the dividend can be measured reliably.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful

lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Asset	Useful lives
Buildings	2~40 years
Machinery	2~25 years
Transportation equipment	2~12 years
Leasehold improvements	2~13 years
Other equipment	2~19 years

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

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

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

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

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.



When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Operating leases (lessee)

Prior to 2019

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

(16) Intangible assets

Computer software and trademarks are stated at cost and amortized on a straight-line basis over their estimated useful life of 1~4 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

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

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

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(20) Accounts payable

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculated the number of shares based on the closing market price at the previous day of the board meeting resolution.

(24) Income tax

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

when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

A. Sales of merchandise and finished goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.
- (b) Revenue from these sales is recognized based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 10~45 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

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

- (b) Revenue from providing logistics services (such as transfer shipment service of goods) is measured at the fair value of the consideration received or receivable taking into account the value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Logistics service revenue is recognized while delivering goods to destination assigned by customers.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

B. As of December 31, 2019, the carrying amount of inventories was \$1,624,677.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash:		
Cash on hand	\$ 3,459	\$ 5,486
Checking and demand deposits	<u>479,737</u>	<u>366,430</u>
	<u>483,196</u>	<u>371,916</u>
Cash equivalents:		
Time deposits	900,000	1,100,000
Commercial paper	<u>569,298</u>	<u>319,525</u>
	<u>1,469,298</u>	<u>1,419,525</u>
	<u>\$ 1,952,494</u>	<u>\$ 1,791,441</u>

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

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

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

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

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

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

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

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

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

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

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

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

(3) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 130,606	\$ 174,594
Less: Allowance for uncollectible accounts	( 1,380)	( 567)
	<u>\$ 129,226</u>	<u>\$ 174,027</u>
	December 31, 2019	December 31, 2018
Accounts receivable	\$ 748,307	\$ 748,478
Accounts receivable-related parties	102,774	92,962
Less: Allowance for uncollectible accounts	( 3,822)	( 3,828)
	<u>\$ 847,259</u>	<u>\$ 837,612</u>

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

	December 31, 2019		December 31, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 128,386	\$ 848,493	\$ 174,460	\$ 836,201
Less than 30 days	2,220	2,296	134	2,233
31~60 days	-	10	-	55
61~90 days	-	17	-	1,777
91~over 120 days	-	265	-	1,174
	<u>\$ 130,606</u>	<u>\$ 851,081</u>	<u>\$ 174,594</u>	<u>\$ 841,440</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$949,049.

- C. The Group holds certificates of time deposit and land as security for accounts receivable as of December 31, 2019 and 2018.
- D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were its book value.
- E. The Group has no notes and accounts receivable pledged to others as of December 31, 2019 and 2018.
- F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

December 31, 2019			
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 222, 691	(\$ 3, 351)	\$ 219, 340
Raw materials	225, 971	–	225, 971
Raw materials in transit	499, 514	–	499, 514
Supplies	28, 698	( 340)	28, 358
Work in process	56, 047	–	56, 047
Work in process in transit	116, 917	–	116, 917
Finished goods	479, 725	( 1, 195)	478, 530
	<u>\$ 1, 629, 563</u>	<u>(\$ 4, 886)</u>	<u>\$ 1, 624, 677</u>

December 31, 2018			
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 205, 194	(\$ 1, 893)	\$ 203, 301
Raw materials	204, 214	–	204, 214
Raw materials in transit	806, 622	–	806, 622
Supplies	22, 959	( 1, 645)	21, 314
Work in process	101, 763	–	101, 763
Finished goods	313, 442	( 387)	313, 055
	<u>\$ 1, 654, 194</u>	<u>(\$ 3, 925)</u>	<u>\$ 1, 650, 269</u>

The cost of inventories recognized as expense for the year:



	For the years ended December 31,	
	2019	2018
Cost of goods sold	\$ 14,742,537	\$ 14,715,845
Provision for inventory market price decline	961	685
Loss on scrapped inventories	105	53
Gain on physical inventory	( 9)	( 432)
	<u>\$ 14,743,594</u>	<u>\$ 14,716,151</u>

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

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

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

(6) Property, plant and equipment

	Land	Buildings	Machinery	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
<u>January 1, 2019</u>								
Cost	\$ 44,244	\$ 891,822	\$3,197,424	\$ 16,884	\$ 16,519	\$ 122,581	\$ 46,598	\$4,336,072
Accumulated depreciation	–	( 693,456)	( 2,917,728)	( 13,594)	( 6,567)	( 76,162)	–	( 3,707,507)
	<u>\$ 44,244</u>	<u>\$ 198,366</u>	<u>\$ 279,696</u>	<u>\$ 3,290</u>	<u>\$ 9,952</u>	<u>\$ 46,419</u>	<u>\$ 46,598</u>	<u>\$ 628,565</u>
<u>For the year ended December 31, 2019</u>								
At January 1	\$ 44,244	\$ 198,366	\$ 279,696	\$ 3,290	\$ 9,952	\$ 46,419	\$ 46,598	\$ 628,565
Additions	–	9,171	46,726	850	–	1,847	99,631	158,225
Transferred after acceptance	–	1,220	18,824	–	–	367	( 20,411)	–
Expensed	–	–	–	–	–	–	( 8,020)	( 8,020)
Depreciation	–	( 27,331)	( 62,519)	( 1,067)	( 5,998)	( 11,881)	–	( 108,796)
Disposals—Cost	–	–	( 6,978)	( 584)	( 946)	( 9,718)	–	( 18,226)
— Accumulated depreciation	–	–	6,419	584	946	9,599	–	17,548
At December 31	<u>\$ 44,244</u>	<u>\$ 181,426</u>	<u>\$ 282,168</u>	<u>\$ 3,073</u>	<u>\$ 3,954</u>	<u>\$ 36,633</u>	<u>\$ 117,798</u>	<u>\$ 669,296</u>
<u>December 31, 2019</u>								
Cost	\$ 44,244	\$ 902,213	\$3,255,996	\$ 17,150	\$ 15,573	\$ 115,077	\$ 117,798	\$4,468,051
Accumulated depreciation	–	( 720,787)	( 2,973,828)	( 14,077)	( 11,619)	( 78,444)	–	( 3,798,755)
	<u>\$ 44,244</u>	<u>\$ 181,426</u>	<u>\$ 282,168</u>	<u>\$ 3,073</u>	<u>\$ 3,954</u>	<u>\$ 36,633</u>	<u>\$ 117,798</u>	<u>\$ 669,296</u>

	Land	Buildings	Machinery	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
January 1, 2018								
Cost	\$ 44,244	\$ 888,016	\$3,074,241	\$ 14,784	\$ 16,309	\$ 116,885	\$ 61,879	\$4,216,358
Accumulated depreciation	—	( 666,699)	( 2,884,316)	( 12,526)	( 3,547)	( 65,770)	—	( 3,632,858)
	<u>\$ 44,244</u>	<u>\$ 221,317</u>	<u>\$ 189,925</u>	<u>\$ 2,258</u>	<u>\$ 12,762</u>	<u>\$ 51,115</u>	<u>\$ 61,879</u>	<u>\$ 583,500</u>
For the year ended December 31, 2018								
At January 1	\$ 44,244	\$ 221,317	\$ 189,925	\$ 2,258	\$ 12,762	\$ 51,115	\$ 61,879	\$ 583,500
Additions	—	3,806	38,135	210	210	6,677	95,653	144,691
Transferred after acceptance	—	—	107,310	1,890	—	—	( 109,200)	—
Expensed	—	—	—	—	—	—	( 1,734)	( 1,734)
Depreciation	—	( 26,757)	( 53,992)	( 1,068)	( 3,020)	( 11,373)	—	( 96,210)
Disposals—Cost	—	—	( 22,262)	—	—	( 981)	—	( 23,243)
— Accumulated depreciation	—	—	20,580	—	—	981	—	21,561
At December 31	<u>\$ 44,244</u>	<u>\$ 198,366</u>	<u>\$ 279,696</u>	<u>\$ 3,290</u>	<u>\$ 9,952</u>	<u>\$ 46,419</u>	<u>\$ 46,598</u>	<u>\$ 628,565</u>
December 31, 2018								
Cost	\$ 44,244	\$ 891,822	\$3,197,424	\$ 16,884	\$ 16,519	\$ 122,581	\$ 46,598	\$4,336,072
Accumulated depreciation	—	( 693,456)	( 2,917,728)	( 13,594)	( 6,567)	( 76,162)	—	( 3,707,507)
	<u>\$ 44,244</u>	<u>\$ 198,366</u>	<u>\$ 279,696</u>	<u>\$ 3,290</u>	<u>\$ 9,952</u>	<u>\$ 46,419</u>	<u>\$ 46,598</u>	<u>\$ 628,565</u>

- A. The Group's property, plant and equipment are all owner-occupied as at December 31, 2019 and 2018.
- B. The Group has not capitalized any interest for the years ended December 31, 2019 and 2018.
- C. For more information regarding the Group's property, plant and equipment pledged to others as at December 31, 2019 and 2018, please refer to Note 8, "Pledged assets".

(7) Leasing arrangements — lessee

Effective 2019

- A. The Group leases various assets including land, buildings, and transportation equipment. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	\$ 36,642	\$ 2,017
Buildings	122,062	25,351
Transportation equipment	35,373	25,217
	<u>\$ 194,077</u>	<u>\$ 52,585</u>

- C. For the year ended December 31, 2019, the additions to right-of-use assets was \$17,214.

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

	For the year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 3,070
Expense on short-term lease contracts	13,822

- E. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$66,357.

(8) Intangible assets

	Computer software	Trademark	Total
<u>At January 1, 2019</u>			
Cost	\$ 11,174	\$ 133	\$ 11,307
Accumulated amortization	( 8,205)	( 133)	( 8,338)
	<u>\$ 2,969</u>	<u>\$ —</u>	<u>\$ 2,969</u>
<u>For the year ended December 31, 2019</u>			
At January 1	\$ 2,969	\$ —	\$ 2,969
Additions — acquired separately	1,136	—	1,136
Amortization charge	( 1,997)	—	( 1,997)
At December 31	<u>\$ 2,108</u>	<u>\$ —</u>	<u>\$ 2,108</u>
<u>At December 31, 2019</u>			
Cost	\$ 12,310	\$ 133	\$ 12,443
Accumulated amortization	( 10,202)	( 133)	( 10,335)
	<u>\$ 2,108</u>	<u>\$ —</u>	<u>\$ 2,108</u>

	<u>Computer software</u>	<u>Trademark</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 8,813	\$ 133	\$ 8,946
Accumulated amortization	( 6,094)	( 130)	( 6,224)
	<u>\$ 2,719</u>	<u>\$ 3</u>	<u>\$ 2,722</u>
<u>For the year ended December 31, 2018</u>			
At January 1	\$ 2,719	\$ 3	\$ 2,722
Additions — acquired separately	2,361	—	2,361
Amortization charge	( 2,111)	( 3)	( 2,114)
At December 31	<u>\$ 2,969</u>	<u>\$ —</u>	<u>\$ 2,969</u>
<u>At December 31, 2018</u>			
Cost	\$ 11,174	\$ 133	\$ 11,307
Accumulated amortization	( 8,205)	( 133)	( 8,338)
	<u>\$ 2,969</u>	<u>\$ —</u>	<u>\$ 2,969</u>

Details of amortization on intangible assets are as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 215	\$ 190
Selling expenses	465	445
Administrative expenses	1,317	1,479
	<u>\$ 1,997</u>	<u>\$ 2,114</u>

(9) Short-term borrowings

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

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

(10) Short-term notes and bills payable

	<u>December 31, 2019</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper payable	\$ 11,000	0.58%~0.76%	None
Less: Unamortized discount	<u>—</u>		
	<u>\$ 11,000</u>		

A. The Group has no short-term notes and bills payable as of December 31, 2018.

B. The above commercial papers were issued and secured by Mega Bills Finance Co., Ltd. for short-term financing.

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

(11) Pensions

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations (\$	285,280)	(\$ 286,633)
Fair value of plan assets	<u>240,080</u>	<u>233,760</u>
Net defined benefit liability	<u>(\$ 45,200)</u>	<u>(\$ 52,873)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2019</u>			
Balance at January 1	(\$ 286,633)	\$ 233,760	(\$ 52,873)
Current service cost	( 2,402)	–	( 2,402)
Interest (expense) revenue	( 2,177)	1,759	( 418)
	<u>( 291,212)</u>	<u>235,519</u>	<u>( 55,693)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	8,920	8,920
Change in demographic assumptions	( 39)	–	( 39)
Change in financial assumptions	( 2,120)	–	( 2,120)
Experience adjustments	( 791)	–	( 791)
	<u>( 2,950)</u>	<u>8,920</u>	<u>5,970</u>
Pension fund contribution	–	4,523	4,523
Paid pension	8,882	( 8,882)	–
Balance at December 31	<u>(\$ 285,280)</u>	<u>\$ 240,080</u>	<u>(\$ 45,200)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2018</u>			
Balance at January 1	(\$ 286,892)	\$ 230,119	(\$ 56,773)
Current service cost	( 2,799)	–	( 2,799)
Interest (expense) revenue	( 2,896)	2,311	( 585)
	<u>( 292,587)</u>	<u>232,430</u>	<u>( 60,157)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	6,972	6,972
Change in demographic assumptions	( 54)	–	( 54)
Change in financial assumptions	( 7,043)	–	( 7,043)
Experience adjustments	<u>2,913</u>	<u>–</u>	<u>2,913</u>
	<u>( 4,184)</u>	<u>6,972</u>	<u>2,788</u>
Pension fund contribution	<u>–</u>	<u>4,496</u>	<u>4,496</u>
Paid pension	<u>10,138</u>	<u>( 10,138)</u>	<u>–</u>
Balance at December 31	<u>(\$ 286,633)</u>	<u>\$ 233,760</u>	<u>(\$ 52,873)</u>

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.



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

	For the years ended December 31	
	2019	2018
Discount rate	0.70%~0.75%	0.75%~1.00%
Future salary increases	2.00%~3.00%	2.00%~3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 6,764)	\$ 7,007	\$ 6,890	(\$ 6,687)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 7,045)	\$ 7,309	\$ 7,193	(\$ 6,970)

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

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

(e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount \$4,472.

(f) As of December 31, 2019, the weighted average duration of the retirement plan is 9~10 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 17,409
2-5 years	51,229
over 6 years	234,813
	<u>\$ 303,451</u>

B. Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C.

nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2019 and 2018 were \$13,759 and \$12,535, respectively.

(12) Share capital

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

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

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

(13) Capital surplus

Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Movements of the Company's capital reserves for the years ended December 31, 2019 and 2018 are as follows:

	For the year ended December 31, 2019		
	Share premium	Treasury share transactions	Total
Beginning and ending balance	<u>\$ 154</u>	<u>\$ 23,630</u>	<u>\$ 23,784</u>
	For the year ended December 31, 2018		
	Share premium	Treasury share transactions	Total
Beginning and ending balance	<u>\$ 154</u>	<u>\$ 23,630</u>	<u>\$ 23,784</u>

(14) Retained earnings

A. Pursuant to the Company Act, the current year's after-tax earnings should set aside 10% of the remaining earnings as legal reserve until the balance of legal reserve is equal to that of paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in

proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

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

(15) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers	\$ 17,150,108	\$ 16,948,746

A. Disaggregation of revenue from contracts with customers

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

For the year ended December 31, 2019			
	TTET UNION	Master Channels	
	Corporation	Corporation	Total
Sales revenue	\$ 13,039,786	\$ 3,635,049	\$ 16,674,835
Processing revenue	441,246	–	441,246
Logistics service revenue	–	34,027	34,027
	<u>\$ 13,481,032</u>	<u>\$ 3,669,076</u>	<u>\$ 17,150,108</u>
Timing of revenue recognition			
At a point in time	\$ 13,039,786	\$ 3,669,076	\$ 16,708,862
Over time	441,246	–	441,246
	<u>\$ 13,481,032</u>	<u>\$ 3,669,076</u>	<u>\$ 17,150,108</u>

For the year ended December 31, 2018			
	TTET UNION	Master Channels	
	Corporation	Corporation	Total
Sales revenue	\$ 13,198,916	\$ 3,295,815	\$ 16,494,731
Processing revenue	427,120	–	427,120
Logistics service revenue	–	26,895	26,895
	<u>\$ 13,626,036</u>	<u>\$ 3,322,710</u>	<u>\$ 16,948,746</u>
Timing of revenue recognition			
At a point in time	\$ 13,198,916	\$ 3,295,815	\$ 16,494,731
Over time	427,120	26,895	454,015
	<u>\$ 13,626,036</u>	<u>\$ 3,322,710</u>	<u>\$ 16,948,746</u>

#### B. Contract liabilities

- (a) As of December 31, 2019 and 2018, the Group has recognized the revenue-related liabilities amounting to \$16,647 and \$58,965, respectively.
- (b) Revenue recognized that were included in the contract liabilities balance at the beginning of 2019 and 2018 amounted to \$58,956 and \$11,540, respectively.

#### (16) Other income

For the years ended December 31,		
	2019	2018
Dividend income	\$ –	\$ 412
Interest income:		
Interest income from bank deposits	6,599	6,039
Other interest income	2,124	1,808
Other income	11,236	12,940
	<u>\$ 19,959</u>	<u>\$ 21,199</u>

(17) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(\$ 759)	\$ 33,671
Loss on disposal of property, plant and equipment	( 507)	( 1,682)
Net currency exchange gain (loss)	12,728	( 2,861)
Other losses	( 1,004)	–
	<u>\$ 10,458</u>	<u>\$ 29,128</u>

(18) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 7,332	\$ 6,258
Interest expense on lease liabilities	3,070	\$ –
Other interest expense	48	36
	<u>\$ 10,450</u>	<u>\$ 6,294</u>

(19) Expenses by nature

	For the year ended December 31, 2019		
	Operating cost	Operating expense	Total
Employee benefit expenses	<u>\$ 101,404</u>	<u>\$ 429,305</u>	<u>\$ 530,709</u>
Depreciation	<u>\$ 90,326</u>	<u>\$ 71,055</u>	<u>\$ 161,381</u>
Amortization	<u>\$ 215</u>	<u>\$ 1,782</u>	<u>\$ 1,997</u>

	For the year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefit expenses	<u>\$ 100,152</u>	<u>\$ 396,120</u>	<u>\$ 496,272</u>
Depreciation	<u>\$ 80,479</u>	<u>\$ 15,731</u>	<u>\$ 96,210</u>
Amortization	<u>\$ 190</u>	<u>\$ 1,924</u>	<u>\$ 2,114</u>

(20) Employee benefit expense

For the year ended December 31, 2019			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 90,784	\$ 373,284	\$ 464,068
Labor and health insurance expenses	5,370	25,558	30,928
Pension costs	3,258	13,321	16,579
Other personnel expenses	1,992	17,142	19,134
	<u>\$ 101,404</u>	<u>\$ 429,305</u>	<u>\$ 530,709</u>

For the year ended December 31, 2018			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 89,730	\$ 344,388	\$ 434,118
Labor and health insurance expenses	5,203	23,348	28,551
Pension costs	3,213	12,706	15,919
Other personnel expenses	2,006	15,678	17,684
	<u>\$ 100,152</u>	<u>\$ 396,120</u>	<u>\$ 496,272</u>

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

(21) Income tax.

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 251,405	\$ 230,520
Tax on undistributed earnings	1,599	623
Prior year income tax (overestimation) underestimation	( 100)	119
Total current tax	<u>252,904</u>	<u>231,262</u>
Deferred tax:		
Origination and reversal of temporary differences	( 1,265)	738
Impact of change in tax rate	<u>-</u>	<u>( 2,397)</u>
Income tax expense	<u>\$ 251,639</u>	<u>\$ 229,603</u>

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

	For the years ended December 31	
	2019	2018
Remeasurement of defined benefit obligations	\$ 1,194	\$ 557
Impact of change in tax rate	<u>-</u>	<u>( 227)</u>
	<u>\$ 1,194</u>	<u>\$ 330</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 270,106	\$ 246,990
Effects from items disallowed by tax regulation	( 19,966)	( 15,732)
Tax on undistributed earnings	1,599	623
Prior year income tax (overestimation) underestimation	( 100)	119
Impact from changes in tax rate	<u>-</u>	<u>( 2,397)</u>
Income tax expense	<u>\$ 251,639</u>	<u>\$ 229,603</u>

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

For the year ended December 31, 2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for doubtful accounts	\$ 945	(\$ 1)	\$ –	\$ 944
Unrealized loss on inventory market value decline	785	192	–	977
Unrealized expense	2,545	49	–	2,594
Unrealized loss on financial assets and liabilities	–	1,359	–	1,359
Pensions	403	(199)	–	204
Actuarial loss	23,252	–	(1,194)	22,058
	<u>\$ 27,930</u>	<u>\$ 1,400</u>	<u>(\$ 1,194)</u>	<u>\$ 28,136</u>
Deferred tax liabilities:				
Unrealized gain on financial assets and liabilities	(\$ 45)	\$ 45	\$ –	\$ –
Pensions	(11,627)	(141)	–	(11,768)
Unrealized exchange gain	(61)	(39)	–	(100)
	<u>(\$ 11,733)</u>	<u>(\$ 135)</u>	<u>\$ –</u>	<u>(\$ 11,868)</u>
	<u>\$ 16,197</u>	<u>\$ 1,265</u>	<u>(\$ 1,194)</u>	<u>\$ 16,268</u>



For the year ended December 31, 2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for doubtful accounts	\$ 803	\$ 142	\$ –	\$ 945
Unrealized loss on inventory market value decline	551	234	–	785
Unrealized expense	1, 952	593	–	2, 545
Unrealized loss on financial assets and liabilities	757	( 757)		–
Pensions	490	( 87)	–	403
Actuarial loss	<u>20, 238</u>	<u>3, 344</u>	<u>( 330)</u>	<u>23, 252</u>
	<u>\$ 24, 791</u>	<u>\$ 3, 469</u>	<u>(\$ 330)</u>	<u>\$ 27, 930</u>
Deferred tax liabilities:				
Unrealized gain on financial assets and liabilities	\$ –	(\$ 45)	\$ –	(\$ 45)
Pensions	( 9, 841)	( 1, 786)	–	( 11, 627)
Unrealized exchange gain	<u>( 82)</u>	<u>21</u>	<u>–</u>	<u>( 61)</u>
	<u>(\$ 9, 923)</u>	<u>(\$ 1, 810)</u>	<u>\$ –</u>	<u>(\$ 11, 733)</u>
	<u>\$ 14, 868</u>	<u>\$ 1, 659</u>	<u>(\$ 330)</u>	<u>\$ 16, 197</u>

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

(22) Earnings per share

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

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

(23) Operating leases

Prior to 2019

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

between 2012 and 2038, and all these lease agreements are renewable at the end of the lease period. The Group recognized rental expenses of \$37,103 for these leases in profit or loss (shown as “operating expenses”) for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	\$ 28,994
Later than one year but not later than five years	78,534
Later than five years	88,767
	<u>\$ 196,295</u>

(24) Supplemental cash flow information

Operating activities with no cash flow effects:

	For the years ended December 31,	
	2019	2018
Write-off of allowance for doubtful accounts	\$ 1,089	\$ 298

(25) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 70,949	\$ –	\$ 3,110	\$ –	\$ 74,059
Effects on retrospective application	–	–	–	231,427	231,427
Increase in lease liabilities	–	–	–	17,214	17,214
Changes in cash flow from financing activities	52,888	11,000	650	( 49,465)	15,073
At December 31, 2019	<u>\$ 123,837</u>	<u>\$ 11,000</u>	<u>\$ 3,760</u>	<u>\$ 199,176</u>	<u>\$ 337,773</u>

	Short-term borrowings	Short-term notes and bills payable	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2018	\$ 117,872	\$ 39,997	\$ 3,532	\$ 161,401
Changes in cash flow from financing activities	( 46,923)	( 39,997)	( 422)	( 87,342)
At December 31, 2018	<u>\$ 70,949</u>	<u>\$ –</u>	<u>\$ 3,110</u>	<u>\$ 74,059</u>

## 7. RELATED PARTY TRANSACTIONS

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

Names of related parties	Relationship with the Company
Uni-President Enterprises Corp.	Key management individuals
Great Wall Enterprise Co., Ltd.	"
Tai Hwa Oil Industrial Co., Ltd.	"
May Lan Lei Co., Ltd.	An entity controlled by key management individuals
Total Nutrition Technologies Co., Ltd.	"
Ton-Yi Industrial Corp.	"
President Chain Store Corp.	"
Nanlien International Corp.	"
President Nisshin Corp.	"
President Kikkoman Inc.	"
President Transnet Corp.	"
Mech-President Corporation	"
Uni-President Superior Commissary Corp.	"
Mister Donut Taiwan Co., Ltd.	"
Afternoon Tea Taiwan Corp.	"
Uni-President Oven Bakery Corp.	"
President Tokyo Corp.	"
Tung-Ho Development Co., Ltd.	"
Tung-Xian Corp.	"
Capital Inventory Service Corp.	"
Uni-President Cold Chain Corp.	"
Kuan Chan Enterprises Corp.	"
Benli Xin Yeh Corp.	"
Fu Yie Enterprise Co.,Ltd.	"
Jin Hui Food Corp.	"
Tait Marketing &Distribution Co., Ltd.	"
21Century Co., Ltd.	"
Uni-President Organics Corp.	"
Zhong Yi Food Company Ltd.	"
Kouchan Mill Co., Ltd.	"
Saboten Co., Ltd.	"
An Hsin Chiao Chu Co.,Ltd.	"
Oriental Best Foods Co.,Ltd.	"
Xiang Cheng Co.,Ltd.	"
Weilih Food Industrial Co., Ltd.	Investee of key management individual accounted for under the equity method
Kuang Chuan Dairy Co.,Ltd.	"

(2) Significant transactions and balances with related parties

A. Sales and processing revenue

	For the years ended December 31,	
	2019	2018
Sales of merchandise and finished goods:		
— Key management individuals	\$ 498,283	\$ 510,972
— An entity controlled by key management individuals	358,901	372,460
— Investee of key management individual accounted for under the equity method	41,847	7,644
	<u>899,031</u>	<u>891,076</u>
Processing revenue:		
— May Lan Lei Co., Ltd.	333,671	312,081
— Tai Hwa Oil Industrial Co., Ltd.	91,325	87,514
— Other entities controlled by key management individuals	15,800	27,000
— Other key management individuals	450	525
	<u>441,246</u>	<u>427,120</u>
	<u>\$ 1,340,277</u>	<u>\$ 1,318,196</u>

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

B. Purchases

	For the years ended December 31,	
	2019	2018
An entity controlled by key management individuals	\$ 507,860	\$ 457,222
Key management individuals	<u>133,472</u>	<u>203,410</u>
	<u>\$ 641,332</u>	<u>\$ 660,632</u>

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

### C. Rent expense

	For the year ended December 31, 2018
An entity controlled by key management individuals	\$ 27,920

### D. Accounts receivable

	December 31, 2019	December 31, 2018
An entity controlled by key management individuals	\$ 52,973	\$ 57,673
Key management individuals	45,838	34,527
Investee of key management individual accounted for under the equity method	3,963	762
	<u>\$ 102,774</u>	<u>\$ 92,962</u>

### E. Accounts payable

	December 31, 2019	December 31, 2018
An entity controlled by key management individuals	\$ 55,565	\$ 51,635
Key management individuals	12,693	2,951
	<u>\$ 68,258</u>	<u>\$ 54,586</u>

### F. Lease transactions — lessee

(a) The Group leases commercial vehicle from President Tokyo Corp. Rental contracts are typically made for periods of 1 to 6 years. Rents are paid monthly.

(b) Acquisition of right-of-use assets:

	For the year ended December 31, 2019
An entity controlled by key management individuals	\$ 17,227

A. On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$42,991.

B. As of December 31, 2019, the lease liability balance was \$38,776. Interest expense recognized amounted to \$509 (shown as “Finance costs”) for the year ended December 31, 2019.

### (3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	<u>\$ 64,816</u>	<u>\$ 64,392</u>

## 8. PLEDGED ASSETS

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

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

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

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

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

(2) Capital expenditures contracted for but not yet incurred

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	<u>\$ 236,132</u>	<u>\$ 60,865</u>

(3) For more information about operating leases, please refer to Note 6(23), 'Operating leases.'

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

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

### (2) Financial instruments

#### A. Financial instruments by category

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

## B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's and the subsidiary's operating units.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### I. Foreign exchange risk

- (i) Some purchases and sales are valued in US dollars, therefore the fair value changes with market exchange rate.
- (ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- (iii) The Group's businesses involve some non-functional currency operations (the Company's and the subsidiary's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019			
(foreign currency: functional currency)	Foreign currency		
	amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 354	30.03	\$ 10,637
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	4,124	30.03	123,837



	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 33	30.77	\$ 1,008
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	2,306	30.77	70,949

(iv) As of December 31, 2019 and 2018, if the NTD:USD exchange rate appreciates/depreciates by 1% with all other factors remaining constant, the after-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by \$906 and \$560, respectively.

(v) The unrealized exchange gain arising from significant foreign exchange variation on monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to \$498 and \$303, respectively.

## II. Price risk

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

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

## III. Cash flow and fair value interest rate risk

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

### (b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

- II. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a certain rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- IV. The Group adopts the assumption under IFRS 9, whereby the default occurs when the contract payments are past due over 90 days.
- V. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Group uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, and expected loss rate range is 0.3% to 100%. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the year ended December 31, 2019	
	Notes receivable	Accounts receivable
At January 1	\$ 567	\$ 3,828
Provision for impairment	813	1,083
Write-off allowance for doubtful accounts	—	(1,089)
At December 31	<u>\$ 1,380</u>	<u>\$ 3,822</u>

	For the year ended December 31, 2018	
	Notes receivable	Accounts receivable
At January 1_IAS39	\$ —	\$ 390
Adjustments under new standards	—	—
At January 1_IFRS 9	—	390
Provision for impairment	567	3,736
Write-off	—	(298)
At December 31	<u>\$ 567</u>	<u>\$ 3,828</u>

(c) Liquidity risk

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

III. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate:		
Expiring within one year	<u>\$ 5,226,123</u>	<u>\$ 6,027,531</u>

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

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 123,897	\$ -	\$ -	\$ -
Short-term notes and bills payable	11,000	-	-	-
Notes payable	4,389			
Accounts payable	729,040	-	-	-
Other payables	387,345	-	-	-
Lease liabilities	40,752	28,887	73,781	69,169
Guarantee deposits received	-	3,760	-	-
Derivative liabilities:				
Forward foreign exchange contracts	6,791	-	-	-

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 70, 995	\$ –	\$ –	\$ –
Accounts payable	843, 265	–	–	–
Other payables	343, 998	–	–	–
Guarantee deposits received	–	3, 110	–	–

(3) Fair value information

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

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

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

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

- B. Financial instruments not measured at fair value

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

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

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

D. The methods and assumptions the Group used to measure fair value are as follows:

The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following is the movement of level 3 for the years ended December 31, 2019 and 2018:

	<u>Equity Securities</u>
For the year ended December 31, 2019	<u>\$ 1,275</u>
	<u>Equity Securities</u>
For the year ended December 31, 2018	<u>\$ 1,275</u>

G. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

- H. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

### 13. SUPPLEMENTARY DISCLOSURES

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

#### (1) Significant transactions information

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

#### (2) Information on investees

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

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

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

### 14. SEGMENT INFORMATION

#### (1) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision maker in order to make strategic decisions. The components of the Group and the basis for identification and measurement of segment information had no significant changes in this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. The accounting policies of the operating segments are the same as "Summary of significant accounting" described in Note 4.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended December 31, 2019	TTET Union Corporation	Master Channels Corporation	Total
Segment revenue	\$ 13,781,934	\$ 3,669,076	\$ 17,451,010
Revenue from internal customers	300,902	–	300,902
Revenue from external customers	13,481,032	3,669,076	17,150,108
Segment income	1,094,575	156,168	1,250,743
Depreciation and amortization	104,559	58,819	163,378
Segment assets	4,650,917	1,156,568	5,807,485
For the year ended December 31, 2018	TTET Union Corporation	Master Channels Corporation	Total
Segment revenue	\$ 13,930,285	\$ 3,322,710	\$ 17,252,995
Revenue from internal customers	304,249	–	304,249
Revenue from external customers	13,626,036	3,322,710	16,948,746
Segment income	1,032,585	123,328	1,155,913
Depreciation and amortization	84,847	13,477	98,324
Segment assets	4,587,386	883,516	5,470,902

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

For the year ended December 31, 2019	TTET Union Corporation	Master Channels Corporation	Total
Depreciation expense increased	\$ 10,560	\$ 42,025	\$ 52,585
Segment assets increased	\$ 34,385	\$ 159,692	\$ 194,077
Segment liabilities increased	\$ 34,527	\$ 164,649	\$ 199,176

(4) Reconciliation for segment income and segment assets

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the chief operating decision-maker with respect to segment income and segment assets are measured consistent with that of the financial statements.

(5) Information on product and service

Revenue from external customers is mainly from sales and processing of vegetable oil, edible oil, cigarette, alcohol and articles for daily use and logistics service revenue.

Details of revenue is as follows:

	For the years ended December 31,	
	2019	2018
Sales revenue of finished goods	\$ 13,039,786	\$ 12,981,808
Sales revenue of merchandise	3,635,049	3,512,923
Processing revenue	441,246	427,120
Logistics service revenue	34,027	26,895
Total	<u>\$ 17,150,108</u>	<u>\$ 16,948,746</u>

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 16,802,264	\$ 865,522	\$ 16,705,601	\$ 631,627
Korea	125,189	–	–	–
Japan	60,328	–	62,881	–
Others	162,327	–	180,264	–
	<u>\$ 17,150,108</u>	<u>\$ 865,522</u>	<u>\$ 16,948,746</u>	<u>\$ 631,627</u>

(7) Major customer information

The Group's revenues from each customer for the years ended December 31, 2019 and 2018 are less than 10% of the amount of operating revenue on the consolidated statement of comprehensive income.



TTET Union Corporation and Subsidiary

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

December 31, 2019

Table 1

Expressed in thousands of NTD

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

TTET Union Corporation and Subsidiary

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

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

Purchase/sale company	Counterparty	Relationship with the counterparty	Description of transaction				Description and reasons for difference in transaction terms compared to non-related party transactions		Notes or accounts receivable/(payable)		Note
			Purchases	Amount	Percentage of	Credit term	Unit price	Credit term	Balance	Percentage of	
			/(sales)		total purchases					total notes/accounts	
					/(sales)					receivable (payable)	
TTET Union Corporation	Uni-President Enterprises Corp.	The investor of the Company	(Sales)	( \$ 170, 069 )	(1%)	15 days after sales	\$ -	(Note 1)	\$ 13, 550	3%	—
	Great Wall Enterprise Co., Ltd.	The director of the Company	(Sales)	( 325, 653 )	(2%)	10 days after sales	-	(Note 1)	15, 110	3%	—
	Master Channels Corporation	An investee company accounted for under the equity method	(Sales)	( 300, 902 )	(2%)	Closes its accounts each half month, notes due in 20 days	-	(Note 1)	32, 558	6%	—
	Ton-Yi Industrial Corp.	An investee company of Uni-President Enterprises Corp. accounted for under the equity method	Purchases	346, 192	3%	30 days after acceptance	-	(Note 2)	( 35, 476 )	(12%)	—
	Total Nutrition Technologies Co., Ltd.	An investee company of Great Wall Enterprise Co., Ltd. accounted for under the equity method	(Sales)	( 128, 063 )	(1%)	10 days after sales	-	(Note 1)	1, 121	—	—

Purchase/sale company	Counterparty	Relationship with the counterparty	Description of transaction				Description and reasons for difference in transaction terms compared to non-related party transactions		Notes or accounts receivable/(payable)		Note
			Purchases /(sales)	Amount	Percentage of total purchases /(sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TTET Union Corporation	May Lan Lei Co., Ltd.	An investee company of Great Wall Enterprise Co., Ltd. accounted for under the equity method	(Sales)	(\$ 108,446)	(1%)	10 days after sales	-	(Note 1)	\$ -	—	—
			(Processing revenue)	( 333,671)	(76%)	Closes its accounts 15 days after the end of each month	-	—	29,826	6%	—
Master Channels Corporation	TTET Union Corporation	The parent company	Purchases	300,902	9%	Closes its accounts each half month, notes due in 20 days	-	—	( 32,558)	(7%)	—

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

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

TTET Union Corporation and Subsidiary  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD

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

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

TTET Union Corporation and Subsidiary  
Information on investees (not including investees in China)  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

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

TTET Union Corporation and Subsidiary  
Information on investments in Mainland China  
For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

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

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

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

Company name	Accumulated investment balance from Taiwan to Mainland China	Amount approved by MOEA	Ceiling amount of investments in Mainland China imposed by MOEA (Note1)
TTET Union Corporation	\$ 7,207	\$ 7,207	\$ 2,478,891

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

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

**VI. Facts regarding the Company and its affiliated enterprises which have developed difficult financial standing in recent year and the period as of the Annual Report date: Not applicable.**

## **Six Review and analysis of financial standing and financial performance and the risk concern**

**I. Financial Position:** the main reasons for the material changes in assets, liabilities, and shareholders' equity over the last two years and the impacts; if the impacts are material, the future response plans shall be specified:

**(I) Financial comparison and analysis report**

Unit: NT\$1,000

Title \ Year	2019	2018	Difference	
			Amount	%
Current assets	4,880,827	4,781,152	99,675	2.08
Real estate, plants and Equipment	669,296	628,565	40,731	6.48
Other assets	257,362	61,185	196,177	320.63
Total assets	5,807,485	5,470,902	336,583	6.15
Current liabilities	1,446,576	1,460,906	( 14,330)	( 0.98)
Non-current liabilities	229,424	67,716	161,708	238.80
Total liabilities	1,676,000	1,528,622	147,378	9.64
Share capital	1,599,749	1,599,749	-	-
Retained earnings	23,784	23,784	-	-
Additional paid-in capital	2,443,831	2,264,371	179,460	7.93
Non-controlled equity	71,121	61,376	9,745	15.88
Total shareholders' equity	4,131,485	3,942,280	189,205	4.80

Reasons for changes in financial ratio (A change for more than 20%):

Increase of other assets and non-current liabilities: the main reason is that IFRS 16, where the right-of-use assets and lease liabilities are added, has been applied from 2019, and thus other assets and non-current liabilities of the term increased.

- (II) Future corresponding plans: the domestic soybean imports, processing and sales has been a free and open market operation for a long time. The price fluctuation of domestic soybean products is highly correlated to the changes in international market price. The Company has faced competition from both domestic and foreign related products; therefore, in addition to relying on the enhancement of the Company's competitiveness, the Company will continue to observe the international soybean

price fluctuation and the domestic soybean market supply and demand in order to enact an appropriate procurement policy and production and sale plan.

## II. Financial performance: The main reasons for the material changes in operating income, net operating income and net income before tax over the last two years, and the expected sales volume and its basis, the potential impact on the Company's future finance, and the response plan:

### (I) Comparison and Analysis of Financial Performance

Unit: NT\$1,000

Title \ Year	2019	2018	Amount increase/decrease	Ratio of change(%)
Operating revenue	17,150,108	16,948,746	201,362	1.19
Operating costs	( 15,131,192)	( 15,091,718)	39,474	0.26
Gross operating profit	2,018,916	1,857,028	161,888	8.72
Accrued operating expenses	( 788,140)	( 745,148)	42,992	5.77
Operating income	1,230,776	1,111,880	118,896	10.69
Non-operating revenues and gains	19,967	44,033	( 24,066)	( 54.65)
Net income before tax	1,250,743	1,155,913	94,830	8.20
Income tax expenses	( 251,639)	( 229,603)	22,036	9.60
Net income	999,104	926,310	72,794	7.86
Other net consolidated profit and/or loss	4,776	2,458	2,318	94.30
Total current consolidated profit and/or loss this term	1,003,880	928,768	75,112	8.09
Net income belonging to the parent company proprietor	974,572	906,880	67,692	7.46

#### (1) Reasons of change in financial ratio (A change for 20%):

Increase in non-operating expenditures: mainly because the net profit from the financial assets measured by the fair value and the net profit from foreign exchanges decreased 61.15% year-on-year.

Other comprehensive profit or loss increased: it is due to the increase of defined benefit plan re-measurement value over last year.

#### (2) The main reason for the change of business content: Not applicable.

#### (3) Expected sales volume within one year and its basis; in addition, the main reason why the sales volume is expected to continue to grow or decline: the Company is engaged in an industry for daily necessities; therefore, the changes in the Company's performance are closely related to the future prices, the economic cycle and the Company's overall competitiveness. In the past years, the Company continues to enhance the overall competitiveness through reducing cost, improving quality, and upgrading service. Therefore, according to future economic climate changes and customer needs, the sale of soybean flour and refined salad cooking oil is expected to reach 580,000 tons and 135,000 tons within one year, respectively.



### III. Cash flow review and analysis

#### Cash flow analysis

Unit: NT\$1,000

Balance of cash, at beginning of the year	Cash flow from operating activities of entire year	Cash outflow (inflow) of the entire year (Note)	Cash surplus (deficit)	Remedy against cash deficit	
				Investment plans	Wealth management plans
1,791,441	1,122,600	(961,547)	1,952,494	-	-
1. Cash flow from operating activities of entire year (1) Operating activities: It is mainly because the inventory changes decreased NT\$471,816,000, resulting in a decrease of net cash inflow from operating activities over the same period of last year. (2) Investing activities: it is mainly because amount of buying real estate, plants and equipment increased, resulting in an increase of net cash outflow from investing activities over last year. (3) Financing activities: it is mainly because the short-term borrowings and short-term notes payable increased, and thus the net outflow from the fundraising activities decreased. 2. Remedy for cash deficit and liquidity analysis: not applicable 3. Cash flow analysis within one year:					
Balance of cash, at beginning of the year	Cash flow from operating activities of entire year	Cash outflow (inflow) of the entire year	Cash surplus (deficit)	Remedy against cash deficit	
				Investment plans	Wealth management plans
1,952,494	1,200,000	(960,760)	2,191,734	-	-

Note: the cash outflow (inflow) of the entire year includes the net cash inflow (outflow) with the investment activities and fundraising activities.

#### IV. Effect upon Financial Operations of any Major Capital Expenditures during the Most Recent Fiscal Year: None.

#### V. The re-investment policy of the current year, major cause of profit or loss, corrective action plan and investment plan within one year ahead:

##### (I) The re-investment policy and profitability:

The Company's re-investment policy is to assess and invest in the investment objects that are related to the Company's business operation currently and in the future or the investment objects that are positively helpful to the Company's business development.

The Company's long-term equity invested company under the equity method, Master Channels Corporation, was with an investment income of NT\$99,786 thousand recognized in 2019, that was an increase of NT\$79,033 thousand from the NT\$20,753 thousand recognized in 2018. Main reason is that the invested company has a continuous growth of profit.

##### (II) The investment plan within one year ahead:

there is not a clear investment plan in place just yet.

#### VI. Analysis and Assessment on Risks: (in the most recent year and up to the printing date of the annual report)

##### (I) The impact of changes in interest rate, exchange rate and inflation on the Company's profit and loss and/or the future countermeasures:

to respond to the needs of procuring materials, the Company prudentially evaluates the movement of NTD/USD, and close monitors the international stock and FX markets, to reduce the fund cost effectively. From Q3 2019, the U.S. decreased the interest rate

preemptively to respond the slowing economics. The 2020 Q1 global economic activities suffered severely due to the COVID-19 outbreak. Central banks around the world took the accommodative monetary policies to prevent the rapid decline of economics. Fed in the U.S. slashed the interest rate for 1.5 percentage points in a flash manner in March, which in turn erasing all the increase from the end of 2015, as well as re-activated the QE program. However the panic in the market resulted in the demands to USD surged and thus USD appreciated.

In Q1 2020, the central bank of Taiwan reduced the interest rate for 25 basis points in March, taking account of the diving crude oil prices and the low domestic inflation. The level of the interest rate reached the new historical low. The GDP forecast of the year has been revised down to 1.92%, and the challenges to the export industry were noted. Under this framework, NTD is moving away from the 30-NTD range and tends to depreciate slowly. For the forward FX operation, the Company integrates the macro-analyses, movement simulation and position control, to take the reasonable and effective hedge strategies.

(II) The policies to engage in high risk and high leveraged investment, grant loans to others, render endorsement/guarantee and engage in derivatives transactions, the major causes leading to profit/loss and the relevant action plan and the countermeasures to be adopted in the future:

1. The Company does not engage in high risk and high leveraged investment.
2. The Company has duly enacted the “Operating Procedures for Loaning of Funds” and “Operating Procedures for Making of Endorsements/Guarantees” in accordance with the requirements promulgated by the Securities and Futures Bureau. Moreover, the Company’s Audit Department has enacted the related systems for risk management and evaluation in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies.” There was not any endorsement/guarantee made as of December 31, 2019. There was not any loaning of fund made on December 31, 2019.
3. The Company has conducted derivatives transactions in accordance with the “Operational Procedures for the Acquisition and Disposal of Assets.” The Company has engaged only in the US dollar forward foreign exchange of derivatives transactions due to the need of the Company’s business operations for hedging the risk arising from the changes in foreign exchange rate of the US dollar needed.

(III) The future research and development programs and expected fund investment in research & development:

the main factors affecting the success of research and development are: (1) meet the customer demand, good quality products and (2) a competitive price, the absolute cost advantage. The new products launched in succession in the recent years by the Company include “non-GMO quality soybean,” “Sheng-Li soybean oil,” “non-GMO canola oil,” “sunflower oil” and “whole-fat soybean meal.”

The Company’s future R&D plans from the aspect of manpower, resources, and finance:

1. Equipment procurement: in 2020, it is expected to procure automatic titrators.
2. Budgeting: An amount of NT\$11 million is budgeted for the related research and development and quality assurance.

(IV) The impact of changes in domestic and foreign major policies and laws on the Company’s financial standing and the Company’s countermeasures:

The Company constantly pays utmost attention to and grasps any updates in the related policies and laws and regulations. At the same time, obtain assessments, suggestions, and countermeasures planning from the related professional institutions of

law and accounting in order to reduce the impact of the changes on the Company's financial operations.

- (V) The impact of changes in technology as well as industries on the Company's financial standing and the countermeasures:

The Company's products are daily necessities; therefore, the impact of changes in technologies on the Company's financial operation is insignificant. It remains our goal to continue strengthening quality improvement and fulfilling customer demands and maintaining the competitiveness of products and services in order to pursue continuous growth and substantiate a sustainable business operation.

- (VI) The impact of change in the corporate image on the corporate crisis management and the relevant countermeasures:

The Company has upheld the "complying with the law, open, and transparent" business philosophy with a good corporate image.

- (VII) The estimated benefits and potential risks of a merger/acquisition (M&A) and the countermeasures: There is no relevant plan available currently.

- (VIII) The estimated benefits and potential risks of plant expansion and the countermeasures: There is no relevant plan available currently.

- (IX) The risks of centralized purchase and sale and the relevant countermeasures:

The Company's purchase is by public tenders without any risk. The top-two customers for sales accounted for 10% of the total sales without any risk of centralized sales.

- (X) The impact and risk of significant transfer or conversion of equity by Directors, Supervisors or major shareholders with more than 10% shareholding, and the relevant countermeasures: Not applicable.

- (XI) The impact and risk of change in managerial powers on the Company: Not applicable.

- (XII) Litigation or non-litigation events, the consequence of finalized or pending major litigious and non-litigious events or administrative disputes of the Company and the Company's Directors, Supervisors, President, Person-in-charge, major shareholders with more than 10% shareholding, and subsidiaries which might have a significant impact on the shareholders' equity or stock prices of the Company should be disclosed clearly, including the fact, underlying amount, litigation starting date, major litigants, and the result up to the printing date of the annual report: Not applicable.

- (XIII) Other significant risks and the relevant countermeasures: Not applicable.

## **VII. Other Important Matters: None.**

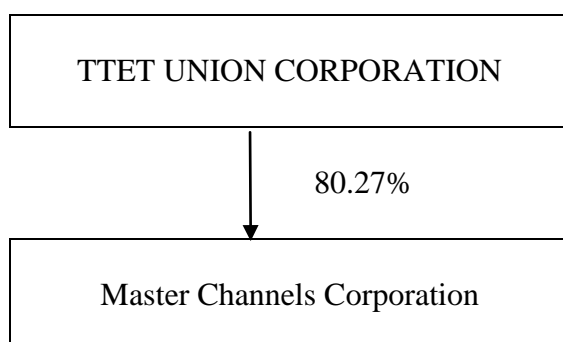
# Seven. Other Items Deserving Special Mention

## I. Information Related to the Company's Affiliates:

### (I) Affiliated company overview

#### 1. Affiliated company organizational overview

##### (1) Affiliated company organizational chart



(2) A control-subordinate relationship deducted in accordance with Article 369-3 of the Company Law: None

(3) The subsidiary with the human resources and finance or business operation controlled by the Company directly or indirectly in accordance with Article 369-2 Paragraph 2 of the Company Law: Master Channels Corporation

#### 2. Affiliated company profile

Unit: Thousand New Taiwan Dollars

Company	Establishment date	Address	Paid-in capital	Main business operation or production items
TTET Union Corporation	71.5.24	No. 32, Gungye W. Road, Erzhen Village, Guantian District, Tainan City	1,599,749	Soybean powder, high protein powder, refined salad oil, a selection of soybeans, and brewing soybean flakes
Master Channels Corporation	89.9.29	2F, No. 191, Chinping Road, Anping District, Tainan City	150,000	Wholesale and retail of agricultural, livestock, aquatic products, and edible material

3. The information of the same shareholders if there is a control-subordinate relationship deducted: None

4. The overall affiliated companies are engaged in the business operations: The Company and its affiliates are engaged in the manufacturing, processing, and sales of animal and vegetable oil, and the wholesale and retail of the agriculture, livestock, aquatic products, and edible materials.

## 5. All affiliates directors, supervisors and president profile

December 31, 2019

Company	Title	Name	Shares held		Corporate representative
			Shares	Shareholding ratio	
TTET Union Corporation	Chairman	Lo, Chih-Hsien	61,594,201	38.50%	Uni-President Enterprises Corporation
	Director	Wu, Liang-Feng			
	Director	Chen, Yi-Tu	31,186,706	19.49%	Tai Hwa Oil Industrial Co., Ltd.
	Director	Han, Chia-Yau	15,416,960	9.64%	Great Wall Enterprise Co., Ltd.;
	Director	Huang, Yi-Shen	410,054	0.26%	
	Independent Director	Huang, Pei-Wen	-	-	
	Independent Director	Yu, Chung-Ying	-	-	
	Independent Director	Hsia, Liang-Chou	-	-	
	Supervisor	Lee, Ching-Tyan	-	-	
	Supervisor	Chang, Li-Hsun	4,000	-	
	Supervisor	Chen I-Tsunz	55,131	0.03%	
	General manager	Chen, Chao-Liang	-	-	
Master Channels Corporation	Chairman	Wu, Liang-Feng	12,039,999	80.27%	TTET Union Corporation
	Director and General manager	Chi, Ching-Hsu			
	Director	Chen, Chao-Liang			
	Supervisor	Hu, Yu-Chih	—	—	

## (II) Affiliates operation overview:

## Financial position and financial performance of each affiliated company

Unit: Thousand New Taiwan Dollars

December 31, 2019

Company	Capital	Total assets	Total liabilities	Net worth	Operating revenue (Net income)	Operating income	Net income	Earnings per share (after tax)
TTET Union Corporation (Consolidated)	1,599,749	5,807,485	1,676,000	4,131,485	17,150,108	1,230,776	999,104	6.09
TTET Union Corporation (individual)	1,599,749	4,972,767	912,403	4,060,364	13,781,934	1,073,360	974,572	6.09
Master Channels Corporation	150,000	1,156,568	796,155	360,413	3,669,076	157,417	124,319	8.29

## (III) Affiliates consolidated financial statements: Please refer to Page 144 and on.

## (IV) Business report: Please refer to Page 144 and on.

- II. Private Placement of Securities Carried Out by the Company during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report: None.**
- III. Holding or Disposal of Shares in this Company by the Company's Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report: None.**
- IV. Other Matters That Require Additional Description: None.**
- V. Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities; has Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report: None.**

TET Union Corporation

Chairman: Lo, Chih-Hsien

Date of Publication: April 20, 2020