

*Stock Code: 1702*



**Namchow Holdings Co., Ltd**

## **2022 Annual Report**

**Notice to readers**

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

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# **I. Letter to Shareholders**

## **I. 2022 Operating Results Report**

The Company's consolidated revenue was NTD20,478,405 thousand in 2022, an increase of NTD616,635 thousand (3.10%) from NTD19,861,770 thousand in 2021. The profits amounted to NTD559,669 thousand in 2022, a decrease of NTD511,497 thousand (-47.75%) from NTD 1,071,166 thousand in 2021. The profit in 2022 declined from 2021, main reasons are that in 2022, the Company faced a high-speed inflation, rising prices of international raw materials, the impact of the Russia-Ukraine War, and the lockdown in China for pandemic and other changes in the overall environment affecting the consumer market.

Financially, the Company's consolidated debts totaled NTD18,083,8095 thousand in 2022; the debt ratio was 59.36%, a decrease of 0.40% and increase in amount of NTD505,599 thousand from 59.76% in 2021 when the consolidated debts were 17,578,210 thousand. In 2022, the cash inflow from operating activities was NT\$1,427,614 thousand; the cash outflow from investing activities was NT\$729,842 thousand; and the current ratio was 226.25%. It has decreased from 244.03% in 2021, indicating a good financial status overall.

Historically, the Group has always adopted the mindset of differentiated niche markets to satisfy the potential functional needs of consumers. The Group has continuously invested in the research and development of new products, for instance, the detergent business has launched Crystal Soap, and develop the clothing cleaning products with high biodegradability for different functional uses; the oil business continues to launch NEBOS series oils that meet international standards which are "clean" and "additive-free;" moreover, the ice cream business introduces new products every year to satisfy consumers' taste buds, and works with well-known brands in collaborations to expand business models and opportunities.

## **II. 2023 Business Plan Outline:**

Namchow develops high value-added products, has insights into international market trends, seeks opportunities for cooperation with enterprises of various formats, orients to satisfy consumer rights, and creates a multi-win situation among customers, consumers, and social industries.

Namchow has operated its oil business in mainland China for 26 years, and its comprehensive services have become the community of life and the critical business partner for clients. Namchow Food Group (Shanghai) Co., Ltd. was listed on the Shanghai A Index (SHAI) in May 2021, becoming the first food company to be listed in Mainland China. The funds raised are used to increase the production capacity for baking oil and frozen dough, expand the cold chain storage and R&D center, and strengthen Namchow's competitiveness in mainland China's market. In 2022, a new production base was built in Chongqing, to complement the layout of the China business. The estimated investment is about RMB480 million to build production and

processing plants R&D and ancillary spaces and other production equipment for whipped cream and frozen doughs.

Namchow has been cultivating in Thailand for 32 years and has become an expert in rice products. Its rice cracker, prepared cooked rice, and prepared porridge products have been sold to the global market and are well received. In October 2018, the new plant expansion project was implemented. In the first phase about 1.37 billion baht has been invested to build an intelligent plant and install a production line of baby rice cracker and one for baked bread and snacks. The rice cracker production line has been launched in Q2 2020. In addition, the production line of baked bread and snacks has commenced the production successfully in January 2023.

### **III. Future Development Strategies and Impact on the External Environment**

**Future development strategy:** Namchow focuses on the operation of the global niche market, and continues to invest more in research and development of oil, rice, flour and dairy products. Currently, the food revenue has exceeded 97% of the Group's revenue. In the future, more investment will be made for the business development, to the meet food safety and health trends, and develop more subtle and precise biotechnology functional products. Deep local cultivation, comprehensive positioning, and active expansion with differentiated goals, are to achieve the sustainable group development.

**Competitive environment:** Take the oil business as an example. We will continue to invest in R&D and services to meet international trends. Recently, we have adopted the bakery desert and catering concept for Chinese cakes cultivating the professionally functional field of oils and fats, to create the added-values of customers, and assist customers to establish the positions and images in the hearts of consumers. Recently, to cope with the rising awareness of environmental protection around the world, Namchow has also spared no effort to promote and participate in environmental protection issues, while conducting research and development on new paths related to low-carbon products, reduced pollutant generation and minimization of carbon emissions in manufacturing processes, seeking to reduce hazards to the environment, and combine with the circular economic system to achieve the core goal of sustainable operation.

**Legal environment:** With the ever-progressing eras and severe competitions in markets , the public has paid more attention to product quality, safety, and sanitation regulations. Since the 1980s, Namchow has introduced the concept of consumer protection, and actively implemented the comprehensive quality management, a pioneer at that time. Recently, the society has evolved more rapidly, to survive, enterprises today must conform to the grand concept of environmental protection and loving the earth and become green competitive enterprises conforming to the ESG standards, obtaining the trust and recognition of the society, and enterprises of the public. Our goal is to become a people-oriented, open, transparent, and sustainable enterprise that exists in symbiotic harmony with the earth.

**Overall environment:** the COVID-19 pandemic has obstructed globalization development for three years since 2020, and enterprises have faced unprecedented challenges. Especially in 2022, the global pandemic continued to rage, and the Russia-Ukraine War took place at the end of February, exacerbating the soaring energy and food prices. The global inflation soared swiftly, causing enterprises to face severe ordeals. With multiple uncertainties and the general slowdown of global economic activities, looking to 2023 as a whole: variables in the overall environment still exist, the consumer market is gradually stabilizing, and the overall operation of Namchow is also developing positively with the promising future market.

It has been 71 years since Namchow was founded. Experiencing countless changes in the times, crises have been turned into opportunities to seize for new heights again and again. The corporate culture has been shaped for a long time as a learning organization. The philosophy of "knowing change, adapting, seeking change, and remaining unchanged" keeps pace with the times, the Company is people-oriented, and combines the employee functional development to be aligned with the organizational development. Namchow always maintains the integrity, care about the social and economic environment, and create better investment benefits for all stakeholders and shareholders.

To

Namchow General Shareholders Meeting

Chairman *Fei-Lung Chen*



## **II. Company Profile**

### **I. Date of Establishment: March 29, 1952**

(The registered name was changed to Namchow Holdings Co.,Ltd. on August 25, 2017.)

### **II. Company History:**

Namchow Holdings Co.,Ltd. was established in 1952 by Mr. Qizhi Chen, an overseas Chinese in the Philippines. He took over Namchow Industrial Co., Ltd. and reorganized it. The diversified developments of Namchow had to do with “raw materials, the technology, the distribution channel, and the culture”. Pulses and trends in the industrial setting have been kept track of following the principles of "Knowing changes, Seeking to change, Responding to change, Remaining unchanged.” We are taking root in seven major fields, namely, "oils and fats/dairy products, flour, rice, dining, daily cleaners, biotechnology, and complex hotels" and we have production sites in Taiwan, Thailand, and the Mainland, with products sold all over the world. We shall make strategic deployments in the global niche market based on sustainability.

In 2017, Namchow became an investment holding company and by the end of the year, its Shanghai subsidiary launched an initial public offering (IPO) in China. The IPO approved by China Securities Regulatory Commission in January 2021, and Namchow Food Group (Shanghai) Co went public on the Shanghai Stock Exchange on May 18 as A shares - the first Taiwanese food firm to achieve this feat in China.

#### **(I) Businesses of Namchow in Taiwan**

1. Cleaners -- We started to produce soap in 1952 and glycerol in 1956. The most advanced soapmaking equipment at the time Mazzoni in Italy was purchased in 1963 and then crystal detergent soap came into season, Taurus products are still the first brand of laundry soap. In recent years, we have enriched a wide range of products, featured natural and environmentally friendly washing crystal soap liquids, utensil washing liquids, antibacterial hand soap, etc.

In 2022, a replica and refined version of "ZingZing Soap" was launched for production by subtraction, i.e. additive-free artificial flavors and pigments; the soap body is skin-friendly and moisturizing, making bathing a healing moment.

The quality of Namchow cleaner series has been deeply affirmed by the consumers, and has obtained product certifications and numerous awards. Recently, in 2019, it won the triple crown in the cleaning category of the 16th "National Brand Yushan Award": National First Award, Best Popular Brand, Best Product Category, etc.

2. Biotechnology-based daily necessities -- Through years of research and development, Namchow launched the "Antrodia Bath Soap" in 2014 which uses antrodia essence extracted by legacy exquisite soap manufacturing processes. In 2018, Namchow launched the six series of products of "Repairwear Antrodia Cinnamomea Essence Soap" which was researched and developed for different skin types of men and women.



- All series of products passed have the AMA laboratory certification of the US FDA as well as American dermatologist reviews of the body application test to ensure no irritation or allergens
  - The "Repairwear Antrodia Cinnamomea Essence Soap" obtained the 15th "National Brand Yushan Award"
3. Oil & Fat Business -- Namchow started technical collaboration with Miyoshi Soap Corporation, one of the Top 10 oils and fats enterprises in Japan in -1971 in the production of baking oils and fats to supply bread, pastry, cookies, ice cream, and instant noodles manufacturers. Namchow butter oil substitute, Yufeng Brand, and Weijia series of edible oils and fats have been deeply trusted and supported by customers over the years. In recent years, Namchow has been focusing on the promotion of Chinese pastry and successfully developed dedicated oil for Chinese pastry. In 2019, Namchow's "NEBOS baking oil series" products were introduced. They are fully compliant with pertinent international regulations, having obtained Clean Label and Additive Free certification. This will assist customers in further expanding their export markets.
- Concerned about food safety, Namchow has established and launched a comprehensive tracing system for oil and fat raw material source information in 2017 to ensure thorough supervision of food safety.
4. Ice Cream Business -- International Royal Dairy Products Company was established in -1988. (In December 1997), Royal and Lucky merged to be Lucky Royal Co. Ltd., using "Duroyal" as its brand to develop products that lead the trend of the times and became one of the largest ice cream production and distribution companies with comprehensive product offerings across Taiwan. The company developed the high-end ice cream brand "Kabisuo" in 2004, and entered the market of Mainland China in 2013. The company produced high-quality ice cream and supplied it to convenience stores. Since 2016, the company began to connect with well-known domestic and foreign brands and retail distributors to develop authorized products through in-depth cooperation, and launched black glutinous rice cake taro puree ice cream jointly with Dian Shui Lou which is affiliated with the Group. In 2021, we strictly selected OEM ice products from global high-quality suppliers, cooperated with Japanese ice product manufacturers, and developed Duroyal Japanese Ranch fresh milk puff ice, which received good reviews and were sold enthusiastically.
5. Frozen Dough Business -- Namchow set up the frozen dough factory at the Zhongli site in 1991. Namchow frozen dough: High quality, safety and hygiene, with the competitive advantages of saving time, money, manpower, reducing material loss and simple operation. There are eight categories of frozen dough products, more than 300 kinds of Chinese and Western bakery items, which remain the overwhelming choice of bakers. To keep up with the trend of increasingly health-conscious diet, new ingredients featured well being, health care, and special nutritional materials have been introduced in recent years. Sold to: Japan, Hong Kong, Shanghai, the United States, Canada, Australia, Dubai

and other places.

6. Frozen Noodles Business -- The frozen noodles technical collaborative contract was signed with Katoji Co., Ltd. in Japan in 1998. Namchow became the first enterprise producing frozen noodles in Taiwan. Ever since the launch of Namchow's Sanuki Frozen Noodles in January 1999, the company has successfully developed Japanese Noodles, Pasta and Chinese Noodles three major category and with dozens of products. Frozen Noodles is yummy, convenient, fast, safe and healthy; making it an optimum choice for dining businesses seeking to enhance their operational performance. The company has exported relevant products to international markets including U.S., Canada, Hong Kong, Australia, Switzerland, Austria, Indonesia and so forth.

Namchow adopts stringent quality control for its frozen noodle products and has been acknowledged by renowned international evaluation organizations around the world. For example, our frozen noodle products participated in the Monde Selection World Quality Appraisal Awards hosted by the European Union. (This is one of the most representative and recognized food evaluation organizations in the international market.); for the A.A. TASTE AWARDS, International Taste Institute, etc.

7. Cooked Rice Business -- NTD 300 million was invested in 2004 in the Zhongli site for the production of ambient temperature ready-to-serve rice. The company made cooked rice and cooked rice made of dietary fiber takes health and wellness as its demand, and has the effect of regulating blood sugar and blood lipids. It is the first domestic product that has been awarded a health food certification and our rice products have been distributed to regions including U.S., Australia, Norway, England and so forth.

The ambient temperature ready-to-serve rice is with the advantage of functional, excellent quality, delicious and safe. It is awarded by the various food certifications. Launched in 2020, our "Organic Quinoa - Inca's Gold" had received various certifications such as Tse-Xin Organic TOC, TIC's Clean Label and so forth. Not only that, it was nominated in the 6th "Top 10 GOOD Products" organized by Taiwan Grain Industry Association and the 2021 FUN FOOD TAIWAN Awards and won the FUN FOOD Award. In addition, our Cooked Rice with Barley and Oat also won the prize of "Top 10 Innovative Product of the Year" in the 2021 Food Innovation Award.

8. Gastronomy Business

- (1) Chow Ho Honbaryu Professional Noodles Stores -- Chow Ho Enterprise was established in 1999 and the demonstrative noodles store Honbaryu was opened to be the antenna for collecting market information on frozen noodles and serve as the platform for exchange with customers. The store is located in the tourism factory in Taoyuan.
- (2) Dian Shui Lou Restaurant -- opening the Taipei Nanjing flagship store in 2005, currently there are 6 restaurants in Taiwan and 2 restaurant in Japan. Dian Shui Lou, delivering the Chinese cuisines culture as its mission, known for its pursuit of advancement at all times, sufficient utilization of local food ingredients, and

attentive services, has won repeated awards over the years. In fact, it has been selected for the Bib Gourmand recommendation list of "Michelin Guide Taipei" consecutive times in recent years.

- (3) Taipei Paulaner Restaurant -- Paulaner Catering is renown in Shanghai and we came back to Taiwan to open a branch at Taipei National University of the Arts, Guandu, and Brewery in Taoyuan Tourism Factory in 2009. Due to the expiration of rent contract in 2020, we relocated to a new location close to Guandu MRT Station and became the first restaurant that serves freshly baked pastry and a community demonstration store for baking customers.
- (4) Le vol du petit prince French Restaurant -- The establishment opened at National Taipei University of the Arts in December, 2020. The restaurant provides safe and delicious French cuisine, providing custom-made meal, and giving more options to consumers and teachers and students of the university.
9. Taoyuan Tourism Factory of Namchow -- Certified by the Government to be a tourism factory, the Taoyuan facility of Namchow opened in 2012 and it covers seven major areas: (1) Namchow Founder Memorial Park; (2) Oil & Fat Visitor Hallway; (3) Crystal Soap Experience; (4) Dian Shui Lou Cultural Dining; (5) Honbaryu Demonstrative Noodles Store, Paulaner Brewery, and Dining Demonstrative Center; (6) Thailand Erawan Shrine Worship Area; and (7) Thailand Cultural House & Thai Food Restaurant. Namchow Tourism Factory has developed a new look for it is closely related to tourism, education, people-to-people diplomacy and local clusters to showcase our commitment to corporate social responsibility and our intention to promote the development of local industries.

## (II) Overseas Businesses of Namchow

1. Namchow (Thailand) -- Established in 1989, Namchow Thailand is the first overseas business base of Namchow. The Ban Pong Factory became operational in 1991 to produce instant noodles, rice crackers, among other products. With settlement-oriented management and focus on sustainable development, we have received multiple food certificates and awards over the years to be the most powerful cornerstone for exports to Europe and America. Namchow Thailand has even been recognized as a benchmark enterprise by the Thai government. In light of the steady growth in the ASEAN market and the company's global deployment strategies, apart from expanding our existing product lines, Namchow plans to build a new intelligent production base. The first phase of the investment plan began in 2019, aimed at construction of a green energy intelligent factory & warehouse, and production lines such as baby rice crackers, baked bread and snacks, etc., which have been put into production, and will become a new driving force for business revenue and profit growth.  
  
Benefited from more than 30 years of hard work and commitment in Thailand, Namchow Thailand focuses on various rice products as its core business and has established its Rice Cracker Research Center to specialize in the development of rice crackers and different rice-based products in the hopes of becoming a world-renowned

manufacturer of rice products and preferred partner of collaboration for other major brand names. The Company established its cross border e-commerce sales team in 2020, with the goal of promoting products in the Mainland Chinese market and other regions in the world through e-commerce.

In 2015, Thai Namchow's "Little Cook" instant noodles returned to Taiwan for sale, positioned as "Slow-Cooked Noodles", providing new options for formal meals with exquisite cuisine, and a variety of products with unique flavors were launched one after another.

2. Oils, fats and bakery businesses in Mainland-- Tianjin Namchow Oils and Fats Company was established in 1996 as a supplier of baking oil, whipped cream, frozen dough, ice cream, baked goods fillings, and other products. The company has diligently cultivated the market over the years and is committed to developing new, quality products and to provide one-stop services for customers.

In 2007, Namchow Oils and Fats Guangzhou Plant was out into operation; In 2016, Shanghai Jinshan No. 1 Plant was built and put into use, which is a food processing plant with food safety, full traceability, environmental protection and energy saving, and Jinshan No. 2 Plant was built in the same year; Cooperation with Shanghai Jinshan Agriculture; In 2017, the western operation center was established in Chongqing, Sichuan; In 2020, with Wuhan as the core, the Greater Wuhan Operation Center of the Yangtze River Economic Belt was established, and the Guangdong-Hong Kong-Macao Greater Bay Area Operation Center was established in Guangzhou; In 2022, investment was made for Chongqing Namchow Food, a wholly-owned subsidiary in Chongqing, to be incorporated and to serve as a production base connecting the western Mainland and Southeast Asian markets.

Namchow Food deeply cultivates the industrial market, strives to improve the innovation and R&D of products related fields, and has been successively and officially affirmed and certified by the government. In 2023, Shanghai Namchow Food Co., Ltd. and Guangzhou Namchow Food Co., Ltd. were certified as national green factories by the Ministry of Industry and Information Technology; The "butter instead of fat" jointly developed by Tianjin Namchow Food Co., Ltd. and Guangzhou Namchow Food Co., Ltd. won the "Third Prize of Technical Invention" in 2022 awarded by the China National Light Industry Council, making Namchow the only oil food enterprise on the list; Shanghai Namchow Food Co., Ltd. has been recognized as a "new high-tech enterprise" by the Shanghai Municipal Government.

Looking ahead, we will continue to specialize in our business and sprint for post-epidemic recovery opportunities. With the mission of being a leader in all-round consulting services in China's baking industry, we will concentrate all our efforts to achieve the goal.

3. BLN Restaurants & Caterings - BLN Restaurants & Caterings was established in 1996 with technical authorization from the Germany Paulaner Group. The first BLN Restaurants & Caterings was opened on Fenyang Road, Shanghai, in 1997. Touting its unique charms as an exotic restaurant, we work hard to highlight and promote our beliefs and ideals for fine cuisine. We currently operate 4 Paulaner Restaurants.

As the F&B business has been hit hard by the pandemic, Paulaner will continue to build on its existing strengths and adopt excellent pre-packaged products to improve its profitability.

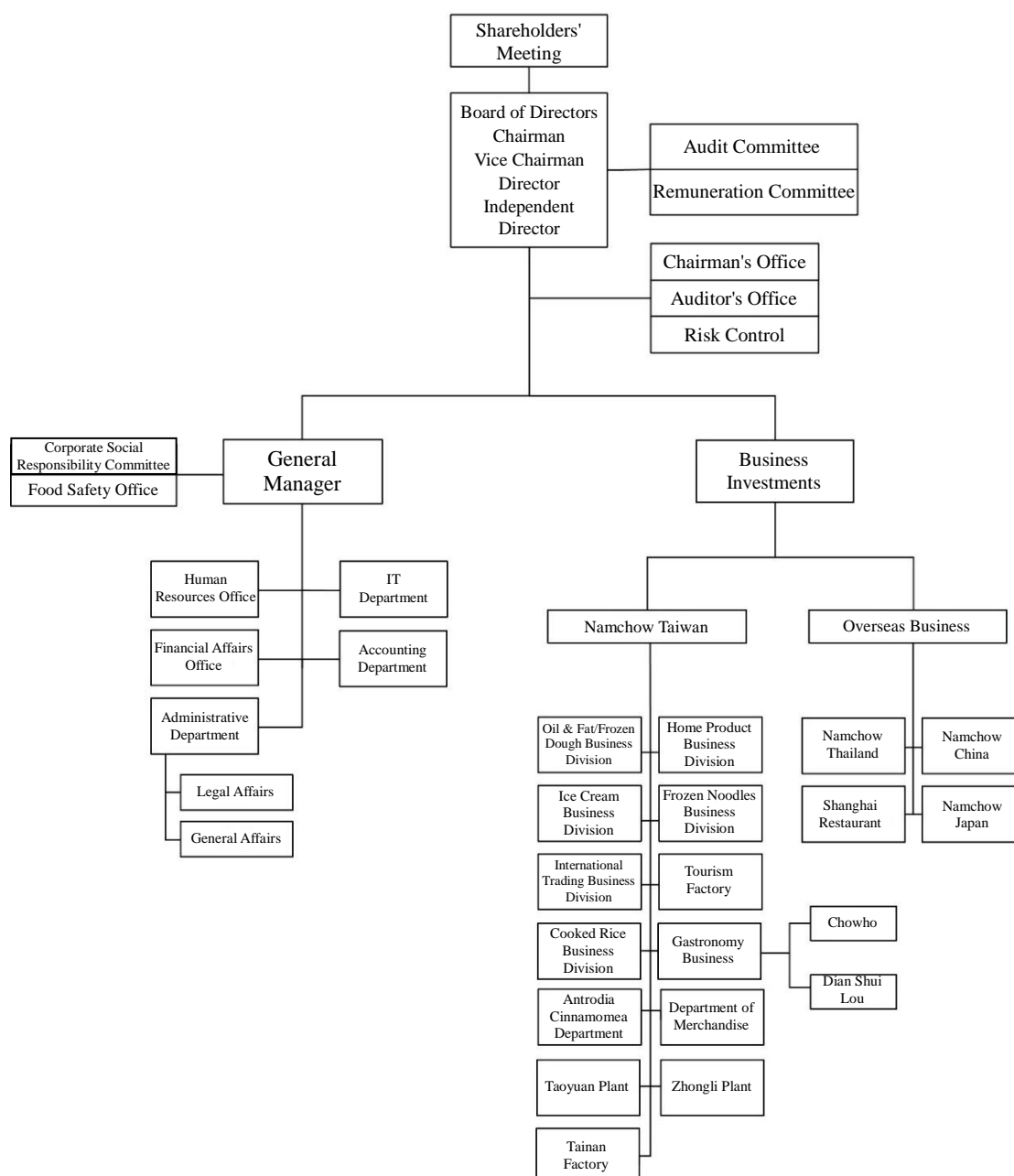
As the world is affected by multiple changing factors such as the raging epidemic, geopolitical tensions, extreme weather impacts, and soaring raw material prices, the overall market operation is becoming more and more difficult, however, Namchow faces practical challenges with the confidence of sustainable development. Starting from 2015, the company began its preparation of the "Sustainability Report", and established committees to continuously implement and promote relevant policies; In 2021, SASB and TCFD disclosure standards for sustainability reports were introduced, with the systems for inventory, verification and registration of carbon emission gradually established. In the future, we will continue to strengthen the integration of all its business units, and fulfill the responsibilities of corporate social citizens.

Namchow Group was established 71 years ago, and since then it has adhered to concepts of "integrity" and "sustainable management" while promoting the spirit of "as nature's movement is ever vigorous, so must a gentleman ceaselessly strive along." With Insight into international market trends, we develop high value-added products, and create profits for customers, care about consumer rights, and bring maximum operating benefits and rewards to all stakeholders, shareholders, and employees.

# III. Corporate Governance Report

## I. Organizational System

### (I) Organizational structure



## (II) Major Departments and Their Scope of Operations

Department	Scope of Operations
Oil & Fat /Frozen Dough Business Division	Research and development, production, and distribution of professional oils and fats and frozen dough products
Home Product Business Division	Research and development, production, and distribution of daily cleaners
International Trading Business Division	Importation and exportation of goods, exportation affairs and procurement of raw materials, packing materials and equipment
Frozen Noodles Business Division	Research and development, production and distribution of frozen noodles
Cooked Rice Business Division	Research and development, production and distribution of aseptic cooked rice
Antrodia Cinnamomea Department	Research and development, production and distribution of Antrodia cinnamomea soaps and ZingZing soaps
Department of Merchandise	Research and development, production and distribution of "Little Cook" instant noodles and recipe packs
Joint Logistics Office for the Dining Business	Planning, implementation, and service windows for Namchow and reinvested dining businesses
Administrative function	Management of legal affairs and general affairs
Information	Development, construction, and management of the information system
Financial Affairs	Financial management and capital utilization plan
Accounting	Bookkeeping and taxes processing and management
Human Resources	Management of human resources and organizational development

## II. Background Information on Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches

### Director and Supervisor Information (I)

April 2, 2023

Title (Note 1)	Nationality	Name	Gender Age (Note 2)	Date of Election/ Inauguration Date	Tenure	Initial date of inauguration (Note 3)	Number of shares held at the time of election		Number of shares currently held		Current shareholding of spouse or minor children		Shares held in someone else's name		Main experience/ education background (Note 4)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within two degrees of kinship			Remarks (Note 5)						
							Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Quantity of shares	Shareholding ratio	Title		Name	Relations				
Chairman	R.O.C.	Hwa Zhin Co., Ltd.  Representative: Fei-Lung Chen	Male Age 81-90	2021/7/15	3 years	2006/06/09	864,884	0.29%	864,884	0.29%	0	0.00%	0	0.00%	Masters of Public Administration, University of San Francisco	Chairman of Chow Ho Enterprise Co., Ltd. Chairman of Qizhi Culture Co., Ltd. Chairman of Hwa Zhin Co., Ltd. Chairman of Namchow BV Ltd. Chairman of Nacia International Corporation Chairman of Namchow (Cayman Islands) Holding Corp. Director of Mostro (Thailand) Ltd. Director of Dian Shui Lou Restaurant Business Co., Ltd.	Director	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative Yi-Wen Chen	Father and Daughter	None						
						1959/04/04	33,814,934	11.50%	33,814,934	11.50%	3,577,413	1.22%					Director	Hwa Zhin Co., Ltd. Representative Cheng-Wen Chen	Father and Son							
																								Vice General Manager/ Executive Vice President	Cheng-Wen Chen	Father and Son
Director	R.O.C.	Lucky Royal Co., Ltd.  Representative: Kan-Wen Lee	Male Age 61-70	2021/7/15	3 years	2006/06/09	46,041,259	15.65%	46,041,259	15.65%	0	0.00%	0	0.00%	Masters of Business Administration, National Chung Hsing University	Director of Nacia International Corporation Director of Namchow (Cayman Islands) Holding Corp. Director of Tianjin Yoshi Yoshi Co., Ltd. Director of Tianjin Namchow Food Co., Ltd. Director of Guangzhou Namchow Food Co., Ltd. Chairman of Namchow (Thailand) Ltd. Director of Mostro (Thailand) Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Director of Namchow Oil and Fat Co., Ltd.	None	None	None	None						
						2006/06/09	26,583	0.01%	26,583	0.01%																





Title (Note 1)	Nationality	Name	Gender Age (Note 2)	Date of Election/ Inauguration Date	Tenure	Initial date of inauguration (Note 3)	Number of shares held at the time of election		Number of shares currently held		Current shareholding of spouse or minor children		Shares held in someone else's name		Main experience/ education background (Note 4)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within two degrees of kinship			Remarks (Note 5)
							Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relations	
Director	R.O.C.	Namchow Holdings CO., Ltd. Employee Welfare Committee Representative Yi-Wen Chen	Female Age 61-70	2021/7/15	3 years	2019/05/30	4,908,960	1.67%	4,908,960	1.67%	0	0	0	0.00%	Master of Arts, University of San Francisco	Director of Lucky Royal Co., Ltd. Supervisor of Chow Ho Enterprise Co., Ltd. Supervisor of Qizhi Culture Co., Ltd. Director of Namchow BV Ltd. Director of Nacia International Corporation Director of Namchow (Cayman Islands) Holding Corp. Chairman of Tianjin Namchow Food Co., Ltd. Chairman of Tianjin Yoshi Yoshi Co., Ltd. Vice Chairman of BLN Restaurants & Caterings Director of Namchow (Thailand) Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Chairman of Dian Shui Lou Restaurant Business Co., Ltd. Chairman of Guangzhou Namchow Food Co., Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Supervisor of Shanghai Qiaohao Business Administration Co., Ltd. Chairman of Shanghai Qiaohao Food Co., Ltd. Vice Chairman of Namchow Restaurant Consultancy Co., Ltd. Chairman of Shanghai Namchow Food Co., Ltd. Chairman of Namchow Japan Co., Ltd. Supervisor of Namchow Consultancy Co., Ltd. Chairman of Tianjin Qiaohao Food Co., Ltd. Supervisor of Chongqing Qiaoxing Co., Ltd. Chairman of Guangzhou Yoshi Yoshi Co., Ltd. Director of Namchow Oil and Fat Co., Ltd. Chairman of Huaciang Industry Co., Ltd. Director of Hwa Zhin Co., Ltd.	Chairman	Hwa Zhin Co., Ltd. Representative Fei-Lung Chen	Father and Daughter	None
						2019/05/30	0	0	0	0	686,635	0.23%					Director	Representative of Hwa Zhin Co., Ltd. Cheng-Wen Chen	Sister and Brother	
																	Vice General Manager/Executive Vice President	Cheng-Wen Chen	Sister and Brother	
Director	R.O.C.	Hwa Zhin Co., Ltd. Representative: Yu-Wen Chen	Male Age 51-60	2022/12/13	3 years	2006/06/09	864,884	0.29%	864,884	0.29%	0	0.00%	0	0	Bachelor of Accounting, George Brown University, Canada	Director of Lucky Royal Co., Ltd. Director of Chow Ho Enterprise Co., Ltd. Director of Qizhi Culture Co., Ltd. Director of Namchow (Thailand) Ltd. Director of Dian Shui Lou Restaurant Business Co., Ltd. Director of Namchow Consultancy Co., Ltd. Director of Namchow Oil and Fat Co., Ltd. Director of Huaciang Industry Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Ting-Kuo Chen	Male Age 81-90	2021/7/15	3 years	2015/06/10	0	0	0	0	0	0	0	0	PhD in Business Administration, University of Michigan	Charity Chairman of the Chinese Academy of Business Independent director, member of Audit Committee and member of Remuneration Committee, Shiny Chemical Industry Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender Age (Note 2)	Date of Election/ Inauguration Date	Tenure	Initial date of inauguration (Note 3)	Number of shares held at the time of election		Number of shares currently held		Current shareholding of spouse or minor children		Shares held in someone else's name		Main experience/ education background (Note 4)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within two degrees of kinship			Remarks (Note 5)
							Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relations	
Independent Director	R.O.C.	Chin-Shih Lin	Male Age 61-70	2021/7/15	3 years	2015/06/10	0	0	0	0	0	0	0	0	Department of Accounting, Tamkang University	CPA at Chin-Shih Lin Accounting Firm Director of Prolific Technology Inc. Independent director, member of Audit Committee and member of Remuneration Committee, WIN Semiconductors Corp.	None	None	None	None
Independent Director	R.O.C.	Chun-Hsueh Chen	Male Age 71-80	2021/7/15	3 years	2019/05/30	2,000	0.00%	2,000	0.00%	0	0.00%	0	0.00%	Ph.D. Candidate of EDBA, School of Management, National Taiwan University of Science and Technology	Representative of Eni Chemicals (Italy) Taiwan Office General Manager of Taiwan Branch of SAB Asia Pacific General Manager of Pulong Enterprise Co., Ltd.	None	None	None	None

Note 1: Corporate shareholders shall list the names and representatives of corporate shareholders separately (if it is a representative of a juristic person shareholder, the name of the juristic person shareholder should be indicated); and the following Table 1 should be filled in.

Note 2: Please state the actual age of shareholders in specific age range (i.e. 41~50 or 51~60).

Note 3: Fill in the time of first serving as director or supervisor of the company. If there is any interruption, it should be noted.

Note 4: For the experience relevant to the current position, such as employment at an audit and certification accounting firm or an associated enterprise during the said period, the title and responsibilities shall be specified.

Note 5: When the company's chairman and general manager or equivalent (top manager) are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

Table 1: Major shareholders of institutional shareholders

April 2, 2023

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)
Lucky Royal Co., Ltd.	Namchow Holding Co., Ltd.(99.65%)
Hwa Zhin Co., Ltd.	Fei-Lung Chen (45%), Fei-Peng Chen (45%)
Namchow Holdings CO.,Ltd . Employee Welfare Committee	Not applicable

Note 1: If the directors and supervisors are representatives of juristic person shareholders, the name of the juristic person shareholders should be filled in.

Note 2: Fill in the name of the main shareholder of the juristic person shareholder (whose shareholding ratio falls in the top ten) and its shareholding ratio. If its major shareholder is a juristic person, it should be disclosed in Table 2 below.

Note 3: When the juristic person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed beforehand are the names of the funders or donors (refer to Judicial Yuan Announcement Query) and their contributions or contribution ratios. If a donor had passed away, please denote said donor as “deceased”.

Table 2: Major shareholders of major shareholders who are institutions

April 2, 2023

Name of institution	Serial No.	Name of major shareholder of the institution	Shareholding ratio
Namchow Holdings Co., Ltd.	1	Lucky Royal Co., Ltd.	15.65%
	2	Fei-Lung Chen	11.50%
	3	Fei-Peng Chen	6.64%
	4	Yu-Wen Chen	6.12%
	5	Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	4.23%
	6	Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	3.79%
	7	Yuguan Investment Advisors Limited	3.65%
	8	Namchow Holdings CO.,Ltd . Employee Welfare Committee	1.67%
	9	Shiao-Chuan Chen-Huang	1.22%
	10	Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	1.11%

Note 1: If the main shareholder is a juristic person as shown in Table 1 above, the name of the juristic person should be filled in.

Note 2: Fill in the name of the main shareholder of the juristic person (whose shareholding ratio falls in the top ten) and its shareholding ratio.

Note 3: When the juristic person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed beforehand are the names of the funders or donors (refer to Judicial Yuan Announcement Query) and their contributions or contribution ratios. If a donor had passed away, please denote said donor as “deceased”.

## Director and Supervisor Information (II)

### I. Disclosure of information on directors' and supervisors' professional qualifications and the independence of independent directors:

Requirement Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public offering companies where the position of part-time independent director is held
Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen	With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.	Not an independent director and thus not applicable (For more information on the Board's independence, please refer to (II) Board of Directors' Independence on page 20 in this Report).	0
Lucky Royal Co., Ltd. Representative: Kan-Wen Lee	With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen	With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Lucky Royal Co., Ltd. Representative: Ming-Fen Chou	With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Namchow Holdings CO.,Ltd. Employee Welfare Committee Representative: Yi-Wen Chen	With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Hwa Zhin Co., Ltd. Representative: Yu-Wen Chen	With no less than five years of work experience in a business, financial, accounting or corporate entity without any violation of offenses described in Article 30 of the Company Act.		0
Ting-Kuo Chen	With no less than five years of work experience in a business, financial, accounting or corporate entity; served as the Dean of College of Management, Tamkang University. He is currently serving as the Charity Chairman of the Chinese Academy of Business and he has no prior violation of offenses described in Article 30 of the Company Act.	<ol style="list-style-type: none"> <li>Not an employee of the Company or its affiliates.</li> <li>Not a director or supervisor of the Company or its associated enterprise.</li> <li>Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.</li> <li>Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship.</li> <li>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 a representative to serve as a director or supervisor of the company under Article 27, Paragraph 1 or 2 of the Company Act.</li> <li>The majority of the company's</li> </ol>	1
Chin-Shih Lin	With no less than five years of work experience in a business, financial, accounting or corporate entity; he has passed the CPA National Examination and is currently serving as a certified public served as the Dean of College of Management, Tamkang University. He is currently serving as a CPA at Chin-Shih Lin Accounting Firm and has no prior violation of offenses described in Article 30 of the Company Act.		1
Chun-Hsueh Chen	With no less than five years of work experience in a business, financial, accounting or corporate entity. He has previously served as the General Manager of Pulong Enterprise Co., Ltd. and		0

	has no prior violation of offenses described in Article 30 of the Company Act.	<p>director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor or employee of that other company.</p> <p>7. 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 not the same person or spouses: a director (or governor), supervisor, or employee of that other company or institution.</p> <p>8. Not a director, supervisor, manager or a shareholder holding more than 5% of the shares of a specific company or institution with financial or business activities with the company.</p> <p>9. Not a partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, financial, accounting services or consultation to the company or any affiliate of the Company for amounts exceeding NTD 500,000 in the past two years.</p> <p>10. Not the spouse or a relative within the second degree of kinship to any other director of the Company.</p> <p>11. Not a government agency, juristic person or its representative set forth in Article 27 of the Company Act.</p>	
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Note 1: Professional qualifications and experience: State the professional qualifications and experience for each director and supervisor. If he/she is acting as a member of the Audit Committee with backgrounds/credentials in accounting or finance, be sure to include his/her relevant backgrounds/prior experiences in accounting and finance, as well as prior violation of Article 30 of the Company Act.

Note 2: Independent directors are required to declare their status of independence, (i.e. whether he/she, his/her spouse or relative within 2nd degree of kinship is also serving as a director, supervisor or employee of Namchow or its subsidiaries; the number of shares and percentage of the company's shares in their possession or the possession of their spouse or relative within 2nd degree of kinship; whether he/she is serving as a director/supervisor/employee at specific companies with financial/business relationship with Namchow and so forth. Refer to Article 3, Section 1 Clauses 5~8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). Independent directors must also declare the amount of compensation they have received in the past 2 years for their auditing/comercial/legal/financial/accounting or related services.

## II. Board diversity and independence:

### (I) Board diversity:

In addition to the company's Articles of Incorporation, Namchow has also established its Procedure of Directors Appointment, which explicitly requires that candidates must be nominated and reviewed to verify their eligibility before the Board of Directors resolve their nomination for election and appointment at the Shareholders' Meeting. Pursuant to Article 3 of "Board of Directors Appointment Procedure", composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. Perspective of international market
7. Leadership ability.
8. Decision-making ability.

Namchow's incumbent Board of Directors consists of 9 directors. A summary of our board composition diversity policy and status of achievement for specific management goal is provided as below:

Management Goal	Status of Achievement
The Board of Directors shall has at least 1 female member	Achieved
No independent director shall serve as a member of the Board for more than three terms	Achieved
Board members shall contribute diverse professional knowledge and skills that are relevant and applicable	Achieved

The implementation status of our Board Diversity policy is as follows:

Item of diversification Name of director	Basic composition			Professional background			Professional knowledge and skills				
	Nationality	Gender	Also serving as an employee at the company	Business	Financial	Industry	Business Management	Knowledge of the industry	Finance and Accounting	Perspective of international market	Risk management
Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen	R.O.C.	Male	V	V	V	V	V	V	V	V	V
Lucky Royal Co., Ltd. Representative: Kan-Wen Lee		Male	V	V	V	V	V	V	V	V	V
Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen		Male	V	V	V	V	V	V	V	V	V
Lucky Royal Co., Ltd. Representative: Ming-Fen Chou		Female	V	V	V	V	V	V	V	V	V
Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen		Female	V	V	V	V	V	V	V	V	V
Hwa Zhin Co., Ltd. Representative: Yu-Wen Chen		Male	V	V	V	V	V	V	V	V	V
Ting-Kuo Chen		Male		V	V	V	V	V	V	V	V
Chin-Shih Lin		Male		V	V	V	V	V	V	V	V
Chun-Hsueh Chen		Male		V	V	V	V	V	V	V	V

(II) Board Independence: There are 9 incumbent members in the current term of the Board of Directors. Among them, 2 are female directors and 3 are independent directors. 33% of the members are independent directors. None of the 3 independent directors have violated Clauses 3 and 4 of Article 26-3 of the Securities and Exchange Act. Among the board members, 3 directors have spouses and relative of 2nd degree of kinship serving at the company or its affiliated businesses. For more information on each director's academic credentials and work experience, please refer to Page 12~15 - Directors' Profile in this Report.



(II) Background Information of General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches.

Job Title (Note 1)	Nationality	Name	Gender	Date of Election/ Inauguration Date	Quantity of shares		Shareholding of spouse or minor children		Shares held in someone else's name		Main experience/ education (Note 2)	Positions at other companies held at present	Managers who are a spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relations	
General Manager	R.O.C.	Kan-Wen Lee	Male	1997/09/09	26,583	0.01%	0	0.00%	0	0.00%	Ma, Institute of Agricultural Economics, Taiwan University Institute of Business Administration, National Chung Hsing University Master	Director of Tianjin Namchow Food Co.,Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. Director of Guangzhou Namchow Food Co.,Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd. Chairman of Namchow (Thailand) Ltd. Director of Mistro (Thailand) Ltd. Director of Namchow (Cayman Islands) Holding Corp. Director of Nacia International Corporation Director of Namchow Oil and Fat Co., Ltd.	None	None	None	None
Division Chief Operation Officer	R.O.C.	Ming-Fen Chou	Female	2016/05/24	9000	0.00%	0	0.00%	0	0.00%	Texas A&M University Educational Technology Master Entrepreneurship Class of National Chengchi University	Chairman of Lucky Royal Co., Ltd. Director/General Manager of Huaciang Industry Co., Ltd. Director of Namchow Oil and Fat Co., Ltd. Director/ General Manager of Chow Ho Enterprise Co., Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. General Manager of Dian Shui Lou Restaurant Business Co., Ltd. Supervisor of Namchow Restaurant Consultancy Co., Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Director of Namchow (Thailand) Ltd. Director of Guangzhou Yoshi Yoshi Co., Ltd.	None	None	None	None
Chief Financial Officer	R.O.C.	Ching-Hui Chiu	Female	2018/08/13	0	0.00%	0	0.00%	0	0.00%	B.Sc. Department of Risk Management and Insurance, Feng Chia University	Supervisor of Namchow Oil and Fat Co., Ltd. Supervisor of Namchow Japan Co., Ltd.	None	None	None	None
Head of the Staff Department	R.O.C.	Zhou-Jing Chen	Male	1996/05/01	0	0.00%	0	0.00%	0	0.00%	Bachelor in Law, Soochow University	Director of Tianjin Namchow Food Co.,Ltd. Director of Shanghai Namchow Food Co., Ltd. Director of Tianjin Yoshi Yoshi Co., Ltd. Director of Namchow Restaurant Consultancy Co., Ltd. Director of Namchow Consultancy Co., Ltd. Director of Guangzhou Namchow Food Co.,Ltd. Executive Director of Shanghai Qiaohao Food Co., Ltd. Director of Tianjin Qiaohao Food Co., Ltd. Supervisor of Huciang Industry Co., Ltd.	None	None	None	None
Vice General Manager	R.O.C.	Lung Wen Shiue	Male	2023/01/18/	0	0.00%	0	0.00%	0	0.00%	Bachelor of Science, Institute of Labor Relations, Chinese Culture University	None	None	None	None	None

Job Title (Note 1)	Nationality	Name	Gender	Date of Election/ Inauguration Date	Quantity of shares		Shareholding of spouse or minor children		Shares held in someone else's name		Main experience/ education (Note 2)	Positions at other companies held at present	Managers who are a spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relations	
Vice General Manager	R.O.C.	Lan-Hsin Chou	Female	2022/09/29	0	0.00%	0	0.00%	0	0.00%	Master of Marketing and Distribution Management, National Kaohsiung University of Science and Technology	Supervisor of Wuhan Qiaoxing Co., Ltd.	None	None	None	None
Assistant Manager	R.O.C.	Jui-Tzu Chu	Female	2015/01/01	0	0.00%	0	0.00%	0	0.00%	Institute of Food and Nutrition, Providence University Master	None	None	None	None	None
Assistant Manager	R.O.C.	Shih-Wei Wang	Male	2018/10/09	6000	0.00%	0	0.00%	0	0.00%	Master of Business Management Group, National Chengchi University EMBA	Supervisor of Tianjin Namchow Food Co., Ltd. Supervisor of Guangzhou Namchow Food Co., Ltd. Supervisor of Shanghai Qizhi Business Consulting Co., Ltd. Supervisor of Namchow Food Group (Shanghai) Co., Ltd. Supervisor of Shanghai Qiaohao Food Co., Ltd. Supervisor of Shanghai Namchow Food Co., Ltd. Supervisor of Tianjin Qiaohao Food Co., Ltd.	None	None	None	None
Assistant Manager	R.O.C.	Yu-Hung Tan	Female	2021/8/16	0	0.00%	0	0.00%	0	0.00%	BA, Department of Theatre Arts, Chinese Culture University	None	None	None	None	None
Assistant Manager	R.O.C.	Ke Cheng Chen	Male	2022/04/11	0	0.00%	0	0.00%	0	0.00%	Bachelor of Law, Taiwan University	None	None	None	None	None

Note 1: It shall include the information of general managers, vice general managers, assistant managers, and heads of respective departments and branches; regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager, vice general manager, or assistant manager.

Note 2: For the experience relevant to the current position, such as employment at an audit and certification accounting firm or an associated enterprise during the said period, the title and responsibilities shall be specified.

Note 3: When the general manager or equivalent (top manager) and the chairman are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

### III. Remunerations paid to directors, supervisors, general managers and vice general managers in recent years

#### (I)

#### (1-1) Remuneration of general directors and independent directors

Title	Name	Remuneration for directors								After-tax earnings ratio of the sum of A, B, C, and D (Note 10)		Remunerations for part-time employees								After-tax earnings ratio of the sum of A, B, C, D, E, F, and G (%) (Note 10)		Remuneration received from investee companies outside of subsidiaries or from the parent company (Note 11)
		Remunerations (A)(Note 2)		Retirement and pension (B)		Remunerations for directors (C) (Note 3)		Operational expenditure (D) (Note 4)				Salary, bonus, and special expenditure (E) (Note 5)		Retirement and pension (F)		Remunerations for employees (G) (Note 6)						
		The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company		All companies within the Financial Report (Note 7)		The Company	All companies within the Financial Report (Note 7)	
																Current value	Stock amount	Current value	Stock amount			
Chairman	Representative of Hwa Zhin Co., Ltd. Fei-Lung Chen	0	0	0	0	20,597,990	20,597,990	115,200	1,612,756	20,713,190 3.70%	22,210,746 3.97%	33,989,508	36,299,004	385,524	385,524	0	0	0	0	55,088,222 9.84%	58,895,274 10.52%	None
Vice Chairman	Representative of Hwa Zhin Co., Ltd. Fei-Peng Chen	0	0	0	0	5,980,062	5,980,062	67,500	742,468	6,047,562 1.08%	6,722,530 1.20%	25,044,410	77,714,545	713,043	957,464	123,761	0	488,246	0	31,928,776 5.70%	85,882,785 15.35%	None
Director	Representative of Hwa Zhin Co., Ltd. Cheng-Wen Chen																					
Director	Representative of Hwa Zhin Co., Ltd. Yu-Wen Chen																					
Director	Representative of Lucky Royal Co., Ltd. Kan-Wen Lee																					
Director	Representative of Lucky Royal Co., Ltd. Ming-Fen Chou																					
Director	Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee Yi-Wen Chen	0	0	0	0	0	0	2,340,000	2,340,000	2,340,000 0.42%	2,340,000 0.42%	0	0	0	0	0	0	0	0	2,340,000 0.42%	2,340,000 0.42%	None
Independent Director	Ting-Kuo Chen																					
Independent Director	Chin-Shih Lin																					
Independent Director	Chun-Hsueh Chen																					
1. Please state the policies, systems, standards and structure of independent directors’ remuneration, and, according to the responsibilities, risks, time invested and other factors, describe the relevance to the remuneration amount: Independent directors of the Company are paid travel expenses, and are paid monthly regardless of profit or loss including business execution related expenses, and they do not participate in the Company’s annual profit distribution. No other compensation, remuneration or expenses shall be paid.																						
2. Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the Financial Report (such as working as a consultant at the parent company/all companies covered in this Report/spin-off companies who is not an employee): None																						
3. Mr Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd. passed away on September 23, 2022, then Mr Yu-Wen Chen was appointed as Representative on December 13, 2022.																						

Remuneration bracket table

Ranges of remuneration paid to each director of the Company	Name of director			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company (Note 8)	All companies within the Financial Report (Note 9) H	The Company (Note 8)	All companies within the Financial Report (Note 9) I
Below NT\$1,000,000	Ding-Guo Chen, Jin-Shih Lin, Chun-Hsueh Chen, Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd., Yi-Wen Chen, Representative of Namchow Holdings CO.,Ltd. and Employee Welfare Committee Yu-Wen Chen, Representatives of Hwa Zhin Co., Ltd.	Ding-Guo Chen, Jin-Shih Lin, Chun-Hsueh Chen, Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd. Yu-Wen Chen, Representatives of Hwa Zhin Co., Ltd.	Ding-Guo Chen, Jin-Shih Lin, Chun-Hsueh Chen, Yi-Wen Chen, Representative of Namchow Holdings CO.,Ltd. and Employee Welfare Committee Yu-Wen Chen, Representative of Hwa Zhin Co., Ltd.	Chin-Shih Lin, Ting-Kuo Chen, Chun-Hsueh Chen
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	Kan-Wen Lee, Representative of Lucky Royal Co., Ltd. Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	Kan-Wen Lee and Ming-Fen Zhou, Representatives of Lucky Royal Co., Ltd., Yi-Wen Chen, Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	Yu-Wen Chen, Representative of Hwa Zhin Co., Ltd.
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.,	Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.,	Fei-Peng Chen and Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.,	
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)				Fei-Peng Chen, Representative of Hwa Zhin Co., Ltd.
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)				Yi-Wen Chen, Representative of Namchow Holdings Co.,Ltd. Employee Welfare Committee
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)				、
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.	Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.	Kan-Wen Lee, Representative of Lucky Royal Co., Ltd.	Kan-Wen Lee, Representative of Lucky Royal Co., Ltd.; Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)				Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)			Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.	Fei-Lung Chen, Representative of Hwa Zhin Co., Ltd.
Over NTD 100,000,000				
Total	10 people	10 people	10 people	10 people

Note 1: Names of directors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder), and listing general directors and independent directors separately, and individual payments made shall be disclosed through a summary. If the director is also a general manager or vice general manager, this table and the following table shall be completed (Remuneration of general manager and deputy general manager).

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

Note 3: The value of remunerations approved to be assigned to directors by the Board of Directors in the most recent year

Note 4: Related expenses for carrying out tasks incurred by directors in the latest year (including transportation, special expenditure, various allowances, dormitory, and car, among other actual items provided) For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations.

Note 5: Salaries, additional pay, service pay, various prizes, rewards, transportation, special expenditure, various allowances, dormitory, cars and other actual items that are claimed by directors and employees (including part-time general managers, vice general managers, other managers and employees) in the latest year. For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a

driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations. In addition, salaries recognized in accordance with IFRS 2: "stock-based payment transaction", including employee stock option certificates, restricted employee shares, and participation in subscribing shares in cash capital increase, shall also be included as part of the remunerations.

Note 6: This means that directors and employees (including part-time general managers, vice general managers, other managers, and employees) having claimed employee remunerations (including shares and cash) shall disclose employee remunerations distributed through the Board of Directors in the most recent year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculated proportionally and Exhibit 1-3 shall be completed.

Note 7: The total value of remunerations paid to directors of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 8: For the total value of various remunerations paid to each director by the Company, disclose the name of the director in the respective bracket.

Note 9: For the total value of various remunerations paid to each director of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the director in the respective bracket.

Note 10: Net profit after tax refers to the net profit after tax in the most recent year's individual or separate entity financial reports.

Note 11: a. The value of related remunerations claimed by directors of the Company from reinvested businesses other than subsidiaries or the parent company shall be specified in this column. (If there is none, please fill in "None")

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

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

\* The content of the remunerations disclosed in this table differs from the idea of income indicated in the Income Tax Act. As such, the purpose of this table is for disclosure of information only, not for taxation.

### Remunerations for general managers and vice general managers

Title	Name	Salaries (A) (Note 2)		Retirement and pension (B)		Bonuses, special expenditure and etc. (C) (Note 3)		Employee remunerations (D) (Note 4)				After-tax earnings ratio of the sum of A, B, C, and D (Note 8)		Remuneration received from investee companies outside of subsidiaries or from the parent company (Note 9)
		The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)	The Company		All companies within the Financial Report (Note 5)		The Company	All companies within the Financial Report (Note 5)	
								Current value	Stock amount	Current value	Stock amount			
General Manager	Kan-Wen Lee	12,099,116	21,465,474	654,960	779,135	22,205,234	31,968,217	307,369	0	420,278	0	35,266,679 6.30%	54,633,104 9.76%	None
Chief Operation Officer	Ming-Fen Chou													
Chief Financial Officer	Ching-Hui Chiu													
Head of the Staff Department	Zhou-Jing Chen													
Vice General Manager	Lan-Hsin Chou													

\* Regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager or vice general manager (e.g. president, chief executive officer, general director, etc.).

Remuneration bracket 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
Below NT\$1,000,000		
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	Lan-Hsin Chou	
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Ching-Hui Chiu, Zhou-Jing Chen	Ching-Hui Chiu, Zhou-Jing Chen, Lan-Hsin Chou
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)		Ming-Fen Chou
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	Kan-Wen Lee	Kan-Wen Lee
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)		
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)		
Over NTD 100,000,000		
Total	4 people	5 people

Note 1: Names of general managers and vice general managers shall be listed separately and individual payments made shall be disclosed through a summary. If the director is also a general manager or vice general manager, this table and the above table (1-1) shall be completed.

Note 2: Salaries, additional pay, and service 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. For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations. In addition, salaries recognized in accordance with IFRS 2: "stock-based payment transaction", including employee stock option certificates, restricted employee shares, and participation in subscribing shares in cash capital increase, shall also be included as part of the remunerations.

Note 4: Employee remunerations (including stock and cash) distributed to general managers and vice general managers as approved by 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. 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: Net profit after tax refers to the net profit after tax in the most recent year's individual or separate entity financial reports.

Note 9: a. The value of related remunerations claimed by General Manager and Vice General Manager of the Company from reinvested businesses other than subsidiaries or the parent company shall be specified in this column. (If there is none, please fill in "None")

b. In the event that 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 re-invested 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 parent company who serve as the director, supervisor, or manager at a reinvested business other than the subsidiary.

\* The content of the remunerations disclosed in this table differs from the idea of income indicated in the Income Tax Act. As such, the purpose of this table is for disclosure of information only, not for taxation.

(II) Names and distribution of managers assigned with employee rewards

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	After-tax earnings ratio (%)
Manager	General Manager	Kan-Wen Lee	0	580,130	580,130	0.10%
	Chief Operation Officer	Ming-Fen Chou				
	Chief Financial Officer	Ching-Hui Chiu				
	Head of the Staff Department	Zhou-Jing Chen				
	Vice General Manager	Lan-Hsin Chou				
	Assistant Manager	Jui-Tzu Chu				
	Assistant Manager	Shih-Wei Wang				
	Assistant Manager	Yu-Hung Tan				
	Assistant Manager	Ke Cheng Chen				

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

Note 2: Employee remunerations (including stock and cash) distributed to managers through the Board of Directors in recent years. 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 pure earnings are those in the latest year. When the International Financial Reporting Standards are adopted, after-tax pure earnings are those indicated in the entity or individual financial report from the most recent year.

Note 3: For the applicability of managers, follow the Tai-Cai-Zheng-San No. 0920001301 letter dated March 27, 2003.

- (1) General Managers and people of equivalent ranking
- (2) Vice general managers and people of equivalent ranking
- (3) Assistant managers and people of equivalent ranking
- (4) Head of Department of Finance
- (5) Head of Accounting Department
- (6) Other people handling corporate affairs and signature rights

Note 4: If directors, general managers, and vice general managers receive employee remunerations (including stock and cash), this table needs to be completed in addition to Exhibit 1-1.

(III) 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. In addition, describe correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future.

1. Ratios of remunerations paid in the past two years in after-tax earnings indicated in the entity financial report:

Year	The Company		All companies in the Consolidated Report	
	2021	2022	2021	2022
Total remunerations for directors	122,621,883	89,356,998	186,098,151	147,118,059
Ratio of total remunerations for directors in after-tax earnings indicated in the entity financial report	11.45%	15.97%	17.37%	26.29%
Total value of remunerations for general managers and vice general managers	18,581,346	35,266,679	34,420,427	54,633,104
Ratio of total remunerations for general directors and vice general directors in after-tax earnings indicated in the entity financial report	1.73%	6.30%	3.21%	9.76%

Note: The after-tax earnings were NTD 1,071,166,053 in the 2021 Entity Financial Report and those were NTD 559,668,601 in 2022 Entity Financial Report.

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

- (1) The Company 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. The Committee evaluates and decides on the remuneration payment policy according to the company's management strategy, manpower utilization policy, and payment capability and establishes and periodically reviews the remuneration levels for directors, supervisors, and managers of the Company and provides the Board of Directors with suggestions in accordance with the latter's reference while making decisions by referring to the findings obtained by the Company through the compensation survey conducted by a professional compensation survey institution.
- (2) Criteria for paying remunerations to directors and supervisors of the Company are defined in the Articles of Incorporation of the Company.
- (3) Salaries for general managers and vice general managers of the Company are paid according to their personal performance and their contribution to the overall operation of the Company and taking into account of the market salary level found out in the survey conducted by the professional institution. The distribution of bonus is to be based on the performance management guidelines of the Company with reference to the annual management performance of the Company and the individual.



(4) Correlation between business performance and future risks:

- ① The review of the standards and systems for payment of remuneration is based on the overall operating conditions of the Company, and the payment standards are approved according to the performance compliance rate and contribution degree to enhance the overall organizational team effectiveness of the Board of Directors and the management department. In addition, with reference to industry standards, we ensure that the remuneration for the Company's management is competitive in the industry to retain outstanding management talents.
- ② The performance objectives of the Company's managers are combined with risk management and control to ensure that possible risks within the scope of responsibility are managed and prevented, and the results of the actual performance verification and evaluation are linked to the relevant human resources and related salary and remuneration policies. The significant decisions are made by the Company's management by taking into consideration risk factors, and the performance of relevant decisions is reflected in the Company's profit making, and then the remuneration for the management class is related to the risk control performance.

## IV. Status of Corporate Governance

### (I) Operation of the Board of Directors

The Board of Directors met 5 times (A) in the latest year. Attendance of directors in the meetings is as follows:

Title	Name (Note 1)	Actual frequency of attendance (being seated) in meetings B	Frequency of attendance through proxy	Actual attendance (seated) rate (%) [B/A] (Note 2)	Remarks
Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen	4	1	80%	Shareholders' Meeting of July 15, 2021 Newly appointed by co-option
Vice Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Peng Chen	0	3	0%	Passed away on September 23, 2022
Director	Kan-Wen Lee, Representative of Lucky Royal Co., Ltd.	5	0	100%	Shareholders' Meeting of July 15, 2021 Re-election
Director	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen	0	5	0%	Shareholders' Meeting of July 15, 2021 Re-election
Director	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	5	0	100%	Shareholders' Meeting of July 15, 2021 Re-election
Director	Representative of Namchow Holdings CO.,Ltd. Employee Welfare Committee Yi-Wen Chen	3	2	60%	Shareholders' Meeting of July 15, 2021 Re-election
Director	Hwa Zhin Co., Ltd. Representative: Yu-Wen Chen	1	0	20%	Newly elected on December 13, 2022 Actual attendance rate: 100%
Independent Director	Ting-Kuo Chen	5	0	100%	Shareholders' Meeting of July 15, 2021 Re-election
Independent Director	Chin-Shih Lin	5	0	100%	Shareholders' Meeting of July 15, 2021 Re-election
Independent Director	Chun-Hsueh Chen	4	1	80%	Shareholders' Meeting of July 15, 2021 Re-election

Other details to be documented:

- I. The items included in Article 14-3 of the Securities and Exchange Act and other comments objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement should indicate the date, period, content of the motion, opinions of all Independent Directors and how the company handles the opinion of the Independent Directors:  
A total of 5 Board of Directors meetings were held by the company throughout 2022. There are no items included in Article 14-3 of the Securities Exchange Act and comments objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement.
- 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.

1. Article 31 of the Company's Corporate Governance Best-Practice Principles stipulates that:  
Directors of the Company shall be highly self-disciplined. For proposals brought forth by the Board of Directors that will undermine the interests of directors themselves and the Company's interests, the directors shall recuse themselves and may not take part in the discussion and voting process. They may not exercise voting rights on behalf of other directors in this case, either. Self-discipline shall be expected among directors, too. No inadequate mutual support is allowed.  
For spontaneous recusals of directors, they shall be specified in the meeting agenda of the Board of Directors.
2. Article 15 of the Board of Directors Meeting Rules of the Company stipulates:  
For matters to be discussed in the meeting that concern the interests of participating directors or the institutions they represent, there should be descriptions of important contents concerning conflicts of interest in the current meeting. In cases of undermining interests of the Company, the directors may not take part in the discussion and voting process and shall recuse themselves during discussion and voting and they may not exercise voting rights on behalf of other directors.  
For a resolution, the votes that directors are not allowed to exercise as voting rights as indicated in the foregoing paragraph are entitled to will not be counted in the overall number of voting rights.
3. Proposals relating to the Company's Board of Directors and concerning directors in the latest year up to the date of printing of Annual Report:
  - (1) On May 12, 2022, the Board of Directors discussed the proposal for individual payment of 6 directors' remuneration for 2021 as submitted by the Remuneration Committee. The six directors of the Company, namely Chairman Fei-Lung Chen (Representative of Hwa Zhin Co., Ltd.), Vice Chairman Fei-Peng Chen (Representative of Hwa Zhin Co., Ltd.), Director Kan-Wen Lee (Representative of LUCKY ROYAL CO., LTD.), Director Ming-Fen Chou (Representative of LUCKY ROYAL CO., LTD.), Representative of Hwa Zhin Co., Ltd. Cheng-Wen Chen and Representative of Employees' Welfare Committee Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.  
Voting outcome of this case: The case was approved among the attending directors, without taking into account the directors who recused themselves from discussion and voting.
  - (2) On May 12, 2022, the Board of Directors discussed the proposal for individual payment of managers' remuneration for 2021 as submitted by the Remuneration Committee. The two directors and concurrent as managers of Lucky Royal, namely Kan-Wen Lee, and Ming-Fen Chou were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.  
Voting outcome of this case: The case was approved among the attending directors, without taking into account the directors Kan-Wen Lee, and Ming-Fen Chou who recused themselves from discussion and voting.
  - (3) The Board of Directors discussed the proposal detailing individual values of year-end bonus of 2021 for 5 directors and 5 managers of the Company submitted by the Remuneration Committee on August 11, 2022. The five directors of the Company, namely Chairman Fei-Lung Chen (Representative of Hwa Zhin Co., Ltd.), Vice Chairman Fei-Peng Chen (Representative of Hwa Zhin Co., Ltd.), Director Kan-Wen Lee (Representative of LUCKY ROYAL CO., LTD.), Director Ming-Fen Chou (Representative of LUCKY ROYAL CO., LTD.) and Representative of Employees' Welfare Committee Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.  
Voting outcome of this case: The case was approved among the attending directors, without taking into account the directors who recused themselves from discussion and voting.
  - (4) On December 27, 2022, the Board of Directors discussed the individual remuneration proposal submitted by the Remuneration Committee for Mr. Yu-wen Chen, the new representative of the Company's corporate directors. The director Yu-wen Chen of the Company recused themselves in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.  
Voting outcome of this case: The case was approved among the attending directors, without taking into account the director Yu-wen Chen who recused himself from discussion and voting.

- (5) On December 27, 2022, the Board of Directors discussed the proposal detailing individual values of year-end bonus of 2022 for 5 directors and 7 managers of the Company submitted by the Compensation Committee. The five directors of the Company, namely Chairman Fei-Lung Chen (Representative of Hwa Zhin Co., Ltd.), Director Kan-Wen Lee (Representative of LUCKY ROYAL CO., LTD.), Director Ming-Fen Chou (Representative of LUCKY ROYAL CO., LTD.), Representative of Employees' Welfare Committee Yi-Wen Chen and Yu-Wen Chen, Representative of Hwa Zhin Co., Ltd. were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

- (6) On January 17, 2023, the Board of Directors discussed the Individual Salary Adjustment and Special Incentive Proposal for the president Kan-Wen Lee submitted by the Remuneration Committee, the director Kan-Wen Lee recused himself in compliance with the Company Act and the requirements in Article 15 of the Company's Board of Directors Meeting Rule for conflicting interest between him and what was being discussed.

Voting outcome of this case: The case was approved among the attending directors, without taking into account the director Lee Kan Wen who recused himself from discussion and voting.

- (7) On January 17, 2023, the Board of Directors discussed the proposal for individual remuneration and year-end bonus payable to the representative of directors as legal persons, Cheng-Wen Chen, submitted by the Remuneration Committee. The director Cheng-Wen Chen recused himself in compliance with the Company Act and the requirements in Article 15 of the Company's Board of Directors Meeting Rule for conflicting interest between him and what was being discussed.

Voting outcome of this case: The case was approved among the attending directors, without taking into account the director Cheng-Wen Chen who recused himself from discussion and voting.

- (8) On March 14, 2023, the Board of Directors discussed the proposal for adjustment to individual remuneration payable to the representative of directors as legal persons, Yi-Wen Chen, submitted by the Remuneration Committee. The director Yi-Wen Chen recused himself in compliance with the Company Act and the requirements in Article 15 of the Company's Board of Directors Meeting Rule for conflicting interest between him and what was being discussed.

Voting outcome of this case: The case was approved among the attending directors, without taking into account the director Yi-Wen Chen who recused himself from discussion and voting.

III. Information on the period, duration, range, method, content of evaluation and etc. of the self-evaluation of board of directors of the company: The execution of evaluation as follows:

Period of Evaluation	Duration of Evaluation	Range of Evaluation	Method of Evaluation	Content of Evaluation
Once a year	Evaluating the performance of January 1, 2022 to December 31, 2022.	The Board of Directors, individual member of the board of directors and functional committee(Audit Committee and Remuneration Committee)	Internal self-evaluation of the Board of Directors, individual member of the board of directors and functional committee(Audit Committee and Remuneration Committee)	<p>1. Overall Evaluation of the Board of Director: Including participation in the operation of the company; quality of board of directors' decision making; composition and structure of the board of directors; election and continuing education of the director; and internal control. Total of 10 questions in five major aspects.</p> <p>2. Individual Evaluation of the Board of Directors: Including alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control. Total of 18 questions in six major aspects.</p>

				<p>3. Evaluation of the Audit Committee: participation in the operation of the company; awareness of the duties of the functional committee; quality of decisions made by the functional committee; make up of the functional committee and election of its member; and internal control. Total of 22 questions in six major aspects.</p> <p>4. Evaluation of the Remuneration Committee: participation in the operation of the company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; make up of the functional committee and election of its member; and internal control. Total of 19 questions in five major aspects.</p>
<p>IV. Reinforced assessments of 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.</p> <ol style="list-style-type: none"> <li>1. It was decided in the general shareholders' meeting of 2014 that independent directors will be added according to law under Article 18 of the Company's "Articles of Incorporation".</li> <li>2. In response to the addition of independent directors, the "Guidelines for Electing Board Directors and Supervisors" and the "Procedures for the Acquisition or Disposal of Assets of the Company" were amended through the general shareholders' meeting in 2014.</li> <li>3. December 11, 2014 The Board of Directors decided to revise the Company's "Corporate Governance Best-Practice Principles" and "Ethical Corporate Management Best Practice Principles".</li> <li>4. June 10, 2015 Ting-Kuo Chen and Chin-Shih Lin were elected independent directors through the general shareholders' meeting.</li> <li>5. December 29, 2015 the Board of Directors decided to establish the Company's "CSR Practical Principles".</li> <li>6. March 13, 2017 The Board of Directors decided to establish the "Code of Conduct", the "Operating Procedure for Handling Major Internal Information", the "Merger and Acquisition Information Disclosure Self-discipline Regulations", and the "Regulations Governing Controlling Legal Person Shareholders Exercising Rights and Participating in Decision-making".</li> <li>7. March 28, 2017 The Board of Directors decided to formulate the "Honest Management Operating Procedure" and "Self-Evaluations or Peer Evaluation of the Board of Directors".</li> <li>8. January 16, 2019, The Board of Directors decided to establish the "Organic Rules for Audit Committee" and to set up an audit committee.</li> <li>9. The board of directors approved the revision of the "Self-Evaluations or Peer Evaluation of the Board of Directors" and the "Organizational Rules of Audit Committee" on August 13, 2019.</li> <li>10. June 17, 2019 An audit committee was formally established, consisting of three independent directors.</li> <li>11. The Board of Directors approved the revision of amendment to "Remuneration Committee Charter", "Audit Committee Charter" and "Corporate Social Responsibility Best Practice Principles" on May 14, 2020.</li> <li>12. The Board of Directors approved the revision of amendment to "Articles of Association of Special Committee on mergers and Acquisition" and "Audit Committee Charter" on August 13, 2020.</li> <li>13. The board of directors approved the revision of the "Guidelines of self-assessment or peer-assessment of the Board of directors" and the "Organizational Rules of Remuneration Committee" on November 12, 2020.</li> <li>14. Report on the self-evaluation of the board of director(including all of the functional committee) on January 28, 2021. Score for Overall Board of Directors is 86(out of 100); Score for Individual Board of Directors is 3.88; Score for Audit Committee is 3.7; Score for Remuneration Committee is 4(Out of 4); Therefore, the operating of Board of Directors, Audit Committee and Remuneration Committee</li> </ol>				

were good.

15. The Board of Director approved the revision of amendment of “Rules and Procedures for Shareholders Meetings”, “Procedures for Election of Directors” and “Rules of Procedure for Board of Directors Meetings” on January 28, 2021.
16. The Board of Directors approved the revision of amendment of “Rules and Procedures for Shareholders Meetings” on March 12, 2021.
17. The Company appointed its Head of Corporate Governance on May 13, 2021.
18. Nomination of director Ting-Kuo Chen, independent directors Jin-Shih Lin and Professor Hai-Ming Chen to be the members of the 5th Intake of Compensation Committee on July 21, 2021.
19. The Board of Directors approved the revision of amendment of “Articles of Incorporation” to enable shareholders’ meetings to be held via video conference on March 15, 2022.
20. Report on the self-evaluation of the board of director (including all of the functional committee) on March 15, 2022. Score for Overall Board of Directors came to 92 (out of 100); Score for Individual Board of Directors came to 3.94; Score for Audit Committee was 4; Score for Remuneration Committee came to 3.94 (Out of 4); Therefore, the operating of Board of Directors, Audit Committee and Remuneration Committee were good.
21. On November 10, 2022, the Board of Directors resolved to formulate the "Procedures for Preparing and Verifying Sustainability Reports" for the Company and to amend the "Sustainability Best Practice Principles".
22. On December 27, 2022, the Board of Directors resolved to amend the Rules of Procedure for Board of Directors Meetings, Rules and Procedures of Shareholders’ Meeting, Operating Procedure for Handling Major Internal Information and Ethical Corporate Management Best Practice Principle and Guide.
23. On March 14, 2023, the Board of Directors resolved to formulate the General Principles of Pre-approval of Non-convicted Service Policies.
24. Report on the self-evaluation of the board of director (including all of the functional committee) on March 14, 2023. Score for Overall Board of Directors came to 94 (out of 100); Score for Individual Board of Directors came to 3.94; Score for Audit Committee was 3.98; Score for Remuneration Committee came to 4 (Out of 4); Therefore, the operating of Board of Directors, Audit Committee and Remuneration Committee were good.

Note 1: If directors and supervisors are institutions, names of shareholders and the representative of the institutions shall be disclosed.

Note 2: (1) In the event that directors or supervisors leave before a year is completed, the date when they leave should be indicated in the memo column. The actual attendance (seated) rate (%), on the other hand, shall be calculated by the number of Board of Directors meetings held during service and the frequency number of attendance (being seated) in the meetings.

(2) Before a year is completed, upon any re-election of the directors or supervisors, names of the said directors/supervisors, new and old, shall be listed and it shall be specified in the remarks column that a specific director or supervisor is old, new, or re-elected and the date of re-election. The actual attendance (seated) rate (%), on the other hand, is to be calculated by the number of Board of Directors meetings held during service and the frequency number of attendance (being seated) in the meetings.



## (II) State of operations of the Audit Committee

The Audit Committee of the Company comprises 3 independent directors. The Audit Committee assists the Board of Directors in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

The Audit Committee convened 6 meetings from 2022 to March, 2023. The Audit Committee is responsible to review the following major matters: Auditing Financial Statements, Accounting Policies and Procedures; Internal Control Systems and Related Policies and Procedures; Material Assets or Derivatives Transactions; Material Lending Funds and Endorsements or Guarantees; Offering or issuance of any Equity-type Securities; Investment of Derivatives and Cash; Law Compliance; Related-party Transactions and Potential Conflicts of Interests involving Managers and Directors; Evaluating Qualification, Independence and Performance of CPAs; Hiring or Dismissal of an attesting CPA, or the Compensation Given thereto; Assessment of Committee Charter and Fulfillment of Audit Committee duties; and Assessment of the Committee's Performance, etc.

- Reviewing Financial Statements

The Board of Director has prepared the 2022 Business Report, Financial Statement, Proposal of Earnings Distribution and etc. The CPA firm of KPMG was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The above-stated Business Report, Financial Statement and Proposal of Earning Distribution have been reviewed by the Audit Committee and found no discrepancy.

- Evaluating the effectiveness of internal control system

The Audit Committee evaluating the effectiveness of the policies and procedures of internal control system (including finance, operating, risk management, information safety, outsourcing, law compliance and other control measures); and Examining the audit department of the company, the CPAs and the regular report of management, including risk management and law compliance. The Audit Committee considered that the risk management and internal control system of the company is effective, the company takes the required control systems to monitoring and correct its irregularities.

- Engagement of CPAs

The Audit Committee's duty is to monitoring the CPAs executing their duties with independency and to ensure the fairness of the Financial Statements. In general, the CPAs' were not allowed to provide other services to the company except the services related to tax and the special approved items. The standards for assessing the accountability of accountants have been determined by reference to Article 47 of the Certified Public Accountant Act and Article 10 of the Norm of Professional Ethics for Certified Public Accountants. They also evaluate related items such as the independence of accountants, the number of years of auditing services, the interests of the company and its related companies that are not involved, and the management level that does not involve the decision-making of the company and its related companies, obtaining related documents and statements from the CPAs and firm and propose the result to Audit Committee and the Board of Directors. The latest report date was completed on November 10, 2022 by the approval of 7th Meetings of 2nd session of the Audit Committee and the Board of Directors.

On March 14, 2023, the Board of Directors uses the five major aspects of professionalism,

quality control, independence, supervision and innovation ability and 13 indicators as a reference for replacing certified public accountants in accordance with the evaluation procedures for audit quality indicators (AQIs), so as to improve the quality of financial reporting information.

The Audit Committee met 6 times (A) in 2022 and as of the date of publication of the annual report. Attendance of independent directors in the meetings is as follows:

Title	Name	Attendance in person (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note 1. Note 2)	Remarks
Independent Director	Ting-Kuo Chen	6	0	100%	
Independent Director	Chin-Shih Lin	6	0	100%	
Independent Director	Chun-Hsueh Chen	5	1	83.3%	

Other details to be documented:

I. If there any of the following situations arise the operation of the Audit Committee, the date of the board meeting should be stated, as well as the period, and motion content, oppositions from independent directors, their qualified opinions or contents of material suggestions, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's comments.

(I) Items of Article 14-5 of the Securities and Exchange Act and other important resolution matters

The operation conditions as until 2022 and the date of publication and printing of this annual report.

Audit Committee Date	Period	Content of the matters	Contents of suggestions/oppositions from Independent Director	Result of Audit Committee Resolution	The Company's handling of the opinions of the audit committee
March.15, 2022	2nd 4th Meeting	1. Review the Company's 2021 annual business report and parent only and consolidated financial statements. 2. The Company's 2021 earnings distributions. 3. Formulated the increase of capital invested by subsidiary Namchow (Cayman Islands) Holding Corp. in Shanghai Qiaohao Co., Ltd. 4. Design of internal control system in 2021 and implementation of valid "Statement of Internal Control System". 5. Amendment of 1 related internal regulation. 6. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
May 12, 2022	2nd 5th Meeting	1. The Company's consolidated financial report for the first quarter of 2022. 2. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
August 11, 2022	2nd 6th Meeting	1. The Company's consolidated financial report for the second quarter of 2022. 2. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
November 10, 2022	2nd 7th Meeting	1. The Company's consolidated financial report for the third quarter of 2023. 2. Periodic assessment of the CPA's independence and fitness 3. Public Expenditure on CPAs in 2022. 4. Formulation and Amendment of 2 related internal regulations. 5. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None



Audit Committee Date	Period	Content of the matters	Contents of suggestions/oppositions from Independent Director	Result of Audit Committee Resolution	The Company's handling of the opinions of the audit committee
December 27, 2022	2nd 8th Meeting	1. For the requirements of operating capital in 2023, it was requested to authorize the chairman to represent the Company in finance related matters such as contracting of loan cases with financial institutions. 2. In respect to working capital requirements of subsidiaries and other companies with business dealings with Namchow in 2023 (subsidiaries including reinvestments by subsidiaries), when the Company intends to act as an endorsement guarantor, it authorizes the chairman to represent the Company to handle matters connected with financial institutions. 3. The Company's 2023 annual Audit Plan. 4. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None
March 14, 2023	2nd 9th Meeting	1. Review the Company's 2022 annual business report and parent only and consolidated financial statements. 2. The Company's 2022 earnings distributions. 3. Formulation of related internal regulations. 4. Replacement of the Company's financial report CPA from 2023. 5. Design of internal control system in 2022 and implementation of valid "Statement of Internal Control System". 6. Endorsement guarantees of the Company acting as a subsidiary	None of the independent directors opposed or provided qualified opinion	Unanimous resolution from all participating members	None

(II) Except for above-stated matters, other resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors: No such situation.

II. For the enforcement of recusal upon conflicts of interest among independent directors, the name of the independent director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described: No such situation.

III. Communication between independent directors and the internal audit head and the CPA (Should include major matters, methods and results of communication on the company's financial and business conditions).

- In accordance with the 2022 audit plan approved by the board of directors, the Company prepares an "Audit Report" every month and submits it to the Audit Committee for inspection. It is been completed on schedule on a monthly basis, and follows the guidelines of public issuing companies to establish an internal control system. The audit report and follow-up report will be delivered or notified to independent directors for inspection, providing audit conclusions and various reporting materials for future reference.
- Each audit report must track the improvement of its internal control deficiencies and abnormal events, and make a tracking report quarterly to submit to the Audit Committee.
- The internal audit supervisor attends the Audit Committee and the board of directors to report audit business quarterly in accordance with regulations, and communicates with independent directors through the Audit Committee.
- The communication between independent directors and internal audit supervisors in 2022 is summarized as follows:

Date	Communication meeting	Communication items	Communication results
March.15, 2022	Audit Committee	Internal audit results report from November 2021 to January 2022	No comments at this meeting
May 12, 2022	Audit Committee	Internal audit results report of February, 2022	No comments at this meeting
August 11, 2022	Audit Committee	Internal audit results report from March to May 2022	No comments at this meeting
November 10, 2022	Audit Committee	Internal audit results report from June to August 2022	No comments at this meeting
December 27, 2022	Audit Committee	Report on internal audit results from September to October 2022	No comments at this meeting
March 14, 2023	Audit Committee	Report on internal audit results of December, 2022	No comments at this meeting

5. The Company submits the results of the annual financial statement check of the CPAs to the audit committee meeting, and regularly arranges accountants to brief and explain to the audit committee before the committee meeting. The audit committee of the Company has good communication with CPAs.

Communication between independent directors and accountants is summarized as follows:

Date	Communication items	Communication results
March.15, 2022	1. Explanations on audit matters and key audit matters of Annual Financial Statements, and communication on the newly revised laws and regulations related to the Securities and Exchange.	No comments at this meeting
May 12, 2022	1. The review scope, responsibilities, content (accounts receivable, inventory), legal compliance, and internal controls and other matters of the consolidated financial report for Q1 2022. 2. The main impact of Auditing Standards Bulletin No. 75 on the Company. 3. The sustainable development path map of the listed companies is launched_inventory.	No comments at this meeting
August 11, 2022	1. The review scope, responsibilities, content (accounts receivable, inventory), legal compliance, and internal controls and other matters of the consolidated financial report for Q2 2022. 2. Recent concerns of the competent authorities - response measures of enterprises. 3. Updates to important laws and regulations (guidelines for issuers to raise and issue securities, measures for employee qualifications and review procedures for bonuses and remuneration ...).	No comments at this meeting
November 10, 2022	1. The review scope, responsibilities, content (accounts receivable, inventory), legal compliance, and internal controls and other matters of the consolidated financial report for Q3 2022. 2. Estimation on the key audit matters (Evaluating on investments accounted for using equity method, impairment of accounts receivable, inventories after the reporting period and the recognition of incomes). 3. Updates to important laws and regulations (Rules Governing the Preparation and Filing of Sustainability Reports, Securities and Exchange Act...) 4. Disclosure of the Audit Quality Indicators (AQI).	No comments at this meeting
March 14, 2023	1. Explanations on audit matters and key audit matters of Annual Financial Statements, and communication on the newly revised laws and regulations related to the Securities and Exchange. 2. Updates to important accounting standards or explanatory letters, securities management laws and tax laws and regulations (Regulations Governing Procedure for Board of Directors Meetings of Public Companies, Operation Measures for the Preparation and Declaration of Sustainability Reports) 3. Disclosure of the Audit Quality Indicators (AQI).	No comments at this meeting

Note 1: In the event that independent directors resign before a year is completed, the date of resignation should be indicated in the remark column. The actual attendance rate (%), on the other hand, shall be calculated by the number of Audit Committee meetings held during service and the frequency number of attendance in the meetings.

Note 2: Before a year is completed, upon any re-election of independent directors, names of the said independent directors, new and old, shall be listed and it shall be specified in the remarks column that a specific independent director is old, new, or re-elected and the date of re-election. The actual attendance rate (%), on the other hand, is to be calculated by the number of Audit Committee meetings held during service and the frequency number of attendance in the meetings.

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

Assessed areas	Operational status (Note 1)			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 principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The company enacted the “Code of Practice for Corporate Governance” to ensure by ruling the shareholders' benefits and interest; strengthen the functions of the Board of Directors; respects the stakeholders’ benefits and interest; promoting transparency of information; and etc. The Code of Practice for Corporate Governance and the related internal regulation and its implementation disclose for reference on the company’s website and MOPS.	None
II. Shareholding structure and shareholders' rights				
(I) Does the Company have internal operating procedures in place to deal with shareholder recommendations, doubts, disputes and litigation matters according to the procedures?	V		(I) Establish internal operating procedures in accordance with the Code of Practice for Corporate Governance to deal with shareholder suggestions, doubts, disputes and litigation, and implement them in accordance with the procedures; Establish a spokesperson and proxy spokesperson system for communication to ensure the rights and interests of shareholders, and there is also an investor contact platform on the website to handle shareholder suggestions, doubts, disputes or inquiries.	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 shareholders?	V		(II) The Information on changes were offered by the directors, managers and major shareholders of the company on a monthly basis, and declared in accordance to the rules. The company appointed the Share Affairs Agency Department of the China-trust Commercial Bank to in charge of shareholders’ service, actual control of the distribution of major shareholders’ shareholding and the change in equity of ultimate controlling party of major shareholders.	None
(III) Has the company established and implemented risk management and firewall systems within its affiliated enterprises?	V		(III) The assets, liabilities, responsibilities and authorities of finance management and others between the company and the affiliated corporate were hold under the related laws and regulations; the company’s internal control systems; and etc.	None
(IV) Has the company established internal rules against insiders trading with undisclosed information?	V		(IV) 1. The Company has stipulated “Management Control Operation Measures to Prevent Insider Transactions, Ethic Code of Conduct and Ethical Corporate Management Best Practice Principle and Code of Conduct which govern all employees, managers and directors of the Company, and	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			<p>anyone who knows the news of the Company based on occupation or control relationships, It prohibits any conduct that may involve insider trading, and is publicized to directors and managers at appropriate times every year.</p> <p>2. On December 1 and December 2, 2022, relevant education and training for current directors, managers and employees were conducted, including understanding of related party transactions and unconventional transactions, and management and prevention of threats by next-generation enterprises through practical cases: big data analysis and corporate fraud prevention.</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors established policies of diversification with specific management goals and made relevant implementations?</p>	V		<p>(I) 1. In order to ensure that the Board of Directors will be adequately equipped to achieve the goal of sound corporate governance, diversification of expertise shall be taken into account with regards to board composition so that members will be competent in the required knowledge, skill and trainings. Article 20 of the Company's Corporate Governance Best-Practice Principles stipulate that members of the Board of Directors shall be competent in the following abilities:</p> <p>I. To make sound judgments about operations.</p> <p>II. To perform accounting and financial analysis.</p> <p>III. To perform administrative and operational management.</p> <p>IV. To handle and manage risks.</p> <p>V. Knowledge of the industry.</p> <p>VI. An international market perspective.</p> <p>VII. Leadership skills.</p> <p>VIII. decision-making.</p> <p>2. The company pays attention to gender equality in the composition of the Board, and we have at least two female directors on the board; the company has two female directors and three independent directors among the nine directors; eight of whom are from business and financial backgrounds. One director comes from an accounting background.</p>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Does the Company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?		V	<p>3. In terms of board diversification and relevant implementations, the company has duly adhered to the standards described in Article 20 of the Company's Corporate Governance Best-Principles. In the future, the company shall revise its board diversification policy based on various factors such as the board's operation, the status of the company's operation and relevant developmental needs to ensure that all board members are adequately equipped with the knowledge, skills and training that are needed for them to perform their duties.</p> <p>4. The implementation of the diversity policy of the Board of Directors in 2022, along with specific management objectives and status of implementation have been detailed in this Annual Report on the page of 20 and disclosed on the company's website.</p> <p>(II) The company established the Remuneration Committee and Audit Committee in accordance of Laws. Currently, no other functional committees were established.</p>	Continuously evaluating the need of establishment
(III) Does the company formulate the board's performance assessment and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the board of directors, and apply it to individual directors' remuneration and nomination renewal?	V		<p>(III) 1. The company enacted the Self-Evaluation or Peer Evaluation of the Board of Directors on March 28, 2017. According to the guideline, the company conducted internal evaluation once per year and external evaluation once every three years and conducted before the end of first quarter of the next fiscal year.</p> <p>2. The company conducted the internal evaluation in 2022 (including the entire Board of Directors, individual member of the Board of Directors and functional committee) and reported to the result of evaluation to the Board of Directors on March 14, 2023. (Note 2)</p> <p>3. In 2022, the Taiwan Corporate Governance Association was entrusted with the external evaluation on the performance of the board of directors every three years, and has reported evaluation results to the board of directors on December 27, 2022. (Note 2)</p>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the Company assess the independence of CPAs on an annual basis?	V		<p>4. The results of the performance evaluation on the board of directors will be used as a reference for the selection and remuneration of nominee directors (including independent directors) or individual directors.</p> <p>(IV) 1. According to Article 29 of the Company's "Corporate Governance Best-Practice Principles," the Company should regularly (at least once a year) evaluate the independence and suitability of the appointed accountant.</p> <p>2. The standards for assessing the accountability of accountants have been determined by reference to Article 47 of the Certified Public Accountant Act and Article 10 of the Norm of Professional Ethics for Certified Public Accountants. They also evaluate related items such as the independence of accountants, the number of years of auditing services, the interests of the company and its related companies that are not involved, and the management level that does not involve the decision-making of the company and its related companies, obtaining related documents and statements from the CPAs and firm and propose the result to the Board of Directors. The latest report date was completed on November 10, 2022. (Note 3)</p> <p>3. On March 14, 2023, the Board of Directors uses the five major aspects of professionalism, quality control, independence, supervision and innovation ability and 13 indicators as a reference for replacing certified public accountants in accordance with the evaluation procedures for audit quality indicators (AQIs), so as to improve the quality of financial reporting information. (Note 3)</p>	None
IV. For a TWSE/TPEX listed company, is it equipped with qualified and an appropriate number of corporate governance personnel, and does it appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out	V		<p>1. The company set up the concurrent unit for corporate governance by the executive secretary of the Board of Director and in charge of the documents required for directors to executing their duties, holding board of directors' meeting and shareholders' meeting in accordance of law, preparing agenda for board of directors' meeting and shareholders' meeting, assisting the company to comply with the related laws and regulations of the board of directors' meeting and the shareholders meeting and others. Currently the associate of the</p>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings)?			<p>accounting department concurrently as the executive secretary of the Board of Directors. The related matters of Corporate Governance were handling by the finance department, accounting department, administration department(legal affairs), human resources department, sourcing and purchasing department, audit office and other units.</p> <p>2. The company established the head of corporate governance by the approval of board of directors on May 13, 2021, and the Head of Accounting, Associate Shih-Wei Wang would serve as the Head of Corporate Governance. He shall be in charge of holding board of directors' meeting and shareholders' meeting in accordance of law, preparing agenda for board of directors' meeting and shareholders' meeting, assisting the appointment and continuous studies of the directors, providing documents for directors to executing their duties, assisting directors to comply with the laws and regulations and other corporate governance related matters.</p> <p><u>Major executions for affairs pertaining to corporate governance are summarized as below:</u></p> <p>(1) In 2022, a total of five Board of Directors' Meetings and five Audit Committee Meetings were held.</p> <p>(2) In 2022, the Shareholders' Meeting was held once.</p> <p>(3) All members of the Board of Directors have completed no fewer than 6 credits for further education courses.</p> <p>(4) The company has provided liability coverage for its directors and key personnel and relevant reports have been submitted to the Board of Directors.</p> <p>(5) The company has conducted performance evaluations for its Board of Directors and functional committees. The results of performance evaluation for the Board of Directors, the Audit Committee and Remuneration Committee were all "surpassed the standard".</p> <p>(6) Ranked among 36% to 50% in the 8th Corporate Governance Evaluation.</p> <p>(7) In 2022, the Head of Corporate Governance had completed a total of 12 hours of training and completed the registration on the Market Observation Post System website.</p>	



Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			(8) The company has already disclosed the information regarding to execution of the head of corporate governance in 2022 on the company's website.	
V. Does the company establish a communication channel and build 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		The public website of the company set the Stakeholders' Zone for Customers/consumers, Suppliers, Employees, Investors and other Stakeholders and indicated the contact person and ways of contact separately. The company were well responding to the concern of significant corporate social responsibility issues by the stakeholders (Note 4). The communication of different categories of stakeholders in each year were disclosed on the Sustainability report and the company's ESG webpage.	None
VI. Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?	V		The company appointed China-trust Commercial Bank for their professions of share affairs to hold the matters of Shareholders' Meeting.	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?	V		(I) Disclosure of the company's financial information, annual report and information on corporate governance, product sales and etc. on specific zone for investors on the company's website.	None
(II) Does the company have other information disclosure channels (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		(II) The company maintained the English website; established the spokesperson and deputy spokesperson system; appointing the Accounting Department to be responsible to handle information collection; update the information on the company's website regularly in accordance of the laws and regulations; disclosure Irregularly disclosed significant information and connects to MOPS of TWSE in order to put information disclosure in practice.	None
(III) Does the Company announce and declare its annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the		V	(III) The Company announced its financial report for 2021 in March 2022. The Financial Statement of Q1, Q2 and Q3 for 2022 and Monthly Revenue were announced and declared on the MOPS before the required date, and uploaded on the company's website.	The company complete with announcement and declaration before the date required by the competence authority.



Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
prescribed time limit?				
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		<ol style="list-style-type: none"> <li>1. Employees' benefit and interest and caring of employees: The company takes the concord of employer-employees relations very well and focusing on the employees' welfare, benefits and interest. We established diverse communication channels to promoting the companies policy, system, measures of welfare and all kinds of activities.</li> <li>2. Investors Relations: The company keeps well interaction with our investors, including: disclosure of financial information, communicate with our investors regularly through different activities (for example, institutional investor conference, investors meeting hold by the securities trader). The company takes the feedback and opinion as the company's reference and make improvements and adjustments. The company will continue to strengthen the relationship with investors in the future, and maintain well communication and interaction between our investors.</li> <li>3. Supplier Relationship: Maintain good supplier relationship. By comparing prices, it ensures the legitimacy of raw materials pricing and compliance with health laws and regulations such as Act Governing Food Safety and Sanitation, TQF, HACCP, ISO9001, ISO22000, FSSC22000, certification criteria for health foods and recommendation requirements for disease preventive products to help control quality of raw materials and equipment and to ask suppliers to provide with corresponding product laboratory test certificates.</li> <li>4. The rights of stakeholders: The company provide diverse communication channels and information disclosure. The company maintain good dialogue and communication with our stakeholders and collect the issues of their concern to review the business activities were responding to our stakeholders. For related information, please refer to the company's website and Sustainability Report.</li> <li>5. The condition of directors' advanced studies: The duration of directors' and independent directors' advanced studies in 2022 exceeded the legal requirements. The condition of directors' advanced studies were disclosed on the MOPS and the annual report(Note 5), and the company arranged the liabilities insurance to our directors in accordance of the Article 19-1 of the article</li> </ol>	None

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>of incorporate and the Article 39 of Corporate Governance Best Practice Principles.</p> <p>6. Implementation of risk management policies and risk measurement standards: The Company's major operational policies, investment cases, endorsement guarantees, capital loans, bank financing and other major proposals have been evaluated and analyzed by appropriate authorities and implemented in accordance with the resolution of audit committee and the board of directors. The audit office has also drafted its annual audit plan based on the results of the risk assessment and implements it exactly. This is done to implement the supervision mechanism and control the implementation of various risk management functions.</p> <p>7. Implementation of customer policies:</p> <p>(1) Protection of consumer rights of end customers: It is the Company's policy to provide consumers with healthy, safe, and desirable quality products so that they can eat healthily and safely. Related certifications on the manufacture and the sanitary, safe, and healthy benefits of products have been obtained; products of optimum quality are provided to consumers. The liability insurance has been purchased for products. In addition, there is the 0800 hotline for customer service.</p> <p>(2) Competitive advantages of clients: It is the Company's policy to create a Win-Win situation that contributes to co-prosperity and co-sharing of maximum benefits among downstream customers. Downstream clients are provided with the Company's information through the Company's website, the Outlook feature, and the ERP system. In addition, quality, health, and safety of products are maintained to seek various certifications, to promote brand publicity, and to provide clients and employees with information on how to enhance their technical and marketing/management capabilities by means of the bi-monthly professional journal entitled "Namchow Frozen Dough and Baking Oils and Fats" that is issued by an associated enterprise.</p>	
IX. Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement.				

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
1. 2022, a third-party external professional independent organization has been entrusted with the board performance evaluation and reported to the board of directors in December; Introduce a climate-related financial disclosure (TCFD) framework to disclose information on corporate governance, strategies, risk management, indicators and targets for climate-related risks and opportunities, and relevant ESG information with reference to SASB standards in sustainability reports.				
2. Each production base will continue to invest in energy-saving or green energy-related environmental protection and sustainable equipment, and cooperate with the competent authorities on schedules of greenhouse gas inventory related operations; In terms of the indicators related to the sustainability of social issues, new indicators such as workplace diversity, community impact and cultural development will be added to optimize the corresponding measures for corporate social responsibility.				

Note 1: Regardless of the answer, "Yes" or "No", descriptions need to be provided in the summary column.

Note 2: The instructions for the implementation of the internal and external performance evaluation of the Board of Directors for 2022 are as follows:

According to Article 3 of the Company's Measures for Performance Evaluation of the Board of Directors, the performance of internal Board of Directors shall be carried out once a year, and the performance of external Board of Directors shall be carried out at least once every three years; the results of the internal and external performance evaluation of the Board of Directors shall be completed before the end of the first quarter of the following year.

Internal evaluation:

	Index of Self-Evaluation	Items	Score and Result of Evaluation
Board of Directors	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Improvement of the quality of the board of directors' decision making</li> <li>3. Composition and structure of the board of directors</li> <li>4. Election and continuing education of the directors</li> <li>5. Internal control</li> </ol>	10	The score of internal self-evaluation of the Board of Directors was 94 (out of 100).
Member of Directors	<ol style="list-style-type: none"> <li>1. Alignment of the goals and mission of the company</li> <li>2. Awareness of the duties of a director</li> <li>3. Participation in the operation of the company</li> <li>4. Management of internal relationship and communication</li> <li>5. The director's professionalism and continuing education</li> <li>6. Internal control</li> </ol>	18	The score of self-evaluation of the Board members was 3.94 (out of 4), the result of evaluation was "surpassed the standard"
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Awareness of the duties of the functional committee</li> <li>3. Improvement of quality of decisions made by the functional committee</li> <li>4. Makeup of the functional committee and election of its member</li> </ol>	19	The Score of Self-Evaluation of the Remuneration Committee is 4 (out of 4), the result of evaluation as <u>Significantly Exceed Standards</u>
Audit Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Awareness of the duties of the functional committee</li> <li>3. Improvement of quality of decisions made by the functional committee</li> <li>4. Makeup of the functional committee and election of its member</li> <li>5. Internal control</li> </ol>	22	The score of self-evaluation of the Audit Committee members was 3.98 (out of 4), the result of evaluation was "surpassed the standard"

External evaluation:

In August 2022, the Company appointed the Taiwan Corporate Governance Association to conduct the annual external effectiveness evaluation of the Board of Directors for 2022 (September 2021-August 2022), the institution and the executive experts have no business dealings with the Company and have conducted evaluation, respectively on the composition, guidance, authorization,

supervision, communication, internal control and risk management, self-discipline and other eight aspects of the Board of Directors in the form of questionnaires and on-site visits; In November 2022, Taiwan Corporate Governance Association has issued the evaluation report on the effectiveness of the Board of Directors, and reported the above recommendations and expected implementation measures to the Board of Directors on December 27, 2022; and the relevant general evaluation content, recommendations and measures to be taken are as follows:

#### I. Overall Evaluation of the Report

- (1) The chairman's is open in leadership, respects and adopts the opinions and suggestions put forward by the Board members, so that the Board members can fully express their opinions, and the functions of independent directors can be actively played and effectively reflect the leadership function.
- (2) Independent directors actively take responsibility, actively participate in the formulation of the Company's vision and long-term strategic goals at various formal and informal meetings, make contribution professionally, express their opinions, and play the role of guidance and supervision.
- (3) The Company attaches great importance to ESG and sustainability issues, has been preparing corporate sustainability reports since 2015, and has established a "Corporate Social Responsibility Office" supervised by the Board of Directors to actively promote various policies to improve food safety, environmental sustainability, reduce climate risks and costs, etc., and develop towards a green and low-carbon cycle, demonstrating the Company's determination to implement ESG goals and create value sharing.
- (4) The Company makes arrangements for transaction of business on the agenda rigorously, in addition to providing necessary assistance to directors, the deliberation units are actively committed to improving the governance systems, planning the schedule and expected agenda arrangement for the meetings of the Board of Directors and shareholders at the beginning of each year, so that the directors reserve time, and confirm the arrangements and contents of the proposals with the chairman of the Board and the conveners of each committee before the notice of the meeting is issued, conducive to improving the efficiency of the Board meetings and the quality of decision-making.

#### II. Suggestions for Improvement and Expected Measures

No.	Recommendations of the evaluation report	Measures expected to be taken by the Company
1	The Company's website has set up a special zone for stakeholders to provide contact mailboxes for stakeholders to make inquiries and for their use, and it is suggested that the Company amend the relevant measures and put a special unit in charge of the acceptance and investigation of the reported cases. A whistleblower mailbox is also provided and announced. Report to the top supervisor of the business unit/function and the independent directors according to the reported cases, establish multiple reporting channels, and improve the whistleblower reporting system.	A proposal has been made to the Board of Directors to amend the Company's "Ethical Corporate Management Best Practice Principle and Guide", set up whistleblower mailboxes and dedicated units, and report to the top supervisor of the business unit/function and the independent directors according to the reported cases.
2	In order to familiarize the new Directors with the Company's business and the duties of Directors as soon as possible, it is suggested that the Company may formulate the "New Directors Seminar System" (e.g. arranging briefings, on-site visits, holding seminars with key management, etc.), and consider compiling a "Director's Handbook" to help the new Directors grasp the Company's operating conditions as soon as possible so as to facilitate them to perform their duties as directors.	Plan the Company's business profile, and invite new directors to visit the site or the heads of public institutions to explain relevant business to assist new directors to grasp the Company's operating conditions as soon as possible so as to facilitate their performance of directors' duties.
3	It is recommended that the Company adjust the mechanism for appointment and communication of current internal audit directors and appropriately improve the linkage of the Audit Committee's participation in internal audits (e.g.,	The appointment of the audit supervisors shall be submitted to the Board of Directors for approval after deliberation and approval by the Audit Committee. The annual audit plan will be

No.	Recommendations of the evaluation report	Measures expected to be taken by the Company
	participate in the appointment of internal audit supervisors, the content and method of audit reports on the audited cases, process for selection and review of annual audit plans, and special reports to the Audit Committee... and other work items) to further strengthen the mechanisms for internal audits and communication channels of audit committee.	reported to the Audit Committee, and the results of the implementation of the audit plan will be reported to the Audit Committee, so as to strengthen the linkage of the Audit Committee's participation in internal audit-related operational processes and work items.
4	The Company has established the "Operating Procedure for Handling Major Internal Information", but there is no linkage with the Board. It is recommended that the Company plan the "Notification Procedure for Occasional Major Incidents" and strengthen the standard procedures for handling and reporting such incidents to ensure that all Board members have real-time information on occasional major incidents and give appropriate guidance.	The Board has proposed to amend the Company's Operating Procedure for Handling Major Internal Information to update the Notification Procedure for Occasional Major Incidents to ensure that all Board members can grasp the information on occasional major incidents in real time.

Note 3: The assessment items of the Independence, Suitability and Audit Quality Indicators (AQIs) of CPAs are as follows:

CPA Independence Evaluation:

Item	Result	Independent
1. Does the CPA have direct or significant indirect financial relationship with the Company?	No	Yes
2. Does the CPA have financing or guarantees with the Company or its directors?	No	Yes
3. Does the CPA have close business relationship and potential client and commission relationship with the Company?	No	Yes
4. Had the CPA and their audit team members served as directors, managers or taken up positions that have significant influence on audit work at the Company at present or in the last two years?	No	Yes
5. Does the CPA provide non-audit service items that may directly affect the audit work provided to the Company?	No	Yes
6. Does the CPA possess stocks or securities issued by the Company?	No	Yes
7. Had the primary/secondary attesting CPA served for more than seven consecutive years?	No	Yes
8. Has the CPA acted as agent for stocks or securities issued by the Company?	No	Yes
9. Had the CPA acted as the defender of the Company or mediated conflicts with third parties on behalf of the Company?	No	Yes
10. Is the CPA related to the Company's directors, managers or personnel with significant influence on the audit case?	No	Yes

CPA Accountability Evaluation:

Item	Accountable
1. The CPA had not served as the attesting auditor for the Company more than seven years (until the most recent attestation).	Yes
2. The CPA has no significant financial relationship with the client.	Yes
3. The CPA has taken steps to refrain from engaging in any inappropriate relationship with the client.	Yes
4. The CPA has taken steps to ensure that his assistants adhere to pertinent guidelines and standards on honesty, impartiality and independence.	Yes
5. The CPA had not performed attestation for financial reports published by the company they served two years prior to obtaining their CPA qualification.	Yes
6. The CPA may not authorize any other individual to perform relevant services in their name.	Yes
7. The CPA does not possess stocks or securities issued by the Company or its affiliated businesses.	Yes
8. The CPA had not borrowed money from the Company or its affiliated businesses.	Yes
9. The CPA is not involved in a joint-investment or mutually beneficial relationship with the Company or its affiliated businesses.	Yes
10. The CPA is not also serving as an employee, performing day-to-day work and collecting fixed wage at the Company or its affiliated businesses.	Yes
11. The CPA is not involved in the decision-making management functions of the Company or its affiliated businesses.	Yes
12. The CPA is not managing other businesses that may compromise their independence.	Yes
13. The CPA is not the spouse, a relative within the second degree of kinship or a direct blood relative to any managers at the Company.	Yes
14. The CPA has not collected any business related commission.	Yes
15. The CPA has not been penalized or involved in any incident thus far that would compromise their independence.	Yes

Evaluation of Accountant Audit Quality Indicators (AQIs):

5 aspects	NO	AQI Indicators	Key points of measurement	Result
Professionalism	1	Auditing experience	Whether the senior auditors have sufficient audit experience to perform the audit work.	V
	2	Training hours	Whether CPAs and senior auditors receive sufficient education and training each year to continuously acquire professional knowledge and skills.	V
	3	Liquidity ratio	Whether the firm maintains sufficient senior human resources.	V
	4	Professional support	Whether the firm has sufficient professionals (e.g. evaluators) to support the audit team.	V
Quality control	5	Workload of CPAs	Whether the workload of CPAs is too heavy.	V
	6	Investment in audits	Check the appropriateness of team members' input at each stage of review.	V
	7	EQCR review	Whether the EQCR CPAs have taken sufficient time to perform review of the audited cases.	V
	8	Quality control support capability	Whether the firm has sufficient quality control manpower to support the audit team.	V
Independence	9	Public expenditure on	The impact of the proportion of public expenditure	V



5 aspects	NO	AQI Indicators	Key points of measurement	Result
		audit services	on non-audit services on independence	
	10	Customer familiarity	The impact of the audit on the independence of the cumulative number of years in the firm's certification of annual financial reports	V
Supervision	11	Absence of external inspection and disciplinary sanction	Whether the quality management and audit by the firm are conducted in accordance with the relevant laws and standards.	V
	12	Improvements demanded by the letter sent from the competent authority		V
Innovation ability	13	Innovative planning or initiatives	The commitment of the accounting firm to improve the quality of audits, including the innovation and planning of the accounting firm.	V

Note 4: Status, issue of pay attention, communication channel and way of replying of the stakeholders.

Stakeholders	Concerned issues	Communication channel and frequency	Actions and ways of response
Shareholders/ investors	<ul style="list-style-type: none"> <li>* Corporate Governance</li> <li>* Business performance</li> <li>* Risk control</li> <li>* Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>* Regular shareholder meetings</li> <li>* Regularly announce the annual report, financial statement, and monthly revenue report</li> <li>* Announce significant information (ad hoc)</li> <li>* Accept intermittent interviews</li> </ul>	<ul style="list-style-type: none"> <li>* Convene Internal Management Meeting of the Group Monthly, the Consolidated Revenue Was NTD 20.48 Billion.</li> <li>* Held the Shareholders Meeting as required by law; organized two investor conferences.</li> <li>* Ranked among 36% to 50% in the 8th Corporate Governance Assessment.</li> <li>* Published 84 significant information on MOPS and immediate disclose the financial information on the Company's website.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>* Occupational health and safety</li> <li>* Anti-corruption</li> <li>* Labor/management relations</li> <li>* Training and Education</li> </ul>	<ul style="list-style-type: none"> <li>* Regular and ad-hoc labor-management meetings</li> <li>* Ad hoc publication of internal reports and establishment of grievance hotlines and mailboxes</li> <li>* Ongoing education and training</li> </ul>	<ul style="list-style-type: none"> <li>* Each factory holds regular or ad hoc labor and management meetings 2-4 times a year.</li> <li>* Complete annual health examination and provide allowances to the employees in Taiwan for influenza vaccination.</li> <li>* The total training hours of the year exceeded 43,430 hours (including Ethical Management, Law Compliance, Food Safety, Occupational Health and Safety, Management Business, etc.).</li> </ul>
Consumer	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Product innovation</li> <li>* Product information and application</li> <li>* Service and consumer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>* Setup of 0800 customer service hotline</li> <li>* Public announcement and interaction over the Company's website</li> <li>* Media coverage</li> <li>* Marketing campaigns</li> </ul>	<ul style="list-style-type: none"> <li>* Press conferences and advertising</li> <li>* Exhibitions and various marketing activities.</li> <li>* Guangzhou Factory and Tianjin Factory made a total of 932 submissions of raw materials and product samples for inspection.</li> <li>* Guangzhou Factory and Tianjin Factory completed a total of 268 customer orders.</li> <li>* Guangzhou Factory had made no product recalls but conducted two mock recall simulations.</li> <li>* There were 3 valid customer complaints in Guangzhou Factory and all cases were handled properly.</li> <li>* We were able to receive customer feedback through our 0800 customer service center at our Chungli Factory so that we could better understand consumers' needs and implement continual improvement. In 2022,</li> </ul>



Stakeholders	Concerned issues	Communication channel and frequency	Actions and ways of response
			Chungli Factory completed a total of 8 cases of customer service.
Corporate customers/ Distributors	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Product traceability</li> <li>* Service and consumer satisfaction</li> <li>* Product information and application</li> </ul>	<ul style="list-style-type: none"> <li>* Ongoing product seminar/conference</li> <li>* Regular business visits</li> <li>* Annual contract review and communication</li> <li>* Telephone and email communication</li> </ul>	<ul style="list-style-type: none"> <li>* Taiwan Branch organized a total of 26 factory inspection by customers (internal/external) and training; we submitted a total of 52 samples to our customers and had 14 new product development projects.</li> <li>* Taiwan Branch made 17 in-store product proposals at customers' establishments and new product trainings.</li> <li>* Establish the "Procedures of handling customers complaint" to fulfill the need of our customer, build up their faith and continuously improving.</li> <li>* Organized press conference/baking workshop for pastry on an irregular basis.</li> <li>* Get in contact with distributors by phone and email every week at regular intervals, and visit distributors at a fixed time every month, and respond in real time to the issues that distributors are concerned about.</li> </ul>
Government agencies and associations	<ul style="list-style-type: none"> <li>* Compliance</li> <li>* Food quality, safety and certification</li> <li>* Product information and application</li> <li>* Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>* Participation or hosting of forums</li> <li>* Issued official statements in line with government announcements</li> <li>* Issued official statements in line with regulatory announcements</li> </ul>	<ul style="list-style-type: none"> <li>* Participate in seminars related to local governments or associations from time to time.</li> <li>* The Food Safety Office and the Food Technician irregularly organized the regulations and announcements from the TFDA and the Department of Health to ensure the products complied with the requirements from the laws and regulations.</li> <li>* Obey the Food Tracing System by the Ministry of Health and Welfare, upload the product information regularly for transparency and connect the upstream and downstream. Product QR Code label management system was also introduced to track product distribution, strengthen management, and enable the rapid recall of problem goods.</li> <li>* Shanghai Factory sporadically participated in 5 unscheduled conferences and seminars.</li> <li>* The Tianjin Factory irregularly participated in the 15 seminars as well as 30 official government agency letters and regulation announcements.</li> <li>* Guangzhou Factory participated four times in the quarterly Food Safety Seminar and Food Safety Supervisor Training organized by the State Administration for Market Regulation and conducted 26 self-inspection/audits and 10 product inspections as required by official statements.</li> </ul>
Media/Social Network	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Marketing communication</li> <li>* Product innovation</li> <li>* Greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>* Product launches (ad hoc)</li> <li>* Media coverage (ad hoc)</li> <li>* Press conferences (ad hoc)</li> <li>* Press releases (ad hoc)</li> </ul>	<ul style="list-style-type: none"> <li>* Regional business divisions actively engage with stakeholders through Facebook fan pages, regular trade shows, seminars, and promotional events.</li> <li>* Spread the corporate and product image through live streaming, short videos and in other forms, and update the Company</li> </ul>

Stakeholders	Concerned issues	Communication channel and frequency	Actions and ways of response
			<p>and product dynamics through WeChat official accounts, Apps, video accounts and via other platforms to strengthen the interaction between customers and the Company.</p> <ul style="list-style-type: none"> <li>* Actively participate in exhibitions in Mainland China such as Bakery Exhibition and CIIE, cooperate with influential media in the industry, title industry competitions, and explore cross-category and cross-field cooperation.</li> <li>* Drawn more than 149,400 fans on Namchow (Thailand)'s FaceBook page.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>* Food quality, safety and certification</li> <li>* Supply chain management</li> <li>* Product traceability</li> </ul>	<ul style="list-style-type: none"> <li>* Annual contract review and communication</li> <li>* Annual audit and source inspection</li> <li>* Routine meetings</li> <li>* Telephone and email communication</li> </ul>	<ul style="list-style-type: none"> <li>* Hold meetings or video conferences with suppliers from time to time to confirm delivery quality, product specifications, etc., to ensure that the source of supply meets food safety requirements.</li> <li>* In Mainland China, the Company has followed its factory audit plans and kept in touch with suppliers via E-mail, and due to the repeated epidemic, only 9 factories were subject to on-site inspection to ensure the safety of food traceability.</li> <li>* In accordance with the Company's procurement management measures, audit colleagues in Mainland China participated in 318 supplier selection and negotiation meetings, mainly to ensure that supplier qualifications meet the Company's standards, the selection procedures for suppliers are compliant with the principles of fairness, justice and openness, and the Company's values of integrity management and integrity be declared to suppliers during the meeting process or in bidding documents.</li> <li>* BLN Restaurants &amp; Caterings signed the "Supplier's Main Code of Conduct Commitment" with 40 suppliers.</li> <li>* Confirm the supply of the seasonal ingredients in every season and special ingredients.</li> </ul>
Community and others (NGOs, academia)	<ul style="list-style-type: none"> <li>* Compliance</li> <li>* Food quality, safety and certification</li> <li>* Greenhouse gas emissions</li> <li>* Waste management</li> <li>* Water Resource Management</li> </ul>	<ul style="list-style-type: none"> <li>* Organize discussion and coordination meetings at Service Center of the industrial zone</li> <li>* Implementation of service number and grievance mailbox</li> <li>* Participation or hosting of forums</li> <li>* Participation or hosting of conferences</li> <li>* Media coverage</li> <li>* Hosting of special cultural activities</li> </ul>	<ul style="list-style-type: none"> <li>* Taiwan Branch has persistently sponsored and participated in community activities.</li> <li>* China business continued to take part in poverty alleviation projects.</li> <li>* The Thailand Business continuously holding the activities of planting trees and cleaning of forest road.</li> </ul>

Note 5: The condition of directors' s advanced studies of 2022, as follows:

Title	Name	Date of Advanced Studies	Main organizer	Name of the Course	Duration of Advanced Studies	Total Duration of Advanced Studies in 2022
Legal Person Directors Representatives	Fei-Lung Chen	December 1, 2022	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3	6.0
		December 2, 2022	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
Legal Person Directors Representatives	Kan-Wen Lee	December 1, 2022	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3	6.0
		December 2, 2022	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
Legal Person Directors Representatives	Cheng-Wen Chen	December 1, 2022	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3	6.0
		December 2, 2022	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
Legal Person Directors Representatives	Ming-Fen Chou	December 1, 2022	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3	6.0
		December 2, 2022	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
Legal Person Directors Representatives	Yi-Wen Chen	December 1, 2022	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3	6.0
		December 2, 2022	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
Legal Person Directors Representatives	Yu-Wen Chen	December 1, 2022	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3	12.0
		December 2, 2022	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
		December 9, 2022	Taiwan Corporate Governance Association	Build a risk intelligence organization – from fraud risk prevention, detection, investigation to crisis management	3	
		December 20, 2022	Taiwan Corporate Governance Association	Prevention - the importance of corporate risk management	3	
Independent Director	Ting-Kuo Chen	December 1, 2022	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3	6.0

Title	Name	Date of Advanced Studies	Main organizer	Name of the Course	Duration of Advanced Studies	Total Duration of Advanced Studies in 2022
		December 2, 2022	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
Independent Director	Chun-Hsueh Chen	November 4, 2022	Taiwan Corporate Governance Association	M&A practice and case analysis	3	6.0
		December 22, 2022	Taiwan Corporate Governance Association	Offensive and defensive strategies of non-consensual M&A and the responsibilities of the Company's leadership	3	
Independent Director	Chin-Shih Lin	March 18, 2022	Taiwan Corporate Governance Association	ESG reporting trends and business implications	3	27.0
		August 12, 2022	Taiwan Corporate Governance Association	The only way to maintain business sustainability - external innovation	3	
		October 21, 2022	National Federation of Certified Public Accountant Associations of the Republic of China	Accounting and Finance Research of Environment, Society and Governance	3	
		October 28, 2022	National Federation of Certified Public Accountant Associations of the Republic of China	Greenhouse Gas Inventory Practice (Part I)	6	
		November 2, 2022	National Federation of Certified Public Accountant Associations of the Republic of China	Greenhouse Gas Inventory Practice (Part II)	6	
		November 8, 2022	Taiwan Corporate Governance Association	Fight for management rights and case analysis	3	
		November 24, 2022	National Federation of Certified Public Accountant Associations of the Republic of China	Analysis of company regulations and company registration practice	3	

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

1. Membership of Remuneration Committee

Status	Requirement Name	Professional qualifications and experience	Compliance with the independence requirement	Number of other public offering companies with part-time membership of their Remuneration Committee
Independent Director	Ting-Kuo Chen	See Page 14~15 for directors' professional qualifications and experience	In accordance with the provisions of the Company's Articles of Incorporation and the Corporate Governance Best-Practice Principles, election of directors was done applying the nomination system. The Company has obtained a written statement, work experience, current employment certificate and kinship form provided by each director at the time of nomination and selection of the Board members to verify and confirm the independence of himself, his spouse and direct blood relative within the third degree of kinship from the Company. The Company has also verified that the two independent directors listed left have met the eligibility requirements stipulated in the "Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies" issued by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act within the two years prior to their appointment and during their tenure, and that the independent directors have been granted the authority to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and have independently performed relevant functions and powers.	2
Independent Director	Chin-Shih Lin			1
Others	Hai-Ming Chen	Hai-Ming Chen, a committee member, PhD, College of Management Science, National Chiao Tung University, was a full-time professor at the Institute of Management Science, Tamkang University, and is currently an honorary professor of the university. Mr Chen specializes in human resources management, organizational behavior, management, strategic management and organizational theory, and has rich experience in industry and academia. He currently serves as a member of the Remuneration Committee of the Company, an independent director and convener of the Remuneration Committee of TECOM CO.,LTD., and a member of the Remuneration Committee of WIN SEMICONDUCTORS CORP. Moreover, he does not fall into any of the circumstances mentioned in Article 30 of the Company Act.	During the two years prior to his appointment and during his term of office, he did not violate the independence provisions of Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".	2

2. State of operations of the Remuneration Committee

(1) The Company's Remuneration Committee has 3 members in total.

(2) Current members will serve from July 21, 2021 to July 14, 2024. The Remuneration Committee met 5 times (A) in the latest year. Qualification and attendance of members are as follows:

Title	Name	Attendance in person (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Ting-Kuo Chen	5	0	100%	Re-elected
Member	Chin-Shih Lin	5	0	100%	Re-elected
Member	Hai-Ming Chen	5	0	100%	Re-elected

Other details to be documented:

- I. If the Board of Directors does not accept or modifies suggestions provided by the Remuneration 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 Remuneration 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 Remuneration Committee, there should be descriptions of the differences and reasons considered).
- II. For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described: None.
- III. The date of meeting, the session number, contents of the proposal, resolution and the company handled the opinions from the remuneration Committee, as follows:

Remuneration Committee	Content of the matters	Resolution	The Company's response to the Remuneration Committee's opinions
5th Remuneration Committee 4th Meeting March 15, 2022	<ol style="list-style-type: none"> <li>1. Evaluate and formulate the individual amounts of compensation in 2021 for the directors of Namchow Holdings.</li> <li>2. Evaluate and formulate the individual amounts of compensation in 2021 for employees (including the managerial personnel) of Namchow Holdings.</li> <li>3. Evaluate and formulate the proposal for adjustment to individual compensation payable to Lee Kan Wen, President of Namchow.</li> </ol>	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
5th Remuneration Committee 5th Meeting May 12, 2022	<ol style="list-style-type: none"> <li>1. Evaluate and formulate the detailing individual values of allocating the remuneration for the directors of Namchow Holdings in 2021.</li> <li>2. Evaluate and formulate the</li> </ol>	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.

		<p>detailing individual values of allocating the compensation for the employees (including the managerial personnel) in 2021.</p> <p>3. Evaluate and formulate the proposal for adjustment to individual compensation payable to Rui-Zi Zhu, Assistant Manager of Namchow Food Safety Office.</p> <p>4. Evaluate and formulate the suggestions to the compensation to individual employee, Chen Ke Cheng, Assistant Manager of Namchow Administration Office.</p>		
	5th Remuneration Committee 6th Meeting August 11, 2022	<p>1. Evaluate and Formulate the individual amounts of mid-year bonuses in 2022 for the directors and managers of Namchow Holdings.</p> <p>2. Evaluate and formulate the proposal for adjustment to individual compensation payable to Zhou-Jing Chen, Head of the Staff Department of Namchow.</p>	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
	5th Remuneration Committee 7th Meeting November 10, 2022	1. Evaluating and Formulate the suggestions to the individual compensation to Lan-Hsin Chou, Vice General Manager of Namchow Purchasing and Production Management.	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
	5th Remuneration Committee 8th Meeting December 27, 2022	<p>1. Evaluate and Formulate the individual remuneration proposal for Mr. Chen Yuwen, the new representative of the Company's corporate directors.</p> <p>2. Evaluate and formulate the individual amounts of year-end bonuses in 2022 for the directors and managers of the Company.</p>	The entire committee in attendance agreed unanimously	Proposed to the Board of Directors and agreed by the attending directors unanimously.
IV. Membership of Nominating Committee and state of its operation: Not applicable				

Note:

- (1) If a member of the Remuneration Committee resigns before the end of the year, the date of resignation shall be indicated in the Remarks column, and their attendance (%) shall be calculated with the number of meetings attended by the member divided by the number of committee meetings held during their term of office.
- (2) Before the end of the year, if there is an election of the committee members, the new and old members shall be entered, and the old, new, or re-elected status and the election date of each member shall be indicated in the Remarks column. The actual attendance rate (%), on the other hand, is to be calculated by the number of Remuneration Committee meetings held during service and the frequency number of attendance in the meetings.



(V) Promotion of sustainable development and discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
I. Has the Company established and promoted its governance structure for sustainable development and established a department that is fully (or partially) committed to the promotion of sustainable development by senior management with authorization from the Board of Directors perform relevant tasks, under the supervision of the Board of Directors?	V		<ol style="list-style-type: none"> <li>1. In March 2015, the Company held its Corporate Social Responsibility Kick Off Meeting and later established its CSR Committee in April of the same year. The convener of the committee is the President of the Namchow Group. There are Management Governance, Product responsibility, environmental sustainability and social relations four division, the members of each divisions are served by the associate or higher to be in charge of planning in policies and executing strategies. In August 2022, in order to cooperate with the "Sustainable Development Roadmap of Listed Companies", the Board of Directors changed its name to "Namchow Group Sustainable Development and ESG Committee" by making adjustments to the CSR committee organization of Namchow Group; At the same time, a task force on climate change was set up to carry out greenhouse gas inventory and verification related operations.</li> <li>2. The Board of Directors serves as the ultimate monitoring unit to the committee, and the Secretariat reports to the Board of Directors regularly with the implementation and the future plans of CSR. The Board of Directors reported the outcome of ESG execution and future plans to the directors in December 2022 (Note 3).</li> <li>3. The Board of Directors is informed by the Secretariat each year on the company's implementations in ESG. Meanwhile, the management team is expected to pay attention to the development of local and foreign ESG-related standards at all times in order to review relevant ESG mechanisms and systems that the company has established and make adjustments as needed in order to boost the effectiveness of the company's corporate social responsibilities.</li> </ol>	None
II. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies? (Note 2)	V		<ol style="list-style-type: none"> <li>1. The information herein covers the Company's performance in sustainability development at major locations between January 2022 and December 2022. The company has been identified as the boundary of risk assessment, covering regions including Taiwan, Mainland China and Thailand as our material aspects of consideration so that the boundary of disclosure will encompass all of Namchow's production facilities and major business locations.</li> <li>2. Analyses have been made in accordance with the materiality principles of the Sustainability Report after our communication with internal and external stakeholders. Not only that, we have also reviewed relevant local and foreign studies and reports, international standards and compiled applicable data</li> </ol>	None



Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies									
	Yes	No	Summary										
			<p>from different departments to identify ESG issues of materiality, along with relevant risks and potential impacts. With careful assessment, we formulated corresponding management guidelines, policies for supervision and risk management and adopted concrete action plans to alleviate the potential impact of relevant risks.</p> <p>3. After the assessment of relevant risks, the following risk-management policies/strategies have been established:</p> <table><tr><th>Material Issue</th><th>Items of Risk Assessment</th><th>Explanation</th></tr><tr><td>Environmental Dimension</td><td>Environmental Impact and Management</td><td><p>1. As climate change has resulted in frequent extreme weather, government agencies have strengthened supervision of energy. The Company's various categories of consumption of water, electricity, gas, and other energy resources are one of the main components included in daily operating costs. A reasonable layout of energy facilities and management and control functions can improve the utilization efficiency of the facilities and energy significantly and reduce costs.</p><p>2. Namchow assesses the impact of climate risks and opportunities on its operations by means of climate scenario analyses. And analyze the worst-case scenario in the future, avoid underestimating the possible impact, and further plan the corresponding management strategy according to the identified risk level, and begin to assess the possible operational and financial impact of climate risks on Namchow.</p></td></tr><tr><td>Social Dimension</td><td>Supply chain management</td><td><p>1. Supplier review and risk assessment were strengthened, non-compliant suppliers removed, frequency of on-site audits increased, and suppliers required to provide their sustainability</p></td></tr></table>	Material Issue	Items of Risk Assessment	Explanation	Environmental Dimension	Environmental Impact and Management	<p>1. As climate change has resulted in frequent extreme weather, government agencies have strengthened supervision of energy. The Company's various categories of consumption of water, electricity, gas, and other energy resources are one of the main components included in daily operating costs. A reasonable layout of energy facilities and management and control functions can improve the utilization efficiency of the facilities and energy significantly and reduce costs.</p> <p>2. Namchow assesses the impact of climate risks and opportunities on its operations by means of climate scenario analyses. And analyze the worst-case scenario in the future, avoid underestimating the possible impact, and further plan the corresponding management strategy according to the identified risk level, and begin to assess the possible operational and financial impact of climate risks on Namchow.</p>	Social Dimension	Supply chain management	<p>1. Supplier review and risk assessment were strengthened, non-compliant suppliers removed, frequency of on-site audits increased, and suppliers required to provide their sustainability</p>	
Material Issue	Items of Risk Assessment	Explanation											
Environmental Dimension	Environmental Impact and Management	<p>1. As climate change has resulted in frequent extreme weather, government agencies have strengthened supervision of energy. The Company's various categories of consumption of water, electricity, gas, and other energy resources are one of the main components included in daily operating costs. A reasonable layout of energy facilities and management and control functions can improve the utilization efficiency of the facilities and energy significantly and reduce costs.</p> <p>2. Namchow assesses the impact of climate risks and opportunities on its operations by means of climate scenario analyses. And analyze the worst-case scenario in the future, avoid underestimating the possible impact, and further plan the corresponding management strategy according to the identified risk level, and begin to assess the possible operational and financial impact of climate risks on Namchow.</p>											
Social Dimension	Supply chain management	<p>1. Supplier review and risk assessment were strengthened, non-compliant suppliers removed, frequency of on-site audits increased, and suppliers required to provide their sustainability</p>											

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
			<div> <div></div> <div>report as a reference for audits.</div> <div>2. Ensured the steady supply and quality of all raw materials to reduce food safety risks and to grow together with suppliers.</div> </div>	
			<div>Product safety</div> <div> 1. Establish a comprehensive product tracing system for the entire process from the raw materials to the product and its user. At the same time, in order to ensure the quality of customer service, we regularly conduct customer service satisfaction surveys every year to strengthen cooperative relations with customers.  2. Simulate product tracing every year and ensure that the product is 100% traceable. </div>	
			<div>Customer Privacy</div> <div> 1. Establish an authorization mechanism for the collection of customers. Customer data is to be stored in highly secure and reliable data storage systems. All data access and use require proper authorization.  2. With regards to the the collection, processing and use of customer data, the company has adhered and complied with pertinent privacy protection laws and regulations in the place of operation. </div>	
			<div>Corporate Governance Aspect</div> <div>Corporate Governance Business performance</div> <div> 1. By establishing and enforcing relevant schemes and systems for governance structure and internal control, the company ensures that all personnel and operations are compliant with pertinent laws and regulations.  2. Execute external corporate governance evaluations and internal control assessments to provide a clear picture of risk management. </div>	
			<div>Risk management Compliance</div> <div>1. Comply with various local laws, regulations, and policies, and abide by each department's standard</div>	

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
			<div> <div>operating procedure strictly.</div> <div>2. Establish multiple management mechanisms and guidelines to implement compliance.</div> </div> <p>4. For relevant risk management policies the company has established, refer to our Sustainability Report.</p>	
III. Environmental Issues (I) Has the Company established a suitable environmental management system based on its industrial characteristics?	V		(I) Factories in mainland China and Thailand have established an environmental management system in accordance with ISO 14001 and passed third-party verification. In addition, the factories have complied with pertinent laws and regulations and other environmental requirements to continuously improve their environmental performance. (The ISO 14001 certifications for these factories are currently valid till 2023.12.3 and 2024.1.5 respectively)	None
(II) Has the Company endeavored to improve the efficiency of energy utilization and used recycled materials which have a low impact on the environment?	V		(II) 1. The company has actively promoted various energy usage reduction measures, adopted highly energy-efficient equipment with energy-saving designs to reduce our corporate and product energy consumption. Not only that, the company has also expanded its use of renewable energies to optimize energy efficiency. 2. The company is primarily involved in food production, and as such, all of our materials must be compliant with pertinent food-grade regulations. Not only that, we also source from EPA certified suppliers of corrugated boxes as the external packaging for our products. For distribution in the Mainland Chinese market, we have also endeavored to prioritize our sourcing of paper packaging from FSC certified suppliers. In 2022, our purchase of FSC certified boxes reached 100% and for Namchow Thailand, the percentage of eco-friendly paper boxes purchased came to 34%.	None
(III) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to deal with climate-related issues?	V		(III) 1. The Company has referred to the framework presented in the TCFD guide published by the International Financial Stability Board for the identification of its material climate-change risks and opportunities and leveraged the framework to refine the company's management of climate change. The company will review the status of its implementation and discuss future plans for its climate change strategies and goals on a yearly basis and report to the Board of Directors. 2. After identifying and ranking the factors of relevant climate risks through the TCFD framework, the company would assess viable	None

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies									
	Yes	No	Summary										
(IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management?	V		<p>opportunities and formulate specific response measures. With regards to the alleviation of climate changes, the company will focus on relevant developments in energy management and green building; as for climate change adaptation, the company will take steps to fortify its basic infrastructures and bolster its capacity for sustainable operations. Detailed descriptions of Namchow’s climate change risk and opportunity analysis have been disclosed in our Sustainability Report.</p> <p>(IV) 1. The company gathered the statistics of carbon emissions, use of water and total weight of waste over the past two years; the status of achieving the goals of environment; and the related data. The company shall disclose and explain relevant information in our Sustainability Report every year.</p> <p>Greenhouse gas emission volume and intensity in the last two years: (Data in Scope 1 and 2 cover our manufacturing operations in Taiwan, Mainland China and Thailand and our gastronomy business operations in Taiwan and Mainland China)</p> <div> <div>Unit: tons CO<sub>2</sub>e</div> <table> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> </tr> <tr> <td>2021</td> <td>75,680.37</td> <td>105,527.3</td> </tr> <tr> <td>2022</td> <td>87,119.32</td> <td>99,179.33</td> </tr> </table> </div> <p>In 2022, our total Scope 1 and Scop3 2 greenhouse gas emission came to 186,298.65 metric tons, and our GHG emission intensity for Scope 1 and 2 came to 4.25 and 4.84 metric ton CO<sub>2</sub>e /NT\$ million of revenue. The increase in Scope 1 in 2022 was mainly due to the 6.64% increase in Thailand's production compared with the output of 2021.</p> <p>Production bases in mainland China have successively established ISO 50001 energy management system and gone through third-party verification and ISO 14064-1 greenhouse gas inventory and third-party verification; In the future, the production bases in each region will regularly disclose the results of greenhouse gas inventories and review the carbon reduction results year by year.</p> <p>2. The company remains attentive to issues of environmental protection and water resource conservation. In terms of water conservation, the company has introduced a number of improvement measures, such as incorporation of recycling</p>	Year	Scope 1	Scope 2	2021	75,680.37	105,527.3	2022	87,119.32	99,179.33	None
Year	Scope 1	Scope 2											
2021	75,680.37	105,527.3											
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Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies																		
	Yes	No	Summary																			
			<p>system in our effluent system and improvement of relevant processes and so forth. By introducing comprehensive water-conservation measures and mechanisms in our day-to-day activities, we would be able to achieve greater success in improving water efficiency.</p> <p><u>Water consumption in the last two years:</u> (Cover our manufacturing operations in Taiwan, Mainland China and Thailand and our gastronomy business operations in Taiwan and Mainland China)</p> <p style="text-align: right;">Unit: Cubic meters</p> <table><tr><th>Year</th><th>Total water consumption</th><th>Water intensity</th></tr><tr><td>2021</td><td>1,591,649</td><td>0.0806</td></tr><tr><td>2022</td><td>1,597,294</td><td>0.0803</td></tr></table> <p>The Taoyuan Plant and the Zhongli Plant are recycling and reusing rainwater, expected to recover 828 tons of rainwater. In the future, we will continue to explore the feasibility of water recycling and reuse.</p> <p>3. Our factories and facilities in different regions have adhered local regulations in their disposal, treatment or reuse of wastewater and have completed routine online registrations and declarations. The company has also been querying and verifying the disposal, treatment and recycling of industrial wastes online before the given deadlines.</p> <p><u>Waste generation in the last two years:</u> (Cover our manufacturing operations in Taiwan, Mainland China and Thailand and our gastronomy business operations in Taiwan and Mainland China)</p> <p style="text-align: right;">Unit: tons</p> <table><tr><th>Year</th><th>Hazardous waste</th><th>Non-hazardous waste</th></tr><tr><td>2021</td><td>30</td><td>13,912</td></tr><tr><td>2022</td><td>35</td><td>14,104</td></tr></table> <p>The “Solid Waste Management Regulations” and “Hazardous Waste Management Regulations” have been implemented in China. Factories have designated storage locations for sorted waste to avoid cross-contamination. Thailand Factory continues to adhere to 3R (Reduce, Recycle, Reuse) to teach employees about waste reduction and how to create value from waste. Production attrition targets were also set to reduce waste.</p> <p>4. To cope with the climate change, the company keep reviewing the progression and the effectiveness of the reduction project in each</p>	Year	Total water consumption	Water intensity	2021	1,591,649	0.0806	2022	1,597,294	0.0803	Year	Hazardous waste	Non-hazardous waste	2021	30	13,912	2022	35	14,104	
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Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies						
	Yes	No	Summary							
			factory and evaluate the trend by gathering the related information internationally and domestically. The company will gradually planning on the policies of energy saving, carbon reduction, reduction in greenhouse gases, reducing in water usage or other management of waste and related management goals.							
IV. Social Issues (I) Has the Company developed the relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		<div>(I) 1. To fulfill our corporate social responsibility as well as protect the basic human rights of all employees, customers and stakeholders, Namchow Group acknowledges and adheres to the spirit and basic principles of human rights protection defined under the “UN Declaration of Human Rights,” “UN Global Compact,” “International Labor Organization Conventions,” and other international conventions. All employees are treated equally and with respect. No human rights abuses or violations in any form are tolerated.</div> <div>2. All the operating branches of the company in compliance of the labour laws, regulations and administrative orders to enacted the internal rules and procedures, to protect the human rights within the occupational environment, respect the basic rights to our regular employees, contract personnel, temporary personnel and interns. The company requested that the contracts between the Company and its major suppliers include termination or dismissal clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society.</div> <div>Namchow’s management policy on human rights is as follows:</div> <table><tr><th>Policy</th><th>Explanation</th></tr><tr><td>Compliance with pertinent labor laws</td><td>We pledge to comply with all pertinent laws and regulations in the countries/regions where our businesses are located. Child labor is strictly forbidden, as well as any form of forced labor.</td></tr><tr><td>Safeguarding human rights in the workplace</td><td>We are committed to creating friendly workplaces of equality, and this means all of our employees, regardless of their race, rank, language, ideologies, religious beliefs, political affiliation, place of ancestry, birthplace, sexual orientation, age, marital status, physical appearance, physical/mental handicap or previous membership in labor</td></tr></table>	Policy	Explanation	Compliance with pertinent labor laws	We pledge to comply with all pertinent laws and regulations in the countries/regions where our businesses are located. Child labor is strictly forbidden, as well as any form of forced labor.	Safeguarding human rights in the workplace	We are committed to creating friendly workplaces of equality, and this means all of our employees, regardless of their race, rank, language, ideologies, religious beliefs, political affiliation, place of ancestry, birthplace, sexual orientation, age, marital status, physical appearance, physical/mental handicap or previous membership in labor	None
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Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
(II) Has the Company formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflected business performance or results in employee compensation?	V			None
			Building a healthy and safe workplace	
			Harmonious labor/management relations	
			<p>union, shall be protected against all forms of unequal treatment or discrimination to ensure equality in employment.</p> <p>Pursuant to pertinent occupational safety and health regulations, the company implements routine health checkups for employees and assessment of safety hazards in the workplace so as to create a healthy, safe and comfortable working environment.</p> <p>The company has established diverse channels of communication to disseminate company policies, systems, benefits and relevant activities on top of organizing scheduled labor-management meetings in order to ensure harmonious, "win-win" labor/management relations.</p>	
			<p>(II) 1. Employee wage: We determine each employee's salary based on his/her academic background, work experience, abilities, and job requirements, support gender equality in the salary system, and our salaries provided do not differ between men and women. To encourage employees to attach importance to the Company's business goals, we determine the amount of year-end bonus or performance bonus based on the profitability of each business unit, the strategic targets, and the nature of each business while with a reference to each employee's personal performance, to motivate them to perform well. Pursuant to the Articles of Incorporation, employees' remuneration shall be no less than 1% of the company's profit for the current fiscal year.</p> <p>2. Employee benefits: the company has established its Employee Welfare Committee and all employees are entitled to a basic employee benefit of approximately NT\$ 11,000 per year, along with various perks including: educational subsidies for employee's children, club/event expense subsidies, gifts for three holidays/birthday, insurance coverage, pension, medical care services and so forth.</p> <p>3. Workplace diversification and equality: Namchow Group adheres to a corporate culture that creates diversity and inclusiveness, values work and life, and provides gender equality development opportunities. The male and female workers are evenly distributed, and over 35% of the female</p>	

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy work environment as well as periodic safety and health education?	V		<p>workers are in the management level. The average salary ratio of male and female employees at all ranks and the average salary of male and female employees at each operating base are almost 1:1, which the difference is not gender based. This an important indicator of a gender-friendly business. The company takes the right and benefits of employees very seriously and has always shared its profit with employees. In fact, the company has made a conscious effort to provide total care of employees of different circumstances. In 2022, the company has employed a total of 34 employees with physical/mental handicap/of aboriginal origins and this exceeds the legally required number of disadvantaged employees.</p> <p>4. Reflection of the company's operational performance in employees' remuneration: Pursuant to Article 31 of the Articles of Incorporation: In cases of profits for the year, the company shall set aside no less than 1% to be the remunerations for employees and no more than 5% 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. The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment. In terms of our overall remuneration policy, The Company regularly participated in the International Market Salary Survey to adjusted in the level of salaries and providing compensation with market competitiveness. The company made salary adjustment in accordance of the company operation, price index, economic growth rate, personal performances and etc. In 2022, the Company adjusted the salaries based on the personal performance.</p> <p>(III) 1. Occupational safety and health policy: all of our production factories have established their respective Occupational Safety and Health Committees to be responsible for the management and tracking of occupational hazards/illness incidents. In the event of an occupational safety incident, relevant personnel ought to report said incident during the occupational safety and health committee meeting and announce the incident publicly to improve the company's occupational safety and health performance and ensure effective risk control.</p> <p>By compiling different occupational safety and</p>	None



Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies												
	Yes	No	Summary													
			<p>health issues from different plants, the company endeavors to propose effective counter-measures and continue promoting our culture of occupational safety. Not only that, the company has also taken steps to strengthen personnel protection for employees and invested more resources towards the prevention of occupational illnesses in the hopes of creating a hazard free environment. In 2022, the injury rates (IR) for our factories were 1.03 (Taiwan), 0.56 (China) and 0.13 (Thailand), all of which have improved compared to that of 2021. In addition, no fatal incidents had taken place across all regions. The company has reviewed the incidents of injuries and improved its existing counter-measures in order to revise relevant items of inspection. Not only that, our supervisors have taken the initiative to care for the physical/mental well-being of employees to ensure their safety whilst at work.</p> <p>2. Workplace monitoring: Workplace inspection is conducted at least twice per year at each of our production factories to ensure the workplace safety for employees.</p> <p>3. Work safety audit: all factories are required to perform routine audits and organize corresponding departments to conduct specific safety inspections. In addition, responsible units would follow-up on the outcomes of safety audits and inspections and implement relevant planning, promotion and closing of response to anomalies or projects on a monthly basis.</p> <p>4. Equipment safety management: for specialized equipment, the company commissions collaborating partners each year to perform full safety inspection and obtain inspection reports to ensure safe operation of relevant equipment for employees.</p> <p>5. The company strives to provide a safe and healthy workplace environment, routinely perform the education to safety and health, promoting management measures to for health, simple emergency first-aid facilities in the area, providing annual health examination for the entire staff and given related guides and health education. Below are statistics of occupational safety and health training conducted in the last three years:</p> <table><tr><th>Year</th><th>No. of trainees</th><th>No. of training hours completed</th></tr><tr><td>2020</td><td>4,092</td><td>16,029</td></tr><tr><td>2021</td><td>5,403</td><td>20,946</td></tr><tr><td>2022</td><td>4,272</td><td>18,733</td></tr></table>	Year	No. of trainees	No. of training hours completed	2020	4,092	16,029	2021	5,403	20,946	2022	4,272	18,733	
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Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
(IV) Has the Company implemented an effective training program that helps employees develop skills over the course of their career?	V		<p>6. Status of company verifications: Shanghai Factory, Qiaohao Factory, Tianjin Factory and Guangzhou Factory have all been accredited to ISO 45001 certification for occupational safety and health management system. (The certifications for these factories are valid till October 2022 and December 2024)</p> <p>(IV) The company enacted the related training plans for the employees career development systematically and with different job levels. Building up the profession ability for different staff and providing diverse educational training to build up the essential skills for employees to be in service and gaining abilities for future development and promotion. In 2022, a total of 6,063 employees have completed their annual career planning, which is equivalent to 42,502 hours of training. During the scheduled annual performance interview, employees would discuss their personal competence development plan for the year with their supervisors. Through periodic review and feedback, we strive to assist employees to develop optimal career planning.</p>	None
(V) Regarding the issues of customer health and safety, customer privacy, marketing and labeling of products and services, whether the company complies with relevant regulations and international standards, and formulates relevant consumer protection policies and appeal procedures?	V		<p>(V) 1. The company has set up a food safety office to strictly control the safety of products to protect the health of customers. Through transparent and legal compliance marketing and labeling, it lets customers feel at ease.</p> <p>2. Respecting customer privacy, the collection, processing and use of customer data are subject to the regulations of the relevant privacy protection laws and regulations in the place of operation.</p> <p>3. For the policy of consumers' benefits and interests, we set up service center(0800) to respond to consumers' inquiries and concerns immediately.</p>	None
(VI) Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?		V	<p>(VI) 1. The contract signed between the company and the suppliers with the basic condition of comply the local laws and regulations. All of the company's suppliers shall comply with local laws and regulations of corporate governance, environmental protections, labour and human rights.</p> <p>2. The Company has not yet formulated a policy on environmental and social assessment of suppliers. However, the contract signed by the main supplier has specified that if the supplier is involved in violation of its corporate social responsibility</p>	Evaluating, planning and formulating the related policies of suppliers management

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
			<p>policy and it has a significant impact on the environment and society, the terms of the contract may be terminated or cancelled at any time.</p> <p>3. Suppliers and raw materials are evaluated in accordance with "Raw Material Risk Assessment and Supplier Risk Management", "Procurement Control Procedures", "Supplier Evaluation Control Procedures", and internal control procedures of the Company. Regular and unscheduled factory inspection and audits of suppliers are conducted to ensure compliance with company strategies and operational requirements. Related Annual assessment of existing suppliers Selection and review of new suppliers, please refer to the Company's official website and sustainability reports.</p>	
V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?	V		<p>1. The company has prepared the "2021 Namchow Group Sustainability Report" based on the guidelines described in GRI Standards published by Global Reporting Initiative. More specifically, the Report has been prepared based on GRI Standard Core and for disclosure standards for food processing industry.</p> <p>2. KPMG has been commissioned as a third-party verification body to implement an independent limited assurance process according to the Assurance Standards Bulletin No. 1 "Assurance Cases for Audits or Reviews of Non-historical Financial Information" issued by the Accounting Research and Development Foundation to prepare the required assurance report.</p>	None
<p>VI. If the Company has its own Sustainable Development Best Practice Principles established according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its implementation and the principles:</p> <p>In December 2015, the Board of Directors of the Company approved the formulation of the Company's Corporate Social Responsibility Best Practice Principles, in order to meet the international development trend, achieve the goal of sustainable development and strengthen the Company's promotion of sustainable development, in November 2022, the Board of Directors approved the proposal for the "Corporate Social Responsibility Best Practice Principles" to be renamed "Sustainability Best Practice Principles", and at the same time amended relevant provisions. Pursuant to the guidelines, the company has conducted periodic review of relevant implementations and made corresponding improvements. There has been no discrepancy thus far.</p>				
<p>VII. Other vital information that would facilitate greater awareness of Namchow's sustainability promotion include:</p> <p>"Community Management and grow locally" is the company's core concept of society caring. The Company bearing the original intention of "taken from society and give back to society" proactively plan and participate various charity event with the combination of the government policy and the resources from platforms. The Company take the social participation as part of corporate culture with the activities of "Charity-helping the difficulties and poverty", "Industry-improve together with the industry", "Cross-strait-promoting in interaction between Taiwan and Mainland China" and others, for more information please refer to the Sustainability Report prepared by the Company.</p> <p>The main contents of the social activities in 2022 are briefly described as follows:</p> <p><u>Taiwan:</u></p> <p>1. Namchow Oils and Fats sponsored "2022 Cold Winter Warmth and Love Charity Campaign", "2022 Children's Hearts</p>				

Actions	Implementation status (Note 1)			Discrepancies from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reasons for the discrepancies
	Yes	No	Summary	
<p>Together-New Year Hearth for Economically Disadvantaged Newcomer Families", "Shuli Charity Table Calendar Fundraising to Help Taitung Slow Flyer" and Miners' Son Education Foundation and other related activities.</p> <p>2. Namchow Oils and Fats donated materials from the Sugar Cake Association and participated in the 'New Taipei City Love Tour' activity of the All-Taiwan Federation of Industries.</p> <p><u>China:</u></p> <p>1. At the beginning of the year, Namchow proposed the "Thanks for the City Guardians" initiative in Shanghai to donate freshly baked bakery materials to frontline anti-epidemic workers; In Namchow Tianjin factory, the president of Tianjin Taiwan-funded Enterprise Association initiated a donation initiative to which members responded enthusiastically.</p> <p>2. Namchow signed a co-construction agreement at the "Sunshine House" in Hongmei Street, Xuhui District, Shanghai, giving full play to the enthusiasm of enterprises in social welfare activities, and cooperating in organizing many activities to help students with physical and mental disabilities build self-confidence and become useful members of society.</p> <p>3. In JinShan District of Shanghai, where the Namchow Mother’s Cake Craftsman Culture Museum located assembly the schools to understand the mother’s cake by visiting, learning and make it in an interesting way and inherited and promote the mother’s cake culture of Chinese traditional cuisine.</p> <p>4. BLN Restaurants &amp; Caterings invited three public welfare organizations, including Sunshine House, to participate in the charity sale in the form of displaying their works, and donated all the proceeds from the charity sale to public welfare organizations.</p> <p>5. The funds raised from the BLN Restaurants &amp; Caterings Christmas Market were provided to two children with congenital heart disease as financial support for surgical treatment and help them complete the operation in a timely and successful manner.</p> <p><u>Thailand:</u></p> <p>1. In January 2022, the Company donated products worth about 30,000 baht to neighboring elementary schools.</p> <p>2. The Company regularly donates 6,000 baht to nearby hospitals, temples and schools with colleagues every month.</p>				

Note 1: If "Yes" is checked, please specify in detail the vital policy/strategy/measure/status of implementation; If "No" is checked instead, please explain the nature of the discrepancy from the Sustainability Best Practice Principles for TWSE/GTSM Listed Companies and reason for the discrepancy, along with the planning of relevant policies/strategies/measures that will be taken in the future. However, in relation to the promotion of projects 1 and 2, OTC listed companies should describe the governance and supervision structure for sustainable development, including but not limited to management policies, strategy and target formulation, review measures, etc. The Company's risk management policies or strategies on environmental, social and corporate governance issues related to their operations and assessment should also be described.

Note 2: The principle of materiality refers to those who have significant environmental, social and corporate governance issues that have a significant impact on the company's investors and other stakeholders.

Note 3:

### Namchow Group Sustainability and ESG Committee



Relevant Issues Concerned by Each Divisions, as follows:

Divisions	Relevant Issues Concerned
Corporate Governance Division	Information of Shareholders' Meeting and Board of Directors' Meeting; Compensations and Bonuses; Business Operation; Organization of Corporate Governance; Law Compliance; and etc.
Product Responsibility Division	Food Safety and Health; Traceability and Tracking of Products; Quality of Products/Food; Certification of Products/Food; and etc.
Environmental Sustainability Division	Use of Energy Sources; Energy Saving and Carbon Reduction; Pollution Control; Biodiversity; Issues on Genetic Modification; and etc.
Social Relations Division	Supply Chain Management; Allocation of Human Resources; Human Rights; Complaints; Interaction with Customers; Charity Event; and etc.

### The key points and plans for CSR done by the Namchow Group in 2022

The execution of the year	Working Plan of Next Year
<ul style="list-style-type: none"> <li>✓ Promoting various charity events to care for the society.</li> <li>✓ Maintain diverse channel to communicate with stakeholders smoothly.</li> <li>✓ Introduction of TCFD and SASB disclosure standards in the (2021) Sustainability Report.</li> <li>✓ Promote the parent company to carry out greenhouse gas inventory and verification operations in accordance with the sustainable development path map of the listed companies.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Promote subsidiaries to carry out greenhouse gas inventory and verification operations in accordance with the sustainable development path map of the listed companies.</li> <li>✓ According to the TCFD climate risk identification results, select a risk with high impact and high probability of occurrence to conduct financial impact assessment, and provide the financial department and relevant units, climate risk management authority and responsibility units with the forecasts of the impact of climate risk factors on financial performance as a follow-up reference.</li> <li>✓ Continuously promote public benefit activities of social care.</li> <li>✓ Maintain diverse channel to communicate with stakeholders smoothly.</li> </ul>

## The effectiveness of ESG results of the Namchow Group in 2022

### **Environmental**

- ◎ Taoyuan and Zhongli Plants have completed the renewal of air compressors, replacement of transformers and chillers, expected to save NTD 635,000 yuan per year; At the same time, rainwater is recycled and reused, and it is estimated that 828 tons of rainwater can be recovered.
- ◎ In order to improve the efficiency of boiler equipment and increase the service life of combustion tubes, Tainan Plant carried out a projects designed for emission, recovery and reuse of natural gas boiler waste heat, in addition to recovering and using heat energy and reducing annual carbon emissions by about 12.8 tons.
- ◎ In order to practice circular economy, Shanghai Plant began to fully carry out steam condensate recovery; through energy-saving transformation, heat energy will be recovered to replace steam, it is estimated that it can save about 300 tons of steam per year and reduce wastewater discharge by about 300 tons per year.
- ◎ Tianjin Plant carried out the renovation of street lamps in the factory complex, which is expected to save 1.24 million KWH of electricity and about NT\$3,212 thousand in electricity costs per year; In addition, 4 sets of equipment for external insulation of raw material oil tanks will be updated, expected to save about NT\$440,000 in steam per year.
- ◎ Guangzhou Plant is engaged in recovery and utilization of waste heat from steam condensate and equipped with odor treatment facilities to reduce the impact of pollutants on the environment.
- ◎ In response to local government policies, the three factories in Shanghai, Guangzhou and Tianjin carry out photovoltaic power generation projects, and use the plant buildings to install solar power generation devices, which can reduce the total annual carbon emissions by about 1,500 tons.
- ◎ The three factories in Shanghai, Guangzhou and Tianjin have successively obtained ISO50001, ISO14064-1 and ISO14067 and other related certifications.
- ◎ Namchow Thailand installed solar panels on the roof of the plant to generate electricity with green energy, which have been installed in Building E, expected to reduce annual carbon emissions by about 1,093 tons.

### **Social**

- ◎ Shanghai Plant has added an online monitoring system for oxygen content to monitor the oxygen content in the area in real time to strengthen the safety of the workplace for employees.
- ◎ The Thai Plant launched NCT CULTURE activities (including environmental protection, energy saving, food safety and industrial safety) to encourage employees to contribute to energy conservation and environmental protection and promote food and work safety, which is conducive to enhancing the good image of the organization.
- ◎ Community management and care actions continue to be taken in each region.

### **Corporate Governance**

- ◎ The Board of Directors Performance Assessment (self-assessment) for 2021 has been declared and registered in Q1 2022.  
In 2022, a third-party external professional independent organization was commissioned to perform the performance evaluation of the Board of Directors, and the evaluation report was reported to the Board of Directors in December 2022.
- ◎ In the 8th Corporate Governance Evaluation, Namchow ranked in the 36%-50% percentile.

[Please refer to our Sustainability Report for more details]

(VI) Ethical business performance conditions, as well as differences and reasons for differences with Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies

Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and proposal				
(I) Has the Company formulated the ethical management policy approved by the board of directors, and in the regulations and external documents expressed the policies and practices of operating in good faith, and the commitment of the board of directors and senior management to actively implement business policies?	V		(I) In 2014, the Board of Directors of the Company formally adopted the "Ethical Corporate Management Best Practice Principles" and "Ethic Code of Conduct." And then, the "Ethical Corporate Management Best Practice Principle and Guide" was formulated in 2017. In addition to disclosing the Company's ethical management policy in its internal regulations, company websites or other promotional channels, it shall also declare this on occasions such as product conferences and external events such as corporate briefings, so that suppliers, customers, and related institutions and personnel can clearly understand the philosophy and regulation of the Company in the pursuit of business integrity, establishing a corporate culture of ethical management.	None
(II) Has the company established an assessment mechanism for the risk of dishonesty, regularly analyzing and evaluating business activities with a high risk of dishonesty in the business scope, and formulated a plan to prevent dishonesty, and cover at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?"	V		(II) In its "Ethical Corporate Management Best Practice Principles," the Company respectively adopts the precautionary measures for the conduct of the second paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-listed Companies,." This includes the prohibition of giving and receiving bribes, prohibition of illegal political contributions, improper charitable donations or sponsorships, unreasonable gifts, hospitality or other improper benefits.	None
(III) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent	V		(III) The company prohibits dishonest behaviors in the "Ethical Corporate Management Best Practice Principles." It also has operating procedures and conduct guidelines for honest operations, and clearly sets out preventive	None



Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?			measures to prevent dishonesty.	
II. Consolidation of ethical corporate management				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		(I) The Company conducts business activities in a fair manner, and before business correspondence begins, it considers the legitimacy and presence of dishonest behavior records or not of the agents, suppliers, customers, or other counterparts in business transactions and avoid doing business with those with prior records of dishonest behavior. In addition, the Prohibition of Bribery Clause has been added to the procurement contract and the engineering contract draft. It also specifies the terms of good faith in each important transaction contract.	None
(II) Has the Company set up a special unit under the board of directors to promote corporate ethical management, and regularly reports (at least once a year) to the board of directors on its ethical management policies and plans to prevent dishonesty and supervision and implementation?	V		(II) The Company's Human Resource Department has been assigned to devise and execute integrity policies along with related preventive measures. It reports its progress regularly to the board of directors.	None
(III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		(III) The Company has established the Code of Conduct for Integrity, Ethical Corporate Management Best Practice Principles" and "Ethic Code of Conduct" to make sure that the staff of the Company act in compliance with its moral standards and to let stakeholders know the moral standards that should be followed by the Company's staff while carrying out tasks. In case of any violation of regulatory requirements or the Code of Moral Conduct found with the Company's staff, it shall be reported to the manager, the internal audit head, the human resources department or other appropriate supervisors and sufficient information shall be provided so that the Company can handle it properly. The Company shall keep the identity of the informants and the content of report in strict confidence and spare no	None



Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(IV) Has the Company established an effective accounting system for the implementation of ethical management, internal control system, and the evaluation result of the risk of dishonesty by the internal audit unit, to formulate relevant audit plans, and check the compliance with the plan to prevent dishonesty, or entrusted an accountant to perform the audit?	V		<p>efforts to protect the personal safety of the informants.</p> <p>(IV) The Company has established effective accounting and internal control systems for business activities at higher risk of dishonest behavior. There is no outstanding account or secretly retained account. The systems are discussed from time to time as well to make sure that their design and implementation continue to be valid. The internal audit staff of the Company shall periodically inspect compliance with the system indicated in the preceding paragraph and produce the Audit Report to be submitted to the Board of Directors.</p> <p>The internal audit unit evaluates the risk of dishonesty at the end of each year, draws up the related audit plan every other year and uses it to check compliance with the plan to prevent dishonesty.</p>	None
(V) Does the Company hold internal and external educational training on operational integrity regularly?	V		<p>(V) In the management meeting, it promotes the ethical management policy and does not regularly conducts internal ethical management education and training. It invites well-known experts and scholars in the industry to teach topics related to ethical management. And, if necessary, it sends supervisors and related personnel to participate in external training on ethical management organized by the competent authorities and relevant agencies.</p>	None
<p>III. Reporting System of the Company</p> <p>(I) Does the Company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate reported malpractices?</p>	V		<p>(I) The Company has set up an Internal whistleblowing Email whistleblower@namchow.com.tw and hotline 02-66193650, encouraging employees to report on unethical practice or wrongdoing. The informants will be awarded in accordance with the regulation of the Company governing reward and punishment depending on the severity of the incident. If there is false accusation or malicious personal attack, the person involved shall be subject to disciplinary action and may be dismissed for severe violation.</p>	None

Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(II) Has the Company established standard operating procedures for accepting complaints, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?	V		(II) The Company is staffed by the Human Resources Department as the designated unit, and if necessary, the legal unit or other relevant departments provide assistance. If the persons involved in the report are regular employees, report to the division/function head. If the persons involved are Directors or senior executives, report to an Independent Director or Audit Committee. If the violation of applicable laws or the business integrity policy of the Company has been confirmed with solid evidence, the Company will demand the wrongdoer to halt related action and take appropriate action. Where necessary, report to the competent organs and transfer them to the judicial organs for investigation, claim for damage through legal means to protect the reputation and right of the Company. The acceptance of the report, the investigation process, and the findings of the investigation shall be documented for filing and retain for five years. These documents may be kept in electronic format. If legal action pertinent to the content of the report is instituted before the expiration of the retention period of the aforementioned documents, extend the expiration date until the case is closed.	None
(III) Does the Company assure employees who reported on malpractices that they will not be prosecuted for making such reports?	V		(III) The personnel of the Company responsible for handling reports and complaints will keep the identity of the informants and the content of report in strict confidence and promise to protect the informants against improper treatment due to the report. However, the content of the report must not involve personal attacks or matters in the private sphere.	None
IV. Reinforced Information Disclosure Has the Company, on its website and on the market observation post system, disclosed the content and promotion effectiveness of its Ethical Corporate Management Best Practice Principles?	V		(I) Disclosure of the company's Ethical Corporate Management Best Practice Principles through the company's website ( <a href="http://www.namchow.com.tw/IR/15.html">http://www.namchow.com.tw/IR/15.html</a> ) (II) Disclose the Company's Ethical Corporate Management Best Practice Principles through the Market Observation Post System ( <a href="http://mops.twse.com.tw/mops/web/t100sb04_1">http://mops.twse.com.tw/mops/web/t100sb04_1</a> )	None

Assessed areas	Operational status (Note 1)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
V. If the Company has formulated its own Corporate Governance Best Practice Principles as per the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, please specify the difference between its operation and the principles: The Company established the new Ethical Corporate Management Best Practice Principles. Review of the Rules did not reveal differences between actual implementation and the established guidelines.				
VI. Other important information that helps understand the implementation of ethical corporate management of the Company: (e.g. discussion and correction of the Ethical Corporate Management Best Practice Principles established by the Company) The Company made the third revision of the Ethical Corporate Management Best Practice Principle and Guide in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies on December 27, 2022.				

Note: Either “Yes” or “No” checked, the operation shall be specified in the Brief description column.

(VII) How they may be found shall be disclosed if the Company has established Corporate Governance Principles and related regulations:

Website of Namchow Group: [www.namchow.com.tw](http://www.namchow.com.tw)

MOPS <http://mops.twse.com.tw/mops/web/index>

(VIII) Other important information that is sufficient to boost knowledge of corporate governance shall be disclosed as well:

Website of Namchow Group: [www.namchow.com.tw](http://www.namchow.com.tw)

MOPS <http://mops.twse.com.tw/mops/web/index>

(IX) Matters that should be disclosed regarding the implementation of the internal control system:

1. Internal Control Statement:

Namchow Holdings Co., Ltd.

Internal Control System Statement

Date: March 15, 2023

For the Company's internal control system of 2022, we would like to declare as follows according to the results of spontaneous inspections:

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system are the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability of financial reports, and compliance with applicable laws and regulations, among other goals.
- II. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). 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 "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, 2022 (including its supervision and management of subsidiaries), including its awareness the extent by which the operating effects and efficiency goals are fulfilled, reliability of financial reporting, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
- VI. This statement will form the main content of the Company's annual report and prospectus and will be made 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 14, 2023 with no Directors expressing dissent out of the 9 Directors in attendance.

Namchow Holdings Co., Ltd.

Chairman: Fei-Lung Chen

General Manager: Kan-Wen Lee

2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: None.

- (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 (if such sanction could potentially result in major impact on shareholders' rights or securities pricing, state the content of such sanction if applicable), in the latest year or during the current fiscal year up to the printing of the Annual Report; and a description of the main shortcomings in the company's internal control system as well as an indication of measures for improvement: None.
- (XI) Important decision reached in shareholders' meetings and made by the Board of Directors in the latest year as of the date of printing of Annual Report.

Shareholders' Meeting:

1. The following were approved in the general shareholders' meeting on June 2, 2022.
  - (1) The 2021 Business Report and Financial Statement were recognized.  
Implementation: Announcement and declaration of financial reports, among others, were completed on March 24, 2022.
  - (2) Ratifying the Table of 2021 Earn Distributions of the Company, the total amount of distributing cash dividends of NTD 647,092,516 and with NTD 2.2 per share.  
Implementation: According to the Board of Directors' Meeting on March 15, 2022, authorized the chairman to decide the Ex-dividends date and Payment Date. The Company set June 11 as the ex-dividends date and the payment date on July 1, and the cash dividends were distributed.
  - (3) Amendment of the Company's "Articles of Incorporation".
  - (4) The Procedures for the Acquisition or Disposal of Assets of the Company were revised.

Board of Directors:

1. The decision was approved on March 15, 2022
  - (1) The general shareholders' meeting (physical) will be held at 9:00 am on June 2 (Thursday), 2022, in the Vision Room of Taipei Foundation of Finance on 6F-6 at No. 51, Hengyang Road, Taipei City.
  - (2) The Company's 2021 directors' compensation and employee's compensation distribution ratio.
  - (3) Review the Company's 2021 annual business report and individual and consolidated financial statements and submit to the shareholders' meeting for approval.
  - (4) The Company's 2021 surplus distribution is submitted to the shareholders' meeting for approval.
  - (5) Shareholders' dividends to be distributed by the Company in 2021 will be paid out in cash dividends of NTD 2.2 per share.
  - (6) To stipulate the acceptance of shareholders' proposals related to the 2022 regular shareholders' meeting.

- (7) Increase of capital invested by subsidiary Namchow (Cayman Islands) Holding Corp. in Shanghai Qiaohao Co., Ltd.
  - (8) “The Internal Control System Statement” that both the design and implementation of the 2021 internal control system of the Company submitted by the Audit Office were valid was approved.
  - (9) Revision of the Articles of Incorporation of the Company and submission to the shareholders’ meeting for a decision
  - (10) Amend the Company's "Assets Acquisition or Disposal Handling Procedures,” submitted for resolution adopted at the meeting of shareholders.
  - (11) The 2021 Shareholders Meeting Agenda of the Company was stipulated.
  - (12) Subsidiary Namchow Japan continued to sign a short-term loan amount of 500 million yen to Changhua Bank, and the chairman of the company signed a guarantor's follow-up approval case.
  - (13) Subsidiary Namchow Japan continued to apply for a short-term loan amount of USD 10 million from DBS Bank, and was signed by the chairman of the company as the guarantor’s follow-up approval case.
  - (14) Subsidiary Namchow Japan tended to apply to First Commercial Bank for a short-term loan of 500 million yen, for which the Company acted as a guarantor.
2. The decision was approved on May 12, 2022
    - (1) The Company's consolidated financial report for the first quarter of 2022.
    - (2) Proposal for individual payment of directors' remuneration for 2021 as submitted by the Remuneration Committee.
    - (3) The Remuneration Committee submitted employee compensation to be paid individually for the company's managers in 2021.
    - (4) The proposal on the adjustment of individual compensation payable to the Company’s Assistant Manager Chu Jui Tzu made by the Remuneration Committee.
    - (5) Chen Ke Cheng was hired to serve as the Assistant Manager at the Administration Office of the Company and the individual remuneration recommendations were put forward by the Remuneration Committee after evaluation.
    - (6) Subsidiary Namchow Japan tended to apply to Taishin Bank for a short-term loan of 1 billion yen, for which the Company acted as a guarantor.
  3. The decision was approved on August 11, 2022
    - (1) The Company's consolidated financial report for the second quarter of 2022.
    - (2) Proposal detailing individual values of mid-year bonus of 2022 for directors and managers of the Company submitted by the Remuneration Committee.
    - (3) The proposal on the adjustment of individual compensation payable to the Company’s Head of the Staff Department, Zhou-Jing Chen. made by the Remuneration Committee.
    - (4) Subsidiary Namchow Japan applied to China Trust bank for a short-term loan of 150 million yen, and the Company acted as a guarantor. The case requires follow-up approval.
  4. The decision was approved on November 10, 2022
    - (1) The Company's consolidated financial report for the third quarter of 2022.
    - (2) Lan-Hsin Chou was hired to serve as the Vice General Manager of the Purchasing and Production Management and the individual remuneration recommendations

- were put forward by the Remuneration Committee after evaluation.
- (3) Cancellation of Chowfu Biotechnology Co., Ltd.
  - (4) Periodic assessment of the CPA's independence and fitness
  - (5) The public expenditure on CPAs in 2022.
  - (6) Formulation of the Procedures for Preparing and Verifying Sustainability Reports for the Company.
  - (7) The Company's Corporate Social Responsibility Best Practice Principles renamed as the Sustainable Development Best Practice Principles.
  - (8) Subsidiary Namchow Japan renewed a short-term contract for a loan of 100 million yen with Mizuho Bank, and the Company acted as the guarantor. This case requires follow-up approval.
  - (9) Subsidiary Namchow Japan applied a two-year loan of 500 million yen to E.Sun Bank, and the Company acted as the guarantor. This case requires follow-up approval.
5. The decision was approved on December 27, 2022
- (1) When the company needs working capital in 2023, the chairman of the Board of Directors is authorized to represent the Company with financial institutions in contracting loans and other financial matters.
  - (2) In respect to working capital requirements of subsidiaries and other companies with business dealings with Namchow in 2023 (subsidiaries including reinvestments by subsidiaries), when the Company intends to act as an endorsement guarantor, it authorizes the chairman to represent the Company to handle matters connected with financial institutions.
  - (3) The Board of Directors discussed the individual remuneration proposal submitted by the Remuneration Committee for Mr. Chen Yuwen, the new representative of the Company's corporate directors.
  - (4) Proposal detailing individual values of year-end bonus of 2022 for directors and managers of the Company submitted by the Remuneration Committee.
  - (5) Amendment of the Company's "Rules and Procedures for Board of Directors' Meetings."
  - (6) Amendment to the "Rules and Procedures for Shareholders Meetings" and proposed to the shareholders' meeting.
  - (7) Amendment to the "Operating Procedure for Handling Major Internal Information" for the Company.
  - (8) Amendment to the Company's "Procedures for Ethical Corporate Management and Guidelines for Conduct".
  - (9) The Audit Office stipulated the Company's 2023 Audit Plan.
  - (10) The Company's subsidiary Namchow Japan intended to apply to Mega Bank for a short-term loan of 450 million yen, for which the Company acted as a guarantor.
  - (11) The Company's subsidiary Namchow Japan renewed a short-term contract for a loan of 500 million yen with Changhua Bank, and the Company acted as the guarantor. This case requires follow-up approval.
6. The decision was approved on January 17, 2023
- (1) The proposal on the adjustment of individual compensation and special bonuses payable to the Company's President, Kan-Wen Lee. made by the Remuneration Committee.
  - (2) The Board of Directors discussed the proposal for individual remuneration and year-end bonuses submitted by the Remuneration Committee for Mr. Cheng-Wen Chen, the representative of Hwa Zhin's corporate directors.
7. The decision was approved on March 14, 2023



- (1) The general shareholders' meeting (physical) will be held at 9:00 am on May 31 (Wednesday), 2023, in the Vision Room of Taipei Foundation of Finance on 6F-6 at No. 51, Hengyang Road, Taipei City.
- (2) The Company's 2022 directors' compensation and employee's compensation distribution ratio.
- (3) The Board of Directors discussed the individual remuneration proposal submitted by the Remuneration Committee for Mr. Yi-Wen Chen, the representative of the Company's corporate directors.
- (4) Shiue Lung Wen was hired to serve as the Deputy General Manager of Administration Management and the individual remuneration recommendations were put forward by the Remuneration Committee after evaluation.
- (5) Review the Company's 2022 annual business report and individual and consolidated financial statements and submit to the shareholders' meeting for approval.
- (6) The Company's 2022 surplus distribution is submitted to the shareholders' meeting for approval.
- (7) Shareholders' dividends to be distributed by the Company in 2022 will be paid out in cash dividends of NTD 2 per share.
- (8) Acceptance of shareholders' proposals related to the 2023 general meeting.
- (9) Formulate the General Principles of Pre-approval of Non-convinced Service Policies for the Company.
- (10) The CPAs for the Company's Financial Statement are changed to Wu Chung Shun and Chang, Chun-I in 2023.
- (11) The Internal Control System Statement indicating that both the design and implementation of the 2022 internal control system of the Company were valid submitted by the Audit Office were valid was approved.
- (12) The 2023 Shareholders Meeting Agenda of the Company
- (13) Subsidiary Namchow Japan continued to apply for a short-term loan of USD 10 million from DBS Bank, and the Company acted as the guarantor. This case requires follow-up approval.
- (14) Subsidiary Namchow Japan tended to apply to First Commercial Bank for a short-term loan of 500 million yen, for which the Company acted as a guarantor.

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 as of the date of printing of Annual Report: None.

XIII. Summary of resignations and dismissals of the Company's Chairman, general managers, accounting heads, financial heads, internal audit heads, and R&D heads in the latest year as of the date of printing of Annual Report:

It was approved during the Board of Directors meeting held on August 13, 2018 that Ching-Hui Chiu would be appointed as the financial head.

It was approved during the Board of Directors meeting held on August 13, 2018 that Jung-Chang Lien, the accounting assistant manager, would retire on September 1, 2018.

It was approved during the Board of Directors meeting held on October 9, 2018 that Shih-Wei Wang, a senior manager, would be the accounting head.

It was approved during the Board of Directors meeting held on May 13, 2021 that Shi-Wei Wang Assistant Manager would be appointed as the governance officer.

## V. Public Expenditure on CPAs

- (I) When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed: None.
- (II) When the audit public expenditure is reduced by more than 10% from the preceding year, the value reduced and its ratio and cause shall be disclosed: None.

### Public Expenditure on Certifying CPAs

Value: NTD Thousand

Name of accounting firm	Name of CPA	CPA inspection period	Audit public expenditure	Non-audit public expenditure	Total	Remark
KPMG	Po-Shu Huang	January-December 2022	3,505	1,096	4,601	Non-audit public expenditure: including ESG report assured by the CPAs.
	Chung-Shun Wu	January-December 2022				

Note: If any CPA or the accounting firm is replaced for the Company this year, the inspection periods shall be listed separately. In addition, the reason for the replacement shall be indicated in the remark column and information on audit and non-audit public expenditure shall be disclosed. For non-audit public expenditure, state the content of services rendered.

**VI. Information on replacement of CPAs: In order to meet the internal adjustment needs of KPMG, the certified public accountants of the Company have been replaced from Po-Shu Huang and Chung-Shun Wu to Chung-Shun Wu and Chun-I Chang since the first quarter of 2023.**

**VII. Disclosure of Name, Position and Duration of Service at Firms or Their Associated Enterprises within the Past Year of Chairman, General Manager, and Managers in Charge of Financial or Accounting Affairs: None.**

# **VIII. The changes in the transfer or pledge of equity shares by directors, supervisors, managers, or shareholders holding more than 10% of the shares issued by the Company in the most recent year and up to the publication date of this annual report**

(I) Changes in the stock options of directors, supervisors, managers, and heavyweight shareholders:

Title (Note 1)	Name	2022		As of April 2 of the current year	
		Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Lung Chen	0	0	0	0
Vice Chairman	Hwa Zhin Co., Ltd. Representative: Fei-Peng Chen (Date of dismissal: September 23, 2022)	0	0	0	0
Director	Lucky Royal Co., Ltd. Representative: Kan-Wen Lee	0	0	0	0
Director	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen	0	0	0	0
Director	Lucky Royal Co., Ltd. Representative: Ming-Fen Chou	0	0	0	0
Director	Hwa Zhin Co., Ltd. Representative: Yu-Wen Chen	0	0	0	0
Shareholder holding more than 10% of shares	Lucky Royal Co., Ltd.	0	0	0	0
Director	Namchow Holdings CO.,Ltd. Employee Welfare Committee Representative: Yi-Wen Chen	0	0	0	0
Independent Director	Ting-Kuo Chen	0	0	0	0
Independent Director	Chin-Shih Lin	0	0	0	0
Independent Director	Chun-Hsueh Chen	0	0	0	0
General Manager	Kan-Wen Lee	0	0	0	0
Vice General Manager/Executive Vice President	Cheng-Wen Chen	0	0	0	0
Vice General Manager	Lan-Hsin Chou (Date of inauguration: September 29, 2022)	0	0	0	0
Vice General Manager	Lung-Wen Shiue (Date of inauguration: January 18, 2023)	0	0	0	0
Head of the Staff Department	Zhou-Jing Chen	0	0	0	0
Chief Financial Officer	Ching-Hui Chiu	0	0	0	0
Assistant manager and head of the Accounting Department and Head of Corporate Governance	Shih-Wei Wang	0	0	0	0
Assistant Manager	Jui-Tzu Chu	0	0	0	0
Assistant Manager	Yu-Hung Tan	0	0	0	0
Assistant Manager	Chen Ke Cheng (Date of inauguration: April 11, 2022)	0	0	0	0
Shareholder holding more than 10% of shares	Fei-Lung Chen	0	0	0	0
Shareholder holding more than 10% of shares	Fei-Peng Chen (Date of dismissal: September 23, 2022)	0	0	0	0
Chief Operation Officer	Shu-Wen Tai (Date of dismissal: February, 2022)	0	0	0	0

Note 1: Shareholders in possession of more than 10% of the company's shares shall be identified as major shareholder and listed separately.

Note 2: Shareholders whose counterparty for the transfer or pledge of stock options is a related party shall be listed in the table below.

(II) The counterparty for the transfer or pledge of stock options is a related party: None.

## IX. Information of Relationship among Top 10 Shareholders Who Are Related, Spouses, or Relatives within the Second Degree of Kinship

As until April 2, 2023.

No.	Name (Note 1)	Oneself		Shareholding of spouse or minor children		Total shares held in someone else's name		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Remarks
		Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Name	Relations	
1	Lucky Royal Co., Ltd.	46,041,259	15.65%	0	0	0	0	None	None	None
	Representative: Ming-Fen Chou	9,000	0.00%	0	0.00%	0	0			
2	Fei-Lung Chen	33,814,934	11.50%	3,577,413	1.22%	0	0	Shiao-Chuan Chen-Huang	Spouse	None
								Fei-Peng Chen	Brother	None
								Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	Father and Daughter	None
3	Fei-Peng Chen	19,537,995	6.64%	0	0	0	0	Fei-Lung Chen	Brother	None
								Yu-Wen Chen	Father and Son	None
4	Yu-Wen Chen	18,003,624	6.12%	0	0	0	0	Fei-Peng Chen	Father and Son	None
5	Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	12,456,165	4.23%	0	0	0	0	None	None	None
6	Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	11,155,000	3.79%	0	0	0	0	None	None	None
7	Yuguan Investment Advisors Limited	10,744,992	3.65%	0	0	0	0	None	None	None
8	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	4,908,960	1.67%	0	0	0	0	Fei-Lung Chen	Father and Daughter	None
		0	0	686,635	0.23%	0	0	Shiao-Chuan Chen-Huang	Mother and Daughter	None

No.	Name (Note 1)	Oneself		Shareholding of spouse or minor children		Total shares held in someone else's name		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Remarks
		Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Name	Relations	
9	Shiao-Chuan Chen-Huang	3,577,413	1.22%	33,814,934	11.50%	0	0	Fei-Lung Chen	Spouse	None
								Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	Mother and Daughter	None
10	Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	3,261,000	1.11%	0	0	0	0	None	None	None

Note 1: The top ten shareholders shall be duly listed and institutional shareholders shall be listed together with the name of their representative.

Note 2: The calculation of shareholding ratio shall reflect the percentage of shares owned under the shareholder's name or under the name of his/her spouse or children (minor) or another individual.

Note 3: The relationship between the shareholders (both legal and natural person) disclosed previously shall also be disclosed in accordance with the security issuer's standards governing the preparation of financial reports.

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

Unit: Share; %

Re-invested business (Note)	Company		Directors, supervisors, managers, and directly or indirectly controlled businesses		Comprehensive investment	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Namchow (Thailand) Ltd.	9,244,995	100.00	4	0.00	9,244,999	100.00
Yongju (Thailand) Ltd.	100,000	100.00	-	-	100,000	100.00
Nacia International Corporation	1,250	100.00	-	-	1,250	100.00
Lucky Royal Co., Ltd.	95,337,885	99.65	330,486	0.35	95,668,371	100.00
Chow Ho Enterprise	2,899,994	100.00	4	0.00	2,899,998	100.00
Qizhi Co., Ltd.	80,000	80.00	20,000	20.00	100,000	100.00
Nankyo Japan Co., Ltd.	6	100.00	-	-	6	100.00
Namchow Consultancy Co., Ltd.	500,000	100.00	-	-	500,000	100.00
Namchow Oils and Fats	41,173,127	100.00	-	-	41,173,127	100.00
Huciang Industry	30,000,000	100.00	-	-	30,000,000	100.00

Note: The long-term investments of the Company adopting the equity method

## IV. Fundraising

### I. Capital and Shares

#### (I) Source of capital stock

Year/ Month	Issue price	Authorized capital		Paid-in capital stock		Remarks		
		Quantity of shares	amount	Quantity of shares	amount	Source of share capital	Capital increased by assets other than cash	Others
1998 August	10	400,000,000 shares	NTD 4 billion	294,132,962 shares	NTD 2,941,329,620	Capital increase with capital reserve	-	Approval date and document number for the capital increase: FSC (I) No. 0930131932 dated July 19, 2004

Type of share	Authorized capital			Remarks
	Number of shares issued	Shares yet to be issued	Total	
Common stock	294,132,962 shares	105,867,038 shares	400,000,000 shares	Listed stock

Related information of the general declaration system: Not applicable

#### (II) Shareholder structure

April 2, 2023

Shareholder structure Number	Government agencies	Financial institutions	Other corporate entity	Individual	Foreign institution and foreigner	Total
Headcount	0	11	237	65,025	166	65,439
Shares held	0	18,729,000	70,127,329	171,941,994	33,334,639	294,132,962
Shareholding ratio	0.00%	6.37%	23.84%	58.46%	11.33%	100.00%

Note: Primary exchange (or OTC) listed companies are required to disclose their percentage of shares held by a Mainland China investor; pursuant to Article 3 of the Measures Governing Investment Permit to the People of Mainland Area, any person, legal person, organization, institutions or investment firms in other region based in Mainland China shall be defined as a Mainland China investor.



## (III) Diversification of share options

April 2, 2023

Shareholding classification	Number of shareholders	Shares held	Shareholding ratio (%)
1 Until 999	44,699	2,565,124	0.87%
1,000 Until 5,000	17,417	33,239,169	11.30%
5,001 Until 10,000	1,881	14,821,416	5.04%
10,001 Until 15,000	516	6,599,563	2.24%
15,001 Until 20,000	302	5,616,313	1.91%
20,001 Until 30,000	224	5,707,256	1.94%
30,001 Until 40,000	102	3,611,115	1.23%
40,001 Until 50,000	65	3,044,096	1.03%
50,001 Until 100,000	2021	7,727,505	2.63%
100,001 Until 200,000	58	7,829,714	2.66%
200,001 Until 400,000	28	7,804,041	2.65%
400,001 Until 600,000	7	3,576,312	1.22%
600,001 Until 800,000	6	3,955,385	1.34%
800,001 Until 1,000,000	2	1,682,940	0.57%
More than 1,000,001 shares	22	186,353,013	63.37%
Total	65,439	294,132,962	100.00%

Special stock: Not applicable

## (IV) Names of major shareholders: Shareholders holding 5% or more of total shares or in the Top 10 stock option holding ratio list

Name of major shareholder/shares held	Shares held	Shareholding ratio
Lucky Royal Co., Ltd.	46,041,259	15.65%
Fei-Lung Chen	33,814,934	11.50%
Fei-Peng Chen	19,537,995	6.64%
Yu-Wen Chen	18,003,624	6.12%
Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	12,456,165	4.23%
Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	11,155,000	3.79%
Yuguan Investment Advisors Limited	10,744,992	3.65%
Namchow Holdings CO.,Ltd . Employee Welfare Committee	4,908,960	1.67%
Shiao-Chuan Chen-Huang	3,577,413	1.22%
Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	3,261,000	1.11%

(V) Related information of market price per share, net value, earnings and dividends for the past two years

Year		2021	2022	As at April 2, 2023
Items				
Market Value per Share (Note 1)	Highest	60.10	50.50	48.10
	Lowest	43.90	42.30	44.50
	Average	51.76	46.57	46.38
Net Value per Share (Note 2)	Before distribution	36.71	38.18	—
	After distribution	34.10	35.81	—
Earnings per share	Weighted average number of shares	294,132,962	294,132,962	294,132,962
	Earnings per share (Note 3)	4.32	2.26	—
Dividends per Share	Cash	2.2	2.0	—
	Free share distribution	Earnings-based share assignment	0	0
		Capital reserve-based share assignment	0	0
	Accumulated unpaid dividends (Note 4)		0	0
Analysis of Investment Return	Price-earnings ratio (Note 5)		12	21
	Cost-benefit ratio (Note 6)		24	23
	Cash dividend yield (Note 7)		4.25%	4.29%

\* If there are shares assigned with earnings or upon capital increase with capital reserve, information of the market price and cash dividends adjusted retroactively according to the number of shares issued shall also be disclosed.

Note 1: The highest and lowest market prices of common stock each year are shown and the annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: Please fill in distributions decided in the shareholders' meeting (or directors' meeting) of the following year according to the number of shares that were already issued for the specific year.

Note 3: If retroactive adjustments are required because of free share distribution, earnings per share before and after adjustments shall be shown.

Note 4: For the equity shares issuance criteria, if there are requirements that dividends not distributed for a specific year can be carried over to the year with earnings, the dividends that have not been paid up to the said year with earnings shall be disclosed separately.

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

Note 6: Cost-benefit ratio = Average closing price per share for the year/cash dividends per share.

Note 7: Cash dividend yield = cash dividends per share/average closing price per share for the year.

Note 8: For the net value per share and earnings per share, data inspected (reviewed) by CPAs from the latest quarter up to the date of printing of the Annual Report shall be provided. For the other columns, data of the immediate year up to the date of printing of the Annual Report shall be provided.

(VI) Company's dividend policy and implementation status

1. Dividend policy

The Company's dividend policy is based on its current and future development plans, taking into consideration the investment environment, demand for capital, and domestic and international competition as well as shareholders' benefits. Each year, no less than 30% of earnings available for distribution are appropriated to be the dividend bonus for shareholders. While dividend bonus is to be distributed to shareholders, they may be done in cash and (or) stock. Cash dividends may not be below 10% of the total value of dividends.

2. Intended distribution of dividends through the current shareholders meeting: Cash dividends are intended to be distributed as per the decision made by the Board of Directors on March 14, 2022; that is, NTD 2 per share will be distributed.

(VII) Impacts of free share assignment intended through the current shareholders meeting on the Company's operational performance and earnings per share: None.

(VIII) Remuneration for employees and directors

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

Article 31 of the Articles of Incorporation: In cases of profits for the year, the company shall set aside no less than 1% to be the remunerations for employees and no more than 5% to be those for board directors. If there are accumulated losses, however, the value to make up for the losses should be set aside first. The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment.

Article 31-1 of the Articles of Incorporation: In the event that the annual audit renders earnings, the company shall pay taxes according to law and cover accumulated losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder, the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholders' meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

2. Basis for estimating the amount of remunerations for employees and directors, basis for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The Company based its estimation of remunerations for employees and directors for 2022 on the pre-tax income before remunerations for employees, directors, and supervisors are calculated for the year and estimated as advised by the Articles of Incorporation and the Compensation Committee and according to the ratio approved as a decision of the Board of Directors. If the actually distributed value differs from the estimated value, it is considered as changes in accounting estimates and will be listed as gains or losses of the year where the value is actually distributed.

3. Remuneration proposals passed by the Board of Directors:
  - (1) Remunerations distributed to employees or directors in cash or in stock:

For 2022, the Company decided according to the Company's Articles of Incorporation and by the Board of Directors that 4% of the pre-tax income before the remuneration of directors and employees is to be set aside as directors' compensation and 1% as employee's compensation. The value of remunerations for directors set aside this year totals NTD 26,578 thousand and that for employees amounts to NTD 6,645 thousand. If the actually distributed value differs from the original estimated value, the difference will be listed as losses for the current term of 2023.
  - (2) Employee remunerations distributed in stock and their ratio in the after-tax income indicated in the Entity Financial Statement of the current term and their ratio in the overall remunerations assigned to employees: Not applicable.
4. Actual distribution of remunerations for employees and directors for the previous year:
  - (1) Remunerations for employees: NTD 13,343 thousand.
  - (2) Remunerations for directors: NTD 53,372 thousand

There is no difference from the original intended distribution decided by the Board of Directors.

(IX) Buyback of the Company stock: None.

## II. Corporate Bonds:

Type of corporate bond		First secured corporate bonds of 2021
Date issued		August 11, 2021
Denomination		NTD 10 million
Location of issuance and transaction		Taipei Exchange
Issuing price		At full denomination
Total		NTD 5 billion only
Interest rate		5-year annual interest rate - 0.47% 7-year annual interest rate - 0.47%
Duration		5 years Maturity: August 11, 2026 7 years Maturity: August 11, 2028
Guarantor		First Commercial Bank
Trustee		E. Sun Commercial Bank Trust Division
Underwriter		E. Sun Commercial Bank
Attorney		Hui-Chi Kuo
CPA		Po-Shu Huang, Chung-Shun Wu
Payback method		Lump-sum repayment of principal at maturity
No re-payment of principal (as of 03/29/2023)		NTD 5 billion
Terms of redemption or application for repayment		None
Restrictions		None
Name of credit rating institution, date of rating and corporate bond rating outcome		Taiwan Ratings Date rated: September 21, 2020 Rating outcome: First Commercial Bank twAA+
Additional rights	Value of common stock, global depositary receipts or other securities already converted (exchanged or subscribed) as of the date the Annual Report is printed	None
	Issuance and conversion (exchange or subscription) guidelines	None
Possible impacts of guidelines and criteria for the issuance and conversion, exchange, or subscription of shares and possible dilution of stock options and impacts on existing shareholder rights		None
Name of the custodian for the exchange object		None

## III. Special Shares, Global Depositary Receipt, Employee Stock Option Certificate, Restricted Employee Shares and M&A or Acceptance of Transferred Shares of Another Company for Issuance of New Shares: None

## IV. Implementation of Capital Utilization Plan: The Company has no unissued shares or the program of which benefits have not yet been realized within the last three years.

## V. Operational Status

### I. Business Content

#### (I) Scope of activity

##### 1. Main activities and their ratios in operations

Business activities	Main products	Proportion of the Group's consolidates revenues (%)
A. Manufacturing and sale of Cleaning agents	Crystal Soap series , personal hygiene series	2
B. Manufacturing and distribution of baking products	Baking oils and fats ,frozen dough	69
C. Manufacturing and sale of flour-based foods	Frozen noodles, instant noodles	7
D. Manufacturing and sale of ice products	Duroyal ice cream, Kabisuo ice cream	7
E. Manufacturing and sale of rice-based foods	Recreational foods such as aseptic cooked rice and rice crackers	12
F. Dining business	Catering Service of Paulaner, Dian Shui Lou, Honbaryu, Le vol du petit prince French Restaurant, etc.	3

##### 2. New products planned to be developed

- (1) Cleaning agents: Affected by COVID-19 around the world, average consumers have become much more aware and conscious of their individual and home hygiene and sanitation. Apart from the protection of washing their hands regularly and wearing facial masks, thorough cleaning of their apparels has also become a key contributing factor to their personal protection. Especially when seasons change. Influenza, enteroviruses, norovirus and other diverse bacteria are active around, threatening our health. This is especially true of newborns, young children, and elderly individuals with poor resistance, as they are particularly vulnerable to infection. To protect consumers from bacteria and viruses, we plan to develop multi-functional antibacterial cleaning products to protect the health of the public in all aspects.

##### (2) Bakery products

###### ① Baking oil

###### A. Baking oil in Taiwan

We will continue to improve our self-management management system, bolster plant product development and production technology, and expand differentiation with competing products, We will consolidate the leading brand position of Taiwan's baking oil and provide peace of mind for suppliers (customers), and provide safe and high-quality oil and fat products to help domestic marketers increase the added value of baked goods. We will assist exporters in selling high-quality baked goods that comply with local food regulations and standards, while expanding business opportunities for export. This in turn will continue to drive the vigorous development of the overall baking industry.

## B. Baking oil in Mainland China

Oils and fats: Improve existing products to enhance taste and functional operability. Tailored to the consumer demands and following flavor trends of the market, we continue to expand our product series.

Light cream: We will continue to pay close attention to the market demand of the roasting, beverage and coffee industries, and expand more differentiation, such as emphasizing healthy product items.

Dairy products: More types of the imported dairy products will be introduced to meet the upgrading needs of the market.

② Frozen dough: Assuring, tasty, and unique products are being developed.

(3) Flour-based foods: Tasty, nutritional, and quality foods are being developed.

(4) Ice products: Due to the declining birthrate and aging population, as well as the consumption trend of instant pleasure and health concern after the epidemic, dessert-style ice products with high quality and differentiated characteristics, with few additives and the selection of high-quality materials, are the development direction of new products.

(5) Rice food: Healthy and quality products

(6) Dining: Ingredient traceability is valued and seasonal cuisines are introduced with the best use of local quality ingredients and sufficient utilization of food ingredients so that new cuisines and handy gifts may be constantly innovated. Driven by its mission to promote the culture of fine traditional Chinese cuisine, Dian Shui Lou makes an effort to capitalize each and every festive occasion for promotional purposes. For example, on Lantern Festival, the restaurant would offer live demonstration of sweet dumpling rolling by its chefs and signature dish for the festival such as fried sweet dumpling, meat rice dumpling soup and so forth; and improve the packaging method of frozen rice balls raw food takeaway; to ensure quality, vacuum packaging is promoted and sold on a regular basis to help consumers learn more about the essence of Chinese cuisine and thereby passing down knowledge, awareness and skills of traditional Chinese cuisine to younger generations. A special area of the restaurant has been set up to promote take-out dishes and in order to accommodate the need of consumers at different business districts, Dian Shui Lou offers precooked meal boxes and dishes in special bins to provide convenient and easy shopping experience for office workers. These delicious dishes only require simple reheating and can be enjoyed at anytime. In order to ensure the quality of food delivery, the restaurant insists on having its own employees to make the deliveries and to have professional, five-star chefs to prepare cuisines for home catering services. By involving designated personnel to plan the luncheon with customized menus, the restaurant endeavors to enable customers to enjoy the classic dishes prepared on-spot by professional chefs and restaurant-quality services in the comfort of their own homes. In addition, Dian Shui Lou also offers mini-catering for businesses and organizations hosting events and conferences, thereby enabling participants to enjoy the delectable refreshments during breaks and stay energized. The service effectively reduces the time that participants would otherwise spend on going elsewhere to eat and thus makes the meeting/conference more efficient. Attach importance to the traceability management of ingredients, launch seasonal dishes, make good use of local high-quality ingredients and improve the specifications and quality of ingredients, develop high-value dishes and souvenirs, and pass on traditional Chinese food culture to all guests through tableside service and food introductions by service staff (such as: showing the flame duck show during the meal, and sales in a single roll, so that guests can more easily taste the



deliciousness of the flame duck, so as to promote it to more guests).... The catering business can realize good quality and sustainable operations only by sticking to the concept of consumer protection, implementing a good quality management system and focusing on food safety.

## (II) Industrial Overview

### 1. Current status and developments of the industry

#### (1) Cleaning agents

The constantly improving living standards and rising awareness of environmental protection have made consumers constantly pay attention to cleaning products that are highly biodegradable and will not hurt the ecological environment. The Namchow crystal soap series is made of natural oils and fats, with simple composition and free of additives; it is highly recognized by general consumers.

#### (2) Bakery products

##### ① Baking oil

##### A. Baking oil in Taiwan

Oils and fats have been a core business for the Namchow Group. Featuring one-stop professional service, outstanding technology and tailored product specifications. Putting effort and time in baking industry in Taiwan for half century and co-prosperity with the development of the industry. The COVID-19 pandemic in 2020 brought the significant changes in global supplier chain and consuming market. Delays in imported and exported trading; fluctuation in raw material supply and market quotes; changes in consuming habits and concept of our citizens; and etc bring the new look to the domestic market and impacted on the catering related livelihood industry. Under the post-pandemic era, the industry and consumer market develop the new normal of “Healthy”, “Delicious” and “Convenient” as the key factor for catering.

Due to the intensification of the epidemic in early 2022, it was impossible to participate in the physical exchange exhibition. As a leading brand in the domestic baking industry, Namchow continues to develop new baking concepts and use audio-visual media to promote baking technology and industry knowledge. In the post-epidemic era, we inject new thinking and new impetus into the industry. With profound experience and solid R&D capabilities to achieve product differentiation, Namchow creates value for the industry and has received overwhelming acknowledgement for the difference that the company has made. Although the global pandemic brings the challenges that never experienced before, the company still introducing new elements to the industry. The company creating the differences in our products to increase the competitiveness and the additional value, assisting the baking practitioners to respond to the difficulties, to insight the opportunities, be stable in the industry with our customer and increase the profit and sales of the company.

##### B. Baking oil in Mainland China

In 2022, Mainland China's total GDP will exceed RMB 120 trillion yuan, leaping to a new level, with a per capita GDP of RMB 85,700 yuan, exceeding RMB 80,000 yuan for two consecutive years. The growth of per capita consumption level, the adjustment to residents' catering consumption structure, and the diverse eating habits of the younger generation have promoted the continuous growth of the bakery market

size. Bread, cakes, etc. are not only staple foods, but also regarded as snack foods, holiday foods, and even as a fashionable lifestyle, gradually becoming an important part of consumers' dietary structure. The increase in consumer requirements for product quality and consumer experience will promote the diversified and high-end development of the baking industry, which will help the baking industry to rise in volume and price. According to the data released by iMedia Consulting, the market size of the bakery food industry will reach RMB 285.3 billion yuan in Mainland China in 2022, and it is expected that the market size will reach RMB 351.8 billion yuan in 2025, with broad room for growth.

## ② Frozen Dough

### A. Frozen dough in Taiwan

The frozen dough as the semi-finished products of the bread. With the designed bread made into frozen dough, customers (store owners) only have to thaw, ferment, and bake it and fresh-roast bread or desserts are ready to serve to their consumers. Consumers looking for food and beverage with freshness, convenience, tastiness, safety, and health. Based on this management belief, we providing solutions to our customers. The Company is promoting frozen dough to customers that it is a product designed to address consumers' demand and falling in line with the consumption trend featuring freshness, convenience, tastiness, safety, and health.

The global Covid-19 epidemic has entered a post-pandemic recovery period, but the baking industry continues to be confronted with challenges in the face of fluctuations in the supply chain of raw materials, changes in consumption and dietary concepts, etc. Namchow has been deeply engaged in the baking industry for years, as the most loyal business strategic partner of the baking industry, it has rich experience and profound R& D capabilities, giving full play to the convenient, fast and delicious characteristics of frozen dough, injecting new thinking and new impetus into the industry, and improving product differentiation, so as to seek coexistence and common prosperity of customers and to create new value in the industry.

### B. Frozen dough in Mainland China

In 2022, affected by the rapid changes in the external environment, the impact on the market exceeded expectations, however, the domestic consumer market withstood the pressure to achieve a "V" shaped recovery and bottoming out, showing the strong resilience of the ultra-large-scale consumer market. On the whole, the price of the consumer market runs smoothly, and the innovative consumption mode makes the consumption mode upgraded. Bakery enterprises pay more attention to digital innovation and upgrading in terms of products, channels and marketing, such as launching online limited products, building their own online ordering platforms, and gaining access to more live streaming platforms, while the proportion of revenue from online channels has also increased significantly. In terms of products, bakery products are developing towards the trend of high-end and quality: diversification, health, snacking, and fun to meet the changing needs of consumers, especially the main young consumer groups. As the concept of health wins great popular support, fresh, high-quality baked goods are increasingly in line with consumers' purchasing preferences, and functional and nutritious

ingredients continue to attract attention.

The changing consumer environment has changed the business model and concept of the baking and catering business owners, increasing in understanding of frozen food and willing to accept the frozen food. However, business in catering and baking industries are faced with shortage of research and development, production and technical personnel. Against the background of difficult employment, continuous rising of store rent and labor expense as well as consumers' demand for freshly baked products and healthy and delicious products, the pre-made baking has demonstrated great advantages and played an irreplaceable role in terms of convenience, quality stability and expanded distribution scope. With years of development in Mainland China, Namchow has accumulated abundant experience and resources in terms of frozen dough. We continue to research and develop and create unique bakery products that make consumers feel secure. We are committed to provide products that satisfying the current market demands. Bakery consumption scenarios are increasingly diversified, from chain roasters, coffee shops, restaurants, and even convenience stores, supermarkets, etc., consumers' demand for freshly baked bakery products in quality and quantity is also becoming more refined and diversified, fierce market competition drives industrial upgrading, Namchow as the strongest backing for customers, continues to increase investment in professional, modern prefabricated bakery production bases, equipped with intelligent, large-scale production lines, and advanced cold storage and distribution systems, greatly improving product production technology and production capacity, and to provide a wider and diverse customer group with efficient, convenient, delicious and safe pre-made bakery products.

### (3) Flour-based foods

#### ① Frozen Noodles

##### A. Frozen noodles in Taiwan

Frozen noodles are popular among the advanced countries in Europe, the United States and Japan and driving food industry technology to become more sophisticated and innovative. With Taiwanese people's emphasis on leisure and health awareness, our frozen cooked noodles can fully meet the needs of the market. Namchow foresaw the trend to introduce frozen cooked noodles first, utilizing R&D, production, sales, one-step service, standardized professional factories, and the world's most advanced fast-frozen noodle making equipment. The company boasts top-tier technology, and has passed a number of international high-level food safety verifications and won the global food star awards. These include: Safe Quality Food (SQF), International Food Safety Verification Standard Level 3 highest level verification, MUI halal verification, Ciyue International's highest standard double clean mark-Cixin organic processing verification, Asia Pacific Anti Additive (AA) Development Promotion Association's highest level 100% non-additive verification, Monde Selection World Quality Award Gold Award (for three consecutive years), and iTQi International Flavor and Quality Evaluation Award-Three Star Award (for three consecutive years). As we strictly monitor food safety, world-class high-quality taste noodles raise the level of the pasta industry, set up benchmarks, and open up new opportunities.

#### B. Frozen noodles in Mainland China

With the rapid recovery of the domestic economy, people's living standards are steadily returning to normal, and the pace of life is accelerating, increasing people's requirements for diet. Consumers pay more attention to high standards of food hygiene and safety awareness, healthy, delicious and high-quality in terms of dietary requirements. For dining service providers, they must not only satisfy consumers' requirements for food safety but also further enhance the operation efficiency in order to satisfy consumers' needs. QiaoHao adequately began its current management pattern to address the demand on the dining market. With its abundant experience accumulated in producing professional noodles and the solid resources available, it is committed to providing consumers with unique, tasty and assuring noodles required in the market and to continue developing together with its partners in the dining industry.

##### ② Instant Noodles

Namchow Thailand produces instant noodles that have taken root in the ASEAN market over the long term. The "ASEAN Operation Center" is being pro-actively developed to help expand the ASEAN market and peripheral markets. Given the 600-million population of ASEAN and the nearly 1-billion population of the adjacent country, China, the potential is huge. In 2014, the Company developed Myanmar market with instant noodles introduced to various supermarkets in Myanmar. At the same time, instant noodles are also sold to the local markets through Namchow Thailand, Namchow Taiwan and Namchow Mainland.

#### (4) Ice Cream

There are mainly two segments on the market for ice products in Taiwan: One is for premium ice cream where products are mostly imported high-end ice cream and the other one is for popular ice products, which is further divided to the medium-priced and low-priced segments. The medium-priced segment features mainly good texture differential ice cream, creamy popsicles, and cones while the low-priced one features mainly crispy popsicles from small plants.

Trends in the development of Ice Cream: The rise in the awareness about food safety has made consumers place increased emphasis on legal labeling, traceability of food ingredients, and sanitation and safety. The decreasing number of children in each household and the recreational foods growing exquisite are making consumers more willing to spend more money in purchasing differential, unique, and value-added products.

In light of the nearly saturated franchised distribution channels and the fierce competition, we are purchasing unique products from overseas and developing self-brands in order to reinforce the differentiation and to create values that are attractive to customers. Lucky Royal Co., Ltd. is known for its unique products and targets imported ice while working with distributors or well-known dessert stores and brands in order to develop widely talked-about seasonal limited offer products.

#### (5) Rice-based foods

##### ① Aseptic cooked rice

In line with the social trends, consumers' requirements for meals are more and more focused on healthy, safe, delicious and convenient products, the Company adheres to this concept, uses local grains and coarse cereals rich in

nutrients, fiber and phytochemicals, and rice to continuously develop healthy, hygienic, safe and delicious room temperature rice products, so that consumers can eat healthy and safe.

② Rice crackers

As the rice snack food is gluten free, non-GMO, in line with modern health needs, appreciated and accepted by the Western mainstream market which is the vast market with deep development potential, and suitable products can be developed for infants, women, men, and the elderly with endless development potential.

(6) Dining

Since 2020, due to the impact of the COVID-19 epidemic, consumers have begun to refrain from eating out and dining together, and in 2021, the government Buda has introduced a series of epidemic prevention measures: the implementation of the dining system, indoor social distancing or separate meals in partitions, a complete ban on internal use, etc., resulting in a sharp decline in restaurant dining consumption, directly affecting the business revenue of catering operators, and resulting in the decline of the overall catering industry. In 2022, benefiting from the easing of the epidemic, the epidemic prevention policies of the Taiwan authorities continued to be relaxed, the catering industry gradually revived, and the turnover also achieved good results. As shown in the survey results of the catering industry conducted by the Ministry of Economic Affairs, catering operators will continue to face several major challenges in the future: "rising operating costs", "excessive personnel costs", "lack of work" and "fierce competition among peers"... However, crisis is also a turning point, and the catering market survived the worst time, in the face of these challenges and changes in consumer behavior, the catering industry will also respond to the needs of consumers with innovation.

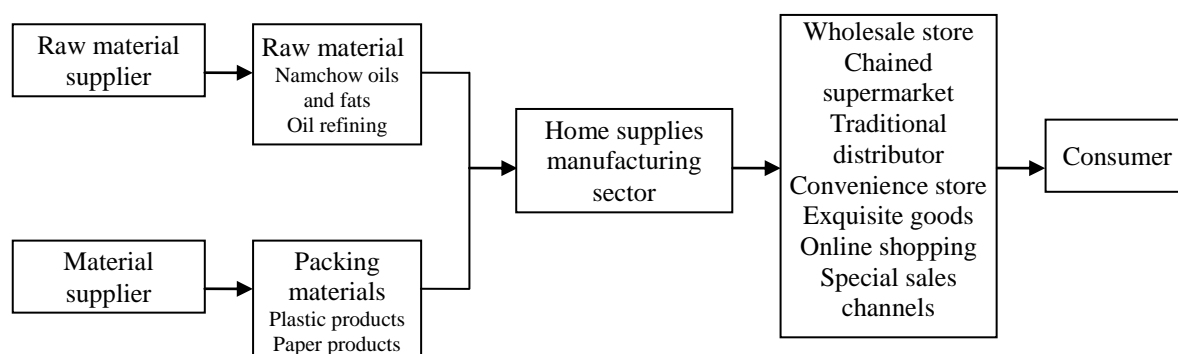
Under the influence of Covid-19, the take-out and delivery economy has grown rapidly, and Dian Shui Lou insists on personal delivery by restaurant personnel to ensure that the diversified food composition is distributed, and the quality of delivery to guests is maintained, and the restaurant staff can explain the content of the meal face-to-face with the guests, so that guests can feel our care for ingredients and meals. The expansion of takeaway services, from shop-in-shop takeaways to department store pop-up floats, from freshly baked delicacies to cooked food, frozen sweet dumplings popular with the public in Lantern Festival and local small roast services..., etc. Recently, the Covid-19 epidemic has eased, although the economy has recovered, catering is faced with a shortage of waiters, so it is moving towards developing high-value meals and increasing the unit price for customers, and using computer systems to fill vacancies (e.g. Inline online reservation system and takeaway/delivery online ordering system). For modern people lifestyle, It is quite common to have a coffee with desserts or fruits after a meal, but very rare of Chinese restaurant providing services like this. Dian Shui Lou aiming to fulfill the customers' need in all ways. The restaurant offering the option of serving cup of coffee for free to our customers after the meal to allowing our customer to finish a meal with relaxed and pleasant feelings, which won the enourmous praises from our customers. The continuous development of business mode and products to fulfilling the demand of consumers and to satisfy them to the maximum.

The restaurants under the band of Namchow are backed by the resources of the head office's food safety, under the supervision and with assistance of the

professionals from the head office's food safety office in independent health and safety management, and hold monthly food safety meetings to understand the recent food safety news and inspection priorities of government authorities, which will be communicated by Buda to the chefs of each store, and it will teach the staff about the importance of food safety. Each store independently examine its kitchen every month to maintain the kitchen clean and all food materials and stocks. In addition, the logistics office has designated special personnel for food safety who visit every store weekly for examination and assistance with confirmation of various checklist to make sure all food safety tasks can be completely performed so as to safeguard consumers' health. Not only that, the designated personnel will also review orientation training for new employees. Although Dian Shui Lou declined the Michelin review, it has been evaluated as Michelin "Bib Gourmand" restaurant for five consecutive years. The most important element to support the team's continuous progress is the culture of learning. Every one regards learning as an integral part of daily life and regards sharing as necessary. Everyone in the organization never stops learning and developing and acquiring a sense of accomplishment. Nearly all chefs, stop managers and major leaders of every branch store are trained personnel from the basic level. Highly stable team members and learning organizations are the foundation for sustainable operation of Namchow Group.

## 2. Correlation between the upstream and the downstream of the industry

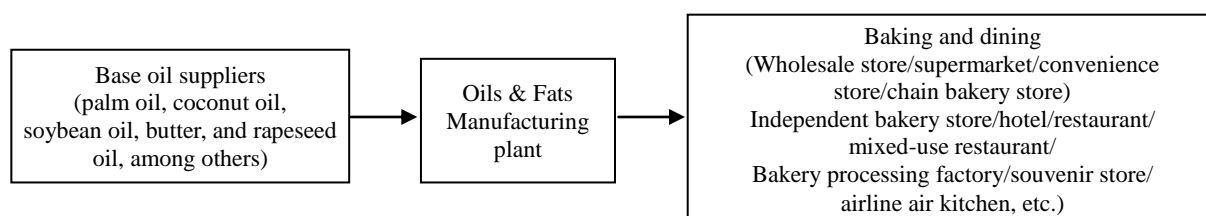
### (1) Cleaning agents



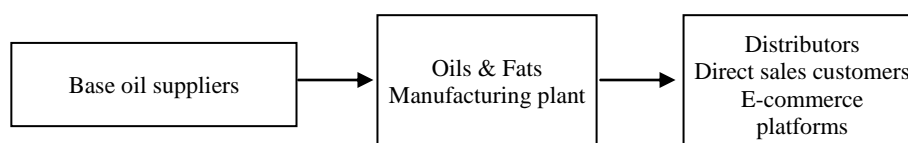
### (2) Bakery products

#### ① Baking oil

##### A. Baking oil in Taiwan



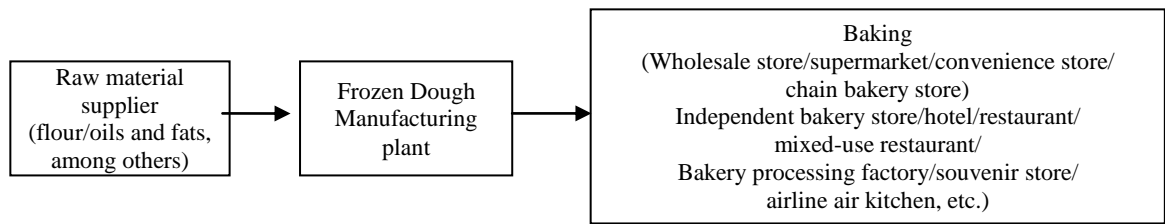
##### B. Baking oil in Mainland China



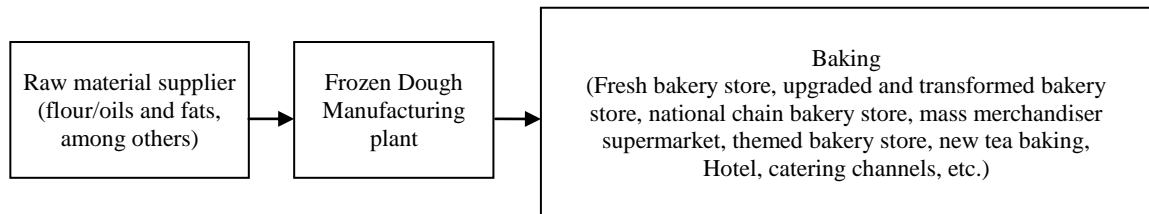


## ②Frozen Dough

### A.Frozen dough in Taiwan



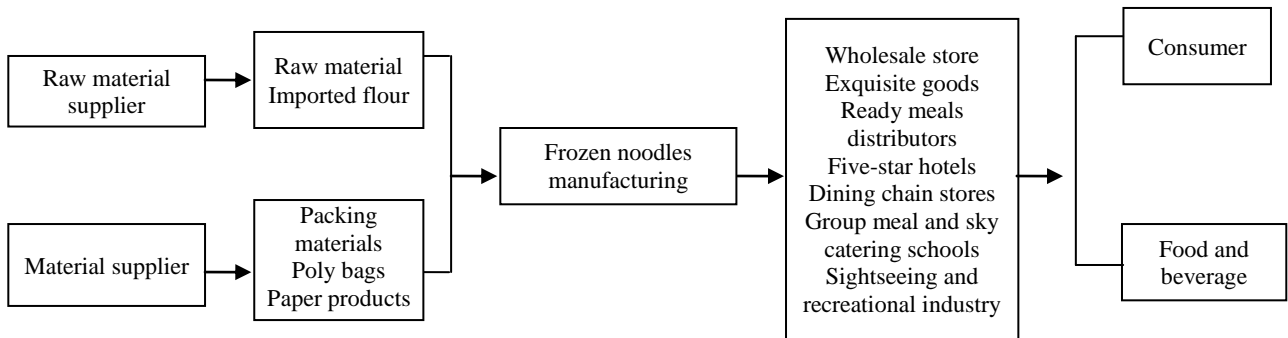
### B.Frozen dough in Mainland China



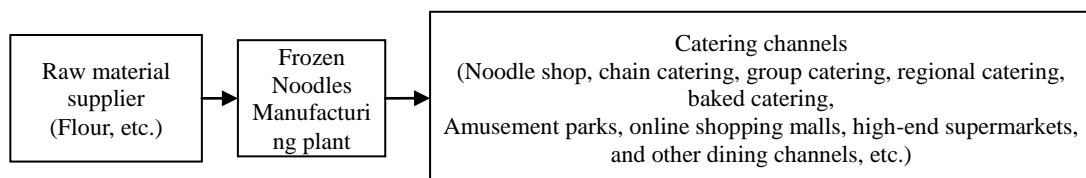
## (3)Flour-based foods

### ①Frozen Noodles

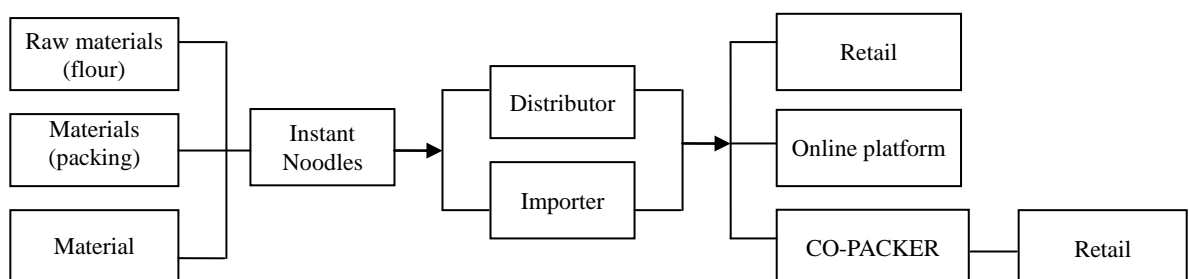
#### A.Frozen noodles in Taiwan



#### B.Frozen noodles in Mainland China

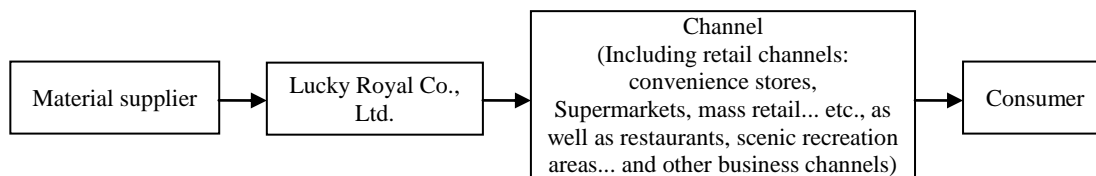


### ②Instant Noodles



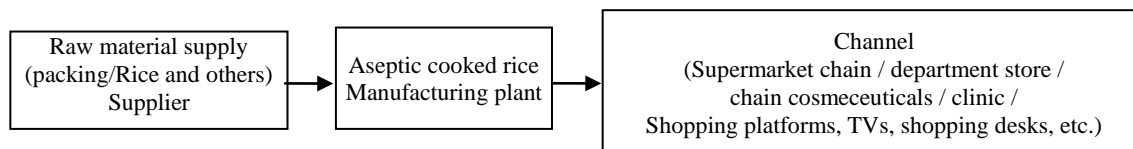


#### (4)Ice Cream

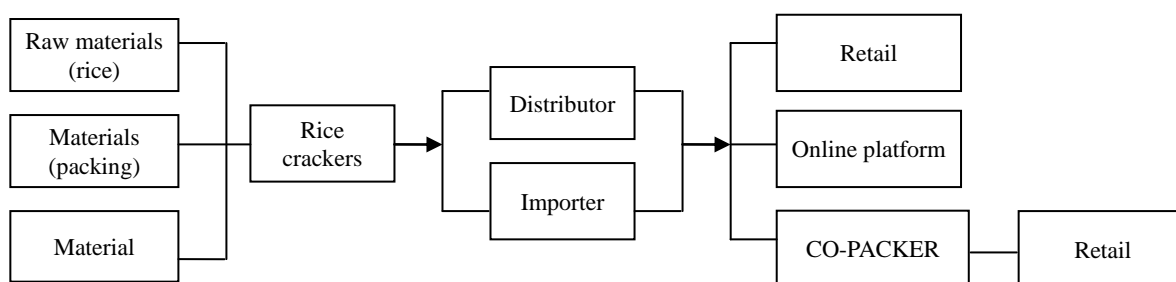


#### (5)Rice-based foods

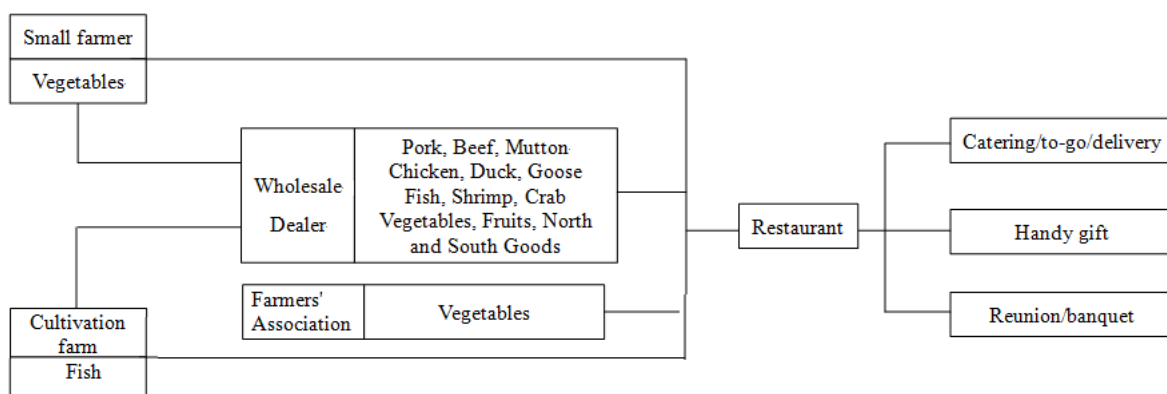
##### ①Aseptic cooked rice



##### ②Rice crackers



#### (7) Dining



### 3. Product trends and competition

#### (1) Cleaning agents

- The rise of natural and environmentally-friendly cleaners: The constantly improving living standards and rising awareness of environmental protection have made consumers constantly pay attention to cleaning products that are highly biodegradable and will not hurt the ecological environment.
- Multi-functional products are valued: In addition to the original cleaning function of the cleaning lotion, consumers also pay attention to whether the product has other additional functions, such as antibacterial, mildew, anti-mite, soft fiber protection, deodorization, hypoallergenic, stain removal and other auxiliary functions, which are very popular with consumers.
- Safety and assurance first for cleaners: Many cleaners come into contact with people's skin. As such, their ingredients, safety, certification by professional

testing organizations and brand creditability are becoming priority concerns for consumers before they make a purchase.

- Popular in selling the anti-bacteria products: due to the impact of pandemic, people were paying highly attention to the importance of personal clean and hygiene and the cleaning in home environment, therefore products with anti-bacteria, anti-virus, gentle to our skin and other functional products as best-selling products.

## (2) Bakery products

### ① Baking oil

#### A. Baking oil in Taiwan

Oils and fats products are competitive in that they meet customers' demands and form an interdependent relationship with one being the upstream and the other downstream. The Company, however, is supported by its huge customer base for its management belief in providing customers with products of the highest safety standards that are healthy and of optimal quality. In response to domestic and international market trends, the latest R&D and production technologies have been applied in recent years. We have launched various series of baking oil that meet customer needs and successfully introduced them to the market.

- Global cream prices surged in 2017. As such, the series of composite baking oil of Namchow, known for their flavor and maneuverability, are the best solution for bakery businesses. In 2017, we also led the industry with the launch of Namchow's special oil series for New Han Cake Korean hanbok cakes. We introduced modern scientific concepts to the traditional Hanbok field, and held activities related to the revival of Han pastry. Committed to the inheritance and innovation of Han pastry, these efforts won a broad response from the market.
- In 2018, flavored oil spreads were launched, to integrate with the international bakery fashion trends, assist the hotel and restaurant industries to create creative changes in bakery products, and give higher quality and value.
- In 2019, in response to the international food industry and consumer market's emphasis on "Clean Label," Namchow drew on its nearly 50 years of professional research in the field of roasted fats and oils to spearhead the launch of a new generation of Namchow NEBOS Baking oil series. The Namchow NEBOS Baking oil series is developed with NEBOS as the core. It features application of exclusive natural emulsifying material technology to develop professional Baking oil with simple ingredients, reducing or avoiding food additives. It can be used together with natural cream or can replace it altogether. We are assisting domestic marketers to increase the added value of baked goods, while also helping exporters meet high-quality bakery products that comply with local food regulations and standards, and expand export opportunities. At the same time, it is the best solution for natural cream international price fluctuations and unstable supply. The Namchow NEBOS Baking oil series has obtained clean label and no food additives certifications. This is a major breakthrough in the R&D and manufacturing technology of Namchow Baking oil, and it is also an important development milestone in Taiwan's Baking oil industry!
- The instability and the crisis of broken supply chain in the raw material

due to the pandemic in 2020. The company show the strength of manufacturing locally and the stable supply of Oil & Fat to the industry. The company still expanding the product of Clean Label NEBOS series and launched the new soya milk flavoured Oil & Fat to fulfill the demand of vegetarian and healthy diet, the company continuously act as the back supporter of the baking industry.

- In 2022, in response to the shortage of workers in the baking industry in the post-epidemic era, we will develop the oil for Chinese pastry made by machine, and provide a Total Solution service model by cooperating with machinery manufacturers, integrate mechanical production conditions tailored to customer needs, develop products that take into account flavor and adaptability, and perform consultative and one-step services to create a win-win situation.

#### B. Baking oil in Mainland China

Baking oil, light cream, fillings, etc. are the main raw materials for the production of the baked goods, located in the upstream of the industrial chain, mainly for midstream customers such as enterprises processing baked goods and fresh bakery stores. In recent years, the vigorous development of the Mainland baking industry has also driven the rapid development of the upstream baking ingredients industry. Looking at the sector as a whole, apart from raw material suppliers that have already achieved economy of scale, the sector is also populated with a significant number of small and medium enterprises. As a result, competition in this sector remains fairly scattered, intense and homogenized. With the consumption upgrade, as the sensitivity of downstream bakery enterprises to the prices for upstream products is relatively weak, the leading enterprises with high brand awareness, strong R&D capabilities and the ability to provide customized services will enjoy greater room for revenue improvement.

The increase in income level and the change of consumption concept make consumers pay more attention to the quality and taste of bakery products, also affecting the selection of raw materials by downstream baking enterprises, and promoting the market share of medium and high-end baking oils. The products represented by our company are of higher quality, the Company has strong control over costs and raw materials, can adapt to the market, and can constantly adjust production capacity, channels and single product strategy, as a professional high-quality enterprise with both R & D hard power and terminal service soft power, the Company can win the trust of customers from all walks of life, so as to gradually increase market share.

### ② Frozen Dough

#### A. Frozen dough in Taiwan

After investigation, we find that government agencies and associations do not have related data on the market scale of frozen dough products. The following only describes related matters about the status of peers and channels: There are around 10 small-scale producers of frozen dough in Taiwan. Their technicality, equipment and manpower restrict the items and quality of products they can supply and the level of customers they reach as well as the scope of business operations covered. The distinction from the level of operations of the Company is significant. There are less than 5 frozen dough suppliers that are relatively of a given scale including the

Company. Among our counterparts, some focus on baking-related raw materials in bulk and some on the bread needed for their own distribution channels and the frozen dough business is secondary. Channel operators also import frozen dough themselves or set up frozen dough processing plants. Foreign frozen dough manufacturers import frozen dough for sale through agents or set up branches in Taiwan. This shows that market demand for frozen dough is increasing.

The COVID-19 pandemic raised the awareness of safety and health of the consumers and the business with large-scale and high management ability can be solid their status in the market. Food with health care, health preserving and interesting were favoured by the consumers. Different kinds of Frozen Dough characteristic in fast to prepare, reducing pressures of human resources and time costs soon became the best solution for the practitioners and benefiting the Namchow Frozen Dough to expand in width and depth.

B. Frozen dough in Mainland China

Namchow has been insisting on providing customers with quality products over the long term through a series of measures from careful selection of raw materials and food materials to continuous innovation and modification of production technologies, and has till now developed hundreds of frozen dough products. Be it basic dough or shaped dough produced through complicated processes, Namchow has been always tried its best to invest research and development resources and carry out production from the perspective of market and customer demands. To meet the need of different types of customers, it provides them with diversified products. Together with customers in all walks of life, we purchase all necessary products at one time and are creating a complete series of bakery products.

(3) Flour-based foods

① Frozen Noodles

A. Frozen noodles in Taiwan

Thanks to the pursuit of health, high quality and delicious food, with Sanuki Frozen Noodles that feature unique commodity advantages and professional frozen noodles core production technology, Namchow has been able to become the first professional manufacturer and supplier in the industry of frozen noodles for 20 years. Sales in the market have doubled and all production lines are full-loaded because there is more demand than supply. Sales on the market have doubled and all production lines are fully-loaded because there is more demand than supply. Professional and advanced production lines for frozen noodles to better enrich the production volume and diversify product options, satisfying the needs of consumers and customers throughout the world.

B. Frozen noodles in Mainland China

As consumers have increased dietary requirements, dining businesses have come to realize that only fresh, delicious, quick and innovative food is the most satisfying for consumers. As such, the traditional hand noodles are gradually dying out and being replaced by refrigerated or frozen noodles that are as fresh as they are made on the spot. In order to meet the needs on the current dining market, many noodle brands are proactively transforming to produce cooked noodles, too. They are trying

to break away from the traditional framework. The simple, convenient, and easy-to-handle cooked noodles hence came into being. QiaoHao is also constantly researching and developing various options of frozen noodles; there are more than 20 products now to better satisfy the needs of businesses applying different distribution channels and the various dining patterns.

② Instant Noodles

Since January 1, 2016, the "0" tariff policy has been enforced in the ASEAN 10 + 3 countries. There is no barrier posed by tariffs any more between China and Thailand. Namchow Thailand has jointly planned with Namchow Mainland to introduce its own brand of instant noodle products to the mainland market and open up the mainland market.

(4) Ice Cream

Duroyal and Kabisuo, the royal Russian ice products, have been the focus of product innovation and brand investment over the long term. Unique products are being researched and developed to fulfill consumers' expectations for novelty and variation and to create differential competitive advantages for customers.

In 2022, responding to the trends in the development of the ice product industry, new products under Duroyal for retailers were introduced, namely:

- Duroyal Cone Cream x Dian Shui Lou Black Glutinous Rice Cake Taro Puree Ice Cream
- Duroyal Ice Cream Crispy Milk, Coffee Ice Cream series

(5) Rice-based foods

① Aseptic cooked rice

Modern people are busy at work; they eat well yet exercise little. This is why disease of civilization is getting more and more common. The Company will continue to pro-actively develop a series of healthy, tasty, functional and ready-to-serve rice and porridge in the future to satisfy the needs of modern people for staying healthy.

② Rice crackers

Rice crackers for babies are the best selling product for Namchow Thailand. To develop this product further, Namchow Thailand will establish the "R&D Center for Rice Crackers" where tremendous manpower and resources will be devoted to help develop more advantageous products and to offer consumers more options.

(6) Dining

Innovation, differentiation, pursuit of excellence and doing it right the first time are the Company's unchanged beliefs and practice towards creating a comfortable dining environment. In terms of cuisines, fresh and unique local ingredients are used to prepare each intriguing and affectionate entree in a skilled and experienced way.

Dian Shui Lou has always defined itself as a restaurant that serves authentic Zhejiang cuisine and dishes. That said, as Dazhi Store is fortunate to have resources in different areas (i.e. with chefs and staffs who are knowledgeable in Teochew and Canton cuisine), the store also offers classic and popular Teochew/Canton dishes/snacks apart from authentic Zhejiang dishes/snacks. As for Huaining store, apart from the popular Zhejiang dishes/snacks, the restaurant also serves classic Taiwanese dishes in order to cater to more patrons who are passionate about food. Each store has developed exclusive cuisines with common

characteristics according to the internal and external environmental conditions and respectively offers unique food to make sure visitors can enjoy different features in each store. We are very particularly about cleanness and hygiene in the kitchen. Each store tries its best to have an open transparent kitchen where the food preparing process is self-explanatory with assuring quality.

In recent years, due to the Covid-19 epidemic, the consumption habits of the public have changed significantly; As the demand for families to prepare frozen food or ready-to-eat preparation kits has increased, Dian Shui Lou has also developed frozen Taiwan black-haired pork handmade dumplings and tangyuan, and expanded its frozen takeaway product line to facilitate consumers to enjoy delicious five-star meals at home.

### (III) Technical and research and development status

#### 1. Amount spent in research and development in the latest year by the Company

Year	2021	2022	2023 (estimates)
Total (NTD thousand)	422,670	382,610	292,174

#### 2. Technologies or products successfully developed

##### (1) Cleaning agents

Affected by the Covid-19 epidemic, the frequency of home cooking and eating has increased, and the frequency of dishwashing has also increased a lot, thus highlighting the importance of "dishwashing detergent", and whether the ingredients of dishwashing detergent are "natural and additive-free" are important factors for consumers when making choices. In 2022, Namchow Crystal launched "Crystal Soap Dishwashing Liquid - Extreme Purification & Deodorization", made of natural vegetable oils, and exclusively developed with "Extreme Clean Formula" plus "Japanese Patented Plant Extract Deodorizing Factors", which can quickly remove oil and taste, and emit the fresh aroma of green apples after washing, making washing dishes easy, and for which users will not worry about chemical and oil residues, while protecting the environment and family health.

##### (2) Bakery products

###### ① Baking oil

###### A. Baking oil in Taiwan

The Company now has around 200 options of oil and fat products available, which, by their application, include mixing, wrap, stuffing, pastry, mother's cakes, deep-fry, special purpose, and functional ones. Besides those produced by Namchow, we also import butter from Europe and continue to maximize service aspects and consolidate operations.

###### B. Baking oil in Mainland China

Distribution and production of premium baking oils and fats and related products, along with light cream, cream, beverage ingredients, fillings... and other products. Oils and fats products: Stirring grease, oil-coated grease, liquid grease, sandwich grease, Hancake series grease and SFI series grease products; Light cream products: Enjoy 800 series, Enjoy light cream; Cream products: Artisanal PLEASING cream; Beverage raw materials: Joy Q series; Filling products: Beikexin, Beikeshi series.

###### ② Frozen Dough

###### A. Frozen dough in Taiwan

Frozen dough products that are available at present are divided into 8 categories: toast, hard, sweet bread, puff, Danish, bakery, Chinese and



artisan. With the gradually invigorating commercial activities, Namchow Frozen Dough has not only launched a healthy series, additive-free series, community baking series, baking light food series, etc., but also launched popular and topical bakery products and souvenir series products in line with consumer preferences in recent years, injecting new momentum into the baking industry.

B. Frozen dough in Mainland China

There are nearly a hundred frozen dough products available at present. They are divided into the following based on the market and from the perspective of consumers: pineapple bun, Danish, croissant, puff, boiled, dim sum, artisan, toast, donut (frozen dough and pre-deep-fried dough), Western dessert series, and Bagel series (pre-baked bread) products. Responding to different customer requirements, the frozen dough products have been developed from basic frozen dough to pre-fermented and pre-baked frozen dough. Frozen dough required for different processes can be offered depending on the baking environment, equipment and human resources of end customers.

(3) Flour-based foods

① Frozen Noodles

Japanese Udon, Ramen, Soba, Red Quinoa Noodles, Yuzu Noodles, Pasta, Northern knife-cut noodles, hand-pulled noodles, Henan stewed noodles, homemade noodles, Chinese noodles, biangbiang noodles, cooked noodles, egg yolk noodles and other products.

② Instant Noodles

Observing the busy life of modern people, Namchow's chefs advocate the concept of "slow food noodles" to create a new attitude to life. 10 types of Slow-Cooked Noodles have been developed to provide new dining options with exquisite cuisine.

(4) Ice Cream

Product items developed: Duroyal Cone Cream x Dian Shui Lou Black Glutinous Rice Cake Taro Puree Ice Cream, Duroyal Ice Cream Crispy Milk, Coffee Ice Cream series.

(5) Rice-based foods

① Aseptic cooked rice

The Company already offers aseptic cooked rice from fiber-rich ambient temperature cooked rice series now; it is certified as health food that can effectively regulate blood sugar and blood lipids. There is also the organic quinoa rice and aseptic cooked rice from the imperial series in 2020. In 2023, the Company will launch healthy red barley rice products featuring locally grown unhusked pearl barley (with bran).

② Rice crackers

Healthy rice crackers are introduced.

3. Future research and development plans

(1) Cleaning agents

To respond to the changes in the market demand and developing more diverse core products, the company extend and innovate them from the existing production line. For example, products connects to the local agricultural characteristic, with the professions and technics from other field, fulfilling the demand of changing rapid customer demand by the collaboration of different



industries.

(2) Bakery products

① Baking oil

A. Baking oil in Taiwan

As standards followed in the baking industry continue to improve, practitioners (customers) have a more advanced understanding of the standards applicable to Oil & Fat and fats and their functional definitions. Efforts will continue in the future to be devoted to improving raw materials, processes, and technologies and emphasis will be placed on the research and development of functionally exclusive oils and fats. In recent years, with the international fashion trend, the rising awareness of domestic consumers about diet consumption and higher understanding of and attention towards food safety and additives, the Clean Label and absence of food additives have become the new trend in the food industry. Namchow took the lead in the industry and took the lead in the development of Clean Label Oil & Fat and oils, and developed the Namchow NEBOS Oil & Fat series. Especially under the impact of the new coronavirus epidemic, global transportation and quarantine management will be stricter and more complicated. The increase in various uncertain factors affecting international shipping is more likely to cause delays in the import of raw materials. The Namchow NEBOS Oil & Fat series can replace or be used together with natural cream in a comprehensive manner, to improve the opportunities and solutions of the international price fluctuations and unstable supply of imported natural cream, and to help the baking industry to continue to improve. This creates value and makes it the first choice for bakers to promote Clean Label bakery products. The company will continued to expand the products of NEBOS Oil & Fat series to fulfill the need of the practitioners with different management models.

B. Baking oil in Mainland China

Aiming at market changes, we continue to innovate and develop new products that are in line with market trends. Namchow launched Aoshi Milk Fat Baking Oil with natural cream flavor which can be used as a substitute for the imported natural cream with increasing import difficulties and costs; At the same time, it also launched the special oil for mille-feuille raw milk toast, customized for the popular mille-feuille raw milk toast in recent years, made from a special process with fragrant condensed milk wrapped into it, suitable for manual and automated equipment. In addition, we develop customized products for large customers and sell them in Chinese confectionery shops.

② Frozen Dough

A. Frozen dough in Taiwan

- In recent years, consumers have paid more attention to the topics of food and beverage hygiene, safety, health and nutrition, and are more willing to choose health-related products, Namchow frozen dough consistantly introduced the element of health preserving, health care, special nutrient and new ingredient of regulate and relieve stress. The company developed the Health preserving series frozen dough by applying the concept of dietary supplementation into new bakery products. The product of Namchow frozen dough also followed the international trend of few additives or no additives by using the baking

ingredient meet the standards of few additives or low additives and connected the practitioners from up-stream, mid-stream and down-stream of the industrial chain to develop more baking ingredient with few additives or low additives and launched to the market.

- Due to the pandemic creating the new normal of consuming, the community bakery has also become one of the preferred options for consumers to buy baked goods, Namchow's frozen dough is rich and diverse, easy and fast to operate, and can help community bakeries under existing production conditions. It can immediately respond to sales needs, bringing quantity and quality improvement to in-store baked goods.
- The rise and popularity of the delivery platforms promoting by the pandemic, accelerated the increase of people's willingness and consumption frequency for meal delivery and takeout. Baked goods have the characteristics of easy take-out and delivery. Namchow Frozen Dough will continue to develop products that can be quickly baked and sold by the baking and catering industry to assist the industry in responding to changes in the external market.
- Due to the impact of pandemic, people change their habits from eat out to cook on their own at home. Namchow frozen dough expand its service group to develop the products for consumers to use and hoping to let the consumers enjoy their food at home easily.

#### B. Frozen dough in Mainland China

Upgrading will be implemented on the basis of existing products: Products will be upgraded so that they will have various stuffings, unique stuffings and changed styles and flavors. Products will be arranged by stage to satisfy the requirements and flavors of consumers.

Research and development of new products will focus on dim sum and western pastries: With the rapid development of the concept of mother's cake renaissance, dim sum with flavors unique to every region will be developed to pass on the features of traditional cake stores and drive the development of gift market.

The new beverage industry is growing rapidly, the main consumers were born in 1990s and 2000s. The western refreshments will be developing in younger style and flavour for the market targeting to different consumers.

In consider that the hypermarket, supermarket and some catering business are without the profession of baking, we develop more convenient pre-bakery products in addition to the diversity, creativity and quick delivery of the bakery products.

### (3) Flour-based foods

#### ① Frozen Noodles

##### A. Frozen noodles in Taiwan

With eyes on the global market, the company has launched a variety of eastern and western noodle products while putting extra effort into the promotion of northern noodle products in order to establish our presence in the largest Chinese-styled noodle product market across all Chinese-speaking regions around the world. Examples include northern sliced noodle, northern-styled traditional noodle, family-style broad noodles, Henan-styled braised noodles and so forth. Not only that, our noodle products have been chosen multiple times in prestigious events such as the Taiwan International Beef Noodle Festival, Hong Kong

International Beef Noodle Festival and TCAC Taiwan International Culinary Art Challenge as the chosen noodle for the competitions. Our noodles are sold at PX Marts, departmental supermarkets, wholesalers, fresh produce and farmers' associations across Taiwan along with e-commerce shops and Shopee stores. The sales and profits of the company are enhanced and created. The future is in perspective while Namchow stands in Taiwan and tries to reach out to the world.

B. Frozen noodles in Mainland China

Developing professional and good authentic features in all respects. Various types of noodles using regional special ingredients as raw materials have been introduced; catering to differentiated health and security appeal with high value.

② Instant Noodles

New flavors of instant noodles continue to be researched and developed.

(4) Ice Cream

New extended flavors will be developed based on existing brands in response to market demands and new featured products will be introduced through cooperation with outstanding brands. By observing the need of the market, which bearing the concept of Healthy over the long time, we developing ice cream without Food Additive.

(5) Rice-based foods

① Aseptic cooked rice

Modern people are busy at work; they eat well yet exercise little. This is why disease of civilization is getting more and more common. The Company will continue to pro-actively develop a series of healthy, tasty, functional and ready-to-serve rice and porridge in the future to satisfy the needs of modern people for staying healthy.

② Rice crackers

Namchow will continue to develop products that meet health demands and are suitable for respective age groups, such as babies, teenagers and old people.

(6) Dining

Closely reflective of consumers' needs, healthy, tasty, unique, exquisite and safe options will continue to be researched and developed for tailored service. Efforts will be invested by Dian Shui Lou to cultivate chefs with comprehensive skills and opportunities of learning and development will be offered to make sure that the chefs can not only cook delicious dishes but also be qualified and that the organization is learning-oriented. With regards to food ingredients, the restaurant strives to use all ingredients in full to prevent any waste. For example, the dish of West Lake Fish in Vinegar Gravy is served with the entire fish, and beef tendons are prepared as aspic and so forth. The restaurant shoulders the mission of promoting traditional Chinese cuisine. To achieve this goal, the chefs would incorporate traditional Shaoxing wine in various dishes or use it as part of seasonings whenever possible. The restaurant would also promote relevant dietary and culinary cultures during festive celebrations. For example, on Lantern Festival, the restaurant would serve the the festival's signature dish of fried sweet dumpling in order to inform patrons on the difference between yuanxiao and tangyuan - yuanxiao is made by wrapping filling in dry sticky rice flour and rolled by hand while tangyuan is prepared with glutinous rice with fillings inside. The restaurant has introduced a new position of QA manager, whose responsibility is to ensure that all chefs and assistants at different stores are

preparing relevant dishes in accordance with the SOP. Not only that, relevant multimedia equipment and materials have also been introduced for personnel training in conjunction with on-site inspection conducted by the QA manager and food safety inspectors to ensure the quality of food and services at each store. Continue to improve service quality and strengthen staff's competence in table-side dish presentation, dish serving and dish description. By refining our dish serving and description services, patrons will be able to better appreciate the effort and thought that the restaurant puts into its dishes. This will in turn bolster customer adhesion and frequency of patronage. Each store shall create its FaceBook fan page and IG account in order to post promotional materials via the online platforms while interacting with patrons in various ways to help patrons become more familiar with the restaurant and boost their confidence in the restaurant.

(IV) Long-term and short-term business development plans

1. Short-term business development plans

Corporate resources will be integrated to make the best use of the Company's advantageous products and strength in research and development while devoting to the research and service relating daily consumer products and providing the general public with natural, healthy, unique niche market products to create composite additional value and to improve profits.

2. Long-term business development plans

Corporate resources will be integrated to reinforce R&D and innovative applications, to improve product differentiation, to create new products, and to start new product lines and new niches. Not only unique raw materials, innovative technology, innovative products and innovative management models, successful key factors have to be precisely kept track of in order to lead market trends in the future and ensure the continuous competitive advantages of the Company.

## II. Overview of Marketing and Production/Distribution

Since it began to produce soap in 1952, Namchow has been adhering to elements of relevance, namely raw materials, technology, distribution and culture for diversified management and has taken roots in fields such as cleaners, daily necessities, oil/fat/dairy products, flour, rice, biotechnology, and dining. With production sites in Taiwan, Thailand and the Mainland, operations are focused on niche markets, with products sold all over the world. Products in respective fields are analyzed as follows:

(I) Market Analysis

1. Cleaning agents

(1) Sale of major commodities:

- ① The main sales products are crystal soap series: bar soap, liquid soap, powder, tableware cleaning liquids, and antibacterial series cleaning products such as allogeneic soap and hand washing series.

Official website: [http : //www.crystalsoap.com.tw/](http://www.crystalsoap.com.tw/)

Namchow Crystal Soap Facebook Group:

<https://zh-tw.facebook.com/NC.Crystalsoap>

- ② Sold to: domestic market.

- ③ Distribution Pattern: B to B, B to C.

- ④ Distribution channels: grocery stores, supermarkets, pharmacies, convenience stores, distributors, retailers, online shopping, and special distribution

channels, etc.

(2) Future supply and demand and growth on the market:

As the national income in Taiwan increases, awareness of environmental protection rises, and the organic and natural fad emerges, consumers start to evaluate corporate social responsibilities while pursuing natural products. Using soap products that are made of natural oils and fats, are environmentally friendly and soft to the skin is proof of an environmentally friendly and healthy attitude and persistence. This is also what drives the steady growths of Namchow crystal soap series of products.

Consumers' concern for household and cleaning products is no longer focused solely on cleaning strength, but more towards the safety of ingredients that make up the product. In addition, they are more and more concerned about the impacts of household detergents and personal hygiene supplies on the environment and human body; the emphasis on natural and highly biodegradable cleaners hence takes prominence.

Future development trends of the cleaner industry:

- Era of soap: As the awareness of environmental protection rises and in order to minimize plastic and petrochemical pollution, the soap products that have high biodegradability and zero harm to ecological environment are preferred by consumers.
- Multi-purpose products gaining prominence: Besides the existing cleaning feature, consumers also care about whether a clothes cleaner has other additional features, such as antibacterial, anti-mildew, anti-mite, deodorizing, and low sensitizing, among others; these are also popular among consumers.
- Safety of cleaners becoming prioritized concern: Because many cleaning products come into contact with the human body directly, their brands, what they are made of and their safety have gradually become a prioritized concern of consumers before they make a purchase.
- Popular antiseptic and disinfectant products: Because of the spread of the PM2.5 air pollution, avian influenza, enterovirus, norovirus, novel influenza, and coronavirus, consumers are highly concerned about their personal hygiene and the importance of a clean home. As such, products claimed to be antiseptic, disinfectant and anti-virus continue to be a hit.

With the introduction of the crystal soap series of products, the image of Namchow in the hearts of consumers is no longer just a bar of hand wash soap; it is now a natural and healthy cleaning brand with natural composition that falls in line with the modern lifestyle. This brand spirit in amidst environmental protection awareness and Lohas and healthy trends, is prevailing. The awareness of environmental protection by the consumers increased, Namchow Crystal Soap series product becoming an essential natural cleanser products in every households. The Crystal Soap travel pack, Crystal Laundry Liquid - Fragrance Range, and Crystal Liquid Soap for Laundry - Low Sensitivity Chamomile in 2018 successively launched by Namchow Crystal Soap were designed for sensitive skin groups and infants. In 2019, "Yugali & Tea Tree Anti-mildew Washing Liquid" and "Thyme Anti-mite Washing Liquid" were launched. Aimed at Taiwan's hot and humid climate, they feature anti-mold and anti-mite functional laundry products. The company launched the Grapefruit seed Hand Sanitizer Gel in 2020 to contribute our effort in prevention of COVID-19 pandemic. In 2021, Namchow launched its "Probiotics Crystal Laundry Soap" and "Namchow Liquid Soap Detergent" as useful and reliable tools for household cleaning and disease prevention. In 2022, Crystal Soap Dishwashing Liquid-Extreme Purification &

Deodorization was launched, focusing on rapid degreasing and deodorization, greatly improving the efficiency of dishwashing. In response to changes in washing methods, Namchow Crystal has developed different types of products and has taken care to address different user groups comprehensively. This approach has been well received among consumers.

(3) Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

① Competitive niche and desirable factors for development prospects

- A. There is great demand and potential for natural soap products as the awareness of health and environmental protection rises.
- B. Unique products of the crystal brand of Namchow supported by powerful assets are widely loved by consumers.
- C. Successful development of the grapefruit seed series of products helps extend the life span of crystal soap products and add to the value of the brand.
- D. The products are known for their unique natural fragrance and natural anti-bacterial sources to appeal to distribution channels in all respects.
- E. Continue to promote the scented soap series and antibacterial series of laundry liquid soap, with a complete and rich product line, reach out to more new users, and expand sales and market share.

② Undesirable factors for development prospects

- A. Fluctuating and rising costs of raw materials and oils on the international market.
- B. Increasing costs of distribution channels on a daily basis.
- C. Consumer habit of switching among different products because they want to try something new.
- D. Constant introduction of new high-end products to the natural market for competitive brands.

③ Countermeasures

- A. Continued communication on the appeal on being natural, soft to the skin, and environmentally friendly so that consumers fully sense their value. Quality of the existing crystal soap series of products has been constantly improved and messages about products being natural and environmentally-friendly of the new generation are communicated so that consumers of the new generation know and understand the benefits brought about by the soap itself. The defined brand positioning has helped the crystal soap series become a natural, optimal, and environmentally-friendly cleaning product that demonstrates love toward family and care for the Earth.
- B. Continued promotion of the antiseptic series that spans over household cleaning and personal cleaning fields so that consumers obviously feel the benefits of products that work 99.99% in inhibiting bacteria supported by the SGS test.
- C. Continued development of products meeting consumers' demand and creating consumer demand and introduction of high value-added products to satisfy the various daily cleaning needs of consumers.
- D. Continued reinforcement of the existing intensive distribution network, with product penetration and coverage as the biggest goal of distribution, to precisely enable each household to have access to the crystal soap series of products at any time.



- E. Collaboration with environmental protection-oriented institutions/groups to communicate the idea of natural protection to the general public for a synergistic effect.
  - F. Proactive research and development of various new products within the context of applying natural oils and fats; the products include household and personal hygiene to precisely promote the ideas of love for family and care for the Earth and to fulfill the responsibilities as protector of the social environment.
2. Bakery products
- (1) Baking oil
- Baking oil in Taiwan
- ① Sale of major commodities:
- A. Major products sold: The Company now has around 200 oils and fats products. The diversified options empower the Company to provide tailored service and become a leading brand on the market for Oil & Fat and fats in Taiwan.
  - B. Sold to: Taiwan.
  - C. Distribution pattern: B to B , direct-sale.
  - D. Distribution channel: The Company has more than 3,000 distribution channels for oils and fats throughout Taiwan and products are sold all over Taiwan. The direct-sale approach is adopted. Customers are the end users of Namchow oil and fat products. Types include: hypermarkets, supermarkets, convenience stores, bake shop chains, independent bake shops, hotels, restaurants, composite food and beverage stores, baking processing plants, handy gift stores, airliner contract kitchens, and so on.
  - E. Market share: The estimated market share is about 30%.
- ② Future supply and demand and growth on the market:
- The pandemic restrict the places to travel, handy gifts were concentrated by the domestic consumers, therefore required more attention to the characteristics and quality, with more competition in with market and forcing the baking practitioner to advanced in their products actively. In order to increase the demand and level of the handy gifts and benefit the company to develop the products of middle to high-end market.
  - The Namchow NEBOS Oil & Fat series, featuring little or no additives, can meet the requirements of international food hygiene and safety regulations and the expectations of end consumers, which in turn helps Taiwan's baking industry expand its export market.
  - Guided by scientific spirit, Namchow Oils & Fats has developed a variety of new baking materials specifically for Chinese pastries, with examples such as specialized oil and flour for various Chinese pastries in the hopes of promoting Chinese pastries to the international market and further driving the development of baking industry.
  - The catering market is witnessing fierce competition. Helping the customers in the catering industry to create unique and differentiated products based on our functional oils and fats and continuing to maximizing service aspects and consolidate operations will become the momentum that driving our continuous growth.
- ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
- A. Competitive niche and desirable factors for development prospects



- a. The Company is highly capable of keeping track of popular trends on domestic and international markets, has a historical brand, secures a leading position in the industry, and has a high market share.
- b. The Group's food safety office and laboratory center use strict controls to ensure the hygiene, safety, and high quality of Namchow fats.
- c. Half century of its intensive research, the Namchow Oils and Fats R&D Center has demonstrated strong R&D capabilities, advanced technology and professional customized services, which can quickly respond to market demands and meet the needs of customers of various operating types for oil & fat.
- d. The direct sale system can quickly reflect market intelligence and dynamics and helps establish a mutual-trust and reciprocal strategic partnership with customers.
- B. Undesirable factors for development prospects
  - a. International trade is universal; information is quickly communicated; imported oil and fat brands enter Taiwan market.
  - b. Affected by the international situation, the supply of raw materials remains unstable, which in turn affects the purchase price and cost.
- C. Countermeasures
  - a. With half century of devote time and effort management experience, consolidate consultant marketing, provide one-stop service, let a professional service to provide all round services before, during, and after sale so that differentiation can be accomplished from the competition.
  - b. Continue to consolidate operations on baking and dining markets and to expand applications of oils and fats and the scope of distribution service

#### Baking oil in Mainland China

##### ① Sale of major commodities:

- A. Major commodities in distribution: specialized production of baking oils and fats, along with light creams, imported dairy products, frozen dough and fillings under five major product categories that cover more than 200 products. The company has profound experience in production and distribution management. Thanks to its impressive list of brand names and product diversification, the company is aptly equipped to work with customers that focus on different crafts and demands. The company currently operates four factories in Tianjin, Guangzhou and Shanghai. With advanced R&D capabilities, premium quality management and comprehensive after-sales services, Namchow has successfully established its benchmark image in the baking oil and fat industry, serving customers from all major cities. After years of hard work, Namchow has become one of the leading brands in the baking oil market, as the expert in baking oils and fats growing together with the industry, and the best partner for the global baking sector, driven to become more competitive players in the market.

Official website: [http : //www.ncbakery.com](http://www.ncbakery.com)

- B. Sold to: Mainland China.
- C. Pattern: Mostly B to B.
- D. Sales channels: direct sales and distribution models. Our direct-sale distribution channel is mainly meant for customers with greater brand presence. For these customers, the company provides various assistances

and guidance including new baking product development, technical support, personnel training, store operation management consultancy and so forth with the intention to develop long-term alliance. Suppliers shall be classified under corresponding categories in scheduled evaluations based on factors such as distribution volume, supplier conduct and etc.

② Future supply and demand and growth on the market:

Namchow Oils and Fats has been a leading brand in the oil field for years, with rich professional development experience, it can accurately grasp the external market pulse, and lead the baking trends; Adhering to the concept of "customer-oriented", we are committed to developing a full range of high value-added 360 consulting services, from concept practice to resource sharing, creating the exclusive value of "giant architecture and microservices", setting up a high-coverage customer service center, as well as a high-standard baking center, food center, etc., with a strong baking technology consultant team in the industry, providing 360-degree consulting services such as tailor-made, cutting-edge information, business planning, factory planning, product design, promotion support, professional counseling, and market visits with a forward-looking vision; we create a mutual value chain and friendly partnership together with customers, and grow hand in hand with customers to create a win-win situation. In August 2022, we established a wholly-owned subsidiary in Chongqing, planning to invest about RMB 480 million yuan to build the fourth and first production base of the Company, aimed at launch of projects of light cream and frozen dough in the production and processing base, so as to serve as a production base in the central and western parts of the mainland and even radiating the Southeast Asian market.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Namchow adheres to integrity and quality and has a powerful brand and a high market share; customers are willing to grow with the Company.
- b. The company welcomes outstanding technical talents to bolster its R&D capabilities, which will enable the company to further promote product differentiation.
- c. Product features are divided in detail; there are complete product lines; products are of high quality and are stable. All of these are leading in the industry.
- d. Offer comprehensive consultancy services, including technical guidance, marketing strategies, store/staff image management and so forth in order to help customers shape their exclusive advantages.
- e. High-standard product quality requirements, we have obtained ISO certification, FSSC22000, HACCP and halal certification at home and abroad, NSF epidemic prevention certification, integrity system certification, RSPO global palm oil sustainable development certification and other certifications.

B. Undesirable factors for development prospects

- a. Due to rapid changes in the market environment, renown international brand names have ventured into the market to compete.
- b. The price for major raw materials fluctuates greatly, affecting the gross profit margin and operating profits of products.

- c. External sales through distributors, improper management of distributors may result in unsmooth product sales, chaotic market order, etc.
- d. Fluctuations in foreign exchange rates have affected purchase prices for foreign raw materials and products.
- C. Countermeasures
  - a. The company shall continue to implement stringent standards for food safety and provide high quality products to accommodate consumers' needs.
  - b. The Company shall cultivate baking market in the third and fourth-tiered cities along the high-speed railway and expand market shares.
  - c. Relying on strong R&D capabilities, strengthen product lines and echo the boom in the tea and roasting market.
  - d. In the post-pandemic era, the company will operate its online store in order to serve more customers and consumers due to the growing popularity of home baking and cooking.

## (2) Frozen Dough

Frozen dough in Taiwan

### ① Sale of major commodities:

- A. Major products sold: We currently have 8 categories consisting of nearly 300 options of frozen dough products; the number of categories and options are ahead of other frozen dough brands in Taiwan.
- B. Sold to: Taiwan, US, Canada, Australia, Japan, Hong Kong, and Dubai.
- C. Distribution pattern: Direct sale
- D. Distribution channel: The Company has about 3,000 distribution channels throughout Taiwan for frozen dough, including grocery stores, supermarkets, convenience stores, chain bake shops, independent bake shops, hotels, restaurants, cafes, baking processing plants, handy gift stores and airline caterers.
- E. Market share: It is estimated our frozen dough products have attained leading status in the market.

### ② Future supply and demand and growth on the market:

- The increased cost of manpower and talent shortage have made baking businesses more dependent on solutions and professional services provided by baking material manufacturers. Namchow, known for its diversified choices of products and steady production quality, has increasing demand coming from the market for frozen dough and hence is entitled to absolute leading competitive advantages.
- The "one-stop shopping" business model of hypermarkets provides consumers with more diverse services in fresh and cooked food products. The Company has established good business relationships with bakery partners, and works closely together to continue to supply baked goods that meet the needs of hypermarkets.
- Convenience stores strive to differentiate from each other in their bread projects. Whether it is packaged bread or freshly baked bread at the store, Chinese dim sum, or Western dim sum, the Company has been able to successfully help convenience store runners introduce the frozen dough package while creating profits for them.
- Large-scale chain supermarkets of Taiwan or regional types are actively introducing freshly baked goods. The enriched experience of the Company

in the management, technology required of, and training staff for frozen dough businesses has enabled it to help multiple practitioners (customers) with successful introduction and maximize the scope of service.

- Composite chained food and beverage stores have been very popular for the past few years. While customers are trying to expand their presence quickly, it is particularly important that they keep track of the manufacturing and quality of products. The frozen dough supplied by the Company exercises extreme benefits in this regard as it successfully assists in overcoming the problems of mass manufacturing sales and stable quality.
- Besides large tourist hotels, small motels and bed-and-breakfasts have sought to boost their competitiveness and to improve the ratio of return customers, by adopting our frozen dough products, which can create differences in catering services under the same production conditions, along with other options that are available for effective control over management cost and increased net profits.
- Independent bakeries based on the community act as the warmth during the pandemic. Introducing the Namchow Frozen dough and providing bakery products with more diversity and enrich the consumers need in different time segment of the day. Rapid research and development making the food more interesting. Improving in the quality of bakery products, increase in kinds and launched within the trend to build the loyalty of the consumers.
- Family baking experiences are getting popular. There are more and more distribution channels on line and they are getting diversified each day. More baking lovers are encouraged to devote themselves to small-scale production and distribution. Namchow frozen dough is simple and convenient to operate and can be easily introduced. It will become an optimum choice for households and baking studios. In addition, Namchow Frozen Dough has been investing in the development of home-use small package products, so that more consumers can also purchase professional-grade frozen dough products with unique features and convenient operation.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Popular information on baking is rich and synchronized with the world, forming a tangible incentive for the baking industry to seek innovation and change.
- b. Consumers and governments have increased requirements for food sanitation and safety. With the spontaneously introduced HACCP, ISO, FSSC and other food sanitation and safety systems, the Company's products are known for their advantages. The Company has also introduced a digital management system for tracking and tracing the source to establish a more comprehensive food safety control network.
- c. Consumers have changed their consumption habits under the tightening of the economy. They will choose cheaper products of homogeneity, but they are still willing to purchase value-added products at a higher price.
- d. In light of the issue of manpower shortage that baking practitioners now face, our frozen dough products have become the best solution to the manpower issue facing baking practitioners.

- B. Undesirable factors for development prospects  
International trade is universal; information is quickly communicated; imported oil and fat brands enter Taiwan market.  
And the international market quote of raw materials keep increasing due to the pandemic made the competition of the market more serious.
- C. Countermeasures  
The Company has 31 years of experience on the baking market of Taiwan and continues to make the best of its strengths as a leading brand on the market in terms of quickly responding to changes in market trends so that the most instantaneous services and products can be provided to the businesses (customers) to differentiate from international brands.

#### Frozen dough in Mainland China

- ① Sale of major commodities:
- A. Major products sold: The different major series of products sold are the pineapple bun, Danish, croissant, puff, boiled, dim sum, artisan, share, donut, and fundamental. Namchow Dim Sum, in particular, is available exclusively in Mainland China.
  - B. Sales area: Mainland, Northeast Asia, North America and Oceania.
  - C. Pattern: B to B.
  - D. Distribution channel: freshly baked bakeries, upgraded and transformed bakeries, nationwide chained bakeries, grocery stores, theme bakeries, new beverage & bakeries franchise, hotel dining channels, etc.
- ② Future supply and demand and growth on the market:
- As the market for bakeries continues to grow, brand power is the key to expansion: According to the data available on [www.askci.com](http://www.askci.com) and on [www.chinabaogao.com](http://www.chinabaogao.com), the overall growth rate of the food industry in China is not as high as before, which is about the same as that for the overall GDP per-capita in China. Although growths on the baking market are ongoing, they appear to be polarized. The constantly climbing overhead, including raw materials, manpower, rent, utilities, and coal, among others is posing sterner challenges for the managers. A brand with a robust foundation will be able to grow quickly while an undesirably composed will be removed from the market.
  - It takes 4-7 years to train a baker abroad to be qualified as a baker. Not many young people are involved in the baking industry, which has caused a shortage of bakers to a certain extent. Therefore, the frozen dough process in many countries and regions has become quite popular. The global market value of frozen dough is expected to exceed USD 27 billion in 2025 (including USD 8.35 billion in North America, USD 7.73 billion in Europe, USD 6.93 billion in Asia, USD 2.4 billion in Latin America, and USD 2.14 billion in the Middle East and Africa). In addition to deeply cultivating China's frozen dough market, this will also target the Western Chinese and Muslim markets.
  - Production model transits from traditional artificial production to industrialized production: As the baking industry grows quickly, so does the growth of regional and local chain bakeries. The shortage in manpower has also become more and more common. Meanwhile, artificial costs quickly surge. The manpower-based traditional production model is getting outdated in accommodating the rapid corporate developments. Therefore, the production model started to be industrialized, with constant

investments in large factories and equipment. The huge investments in industrialized, however, pose challenges not only in terms of funding but also in software and management issues such as talent training, quality stability, refrigerated delivery to retail shops and the bridging issue. These are the challenges that have to be dealt with when businesses are being industrialized.

- Freshly baked products are a trend and the terminal baking price increases: Freshly baked bread is particularly popular among consumers. Bread that comes in traditional package is gradually dying out. This means that bakeries or cafes with freshly baked products are gaining the upper hand compared to completely central kitchen-based stores over the past years. Freshly baked products have become a commonplace for more and more baking businesses. The improved income and lifestyle of consumers have made consumers more concerned about tastiness and quality of baked products. The increased operating cost for baking retailers contributes to the constantly climbing terminal prices for bakeries. Baking businesses in China, however, have not been able to realize at once the model featuring high-frequency availability of real freshly baked products and complete adoption of frozen dough for all products despite the fact that they are aware of the new consumption trend and are trying to transform. As a result, quality of products in many bakeries are unable to carry the real additional value. In other words, the operating model for frozen dough and the diversification of freshly baked products still require education in order to improve.
- Increased demand from consumers and governments for healthy and safe foods: Because of the increasing awareness among consumers, customers must choose products and suppliers with high health and safety criteria and requirements. Transparency of and control over the composition has been one of the requirements of customers for their suppliers for the past few years.

Namchow sensitively captured the industrialization trend of the baking industry in Mainland China and the challenges and opportunities for the businesses during industrialization and became the first to invest in frozen dough factories in Mainland China that help smoothen the industrialization process of baking businesses; it will continue to lead on the market by introducing diversified products and working together with baking practitioners to push growths in the baking industry.

- ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
  - A. Competitive niche and desirable factors for development prospects
    - a. The frozen dough factory is internationally certified (ISO9001, ISO22000); the quality is steady and guaranteed.
    - b. The frozen dough factory has obtained certification from the Islamic Association of Tianjin Binhai New Area and the International Halal certification (SHC HALAL Shandong Hala certification), preparing for the Muslim market of 1.9 billion people worldwide.
    - c. Rich experience in producing frozen dough, controlling and getting insights of the baking market, and outstanding research, development, and production capabilities.
    - d. Omnipresent services from back office to the front stage to provide customers with comprehensive solutions. There is an in-depth



understanding of the customer's operational model and cold chain status. Tailored professional consultation-based marketing is reflective of the conditions of different customers and the different business development stages, which not only brings about demand for commodities for customers but also provide customers with training on how to promote products, retail services, and help customers increase their baking competitive advantages for mutual growths.

- B. Undesirable factors for development prospects  
Overhead including the cost of raw materials, manpower, and rent surged to make the situation worse in the baking market.
- C. Countermeasures
  - a. Customers are provided with the needs to develop new products and apply the baking technique to become a loyal partner of customers while they run bakeries.
  - b. Assistance is provided to customers while they maximize operational and management aspects and enrich product lines.

### 3. Flour-based foods

#### (1) Frozen Noodles

Frozen noodles in Taiwan

##### ① Sale of major commodities:

- A. Main Frozen Noodles products sold include Japanese Udon, ramen, soba, spaghetti, northern China knife-sliced noodles, Henan cooked noodles, Chinese cooked noodles, Chinese wide noodles, yolk ramen, among others.

Official website: [http : //www.sanuki.com.tw/](http://www.sanuki.com.tw/)

- B. Sold to: domestic market, mainland China market at the same time looking to international markets such as Europe, the United States, Australia, Canada, Zurich in Switzerland, Indonesia, Arabic and Hong Kong.

- C. Distribution Pattern: B to B, B to C.

- D. Distribution channel:

- a. Major customers vertically integrated by the Namchow Group: Honbaryu Professional Noodles Stores, Dian Shui Lou Restaurant
- b. Catering market: Five-star hotels, high-end Japanese cuisine, composite/theme food and beverage chain stores, shopping centers, food court, airports, freeway rest areas, traffic arteries, scenic areas, schools/institutions, airport catering service, Chinese restaurants, fast food stores, steak houses, private lodging, E-commerce online shopping and among others. Following the change in local consumers' consumption habits and diversification of the market, the domestic dining-out market now has vast potentials that is worth close to 10 billion. Namchow Sanuki attaches great importance to high-quality, convenience, healthy eating, and delicious taste; consumers may wish to dine at premium restaurants serving high quality food ingredients, but they can also enjoy DIY five-star cuisines at home with Sanuki noodles.
- c. Consumer products market: Well-known chained distribution channels such as supermarkets, seafood markets, and grocery stores throughout Taiwan and convenience stores.

- E. Market share: Each year, a headcount of more than 2 million consumers



consume Namchow's Sanuki Frozen noodles. These consumers and customers offer the best testimonials to successfully establish brand publicity.

② Future supply and demand and growth on the market:

Socioeconomic advancement contributes to an increased ratio of people eating out. With the trend of Taiwanese people pursuing health, high quality, and delicious food, Sanuki Frozen Noodles has become the industry's leading professional noodle supplier based on its unique advantages of a full range of products and core technology in this food product.

The competitive niche of frozen noodles lies in the supply of innovative and differential commodities and high value-added products that fall in line with the diversified lifestyles of modern people and satisfy the pluralistic needs of dining service providers in creating a desirable customer relationship. Frozen noodles are the right solution to the problem as the service sector flourishes and quality of life for Taiwanese people increases on a daily basis.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. With noodles producing technology that leads the world, noodles are cooked to the extent where they taste the best and frozen fresh at -35 following the same principle for handmade noodles.
- b. Before eating, one only has to reheat it. It is easy. No thawing is required. As soon as the noodles separate from one another, they are ready to serve. A convenient and tasty dish is served just like that. It is safe, tasty, with good texture and smells good. It is always in the "most delicious" state.
- c. Easy to operate, easy to preserve, free of scrappage, and diversified ways of preparing to create high additional value and to offer dining businesses with plenty of room for survival and development.
- d. Safety and sanitation and an absence of preservatives assures quality, making it a safe and healthy option for the general consumers.

B. Undesirable factors for development prospects

Growing sales bring full loads for production lines.

C. Countermeasures

Additional production lines to provide more sufficient production volume and more diversified options that help satisfy consumers' demand.

Frozen noodles in Mainland China

① Sale of major commodities:

- A. Main products sold: Chinese noodles and Japanese noodles, particularly Udon and farfalle, are the mainstream on the market.
- B. Sold to: Mainland China.
- C. Distribution Pattern: B to B, B to C.
- D. Distribution channel: Dining, retails, e-commerce.

② Future supply and demand and growth on the market:

- As the market for noodles continues to grow, brand power is the key to expansion: The constantly climbing overhead, including raw materials, manpower, rent, utilities, and coal, among others, is posing sterner challenges for restaurateurs. Steady quality, recognized texture, and realization of brand value have become the primary management principles in the dining industry. This is also where differentiation begins to create

industrial value.

- Production model transits from traditional artificial production to industrialized production: The quick rise in the cost of manpower has made the traditional mainly manpower-based production model no longer adaptable to the rapid corporate development. Meanwhile, there are many software and management issues to be addressed, such as talent training.
- Increased demand from consumers and governments for healthy and safe foods: Because of the increasing awareness among consumers, customers must choose products and suppliers with high health and safety criteria and requirements.
- Convenience is trend: The popularity of deliveries over the past two years has contributed to the growths in dining businesses. Therefore, faster meals and more stable shipping quality are the main elements of market development.

We are aware of the development trends in the dining industry of Mainland China and the challenges and opportunities for related businesses during the process. It invests in frozen noodles factories in Mainland China and continues to guide the market to introduce diversified products so that businesses and consumers are entitled to more assuring and tasty products to jointly promote growth in the dining industry.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The frozen noodles factories obtained the International Quality System certification (ISO9001/ISO22000) and the International Food Safety System certification (HACCP/SQF/FSSC22000), shows that our quality were stable and guaranteed.
- b. More than 20 years of experience in manufacturing frozen dough, controlling and getting insights of the Dining market, and outstanding research, development, and production capabilities.
- c. Omnipresent services to provide customers with comprehensive solutions. Professional consultation-oriented marketing is provided to customers reflective of their different conditions and business development stage to help them improve their competitive advantages.

B. Undesirable factors for development prospects

- a. Overhead including the cost of raw materials and manpower and the stricter food and safety laws and regulations each day are posing sterner challenges for food manufacturers.
- b. In response to the increasing market potential, competing products have gradually begun to emerge.

C. Countermeasures

- a. New products and new value-based management ideas continue to be provided to customers to create differential values.
- b. Assistance is provided to customers while they maximize operational and management aspects and to enrich their operated items with the vast product lines.

(2) Instant Noodle

① Sale of major commodities:

- A. Main products sold: Mee Jang and Little Chef series of instant noodles.
- B. Sold to: Taiwan, Mainland China, Southeast Asia, Australia.

② Future supply and demand and growth on the market:

In light of the world trade internationalization and liberation trends, the Company invested in Thailand in 1990 by setting up its overseas production site. With the world in mind, packaged foods started to be developed and instant noodles and rick crackers are produced.

Namchow Thailand's high-standard production will return the safe and high-quality noodles to Taiwan, providing consumers with another delicious treat. Following an inspection of Namchow's products and its management capabilities, corporate resources were combined to jointly plan introduction of self-brand instant noodles into Mainland China to pro-actively grow the market in China.

Due to the changes in market distribution channels, in addition to physical channels, online sales have risen rapidly as well. In Thailand alone, the domestic online market sales had grown by several times over and we are expecting 2022 to be even more explosive in terms of sales growth. In China, the company has ventured into the arena of international e-commerce distribution back in 2020, and relevant operations are steadily growing. The company is also working to establish an online distribution platform as quickly as possible in the ASEAN market so as to capitalize as many opportunities as possible.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Keeping track of trends on the market and rich in experience, capable of researching and developing products and providing perfect quality.
- b. Flexible production schedule to provide best-in-class supply chain services.
- c. Ensuring food safety.

B. Undesirable factors for development prospects

Unstable prices of raw materials.

C. Countermeasures

- a. More mobile in global procurement in the acquisition of more competitive raw materials.
- b. Accelerate talent recruitment and training to build a professional management team that will establish a firm foothold in Thailand and eventually foray into the global market.

4. Ice Cream

(1) Sale of major commodities:

① Major products sold include

A. Duroyal Ice Cream

a. Retail:

- Ice cream bar: Crunchy Pie series, Super ice cream bars and so forth
- Cone Ice Cream: Duroyal ice cream cone extra chocolate ice cream, double chocolate ice cream, O'Black ice cream, high-grade chocolate ice cream, strawberry ice cream, cream chocolate ice cream, strawberry cheese ice cream and etc.
- Ice cream in barrels: Duroyal select series, Duroyal low fat series, Enjoy series
- Popsicles: Duroyal green mango popsicles, Duroyal pineapple popsicles

- Ice cream desserts: mochi ice series, mochi ice cream series
  - b. Distribution channel: The products are meant as raw materials for ice cream, sweets, soft-serve ice cream, and reconstituted drinks and are supplied to intermediaries in the dining business.
    - Products: Duroyal Ice Cream 3G, Duroyal Ice Cream 3L, Duroyal Soft-serve Ice Cream, Duroyal Super Ice Cream, Duroyal Smoothies
  - B. Kabisuo Royal Russian Ice Cream
    - a. Retail: The products are meant as sweet desserts.
      - 475 ml ice cream, 120 ml ice cream
    - b. Distribution channel: The products are meant as raw materials for ice cream, sweets, and reconstituted drinks and are supplied to intermediaries in the dining business.
      - 5 liters ice cream, 3 liters ice cream
  - C. OEM, ODM
    - a. Retail: The products are meant as sweet desserts.
      - Yuanzu Ice Cream Cakes and Desserts, Family Mart Collection, among others
    - b. Distribution channel: The products are meant as raw materials for ice cream, sweets, and reconstituted drinks and are supplied to intermediaries in the dining business.
      - Family Mart Soft-serve ice cream, among others
- Official website: Duroyal <http://www.duroyal.com.tw/>  
 Kabisuo <http://www.kabisuoicecream.com.tw>
- ② Sold to: mainly Taiwan market
  - ③ Distribution Pattern: B to B, B to C.
  - ④ Distribution channel: The products are available at convenience stores, supermarkets, wholesale stores, dining channels, more than 37,000 sales locations throughout the country.
- (2) Future supply and demand and growth on the market:

Although the market for ice products competition is fierce, the low birth rate has driven recreational foods to become more exquisite and the demand for high value-added products to increase while that for low-price ice products to shrink. This are positive developments for Duroyal and Kabisuo, which are positioned to be moderate-to-high-priced and premium ice cream.

In addition, the heated competition among distribution channels makes it necessary for practitioners to customize their products and create differentiation. Royal Ice Products can take advantage of its outstanding development and production capabilities in creating products of a high CP ratio and to bring about more collaborative opportunities.

Starting from 2016, the company has entered into extensive collaboration with other companies and brand names in the development of licensed products. Starting from 2019, the company followed the trend of crossover collaborations and launched various products with popular brand names in various industries. In 2021, we strictly selected OEM ice products from global high-quality suppliers, cooperated with Japanese ice product manufacturers, and developed Duroyal Japanese Ranch fresh milk puff ice, which received good reviews and were sold enthusiastically.

In 2022, a limited number of co-branded ice products were launched on festival topics, Duroyal Cone Cream x Dian Shui Lou Black Glutinous Rice Cake Taro Puree Ice Cream. In addition, we also stimulate consumers' interest in ice cream

in buckets and ice cream cones, by launching Ice Cream Crispy Milk, Coffee Ice Cream series to provide consumers with more diversified product choices.

(3) Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

① Competitive niche and desirable factors for development prospects

- A. Ice products are an industry featuring a high degree of automation in the production process. Duroyal's production has reached the level of an economy of scale.
- B. Strictly select safe, excellent and stable raw materials, and use strict manufacturing process and quality control.
- C. Sound warehousing and logistic systems to maintain the display and quality of ice products.
- D. Persistent R&D of new products and investment in brand advertising to keep the brand new to consumers despite elapsed time

② Undesirable factors for development prospects

Numerous competing products; the competition is fierce.

③ Countermeasures

Research and develop unique products to satisfy consumers' expectations for novelty and variation and to create product advantages and overcome price competition through differentiation for enhanced brand value.

5. Rice-based foods

(1) Aseptic cooked rice

① Sale of major commodities:

- A. Major products sold are biotechnology cooked rice - High-fiber Aseptic Cook Rice, imperial rice, among other ambient temperature rice.  
Official website: <https://www.omefun.com.tw/>
- B. Sold to: Domestic and international markets such as the United States, Australia, Norway, the United Kingdom, among others.
- C. Sales Distributors: biotechnological cooked rice is available in retail market (Costco, Natural Lohas Zone in Carrefour and other hypermarket and supermarket in the department store), different major e-commerce platform (Pchome Shopping, Momo Shopping, Shopee Mall, Rakuten Bid, ihergo Shopping), Satellite TV (ShinJi TV) and etc.

② Future supply and demand and growth on the market:

Food security has become a global concern. Our government is also proactively promoting local consumption to boost consumption of local rice by initiating the one-more-bite of rice movement in Taiwan; it will help increase consumption of rice and reduce farmland lying fallow and enhance the food self-support rate.

Ambient temperature sterile-packaged rice has been prevailing in Japan, Korea and even mainland China, where rice is the staple. In Taiwan, however, it is still at the budding phase now.

Ambient temperature sterile-packaged rice marks a new milestone reached by Namchow in the rice market.

Taiwan is turning into an aged society. Preventive and functional traditional rice staple will be optimum in keeping oneself healthy and caring for one's future. The introduction of quinoa organic rice in 2020 has successfully expand the sales channels to the Natural Lohas Area of Carrefour, the organic food specialty areas of volume sales channels, which are expected to bring more convenience to consumers.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The first and the only enterprise producing ambient-temperature sterile-packaged rice in Taiwan, creating high access barrier for high-tech food products.
- b. Approved by the government and certified as health food, the products have health-preserving claims.
- c. Winner of the "Senior People Friendly Food" award from the Council of Agriculture in three consecutive times since 2016
- d. In 2019, it was recognized with a "Top Ten Annual New Product Award" issued by foodNEXT, the first Chinese-language professional media source focused on food.
- e. In 2020, the quinoa organic rice from the fiber-rich ambient temperature cooked rice series awarded the 6th "Top Ten Selected Good Products" (Taiwan Grain Industry Association).
- f. In 2021, our Cooked rice with Barley and Oat received the "Top Ten Annual New Product Award" issued by foodNEXT.
- g. In 2021, our Organic Quinoa - Inca's Gold received the Fun Food Taiwan Award organized by the Industrial Development Bureau
- h. Ready-to-serve after having been microwaved for 90 seconds; they are delicious and convenient and can satisfy the quick needs of consumers.

B. Undesirable factors for development prospects

Ambient-temperature sterile-packaged rice is an emerging product on the market and is yet to be widely accepted. It takes time to apply for health food certification, which affects the launch of new products.

C. Countermeasures

- a. The dietary High-fiber Aseptic Cook Rice online shopping mall is created by means of online resources to focus attention on the target consumer population.
- b. Phased promotion helps consumers understand the strengths and characteristics of products.
- c. Creating incentives for consumers to keep buying and building the brand image and reputation.

(2) Rice crackers

① Sale of major commodities:

A. Major products sold are rice crackers and baby rice crackers.

B. Sold to: Europe, North America, the United States, Australia and Southeast Asia

② Future supply and demand and growth on the market:

Because rice-based recreational foods are Gluten Free and Non-GMO and meet the demand for eating healthily, they have begun to gain prominence and be accepted on the mainstream market in the western world. Baby rice crackers were successfully developed and sold in mainstream markets products developed jointly with baby food companies in Europe and America in 2014.

The production line is currently full loaded. In order to continue expanding the throughput, the company decides to make investment and set up a new plant in Thailand and expand the operations in the global market as well as the markets in ASEAN and Thailand. The new plant meets the highest



international standards of gluten-free factories. It produces all kinds of rice food, and installs the most advanced baby rice crackers production line to produce high-quality products with strict manufacturing process which are supplied to the global infant and toddler rice crackers market. In addition to expanding the operation of existing product lines and developing potential new product packages, the company decides to set up the R&D center for baby rice crackers in order to reinforce product development and to continue to lead on the market.

Except the production line of baby rice cracker, the company develop the new snack business by purchasing a new French toast crisp production line. In addition, a growing population of elderly people has made rice crackers for this age group a focus of development as well. The Russia-Ukraine war in 2022 resulted in rising costs such as energy prices, grain prices, flour prices, etc., affecting production costs, however, Namchow Thailand responded appropriately, continued to develop products, cultivate the market, and deepen relationships with partners, maintaining sales and profits.

- ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
  - A. Competitive niche and desirable factors for development prospects
    - a. The exclusive jasmine rice from Thailand is of unique fragrance and texture.
    - b. Robust market development capabilities
    - c. Long-term collaboration with western markets to win trust.
    - d. Competitive prices.
  - B. Undesirable factors for development prospects
    - Unstable prices of raw materials.
  - C. Countermeasures
    - a. Strengthened research and development to maximize product differentiation and to keep the leading strength
    - b. Extension of product items and expansion of product lines to create monopoly value





## 6. Dining

### (1) Dining in Taiwan

- ① The condition of Major Products(Services) Sales(Provided):
  - A. Providing consumers with dining service, banquet sites, recreation and entertainment (DIY).
  - B. Sites: Taipei, New Taipei, and Taoyuan.
- ② Brands and business locations:

	Brand	Location
本場流 專業麵店	<b>Benchangliu Professional Noodles and Rice</b> Namchow introduced Japanese frozen noodles to Taiwan in 1998. Both the production and sale take place in Taiwan. Benchangliu was opened particularly for demonstration purpose. Udon, Chinese ramen, and other noodles are served in the store. There are also special set meals and rice options to satisfy the dining needs of consumers who demand exquisiteness, delicious taste, fast service, and convenience.	Taoyuan Store



	( <a href="https://www.facebook.com/honbaryu/">https://www.facebook.com/honbaryu/</a> )	
 TAIPEI 寶萊納啤酒餐廳	<b>Paulaner Fresh-brewed Beer Restaurant</b> Fresh-brewed German beer and self-made German pork knuckle, sausage, chop meal, and pizza, among other delicious entrees are served in the store. ( <a href="https://www.facebook.com/taipeipaulaner">https://www.facebook.com/taipeipaulaner</a> )	Taoyuan Store Guandu Store
 Dian Shui Lou	<b>Dian Shui Lou Jiangzhe Cuisine</b> The restaurant features a southern China architecture style. One can see artificial landscapes resembling views in southern China everywhere. They are the classic scenic characteristics of Dian Shui Lou. Local cuisines from Jiangsu and Zhejiang are served in the store and are customized to suit the needs of consumers reflective of the characteristics of the shopping district the restaurant is located in. ( <a href="http://www.dianshuilou.com.tw/">http://www.dianshuilou.com.tw/</a> )	1. Nanjing Store 2. Fuxing Store 3. Huaining Store 4. Nankan Store 5. Linkou Store 6. Dazhi Store
	<b>Thai Cuisine Restaurant</b> Authentic Thai food is served and quality fresh spices from Thailand are mixed to produce the most authentic Thai curry and facilitate the preparation of real Thai cuisines. ( <a href="https://www.facebook.com/namchow.thailand/">https://www.facebook.com/namchow.thailand/</a> )	Taoyuan Store
 Le vol du petit prince	<b>Le vol du petit prince French Restaurant</b> Located inside the National Taipei University of the Arts, the restaurant serving safety and delicious French cuisines, providing custom-made meals and provide more diverse options for our consumers ( <a href="https://www.facebook.com/小王子的飛行旅程">https://www.facebook.com/小王子的飛行旅程</a> )	Guandu Store

③ Future supply and demand and growth on the market:

In the 21st century, Taiwan is set to develop towards soft industries such as tourism and catering. Furthermore, competition is fierce among restaurants and in the food and beverage market in various countries around the world. Paulaner Restaurant combines the advantages of the Group's products to develop local specialty dishes that belong to Paulaner, while being accompanied by fresh homemade German beer and traditional German sausages. Outstanding in "competition in competition," it has the status of a well-known brand in the market; and it provides customers with differentiated services and dining environment, taking advantage of this to become a great dining choice for consumers.

The COVID-19 epidemic has changed consumers' consumption habits and lives, resulting in drastic changes in consumption patterns and business district structures, and community stores will become a new trend in the future catering industry, therefor, Paulaner also aims at the consumer demand in the "post-epidemic era", integrating Namchow's existing resources with Namchow Group's advantageous products with a number of food safety certifications: frozen dough, frozen noodles, baking fats, fried fat, Royal Duroyal Ice Cream, Paulaner Fresh-brewed Beer, etc. to boost product production and sales. On December 25 2020, Paulaner opened Taiwan's first integrated neighborhood compounded restaurant in Taiwan in Guandu MRT Station business district in the hopes of getting closer to consumers and doing

business with local, returning customers so as to demonstrate the success formula for Paulaner's community-based store. The store is in fact, a demo store that Namchow wishes to present to tens of thousands of baking and restaurateur customers as a new, viable alternative and this makes the store rather indicative in its function.

In terms of food and beverage services, consumers will become increasingly aware and conscious of food quality and hygiene due to the pandemic. And as such, Paulaner Restaurant is looking to usher in the post-pandemic era by making innovative changes and paying attention to every product detail. The restaurant focusing on place of origin, health, safety, relationship with the customers, improving the internal cohesion of our employees, improving the corporate image, and turning the crisis into an opportunity. As customers pay more and more attention to environmental protection and health issues during the epidemic, we will continue to increase the number of localized products to reduce carbon emissions during delivery, and use NEBOS grease with Namchow 'Clean Label' to make breads, cakes and meals, Clean means less addition, designed to 'be healthy', which proves that we have formed a system of issues that consumers value and consumers are sticky to the Paulaner brand and a long-term interactive relationship has been developed.

Namchow stays true to the concepts of innovation and differentiation in its management of restaurant business. And as such, Dian Shui Lou restaurant has been providing authentic and classic menus for a long term combining local and seasonal fresh food ingredients. Unique and innovative recipes are researched and developed. They have been honored with countless awards over the years. Although it declined to join in the Taipei Michelin rating, it was nevertheless listed for a fifth consecutive year on Michelin's official "Bib Gourmand" recommended food list in 2022.

Dian Shui Lou has already expanded its business territory to Shanghai on the Chinese mainland); and opened the second restaurant in Tokyo, Japan, an international gourmet capital, located right next to Shinjuku Station and across from Isetan Department Store, combining both fashion and culture. It is easily accessible and can accommodate more higher-end customers and tourists.

④ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The Covid-19 epidemic has slowed and economic activity has recovered. The promotion of tourism and delicacies by the government has brought about positive benefits on the dining market.
- b. Promoting multi-national cuisines to differentiate from the general market.
- c. The restaurant has been developing innovative cuisines with seasonal and local food ingredients to keep customers interested in dining at the restaurants at all times.
- d. Food safety issue has gained prominence. The Group established its own food safety office to take charge of assisting restaurants in proactively spontaneous health management and manage food ingredients from the source.
- e. There are a variety of choices over products to give away in holiday seasons and frozen products; the production and sales are steadily growing.

- f. Outstanding brand image.
  - g. Access to group resources for maximum advantages of the Group
  - h. A combination of frozen dough, frozen noodles, Oil & Fat, frying oil and fats, NEBOS Oil & Fat with Clean Lables, Duroyal ice cream, Paulaner freshly brewed beer and other resources of the company to promote and to create innovative neighborhood compounded restaurant.
  - i. and tourism factory resources are combined.
  - j. In light of the pandemic, steps have been taken to improve self-pick up service at the restaurant and in addition to the restaurant's delivery services, the restaurant also provide frozen products for consumers to enjoy at home.
  - k. Capitalize opportunities of stay-at-home opportunities by providing diverse Namchow products, such as Namchow Crystal Soap products, Little Cook Slow-Cooked Noodles, Namchow High-fiber Aseptic Cook Rice and Thai-styled precooked food developed by Namchow Thailand and so forth.
- B. Undesirable factors for development prospects
- a. Although the global epidemic has slowed down, the demand for business (banquet guests) or sightseeing in Taiwan has not yet recovered to the past.
  - b. The catering market is fiercely competitive, presenting a state of oversaturation, shifting business districts and changing crowds, challenging the stickiness of guests.
  - c. Commodity prices are rising yet people's incomes have not increased. This has an effect on the number of people eating out and on their budgets for food consumption.
  - d. Depletion of marine resources, abnormal climate, livestock and poultry disease and collaboration in the government's labor safety policy have driven up the goods receiving cost and personnel cost.
  - e. Serious shortage of catering employees.
- C. Countermeasures
- a. Continuous anti-epidemic measures including daily monitoring of the frontal temperature of colleagues and guests, wearing masks, strengthening the disinfection of elevator spaces, providing dry hand cleaning stations and alcohol wipes for guests to clean and disinfect their hands, and provision of public-use chopsticks with each dish. This is all done so that guests can have more peace of mind. The restaurant provides takeaway snacks at the door of the store, conference lunch boxes, etc., as well as personal delivery services. This differs from general outsourcing in that the meal is delivered by the colleagues of the restaurant in person. This gives more control over staff management and meal quality, and also gives guests more peace of mind. Furthermore, it actively expands the market for home catering and catering for offices and meetings in order to nurture and cultivate local customers from younger age groups.
  - b. One-stop service, select food ingredients, and changing menus help meet the demand of consumers, increase the number of customers, and consolidate the customer base.
  - c. Customized sites (e.g. forum banquet, Nakasi singing party, birthday banquet, wedding banquet, etc.) and services (e.g. take-out, delivery,

catering, etc.) to satisfy the consumers' requirements for various banquets.

- d. Taking advantage of computer software, online resources to realize full communication (for example, FaceBook fan pages for each restaurant, 3D illustrating of the dining venue and so forth) with consumers and increase operating efficiency and competitiveness.
- e. We continue to insist on going the right way and provide high-quality meals to strengthen consumers' confidence in our brand. In the food safety storm, consumers are willing to pay a higher value for eating safely.

## (2) Dining in mainland China

- ① Distribution of locations major products are sold to:
  - A. Dining services for consumers.
  - B. Location: Shanghai, China.
- ② Brands and business locations:

	Brand	Location
	<p><b>Shanghai Paulaner Bee Restaurant</b></p> <p>Serve freshly brewed German beer, authentic Bavarian cuisine and German cultural activities. The restaurant also provides various banquet services, brand activities and various forms of food catering services to satisfy the needs of different customers.</p> <p><a href="http://www.bln-restaurants.com/paulaner/">http://www.bln-restaurants.com/paulaner/</a></p> <p>微信/小红书/微博/大众点评</p> <div style="display: flex; justify-content: space-around; align-items: center;">     </div> <div style="display: flex; justify-content: space-around; align-items: center; font-size: small;"> <p>微信小程序 WeChat Mini-Program</p> <p>微信公众号 WeChat Account</p> <p>小红书号 PaulanerSH</p> <p>微博号</p> </div>	<ol style="list-style-type: none"> <li>1. Binjiang Store</li> <li>2. Shanghai North Bund store</li> <li>3. Raffles City Changning Store</li> <li>4. National Convention Center store</li> <li>5. Expo Centre Store</li> </ol>

- ③ Future supply and demand and growth on the market:
 

Namchow first stepped into the catering market in 1997 by opening Paulaner Beer Garden Restaurant in Shanghai, committed to developing the concept of food and the humanistic connotation of catering, providing customers with catering cultural experience and diversified catering services; Including Bavarian cultural customs and food, German craft beer culture and professional food catering services!

Since the beginning of 2020, the COVID-19 epidemic has cast a lengthening shadow over the world, and international business and cultural activities have come to a standstill; In 2021, the epidemic eased and business activities gradually recovered, but in 2022, the severe epidemic in Shanghai reached its peak, and the epidemic prevention policies and controls in Mainland China were more stringent, imposing a particularly significant impact on service industries such as tourism, hotels and catering!

Due to the opening of borders, the resumption of exhibitions, the return of international business customers and other factors, 2023 will see a good year for comprehensive economic recovery, and the catering market is full of business opportunities! Provide high-quality products and services, broaden

consumption channels, time periods and scenarios, and seize all kinds of business opportunities.

Looking forward to 2023, despite the complex and changeable overall market environment, consumer confidence will gradually recover in the mainland catering and consumer market with the optimization of epidemic prevention policies; the catering and consumer market will have strong resilience, with promising prospects in the future.

Expanding domestic demand and encouraging consumption are important policy directions in Mainland China in 2023, in addition to actively deploying and grasping policy directions and business opportunities, while integrating internal resources of the Group to meet different consumer groups, Paulaner is highly competitive in the catering market, and it is expected that there will be more room for development in the future. In 2023, it plans to expand the bakery product line, increase the existing customers for high-quality bakery services, boost the business revenue and profits of a single store, and strengthen its competitiveness.

④ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Well-known brand image.
- b. The restaurant is located in the best sightseeing spot in Shanghai. (Riverside and North Bund)
- c. Provide Paulaner fresh-brewed beer and Bavarian food culture experience in Germany.
- d. Ability and qualification to contract large-scale party catering.
- e. Combining Group resources and making the best of the Group advantages.

B. Undesirable factors for development prospects

- a. Increased costs of operation such as food ingredients, rent, human resources, and management
- b. Fierce competition on the western dining market.
- c. Changing dining habit and popular professional dining APP delivery service
- d. Larger restaurants are more difficult to manage and maintain.

C. Countermeasures

- a. Continue to emphasize the exclusive value on the dining market.
- b. Combining Group resources and making the best of the Group advantages.
- c. Taking advantage of online social media resources to increase operating efficiency and competitiveness.
- d. Opening up catering market in personal or company's name
- e. Adopting quality pre-packaged semi-finished products/ products to save manpower and increase profits.
- f. The managerial supervisors have the momentum and cohesion to complete the mission.

(II) Purposes and production processes of main products

1. Purposes of main products

- (1) Cleaners: For cleaning clothes, dishes, skin, and the environment, etc.
- (2) Bakery products

- ① Baking oil: for baking, catering and food processing. Used to make all kinds

of bakery products, such as bread, cakes, pastries, Han Pastry, etc.; and food-related products such as cheese topping, thick milk, cheese, etc.

- ② Frozen dough: frozen semi-finished products that fall in the bread category. With the designed bread made into frozen dough, customers (store owners) only have to thaw, ferment, and bake it and fresh-roast bread or desserts are ready to serve (to the consumers).

(3) Flour-based foods

- ① Frozen noodles: With noodles producing technology that leads the world, noodles are cooked to the extent where they taste the best and frozen fresh at -35. Before eating, one only has to reheat it. It is easy, convenient, tasty, safe, and can accommodate diversified preparation techniques.

- ② Instant noodles: Delicious, tasty, fast, convenient, and nutritious products are made.

(4) Ice products: raw materials for making ice products and sweets and prepared drinks.

(5) Rice-based foods

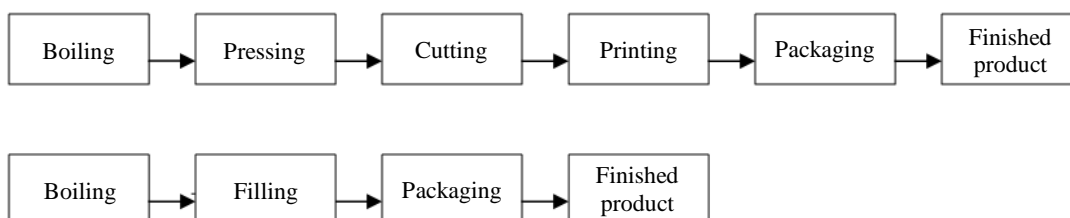
- ① Ambient-temperature rice: Raw rice is prepared applying high technology to render delicious cooked rice that can be kept at ambient temperature. The rice is claimed to exercise health-preserving benefits. Rice is made delicious and easily accessible.

- ② Rice crackers: Delicious and tasty desserts and foods that are popular among the young and the old are produced through the continuous and automatic production process to meet the demand for eating healthily.

(6) Dining: Serving authentic local, sanitary, and safe delicious cuisines, providing thoughtful and tailored services, and passing down the Chinese dietary culture.

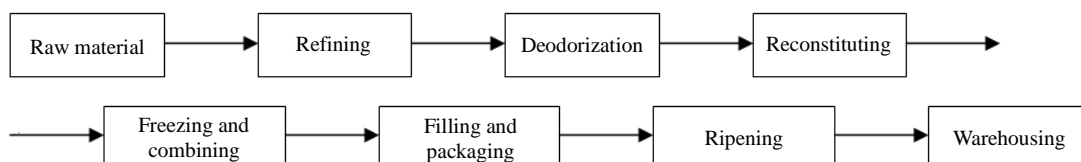
2. Production and preparation processes of main products

(1) Production flowchart for cleaners



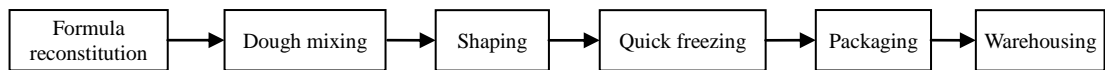
(2) Production flowchart of baked products

① Baking oil

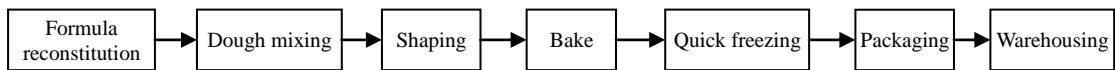




## ② Frozen dough

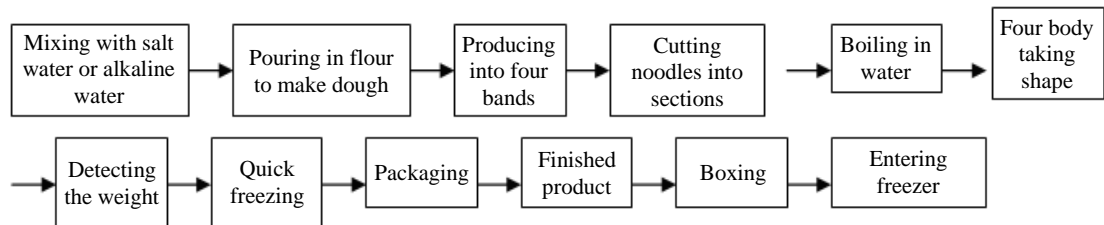


## ③ Pre-baked bread

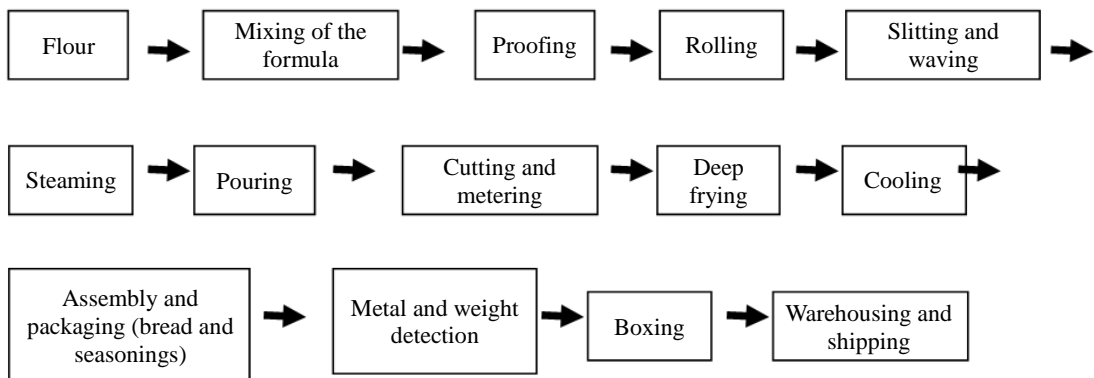


## (3) Production flowchart for flour-based foods

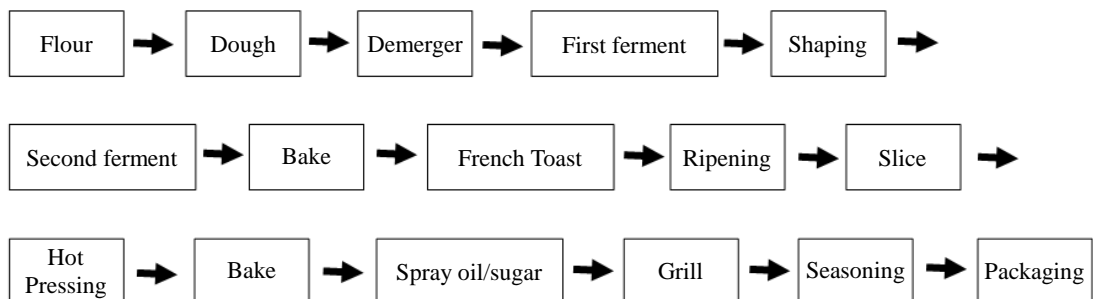
### ① Frozen noodles



### ② Instant Noodles

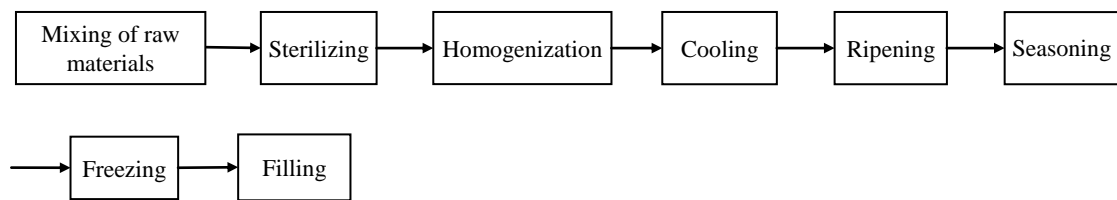


### ③ French Toast Crisp



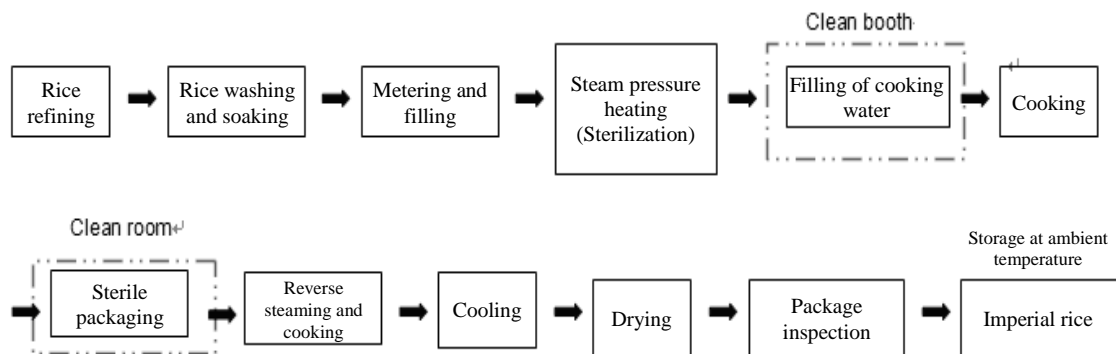


#### (4) Production flowchart for ice products

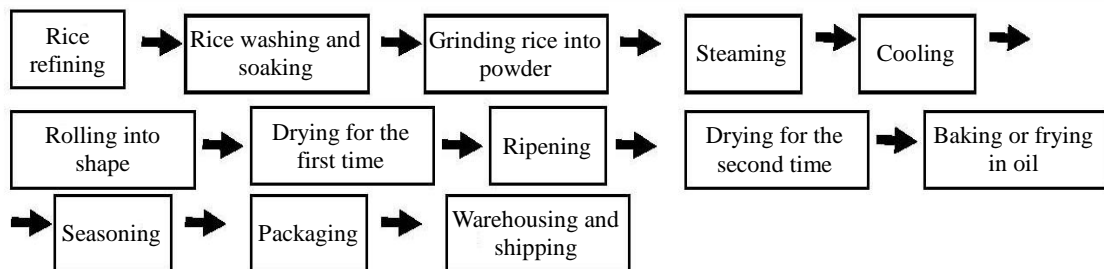


#### (5) Production flowchart for ice crackers

##### ① Aseptic cooked rice



##### ② Rice crackers



### (III) Supply of main raw materials

#### 1. Cleaning agents

The main raw ingredient of soap is oil and fat; it can be butter, coconut oil, palm oil, and canola oil, which are bulky raw materials on the international market. Because of the climate and international supply and demand, prices on the international market fluctuate. Selling prices on the market need to be planned in advance to reflect the cost and to avoid undermined profits as a result of the fluctuations. In marketing, we continue to pass on natural, skin-friendly, and environmental protection ideas. In this way, we let the public understand the benefits that soap brings to life, and actively promote the concept of "green life, starting with soap."

#### 2. Bakery products

##### (1) Baking oil

The most important raw materials for oils and fats are palm oil, coconut oil, soybean oil, butter, and rapeseed oil, all of which are bulky raw materials on the international market, whose supply and demand at the source are under close control by related units to make sure that they are imported by schedule. Affected

by the outbreak of the epidemic in 2020 and the international political situation, the global raw material market continued to rise, making it more difficult for cost monitoring and management. The company continuously grasp the trend of market quotes and information, to sourcing with in right time to make the cost of oils & Fats raw materials effectiveness and reasonable control. international political situation

(2) Frozen Dough

Main raw materials are the flour, oils and fats, yeast, chicken eggs, sugar, and various stuffing, among others.

① Frozen dough in Taiwan

- A. Flour needs to be supplied by domestic flour manufacturers.
- B. Oils and fats are provided by the Company's oils and fats business. Integration of mutual resources inside the Company in the research and development of oils and fats, particularly as needed for the production of the frozen dough, is the key to the management advantages.

② Frozen dough in Mainland China

In light of the underlying thresholds and restrictions in the acquisition of raw materials in Mainland China, Namchow sets higher requirements and is more cautious with the raw materials it obtains in order to have consistent high quality. It only chooses Quality Service (QS) certified suppliers.

- A. Oils and fats: The Company's Tianjin factory supplies oils and fats meant particularly for the production of frozen dough and that can be used in food processing. Unique oils and fats can be tailor made reflective of the frozen dough product and production process requirements.
- B. Wheat flour: Imported and domestic quality wheat is used to produce the special wheat powder that is suitable for frozen dough. At least two suppliers of wheat powder are used to ensure a steady source of raw materials and quality of products.
- C. White sugar: Quality white sugar is used to ensure food sanitation and safety.
- D. Eggs: The eggs are from quality suppliers with a HACCP process and meeting food sanitation and safety requirements.
- E. Various stuffings: Quality stuffings suppliers meeting national specifications are chosen. Quality stuffings are mixed and produced.

3. Flour-based foods

(1) Frozen Noodles

- ① The main raw materials of Udon are the flour, acetic starch, and salt. The flour is imported by Namchow from Australia. Flour has been able to be purchased at appropriate time points reflective of the international factor, changes in prices and the production and distribution plan to keep reasonable inventory. Acetic starch is supplied by domestic dealers. The dealers set their own secure volumes.
- ② The main raw materials of ramen, soba, spaghetti, and Chinese noodles are flour, acetic starch, gluten, egg white powder, improver, alkali, salt, and pigments, among others. Besides flour, salt, and improver, which are manufactured domestically, all the others are purchased through agencies. All of the raw materials are closely monitored according to the production and distribution plan at the source of supply by related units and there is reasonable inventory at any time.

## (2) Instant Noodles

The main raw material is flour. The international market price of wheat and harvest seasons of wheat in areas around the world have to be kept track of. The exchange rate factor has to be considered and a global purchase strategy is applied to obtain flour supplies.

## 4. Ice Cream

The main raw materials are the skimmed milk powder, clarified butter, oils and fats, and special sugar, among others.

- ① Skimmed milk powder, clarified butter: Lucky Royal Co., Ltd. is to import dairy products from Australia & New Zealand where cows are let to roam the prairie in the nature. The required quantities are to be purchased whenever it is considered appropriate according to the international market price and there has to be the safety stock.
- ② Oils and fats: Namchow oils and fats are used because they are of optimal quality and come from safe sources. The supply is steady and prices are reasonable.
- ③ Special sugar: The special sugar from the Taiwan Sugar Corporation is used. Taiwan Sugar is known for its scientific sugar production methods and quality products. The supply is steady and prices are reasonable.

## 5. Rice-based foods

### (1) Aseptic cooked rice

The main raw materials are the packing materials and rice.

- ① Packing material: The sealing film and shallow plates used for the ambient-temperature rice are made of multi-layered obstructive functional materials that can completely keep off oxygen to accordingly inhibit the growth of microorganisms. There are no similar products available in Taiwan and hence they have to be imported from Japan. Joint development with domestic famous packing material heavyweight manufacturers will be a goal in the future to bring down the packaging cost.
- ② Rice: CNS first-grade optimal rice grown locally in Taiwan is used as the main ingredient for the delicious cooked rice. Efforts will be placed to further investigate the feasibility of devoted contract cultivation in order to maintain steady quantity and quality of this main raw material for the product and storage and transport conditions will be carefully monitored. What is most important is that a complete product production traceability and follow-up system has been in place to enable the general consumers to feel safe and assured with what they eat.

### (2) Rice crackers

The main raw material is rice. Quality Jasmine rice from Thailand and other special rice are selected for the production in order to ensure quality of rice and steady supply. Contracts are entered into with suppliers to create a long-term partnership.

## 6. Dining

### (1) Dining in Taiwan

- ① Self-made beer: With the German wine-maker based on site, quality of fresh-brewed beer is carefully controlled.
- ② All the main raw materials are CAS, GMP, FGMP, HACCP, ISO22000 and ISO9001 certified and are strictly safeguarded in terms of sanitation and safety. In addition, food ingredient traceability is carefully created. Suppliers

are being managed. For priority food materials, professionals from the food safety office will visit the site to make sure that they are grown or slaughtered in a sanitary and safe way. All meat products and seafood come with test reports and are sanitary and safe. In addition, local seasonal fresh food ingredients are used through collaboration with respective farmers' associations and farmers.

(2) Dining in mainland China

Providing freshly made meals and catering service. Providing subordinate restaurants with consistent semi-finished products applying the central kitchen idea to reduce costs and expenditures.

(IV) Names of customers with 10% or more purchases or sales and the value of purchases or sales in the past two years and their ratios: please describe the reason for the increase or decrease.

1. Data of major suppliers in the past two years

Unit: NT\$1,000

	2023				2021			
No.	Name	amount	Ratio in net purchases throughout the year [%]	Relationship with the issuer	Name	amount	As a percentage of the annual net purchase (%)	Relationship with the issuer
1	Suppliers without reaching 10% or more of the total value of sales in any of these two years.							
2	Others	12,436,164	100	-	Others	11,267,913	100	-
3	Net purchases	12,436,164	100	-	Net purchases	11,267,913	100	-

2. Data of major sales customers in the past two years

Unit: NT\$1,000

	2023				2021			
No.	Name	amount	As a percentage of the annual net sale (%)	Relationship with the issuer	Name	amount	Ratio in net sales throughout the year [%]	Relationship with the issuer
1	Customers without reaching 10% or more of the total value of sales in any of these two years.							
2	Others	20,478,405	100	-	Others	19,861,770	100	-
3	Net sales	20,478,405	100	-	Net sales	19,861,770	100	-

Reason for the increase or decrease:

Increased purchases are mainly due to a high-speed inflation, rising prices of international raw materials, the impact of the Russia-Ukraine War, and the lockdown in China for pandemic and other changes in the overall environment affecting the consumer market.

Sales: The increase was mainly due to the gradual recovery of people's livelihood consumption this year and the growth of business revenue from noodles, rice and ice products.

## (V) Production volumes/values in the past two years

Unit: Ton - NTD thousand

Production volume Main products (or department)	Year	2022			2021		
		Throughput	Production volume	Production value	Throughput	Production volume	Production value
Oils and fats		248,843	138,600	9,228,859	248,843	162,305	8,954,233
Cleaners		9,420	5,130	306,425	9,420	5,966	280,392
Ice Cream		20,779	10,968	1,009,171	19,022	8,603	803,993
Foods		50,251	32,420	2,655,526	50,251	31,688	2,568,474
Frozen Dough		30,218	8,869	1,055,981	15,626	9,160	1,092,663
Others		2,098	352	181,068	2,098	1,660	206,827
Total		361,609	196,339	14,437,030	345,261	219,382	13,906,582

## (VI) Sales volume/values in the past two years

Unit: Ton - NTD thousand

Sales value Main products (or department)	Year	2022				2021			
		Domestic		International		Domestic		International	
		Sold volume	Sold value	Sold volume	Sold value	Sold volume	Sold value	Sold volume	Sold value
Oils and fats		12,134	981,113	133,060	11,708,222	14,926	1,072,587	147,534	11,613,464
Cleaners		4,362	495,823	0	0	5,143	502,638	0	0
Ice Cream		10,526	1,406,212	0	0	8,291	1,186,805	0	0
Foods		8,754	538,775	28,256	3,217,757	8,257	486,158	23,972	2,750,858
Frozen Dough		3,640	532,413	5,286	946,873	3,704	471,713	4,699	869,323
Dining		0	330,511	74	226,902	0	310,877	233	501,571
Others		0	54,528	0	39,276	0	47,003	0	48,773
Total		39,416	4,339,375	166,676	16,139,030	40,321	4,077,781	176,438	15,783,989

### III. Information of Employees

Information of employees in the past two years and up to the date of printing of the Annual Report

Year		2021	2022	As at March 29, 2023
Number of employees	Domestic	1,278	1,284	1,233
	International	3,266	3,401	3,500
	Total	4,544	4,685	4,733
Mean age		38.93	38.27	40.66
Mean seniority in service		7.58	8.26	8.49
Degree Distribution Ratio	PhD	0.02%	0.02%	0.02%
	Master	5.20%	5.32%	5.35%
	College and University Graduate	38.10%	37.93%	38.12%
	Senior high/vocational high school graduate	35.20%	36.11%	33.23%
	Below senior high/vocational high	21.48%	20.62%	23.28%



#### IV. Information on Environmental Protection Expenditure:

Expenses on environmental protection of companies and factories in Mainland China

1. Company: Tianjin Namchow Food Co., Ltd.

No.	Item	Amount incurred in 2022 (RMB)
1	Environmental protection	3,000
2	Environmental monitoring	58,050
3	EIA fees, environmental protection completion acceptance	63,000
4	Hazardous waste treatment	46,218.81
5	Regulatory treatment of solid waste (sludge disposal)	700,433.50
6	Treatment of daily trash	106,080
7	ISO14001 system consulting and certification fees	20,802.50
8	Replacement of air flotation machine in sewage plant	316,000
9	Upgrading and reconstruction of online monitoring system for sewage plant	273,500
10	Operating and Maintenance Expenses for online monitoring system for sewage from production	80,000
Total		1,667,084.81

2. Company: Tianjin Yoshi Yoshi Co., Ltd.

No.	Item	Amount incurred in 2022 (RMB)
1	Environmental monitoring	10,400
2	Hazardous waste treatment	28,149.61
3	ISO14001 system consulting and certification fees	14,177.50
4	Maintainence and Operating Expense from COD monitoring facility from sewage of domestic sewage	43,000
Total		95,727.11

3. Company: Guangzhou Namchow Food Co., Ltd.

No.	Item	Amount incurred in 2022 (RMB)
1	Regulatory service	3,980
2	Environmental protection monitoring	86,347
3	Operating expenses for sewage station	2,428,425
4	Treatment of daily trash	67,655
5	Public sewage treatment	360575.68
6	ISO14001 & OHSAS18001 certification	16,550
7	Hazardous sewage treatment	43,868
8	Others	533,863
<b>Total</b>		<b>3,541,263</b>

4. Company: Guangzhou Yoshiyoshi Food Co., Ltd.

No.	Item	Amount incurred in 2022 (RMB)
1	Waste liquids treatment	153,446
2	ISO14001 & OHSAS18001 certification	178,675
3	Hazardous waste treatment	13,679
4	Treatment of daily trash	42,555
5	Environmental protection monitoring	11,321
6	Other expense	162,316.9
<b>Total</b>		<b>561,993</b>

5. Company: Guangzhou Namchow Food Co., Ltd.

No.	Item	Amount incurred in 2022 (RMB)
1	Costs of maintenance, transformation and service of environmental protection equipment	651,209.20
2	Hazardous sewage treatment	64,357.17
3	Environmental protection tax	1,566.20
4	Disposal of garbage	443,255.90
5	Chemical Compound for Sewage(reagent, acid and alkali)	234,854.50
6	Inspection fee (exhaust gas, sewage)	147,942.30
7	Service Fees for Environmental Protection (Service Fees for Sewage Technics, Environmental Impact Assessment of Planning and Maintenance fees for Environmental Protection Facilities)	259,767.96
8	Sewage Treatment Fees	244,287.58
9	Electricity consumption of sewage treatment plant	140,464.00
<b>Total</b>		<b>2,187,704.81</b>

6. Company: Shanghai Qiaohao Food Co., Ltd.

No.	Time	Item	Description	Amount incurred in 2022 (RMB)
1	January-December 2022	Expenses for handling the kitchen waste and the expenses for cleaning the grease trap	According to the requirements, the kitchen waste and the disposal of grease shall be handled by the unit with certain criteria.	31,698
2	January-December 2022	Expenses for removal of daily trash	According to environmental protection requirements, the Company needs to entrust a unit with relevant qualifications with disposal of domestic waste.	22,424
3	January-December 2022	Landscaping and maintenance	Removal of weeds from idle and vacant land in the factory complex, and planting flowers and trees.	15,000
4	January-December 2022	Hazardous waste transportation and handling fee	According to the "Law of the People's Republic of China on Prevention and Control of Solid Waste", the hazardous sewage treatment shall be appointed to certain unit with related qualifications.	15,538
5	January-December 2022	Detector reagent in sewage station	Consumables used for online monitoring facilities of the sewage plant	8,850
6	January-December 2022	Pollution discharge test (Three Waste Detection)	According to the requirements of the pollution discharge permit, the tests of the wastewater/waste gas/noise of the Company are outsourced at regular intervals.	40,434
<b>Total</b>				<b>133,943</b>

## V. Employer-employee Relations

Since its establishment, the Company has regarded its employees as its most important assets. When planning and implementing respective personnel systems and welfare measures, the Company place employees at the core. Various personnel and welfare systems are described as follows:

(I) Personnel system:

Personnel guidelines are established in compliance with the Labor Standards Act and applicable laws and regulations; there are requirements on the wages, working hours, leave, retirement, labor safety and health, gender equality, and various types of welfare for employees.

(II) Retirement system:

The Namchow Group has the “Labor Pension Fund Monitoring Committee” in place as it is required by law and periodically recognizes the net cost of the pension fund according to the results calculated by the actuary on a yearly basis. According to the retirement system indicated in the Labors Standards Act, it sets aside a retirement reserve for employees to whom the old system applies in the dedicated account with the Trust Department of the Bank of Taiwan in order to protect the rights of employees. For those to whom that the Labor Pension Act applies, 6% of their salary is set aside to the personal pension fund account at the Bureau of Labor Insurance. All are meant to properly take care of employees while they are at work and after they retire.

In accordance with the Labor Standards Act as amended on February 4, 2015, the new Article 56 Item 2 was implemented to implement the retirement labor pension full-payment system. Employers should estimate the retirement pension required for the next year’s achievement of retirement conditions before the end of each year. And before the end of March of the following year, they should make up the difference in labor retirement reserve to the Taiwan Bank retirement fund account. The Namchow Group completed the full provision of the prior labor returns in accordance with government regulations.

(III) Gender equity in employment:

The guidelines for handling complaints about sexual harassment are established to pro-actively protect gender equality in employment and enable both genders to apply their skills in a fair, open and just working environment. Meanwhile, the Company works with registered legal daycare centers which provide children of its employees with preferred rates so that employees can take care of their family and their work at the same time. The hope is that employees can grow together with the Company.

(IV) Employee benefits:

1. Employee Welfare Committee

The Employee Welfare Committee is established to plan for the establishment of a welfare system and to continue promoting various benefits; the information is provided to colleagues through the intranet of the Company.

2. Benefits offered by Namchow and the Employee Welfare Committee are as follows:

Type	No.
Educational subsidies for children	Educational scholarships and discounts on child-care/education are provided for children
Club/activity subsidies	Subsidies for holidays, gatherings, club equipment and venues, and activities.
Festival/birthday gift	Spring Festival gifts, Dragon Boat Festival gifts, Mid-Autumn Festival gifts, Double Ninth Festival gifts and birthday gifts
Employee insurance	Labor Insurance/National Health Insurance Group insurance (life insurance, accident insurance, accident medical insurance, hospital cover, cancer insurance)
Pension	There is the retirement fund set aside for each employee in accordance with the Labor Standards Act and the Labor Pension Act.
Employee care	1. Health exams for employees 2. Condolence payments for employees and family members of the first degree upon hospitalization 3. Wedding/funeral gift money, hospitalization condolence money 4. Condolences for retired employees 5. Subsidy for influenza vaccination

(V) Continuing education and training:

Employees are important assets of Namchow. The Company pro-actively develops talent through various types of educational training:

1. New employee training: including basic training and introduction training, to help new employees understand the Company's landscape and operational model and adapt to the Company's culture and working content as soon as possible
2. Internal training: Hold food safety and health training, food safety control training, food protection training, food factory and food practitioner related training, operational safety and hygiene, fire extinguishing, financing accounting, management and etc.
3. External training: Employees can submit a request to be approved by the head of their department and take part in external training programs that suit their needs at work
4. Participating in exhibitions/seminars: To help extend the horizon of its employees and help them absorb new knowledge, the Company sends them to attend food fairs and seminars in the nation and overseas.

(VI) Workplace and personal safety:

Create a safe, sanitary and healthy workplace, hold fire prevention/public safety training, employee safety educational training, rescue staff safety and health educational training, and safety and health ideas and prevention against disasters, among others.

(VII) Employer-employee Relations:

Being aware of the importance of co-existence and co-prosperity between employers and employees, the Company proactively promotes a harmonious employer/employee relationship by comprehensively reinforcing communication and coordination and

constantly improving the workplace. In addition, the industrial union is established by law. The parties communicate with each other periodically and from time to time to reach a consensus. In the future, efforts will continue to bring together the employer and the employees by heart applying the principle of integrity to jointly create profits.

(VIII) Employer-employee disputes in the past three years: None

## VI. Cyber Security Management

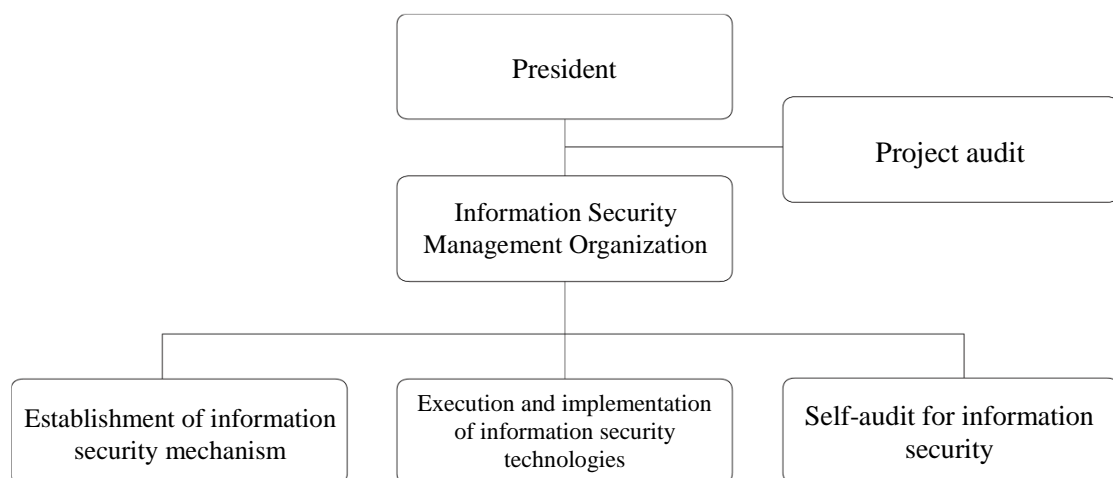
(I) Cyber security management strategies and framework

1. Cyber security risk management framework

(1) Corporate information security governance organization

The IT Department oversees the Information Security Management Committee, responsible for the overall planning and establishment of information security and protection related policies, relevant implementations, risk management and compliance audit. The highest ranking supervisor of the corporate information security organization shall report semiannually to the President on the results of information security management, related issues and directions. The Project audit personnel shall shoulder the responsibility for the supervision and governance of corporate information security, auditing the management mechanism and direction of the company's information and network security.

(2) Information security organization structure



2. Cyber security policy

(1) Our corporate information security management strategy involves the establishment of a corporate information security organization and in order to ensure effective information security management, the organization has been conducting monthly meetings with the “Information Protection Taskforce” at the Taiwan factories and various subsidiaries, following the Plan-Do-Check-Act (PCDA) management cycle to review the suitability of existing information security policy and relevant protective measures. The organization is also expected to report periodically to the dedicated information security organization on the outcome of relevant executions.

In the “Plan” stage, we emphasize information security risk management by establishing a comprehensive information security management system (ISMS), designed to reduce corporate information security threat from various aspects of systems, technologies and procedures while building a protective service at maximum specification for confidential information as needed by our customers.

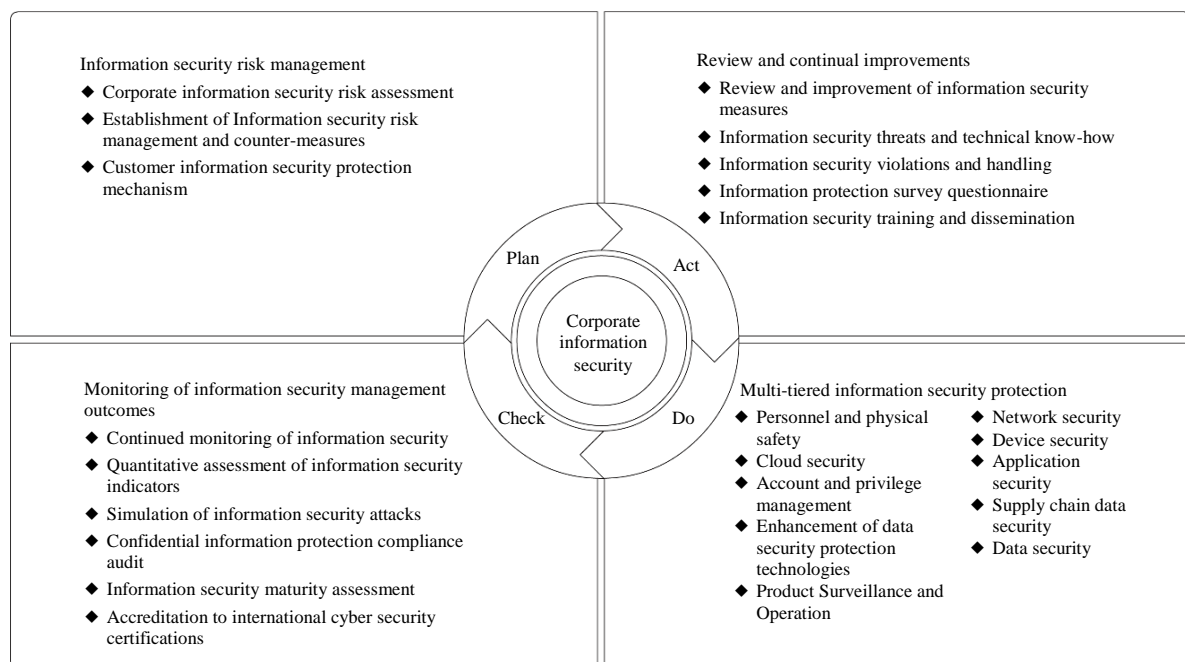
In the “Do” stage, we proceed to construct multiple tiers of information security protection and continue to incorporate the latest technologies in information security protection to integrate relevant control schemes in the operation of relevant software and hardware, daily management/administrative procedures involving information security management for suppliers so as to systemize the security of monitoring data, thereby maintaining the confidentiality, integrity and accessibility of key assets.

In the “Check” phase, we shall actively monitor the results of information security management to identify relevant key indicators for information security and perform relevant qualitative analyses. Through scheduled simulation of information security threats and attacks, we would be able to complete our assessment of information security maturity.

For the “Act” phase, our efforts will be focused on relevant reviews and continual improvements while performing supervisions and audits to ensure lasting effectiveness of our information security regulations. On top of that, we will also implement scheduled reviews of relevant performance indicators and maturity assessment before taking corresponding actions such as introducing new information security measures, employee training or dissemination of specific improvements to ensure the integrity of confidential information.

## (2) Framework of corporate information security risk management and continual improvement

### Framework of corporate information security risk management and continual improvement





(3) Concrete management solution

- In order to achieve the objectives of information security policy and comprehensive cyber security protection, the management matters and specific management plans are as follows:
- Improve cyber security defense capabilities: Regular vulnerability analysis and penetration testing of cyber security systems, and strengthen and repair cyber security systems to reduce information security risks. Prepare a cybersecurity incident response plan, conduct impact and damage assessments according to the severity level of the incident, and take corresponding notification and recovery actions.
- Improve cyber security management procedures: In addition to continuously strengthening cyber security defense capabilities, we must also pay equal attention to management procedures and awareness. Employees should comply with cyber security regulations (e.g., strict control of mobile storage devices), follow SOP procedures, and continuously conduct PDCA cycles for continuous improvement.
- Improve network, endpoint and application security: Improve the anomaly detection and protection capabilities of endpoint devices, including DDI and DLP detection mechanisms. Optimization of overall cyber system network security.
- Risk control: Cooperate with cyber security manufacturers to conduct overall cyber security detection through their professional services, and take the objective results of impartial third-party verification as the basis for advanced cyber security enhancement to protect the Company by minimizing potential losses in the event of cyber attacks.
- Education and training: Carry out cyber security education and training for all employees and irregular social engineering phishing email testing to enhance cyber security awareness, so that the operation of cyber security is implemented to every employee with the support of senior supervisors of departments.
- Epidemic control: In response to the global COVID-19 epidemic, we strengthen the anti-virus and cyber security protection measures of Work from Home (WFH), promote the non-use of public computers and the Internet for work use, and fulfill the responsibility to protect corporate cyber security.

Network security	<ul style="list-style-type: none"> <li>◆ Introduce advanced technologies for PC scanning and firmware updates</li> <li>◆ Strengthen network firewall and network control to prevent computer virus from intersystem and inter-factory outbreak</li> </ul>
Device security	<ul style="list-style-type: none"> <li>◆ Construct virus scanning mechanism for incoming machinery/equipment to prevent equipment with malware from entering the company's system</li> <li>◆ Introduce terminal virus prevention measures in accordance with PC types and strengthen the detection of malicious software/behaviors</li> </ul>
Application security	<ul style="list-style-type: none"> <li>◆ Establish self-inspection checklist, assessment standard and objectives for improvement for development applications</li> <li>◆ Continue to strengthen security control mechanism for applications and integrate said mechanism relevant development processes and platform</li> </ul>
Supply chain data security	<ul style="list-style-type: none"> <li>◆ Construction of information security self-audit mechanism for suppliers</li> <li>◆ Periodically convey the company's latest information security regulations and relevant precautions</li> </ul>
Enhancement of data security protection technologies	<ul style="list-style-type: none"> <li>◆ Develop advanced information protection tools and fortify document confidentiality classification and data protection with data label</li> <li>◆ Encryption control for document and data and effective tracing</li> <li>◆ Control of outgoing email</li> </ul>
Training and dissemination	<ul style="list-style-type: none"> <li>◆ Bolster employees' awareness for potential social engineering attacks in their emails and implement phishing detection</li> <li>◆ Conduct routine training and drills to help employees strengthen their ability to identify potential attacks and enhance their awareness for information security</li> </ul>

## (II) Cyber security risks and counter-measures

### 1. Information technology security risks and management measures

Although the company has already established comprehensive network and PC related information security protective measures, there is no way to guarantee that key computer systems responsible for the control or maintenance of key corporate functions (i.e. manufacturing, operation, accounting and so forth) is fully protected from network attacks from a third-party with the intention of crippling our systems. These network attacks may invade the company's intranet system and sabotage the company's operations or damage the company's reputation through various malicious activities. Once subjected to aggressive network attacks, it is possible for the company's systems to lose essential data and even potential disruption of production lines. Through continual reviews and assessment of our information security regulations and procedures, the company could ensure their suitability and effectiveness. Nevertheless, there's no guarantee that the company will be safe from the potential risks and threats of information security, given how rapidly relevant technologies are progressing. It is also possible that network attacks might be perpetrated to steal the company's business secrets or other confidential information (i.e. information belonging exclusively to our customers or other stakeholders or personal information of our employees).

Malicious hackers may also try to upload computer virus, malware or ransomware to the company's network system as a way to interrupt the company's operation, blackmail or extort the company for access/control of its computer systems or prying

for confidential information. Such attacks may lead to delays or disruption of order fulfillment for the company, thereby incurring loss for the company due to compensation paid to customers for their losses. Alternatively, such attacks may also incur substantial costs for reparation, recovery or improvement measures to fortify the company's network security system. In addition, the company may also be involved in relevant legal or regulatory investigations due to the loss of information/belonging to employees/customers/third-parties which the company is responsible for keeping confidential, thereby assuming significant legal liabilities.

In the future, the Company had been under attack due to purchase of equipment that has been preloaded with malware, and may be faced with similar attacks in the future. In order to prevent and alleviate the potential damages caused by such attacks, the company has implemented and continually updated relevant improvement measures, such as the introduction of virus scanning mechanism for incoming machinery/equipment to prevent equipment with malware from entering the company's system; strengthening network firewall and network control to prevent computer virus from intersystem and inter-factory outbreak; introducing terminal virus prevention measures in accordance with PC types and strengthen the detection of malicious software/behaviors; introducing advanced solutions to detect and handle malware; designing and developing PC with enhanced information security features for employees; designing and developing cloud application security policies; introducing new technologies to fortify data protection; strengthening phishing detection; building an integrated automatic information security platform and performing routine employee alertness tests and commissioning external experts to perform information security evaluation. Although the company has continued to strengthen its information security protection measures, there is no guarantee that the company will be fully protected against malware and hacker attacks.

In addition, the company is required to disclose highly sensitive and confidential information to third-party service providers that work with the company and its affiliates around the globe so that they could provide their services. Even though the company has requested all third-party service providers to abide by relevant confidentiality/network security regulations when entering into service contracts with them, there is no guarantee that all third-party service providers would strictly abide by these terms. In addition, the company's intranet system and external cloud computing network (i.e. server) maintained by aforementioned service providers and/or contractors might also be exposed to the risks of network attacks. If the company or its service providers are unable to resolve technical issues caused by such online attacks in time or ensure the integrity and usability of data belonging to the company (or its clients/other third-parties) or regain control of the company (or its service provider)'s computer systems, the company may be exposed to threats of serious losses and failing to keep promises that the company has made to customers or other stakeholders. Consequently, this could result in dire consequences and impact on the company's operations, finances and reputation.

### (III) Major cyber security incidents

There has been no major cyber security incidents in the year and no losses have been incurred.

## VII. Important Contract

Nature of contract	Client	Start/end dates of contract	Main contents	Restrictions
Trademark Use Contract	Subsidiary Namchow BVI and Germany Paulaner	October 01, 2019-September 30, 2029 automatically extend for ten years after the contract expires, and automatically extend for another five years after expiration	According to the contract, the monthly trademark usage fee is calculated by multiplying the monthly net turnover by multiplying the fixed ratio by the revenue from the restaurant's beer sales minus service fees and value added tax.	None
Trademark Use Contract	Subsidiary Lucky Royal and Germany Paulaner	October 01, 2019-September 30, 2029 automatically extend for ten years after the contract expires, and automatically extend for another five years after expiration	The company provides trademark use rights, assists in planning the establishment of restaurants, providing consulting services and brewing technology. Lucky Royal pays the right to use the trademark.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Test Rite Retail Co., Ltd.	2020.08.01~2023.07.31	It is agreed that a certain percentage of the total turnover will be selected.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Mitsui Outlet Park	2019.4.01-2031.3.31	It is agreed that a certain percentage of the total turnover will be selected.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Pacific Sogo Department Store, Fuxing Branch	March 1 2022-February 28 2023 March 1 2023-February 29 2024	It is agreed that a certain percentage of the total turnover will be selected.	None

## VI. Financial Status

### I. Brief Balance Sheet and Income Statement for the Past Five Years

#### (I) Brief Consolidated Asset Balance Sheet

Unit: NTD thousands

<div>Year</div> <div>No.</div>		Financial data of the past 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		9,580,966	9,512,619	10,796,850	16,011,182	17,185,495
Funds and long-term investments		40,259	43,623	19,822	24,795	15,872
Real estate, manufacturing facilities and equipment		11,840,792	12,408,247	12,749,928	11,887,111	11,954,365
Intangible assets		105,417	105,417	105,417	105,417	105,417
Other Assets		541,429	1,785,276	1,668,467	1,385,363	1,202,633
Gross assets		22,108,863	23,855,182	25,340,484	29,413,868	30,463,782
Current liabilities	Before distribution	7,998,444	7,347,150	11,043,938	6,561,148	7,595,803
	After distribution	8,790,600	7,933,932	11,632,204	7,208,241	8,184,069 (Note 2)
Non-current liabilities		7,814,398	10,088,019	7,341,157	11,017,062	10,488,006
Others		-	-	-	-	-
Gross liabilities	Before distribution	15,812,842	17,435,169	18,385,095	17,578,210	18,083,809
	After distribution	16,604,998	18,021,951	18,973,361	18,225,303	18,672,075 (Note 2)
Equity attributable to owners of parent company		6,005,745	6,101,512	6,619,546	9,106,962	9,472,666
Capital stock		2,941,330	2,941,330	2,941,330	2,941,330	2,941,330
Capital reserve		1,011,972	1,136,347	1,214,039	3,590,865	3,682,995
Retained earnings	Before distribution	3,188,156	3,374,370	3,721,008	4,204,640	4,138,506
	After distribution	2,396,000	2,787,588	3,132,742	3,557,547	3,550,240 (Note 2)
Other equities		(558,853)	(773,675)	(726,717)	(1,099,759)	(760,051)
Treasury stock		(576,860)	(576,860)	(530,114)	(530,114)	(530,114)
Non-controlling interest		290,276	318,501	335,843	2,728,696	2,907,307
Total equity	Before distribution	6,296,021	6,420,013	6,955,389	11,835,658	12,379,973
	After distribution	5,503,865	5,833,231	6,367,123	11,188,565	11,791,707 (Note 2)
Inspecting (Reviewing) CPA		An-Tian Yu	Po-Shu Huang	Po-Shu Huang	Po-Shu Huang	Po-Shu Huang
		Po-Shu Huang	Lin Wu	Chung-Shun Wu	Chung-Shun Wu	Chung-Shun Wu
Inspection (Review) Feedback		No reservations	No reservations	No reservations	No reservations	No reservations

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: Amount decided by the board of directors on March 14, 2023.

## (II) Brief Consolidated Income Statement

Unit: NTD thousands

No.	Year	Financial data of the past 5 years (Note 1)				
		2018	2019	2020	2021	2022
Business income		18,287,354	18,343,979	17,621,763	19,861,770	20,478,405
Gross operating profit		6,077,582	6,425,922	5,939,333	6,271,819	5,345,360
Business loss		1,670,270	1,671,088	1,677,745	1,788,484	893,142
Non-business income and expenditure		(154,627)	(68,619)	(21,094)	149,424	180,296
Pre-tax net profits (losses)		1,515,643	1,602,469	1,656,651	1,937,908	1,073,438
Continuing department net profit for the period		1,061,813	1,013,307	995,601	1,239,144	691,717
Loss of the closed units		-	-	-	-	-
Net profits (losses) of the term		1,061,813	1,013,307	995,601	1,239,144	691,717
Other comprehensive gains and losses of the term (After-tax net value)		(64,305)	(221,534)	2,119	(327,359)	401,962
Sum of general gains and losses of the term		997,508	791,773	997,720	911,785	1,093,679
The net profits belong to the client of the parent company		1,012,724	964,149	950,697	1,071,166	559,669
The net profits are part of non-controlling interests		49,089	49,158	44,904	167,978	132,048
The sum of general gains and losses belongs to the client of the parent company.		954,252	763,548	980,378	698,856	920,667
The sum of general gains and losses is part of non-controlling interests.		43,256	28,225	17,342	212,929	173,012
Earnings per share		4.09	3.90	3.84	4.32	2.26

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

## (III) Brief Entity Asset Balance Sheet

Unit: NTD thousands

Year No.		Financial data of the past 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		174,534	221,402	92,247	91,705	344,926
Funds and long-term investments		10,956,832	11,942,134	12,861,579	16,224,561	16,993,547
Real estate, plant and equipment and investment real estate		2,085,897	2,072,087	2,056,176	2,044,311	2,036,604
Intangible assets		-	-	-	-	-
Other Assets		51,749	35,426	52,462	19,043	18,113
Gross assets		13,269,012	14,271,049	15,062,464	18,379,620	19,393,190
Current liabilities	Before distribution	1,538,434	891,959	4,167,091	216,348	1,051,360
	After distribution	2,330,590	1,478,741	4,755,357	863,441	1,639,626 (Note 2)
Non-current liabilities		5,724,833	7,277,578	4,275,827	9,056,310	8,869,164
Others		-	-	-	-	-
Gross liabilities	Before distribution	7,263,267	8,169,537	8,442,918	9,272,658	9,920,524
	After distribution	8,055,423	8,756,319	9,031,184	9,919,751	10,508,790 (Note 2)
Capital stock		2,941,330	2,941,330	2,941,330	2,941,330	2,941,330
Capital reserve		1,011,972	1,136,347	1,214,039	3,590,865	3,682,995
Retained earnings	Before distribution	3,188,156	3,374,370	3,721,008	4,204,640	4,138,506
	After distribution	2,396,000	2,787,588	3,132,742	3,557,547	3,550,240 (Note 2)
Other equities		(558,853)	(773,675)	(726,717)	(1,099,759)	(760,051)
Treasury stock		(576,860)	(576,860)	(530,114)	(530,114)	(530,114)
Total equity	Before distribution	6,005,745	6,101,512	6,619,546	9,106,962	9,472,666
	After distribution	5,213,589	5,514,730	6,031,280	8,459,869	8,884,400 (Note 2)
Inspecting (Reviewing) CPA		An-Tian Yu	Po-Shu Huang	Po-Shu Huang	Po-Shu Huang	Po-Shu Huang
		Po-Shu Huang	Lin Wu	Chung-Shun Wu	Chung-Shun Wu	Chung-Shun Wu
Inspection (Review) Feedback		No reservations	No reservations	No reservations	No reservations	No reservations

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: Amount decided by the board of directors on March 14, 2023.



## (IV) Brief Entity Income Statement

Unit: NTD thousands

No. \ Year	Financial data of the past 5 years (Note 1)				
	2018	2019	2020	2021	2022
Business income	60,498	61,076	64,132	59,683	60,183
Gross operating profit	60,498	61,076	65,103	59,683	60,183
Business loss	(212,792)	(215,716)	(213,861)	(231,193)	(207,352)
Non-business income and costs	1,321,113	1,337,866	1,265,062	1,498,776	838,581
Net income before tax (net losses)	1,108,321	1,122,150	1,051,201	1,267,583	631,229
Continuing unit gains and losses	1,012,724	964,149	950,697	1,071,166	559,669
Loss of the closed units	-	-	-	-	-
Current net income (net losses)	1,012,724	964,149	950,697	1,071,166	559,669
Other comprehensive gains and losses of the term	(58,472)	(200,601)	29,681	(372,310)	360,998
Sum of general gains and losses of the term	954,252	763,548	980,378	698,856	920,667

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

## II. Financial Analysis of the Past Five Years

### (I) Financial Analysis - Consolidated Financial Statement by the International Financial Accounting Standards

Analyze \ Year		Analysis of the past five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure %	Liabilities to assets ratio	72	73	73	60	59
	Permanent capital to real estate, manufacturing facilities and equipment ratio	120	133	112	192	191
Liquidity	Current Ratio (%)	120	129	98	244	226
	Quick Ratio (%)	85	94	73	186	174
	Interest protection multiples	8	7	7	9	6
Operating performance	Average collection turnover(times)	9.84	10.30	10.11	10.34	9.53
	Average collection days	37	35	36	35	38
	Inventory turnover (times)	5.27	5.37	5.00	4.59	4.24
	Average payables turnover (times)	12.40	12.45	10.97	10.83	11.35
	Average inventory turnover days	69	68	73	80	86
	Real estate, manufacturing facilities and equipment turnover (times)	1.56	1.52	1.40	1.61	1.72
	Total asset turnover (times)	0.82	0.80	0.72	0.73	0.68
Profitability	Return on total assets (%)	5	5	5	5	3
	Return on equity (%)	17	16	15	13	6
	Pretax income to paid-in capital (%)	52	54	56	66	36
	Net profit rate (%)	6	6	6	6	3
	Earnings per share (NT\$) (Note 2)	4.09	3.9	3.84	4.32	2.26
Cash Flow	Cash flow ratio (%) (Note 1)	25	35	23	18	19
	Cash flow adequacy ratio (%)	65	62	73	84	103
	Cash flow reinvestment ratio (%)	6	8	9	2	2
Leverage	Operating leverage	6	6	5	5	6
	Financial leverage	1	1	1	1	1
<p>Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived.)</p> <ol style="list-style-type: none"> <li>1. The decrease in interest protection multiples, return on total assets, return on equity, pretax income to paid-in capital, net profit rate and earnings per share for 2022 compared with FY2021 was due to the impact of high-speed inflation, the high rise in prices for international raw materials, the impact of the Russian-Ukrainian war and the lockdown of the epidemic in the mainland in 2022 and a decline in profits made in 2022 compared to 2021.</li> <li>2. The increase in cash flow adequacy ratio in 2022 was due to an increase in NT\$317 million in net cash inflow from operating activities in the last five years and a decrease in capital expenditure of approximately NT\$1,664 million in the last five years.</li> </ol>						

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: The earnings per share are calculated with the number of shares of common stock already issued applying the weighted average method. The number of shares increased as a result of earnings or capitalizing with capital reserve, on the other hand, is adjusted and calculated retroactively.

## (II) Financial Analysis - by the National Financial Accounting Standards

Analyze		Year	Analysis of the past five years (Note 1)				
			2018	2019	2020	2021	2022
Financial structure %	Liabilities to assets ratio		55	57	56	50	51
	Permanent capital to real estate, manufacturing facilities and equipment ratio		636	729	595	994	1,003
Liquidity	Current Ratio (%)		11	25	2	42	33
	Quick Ratio (%)		11	25	2	41	33
	Interest protection multiples		16	15	14	15	8
Operating performance	Average collection turnover(times)		-	-	-	-	-
	Average collection days		-	-	-	-	-
	Inventory turnover (times)		-	-	-	-	-
	Average payables turnover (times)		-	-	-	-	-
	Average inventory turnover days		-	-	-	-	-
	Real estate, manufacturing facilities and equipment turnover (times)		-	-	-	-	-
	Total asset turnover (times)		-	-	-	-	-
Profitability	Return on total assets (%)		8	7	7	7	3
	Return on equity (%)		17	16	15	14	6
	Pretax income to paid-in capital (%)		38	38	36	43	21
	Net profit rate (%)		1,674	1,579	1,482	1,795	930
	Earnings per share (NT\$) (Note 2)		4.09	3.9	3.84	4.32	2.26
Cash Flow	Cash flow ratio (%)		-21	-36	-4	-135	-34
	Cash flow adequacy ratio (%)		12	-9	-12	-19	-42
	Cash flow reinvestment ratio (%) (Note 3)		-	-	-	-	-
Leverage	Operating leverage (Note 3)		-	-	-	-	-
	Financial leverage (Note 4)		-	-	-	-	-

Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived.)

- The Company started its segmentation plan on August 1, 2017 to separate production and distribution businesses to the reinvested new companies, Namchow Oil and Fat Co., Ltd and Huaqiang Industry Co., Ltd. Therefore, related assets and liabilities were severed to the new companies as well, such as (A) fixed assets, (B) accounts receivable and notes receivable, (C) stock, (D) accounts payable, (E) sales income and cost, and (F) business interest, among others. Therefore, the inapplicable or affected ratios are real estate, manufacturing facilities and equipment turnover ratio (times), the turnover rate, number of days of sales, number of days of case collection, the net profit rate, the cash flow ratio, the case flow adequacy ratio, the current ratio, the quick ratio, return on assets, return on equity, and earnings per share.
- The decrease in interest protection multiples, return on total assets, return on equity, pretax income to paid-in capital, net profit rate and earnings per share for 2022 compared with FY2021 was due to the impact of high-speed inflation, the high rise in prices for international raw materials, the impact of the Russian-Ukrainian war and the lockdown of the epidemic in the mainland in 2022 and a decline in profits made in 2022 compared to 2021.
- The decrease in current ratio and quick ratio in 2022 was due to an increase in short-term borrowings for operating turnover in 2022 compared to 2021.
- The increase in the cash flow ratio in 2022 was due to an increase in current liabilities as a result of an increase in short-term borrowings in 2022.
- The decrease in cash flow adequacy ratio in 2022 was due to an increase of approximately NT\$815 million in net cash outflow from operating activities accumulated in the last five years compared with FY2021.

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: The earnings per share are calculated with the number of shares of common stock already issued applying the weighted average method. The number of shares increased as a result of earnings or capitalizing with capital reserve, on the other hand, is adjusted and calculated retroactively.

Note 3: Because the ratio is a negative value, it is of no significance in comparison and is not listed.

Note 4: Between 2018 and 2022, business profits were all smaller than the costs of interest. As such, the financial leverage data are not provided.

### Calculation Formula:

1. Financial structure
  - (1) Liabilities to assets ratio = total liabilities/total assets.
  - (2) Permanent capital to real estate, manufacturing facilities and equipment ratio = (shareholders' equity net value + non-current liabilities)/real estate, manufacturing facility and equipment net value.
2. Liquidity
  - (1) Current ratio = current assets/current liabilities.
  - (2) Quick ratio = (current assets - inventory - pre-paid costs)/current liabilities.
  - (3) Interest protection multiples = Pre-income tax and interest profits/interest expenditure of the term.
3. Operating performance
  - (1) Receivables (including accounts receivable and bills receivable due to business) turnover ratio = net sales/The average balance of accounts receivable (including accounts receivable and bills receivable due to business) in each period.
  - (2) Average collection days = 365/receivables turnover.
  - (3) Inventory turnover = sales cost/average inventory value.
  - (4) Payables (including accounts payable and bills payable that are incurred as a result of business operation) = sales cost/balance from average payables of each term (including accounts payable and bills payable).
  - (5) Average inventory turnover days = 365/inventory turnover.
  - (6) Real estate, manufacturing facility and equipment turnover = net sales/net average real estate, manufacturing facility, and equipment value.
  - (7) Total asset turnover = net sales/gross assets on average.
4. Profitability
  - (1) Return on assets = [after-tax gains and losses + interest  $\times$  (1-tax rate)]/gross assets on average.
  - (2) Return on shareholders' equity = after-tax gains and losses/net shareholders' equity on average.
  - (3) Net profit rate = after-tax gains and losses/net sales.
  - (4) Earnings per share = (after-tax profits - special stock dividends)/ weighted average of issued shares.
5. Cash Flow
  - (1) Cash flow ratio = Net cash flow from business activities/current liabilities.
  - (2) Net cash flow adequacy ratio = net cash flow from business activities of the past five years/past five years (capital expenditure + increased inventory + cash dividends).
  - (3) Cash flow reinvestment ratio = (net cash flow from business activities - cash dividends)/(net value of real estate, manufacturing facility, and equipment + long-term investment + other assets + working capital).
6. Leverage:
  - (1) Operating leverage = (net business income - variable business costs and expenses)/business profits.
  - (2) Financial leverage = business profits/(business profits - cost of interest).

### **III. Audit Committee Review Report of the most recent annual financial report**

#### **Namchow Holdings Co., Ltd. Audit Committee's Review Report**

The Board of Directors prepared the Company's 2022 Business Report, Standalone and Consolidated Financial Statements and earnings distribution proposal. The Parent Only and Consolidated Financial Statements, in particular, were already inspected by CPA Po-Shu Huang and CPA Lin Wu of KPMG and the Inspection Report is presented. The said Business Report, Parent Only and Consolidated Financial Statements and earnings distribution proposal have been reviewed by the Audit Committee and found to have no discrepancy. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report is prepared for your review.

To

The Company's 2023 Shareholders' Meeting

Namchow Holdings Co., Ltd.

Convener of the Audit Committee

March 14, 2023

## IV. 2022 Financial Report

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### Representation Letter

The entities that are required to be included in the combined financial statements of Namchow Holdings Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Namchow Holdings Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Namchow Holdings Co., Ltd.

Chairman: Fei-Lung Chen

Date: March 15, 2023



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

To the Board of Directors of Namchow Holdings Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Namchow Holdings Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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 Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

### 1. Impairment of trades receivable

Please refer to note 4(g) "Financial instrument" for accounting policies, note 5(a) for accounting assumptions, judgment and estimation uncertainty of impairment of trade receivable, and note 6(c) for the disclosure related to impairment of trade receivable of the consolidated financial statements.

#### Description of key audit matter:

The Group does not concentrate on any individual customer or any specific region, therefore, the Group needs to establish a policy on its allowance for impairment in order to evaluate its customers' financial status, as well as the political and economic environment. Therefore, the impairment of trades receivable is one of the key judgmental areas for our audit.

#### How the matter was addressed in our audit:

Our principle audit procedures for the assessment of the Group's accounting policy, included evaluating the receivables credit conditions and allowance for impairment policy; analyzing the accounts receivable relevant with the allowance for impairment; obtaining document for the calculation of the rate of expected credit loss of accounts receivable to determine whether if its appropriate, obtaining aging analysis of accounts receivable and examining relevant documents to verify the accuracy aging period; understanding the recovery of the past due accounts and for the aging of the long-term accounts receivable, such as those past due for 120 days; inspecting whether the Group has taken the appropriate procedures on the litigation or negotiation of the Group subsequent to the financial year end, and verifying the adequacy of impairment assessment of accounts receivable; verifying the reasonableness of the management's assessment on the Group's disclosure on the impairment of trades receivable.

### 2. Valuation of inventories

Please refer to note 4(h) "Inventories" for accounting policies, note 5(b) for accounting assumptions, judgment and estimation uncertainty of valuation of inventories, and note 6(e) for the disclosure related to valuation of inventories of the financial statements.

#### Description of key audit matter:

The Group's main inventories are edible and non-edible oil products, frozen dough and frozen food, as well as dish and laundry liquid detergent.

The value of edible and non-edible oil products and laundry liquid detergent products are affected by the international oil price, which may result in the inventory cost exceed its net realizable value; frozen dough and frozen food due to shelf life, resulting in the inventory age has significant risk. Therefore, the valuation of inventories is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included

Our principle audit procedures for the assessment of the Group' accounting policy included understanding the policies of evaluating the inventories; performing the analytical procedures about the relation between the balance of inventory and provision on inventory market price decline; verifying the change of provision on inventory valuation and evaluating where it is reasonable; understanding the net realizable values used by management and the variation of the prices in a period after the reporting date to ensure the appropriateness of the valuation price; obtaining the aging report and inspecting the inventory aging processing after the reporting date, as well as understanding the net realizable values used by the management to access whether the net realizable value and the allowance for inventories are reasonable; assessing whether the disclosure on the provision for inventory valuation and obsolescence was appropriate.

### **Other Matter**

Namchow Holdings Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditors' 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 the Standards on Auditing of the Republic of China 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 and 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.

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Chung-Shun Wu.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2023

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31, 2022</b>		<b>December 31, 2021</b>				<b>December 31, 2022</b>		<b>December 31, 2021</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
11XX	<b>Assets</b>					21XX	<b>Liabilities and Equity</b>				
1100	<b>Current assets:</b>					2100	<b>Current liabilities:</b>				
1150	Cash and cash equivalents (note 6(a))	\$ 10,494,443	34	9,729,803	33	2110	Short-term borrowings (note 6(j))	\$ 3,283,265	11	2,460,970	8
1170	Notes receivable, net (note 6(c))	198,491	1	182,401	1	2130	Short-term commercial paper payable (note 6(j))	299,909	1	89,983	-
1200	Accounts receivable, net(note 6(c))	1,997,850	7	1,918,571	7	2170	Current portion of long-term borrowings (notes 6(j) and 8)	276,423	1	237,893	1
1220	Other receivables (note (d))	216,401	1	133,118	-	2230	Contract liabilities (note 6(s))	469,076	2	540,585	2
130x	Current income tax assets	249,130	1	198,929	1	2280	Accounts payable	1,318,949	4	1,347,326	4
1410	Inventories (note 6(e))	3,671,566	12	3,474,419	12	2399	Other payables (notes 6(n), (t) and 9)	1,611,599	5	1,483,345	5
1470	Prepayments	269,257	1	315,045	1		Current income tax liabilities (note 6(o))	150,055	-	199,110	1
	Other current assets (note 6(p))	88,357	-	58,896	-		Current lease liabilities (notes 6(m) and 7)	140,486	-	158,142	1
	<b>Total current assets</b>	<u>17,185,495</u>	<u>57</u>	<u>16,011,182</u>	<u>55</u>		Other current liabilities	46,041	-	43,794	-
15XX	<b>Non-current assets:</b>						<b>Total current liabilities</b>	<u>7,595,803</u>	<u>24</u>	<u>6,561,148</u>	<u>22</u>
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(b))	15,872	-	24,795	-	25XX	<b>Non-Current liabilities:</b>				
1600	Property, plant and equipment (notes 6(g), 8 and 9)	11,954,365	39	11,887,111	41	2530	Bonds payable (note 6(k))	4,880,600	16	4,853,527	16
1755	Right-of-use assets (notes 6(h) and 7)	790,211	3	945,901	3	2540	Long-term borrowings (notes 6(j) and 8)	3,295,479	11	3,684,829	13
1760	Investment property (note 6(i))	33,534	-	36,280	-	2550	Provision liabilities — non-current (note 6(l))	10,264	-	10,264	-
1805	Goodwill	105,417	-	105,417	-	2580	Lease liabilities — non-current (notes 6(m) and 7)	468,911	2	603,722	2
1840	Deferred income tax assets (note 6(o))	204,312	1	258,626	1	2570	Deferred income tax liabilities	1,505,493	5	1,451,850	5
1915	Prepayments for equipment	93,360	-	59,513	-	2640	Net defined benefit liabilities — non-current (note 6(n))	188,608	1	247,031	1
1990	Other non-current assets	81,216	-	85,043	-	2670	Other non-current liabilities	138,651	-	165,839	1
	<b>Total non-current assets</b>	<u>13,278,287</u>	<u>43</u>	<u>13,402,686</u>	<u>45</u>	2XXX	<b>Total non-current liabilities</b>	<u>10,488,006</u>	<u>35</u>	<u>11,017,062</u>	<u>38</u>
							<b>Total liabilities</b>	<u>18,083,809</u>	<u>59</u>	<u>17,578,210</u>	<u>60</u>
						3100	<b>Equity attributable to shareholders of parent (notes 6(p) and (q)):</b>				
						3200	Common stock	2,941,330	10	2,941,330	10
						3300	Capital surplus	3,682,995	12	3,590,865	12
						3310	Retained earnings:				
						3320	Legal reserve	1,039,356	3	932,166	3
						3350	Special reserve	1,612,266	5	1,239,224	4
							Unappropriated earnings	1,486,884	5	2,033,250	7
								4,138,506	13	4,204,640	14
						3400	Other equity:				
						3410	Financial statement translation differences for foreign operations	(710,951)	(2)	(1,059,576)	(3)
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(49,100)	-	(40,183)	-
								(760,051)	(2)	(1,099,759)	(3)
						3500	Treasury stock	(530,114)	(2)	(530,114)	(2)
							<b>Total equity attributable to shareholders of parent</b>	9,472,666	31	9,106,962	31
						36xx	<b>Non-controlling interests (note 6(f))</b>	2,907,307	10	2,728,696	9
						3XXX	<b>Total equity</b>	12,379,973	41	11,835,658	40
1XXX	<b>Total assets</b>	<u>\$ 30,463,782</u>	<u>100</u>	<u>29,413,868</u>	<u>100</u>	2-3XXX	<b>Total liabilities and equity</b>	<u>\$ 30,463,782</u>	<u>100</u>	<u>29,413,868</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000 <b>Operating revenue (note 6(s))</b>	\$ 20,478,405	100	19,861,770	100
5000 <b>Operating costs (notes 6(e), (g), (h), (m), (n) and 9)</b>	15,133,045	74	13,589,951	68
5900 <b>Gross profit</b>	5,345,360	26	6,271,819	32
6000 <b>Operating expenses (notes 6(c), (d), (g), (h), (m), (n), (q), (t) and 7):</b>				
6100 Selling expenses	2,631,829	13	2,611,154	13
6200 General and administrative expenses	1,434,192	7	1,445,696	8
6300 Research and development expenses	382,610	2	422,670	2
6450 Expected credit loss	3,587	-	3,815	-
<b>Total operating expenses</b>	4,452,218	22	4,483,335	23
6900 <b>Operating profit</b>	893,142	4	1,788,484	9
7000 <b>Non-operating income and expenses (notes 6(g), (i), (m), (u) and 7):</b>				
7100 Interest income	237,284	1	185,320	1
7010 Other income	158,199	1	201,061	1
7020 Other gains and losses	(1,730)	-	20,591	-
7050 Finance costs	(213,457)	(1)	(257,548)	(1)
<b>Total non-operating income and expenses</b>	180,296	1	149,424	1
7900 <b>Profit from continuing operations before tax</b>	1,073,438	5	1,937,908	10
7950 <b>Less: Income tax expenses (note 6(o))</b>	381,721	2	698,764	4
<b>Profit</b>	691,717	3	1,239,144	6
8300 <b>Other comprehensive income (notes 6(o) and 6(p)):</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311 Gains on remeasurements of defined benefit plans	21,361	-	714	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(8,917)	-	4,971	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	12,444	-	5,685	-
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	389,518	2	(333,044)	(2)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	389,518	2	(333,044)	(2)
8300 <b>Other comprehensive income</b>	401,962	2	(327,359)	(2)
<b>Total comprehensive income</b>	\$ 1,093,679	5	911,785	4
<b>Net income attributable to:</b>				
8610 Shareholders of the parent	\$ 559,669	2	1,071,166	5
8620 Non-controlling interests	132,048	1	167,978	1
<b>Total Comprehensive income attributable to:</b>	\$ 691,717	3	1,239,144	6
8710 Shareholders of the parent	\$ 920,667	4	698,856	3
8720 Non-controlling interests	173,012	1	212,929	1
<b>Basic earnings per share (in New Taiwan dollars) (note 6(r))</b>	\$ 2.26		4.32	
<b>Diluted earnings per share (in New Taiwan dollars) (note 6(r))</b>	\$ 2.25		4.31	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent												
	Retained earnings						Total other equity interest		Treasury stock	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity	
							Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total			Total				
Balance at January 1, 2021	\$ 2,941,330	1,214,039	838,824	1,286,181	1,596,003	3,721,008	(681,563)	(45,154)	(726,717)	(530,114)	6,619,546	335,843	6,955,389
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	93,342	-	(93,342)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(46,957)	46,957	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	91,760	-	-	(588,266)	(588,266)	-	-	-	-	(496,506)	-	(496,506)
Other changes in capital surplus	-	2,061	-	-	-	-	-	-	-	-	2,061	-	2,061
Net income	-	-	-	-	1,071,166	1,071,166	-	-	-	-	1,071,166	167,978	1,239,144
Other comprehensive income (loss)	-	-	-	-	732	732	(378,013)	4,971	(373,042)	-	(372,310)	44,951	(327,359)
Total comprehensive income (loss)	-	-	-	-	1,071,898	1,071,898	(378,013)	4,971	(373,042)	-	698,856	212,929	911,785
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	20,977	20,977
Changes in non-controlling interests	-	2,283,005	-	-	-	-	-	-	-	-	2,283,005	2,158,947	4,441,952
Balance at December 31, 2021	2,941,330	3,590,865	932,166	1,239,224	2,033,250	4,204,640	(1,059,576)	(40,183)	(1,099,759)	(530,114)	9,106,962	2,728,696	11,835,658
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	107,190	-	(107,190)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	373,042	(373,042)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	100,937	-	-	(647,093)	(647,093)	-	-	-	-	(546,156)	(119,591)	(665,747)
Other changes in capital surplus	-	2,224	-	-	-	-	-	-	-	-	2,224	-	2,224
Net income	-	-	-	-	559,669	559,669	-	-	-	-	559,669	132,048	691,717
Other comprehensive income (loss)	-	-	-	-	21,290	21,290	348,625	(8,917)	339,708	-	360,998	40,964	401,962
Total comprehensive income (loss)	-	-	-	-	580,959	580,959	348,625	(8,917)	339,708	-	920,667	173,012	1,093,679
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	80,764	80,764
Changes in non-controlling interests	-	(11,031)	-	-	-	-	-	-	-	-	(11,031)	44,426	33,395
Balance at December 31, 2022	\$ 2,941,330	3,682,995	1,039,356	1,612,266	1,486,884	4,138,506	(710,951)	(49,100)	(760,051)	(530,114)	9,472,666	2,907,307	12,379,973

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,073,438	1,937,908
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	994,920	1,072,237
Expected credit loss	3,587	3,815
Interest expense	213,457	257,548
Interest income	(237,284)	(185,320)
Dividend income	(2,900)	(1,931)
Share-based payments	80,764	20,977
Losses on disposal of property, plant and equipment	1,364	29,477
Property, plant and equipment transferred to expenses	-	3,467
Impairment loss on non-financial assets	9,101	-
Gains on lease modification	(13,314)	(34,450)
Total adjustments to reconcile profit	1,049,695	1,165,820
Changes in assets / liabilities relating to operating activities:		
Changes in operating assets:		
Notes receivable	(16,090)	1,885
Accounts receivables	(82,230)	(365,162)
Other receivables	(84,217)	(76,767)
Inventories	(197,980)	(1,021,498)
Prepayments	45,788	16,842
Other current assets	(29,461)	7,359
Total changes in operating assets, net	(364,190)	(1,437,341)
Changes in operating liabilities:		
Contract liabilities	(71,509)	(33,799)
Accounts payable	(28,377)	185,353
Other payables	92,970	6,378
Provisions liabilities	-	(1,870)
Other current liabilities	2,247	(17,347)
Net defined benefit liabilities	(37,062)	(12,827)
Total changes in operating liabilities, net	(41,731)	125,888
Total changes in operating assets / liabilities, net	(405,921)	(1,311,453)
Total adjustments	643,774	(145,633)
Cash provided by operating activities	1,717,212	1,792,275
Interest income received	237,284	185,320
Dividends received	2,900	1,931
Interest paid	(156,762)	(200,953)
Income taxes paid	(373,020)	(582,111)
Net cash provided by operating activities	1,427,614	1,196,462
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	227,426
Acquisition of property, plant and equipment	(738,082)	(626,815)
Proceeds from disposal of property, plant and equipment	4,413	3,965
Decrease in other non-current assets	3,827	20,205
Net cash used in investing activities	(729,842)	(375,219)
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	11,836,140	10,556,127
Decrease in short-term borrowings	(11,029,271)	(11,015,071)
Increase in short term commercial paper payable	1,832,000	-
Decrease in short-term notes and bills payable	(1,622,000)	-
Proceeds from issuance of bonds	-	5,000,000
Repayments of bonds	-	(4,000,000)
Proceeds from long-term borrowings	14,012,720	13,445,951
Repayments of long-term borrowings	(14,342,444)	(14,056,284)
Payment of lease liabilities	(159,467)	(205,364)
Decrease in other non-current liabilities	(1,149)	(3,345)
Cash dividends paid	(665,747)	(496,506)
Interest paid	(55,735)	(42,345)
Change in non-controlling interests	33,395	4,441,952
Overaging unclaimed dividends	2,224	2,061
Net cash provided by financing activities	(159,334)	3,627,176
Effect of exchange rate changes on cash and cash equivalents	226,202	(440,243)
Net increase in cash and cash equivalents	764,640	4,008,176
Cash and cash equivalents at beginning of period	9,729,803	5,721,627
Cash and cash equivalents at end of period	\$ 10,494,443	9,729,803

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Namchow Holdings Co., Ltd. (formerly called Namchow Chemical Industrial Co., Ltd.) (the Company) was incorporated on March 29, 1952 as a corporation limited by shares under the laws of the Republic of China (R.O.C.). The consolidated financial statements comprise the Company and its Subsidiaries (the Group). The Group is engaged in the manufacture, sale, and processing of edible and non-edible oil products and frozen dough, as well as dish and laundry liquid detergent, it also provides management consulting services.

In order to improve its business performance and competitiveness, the Company decided to conduct a group restructuring and division of profession. On May 31, 2017, the shareholders of the Company decided to divide its entire departments and categorize them into two, then transfer them to two of its subsidiaries. The Department of Edible Products, which includes frozen dough items, will be transferred to Namchow Oil and Fat Co., Ltd. and the Department of Non-Edible Products will be transferred to Huaciang Industry Co., Ltd.. Both entities are 100% owned by the Company, with a record date of August 1, 2017.

For the purpose of transforming into a holding company, the Company, which was formerly named as Namchow Chemical Industrial Co., Ltd. is renamed as Namchow Holdings Co., Ltd. After the spin-off, the Company only engaged in investment holding.

**(2) Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2023.

**(3) New standards, amendments and interpretations adopted**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments<sup>1</sup>, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

**(4) Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations) and the IFRSs endorsed by the FSC.

**(b) Basis of preparation**

**(i) Basis of measurement**

The financial statements have been prepared on a historical cost basis, unless, otherwise stated (please refer to the summary of the significant accounting policies).

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if the non-controlling interests have a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. 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 and attributed to the shareholders of the parent.

(ii) List of the subsidiaries included in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2022	December 31, 2021	
The Company	Namchow (Thailand) Ltd. (Namchow Thailand)	Manufacturing and selling of instant noodles and rice cracker	100.00 %	100.00 %	
The Company	Mostro (Thailand) Ltd. (Mostro)	Manufacturing and selling of food	100.00 %	100.00 %	
The Company	Nacia International Corp. (Nacia Co.)	Holding of investments	100.00 %	100.00 %	
The Company	Chow Ho Enterprise Co., Ltd. (Chow Ho Co.)	Catering services, food and beverage retailing, and frozen food manufacturing	100.00 %	100.00 %	
The Company	Lucky Royal Co., Ltd. (Lucky Co.)	Manufacturing, selling and processing of various food and beverage products	99.65 %	99.65 %	

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2022	December 31, 2021	
The Company	Nankyo Japan Co., Ltd. (Nankyo Japan Co.)	Catering services, Bistro and wine-selling	100.00 %	100.00 %	
The Company	Namchow Consulting Company, Ltd. (Namchow Consulting Co.)	Catering services, food and beverage retailing and other consulting services	100.00 %	100.00 %	
The Company	Chow Food Biotechnology Co., Ltd. (Chow Food Co.)	Development of biotechnology products	- %	100.00 %	Note 5
The Company	Namchow Oil and Fat Co., Ltd. (Namchow Oil and Fat Co.)	Manufacturing, processing and selling of edible oil and frozen dough	100.00 %	100.00 %	
The Company	Huaciang Industry Co., Ltd. (Huaciang Co.)	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	100.00 %	100.00 %	
The Company and Lucky Co.	Navigator Business Publications Co., Ltd. (NBP Co.)	Publishing, distributing and selling of printed publications	89.97 %	89.97 %	Notes 1
Lucky Co.	Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Holding of investments	93.00 %	93.00 %	Notes 4
Lucky Co.	Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Liquor importing and retailing, and catering services	99.65 %	99.65 %	Notes 2
Lucky Co.	Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Catering services and food consulting services	99.65 %	99.65 %	Notes 2
Namchow BVI Co.	Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Multinational eateries, and the promotion and management of craft beers	93.00 %	93.00 %	Notes 4
Nacia Co.	Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Holding of investments	100.00 %	100.00 %	
Shanghai Qiaohao Co.	Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qiaohao Co.	Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	
Shanghai Qiaohao Co.	Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	
Namchow Cayman Co.	Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Holding of investments and international trade	100.00 %	100.00 %	
Namchow Cayman Co.	Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qizhi Co.	Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Food packaging, dairy product and product purchasing management and selling	80.85 %	80.94 %	Note 3
Namchow Cayman Co. and Namchow Food Co.	Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Selling, developing, manufacturing and processing of fats and frozen food.	80.85 %	80.94 %	Note 3
Namchow Food Co.	Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Manufacturing, and selling of edible fat	80.85 %	80.94 %	Note 3
Namchow Food Co.	Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Manufacturing, and selling of edible fat	80.85 %	80.94 %	Note 3
Namchow Food Co.	Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Food packaging, dairy product and product purchasing management and selling	80.85 %	80.94 %	Note 3
Namchow Food Co.	Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	The technical service of baking oil and fat product	80.85 %	80.94 %	Note 3
Namchow Food Co.	Namchow Trading Singapore Pte., Ltd (Namchow Singapore Pte.)	The sales service of baking oil and fat product	80.85 %	- %	Note 3
Namchow Food Co.	Chongqing Namchow Food Co., Ltd. (Chongqing Namchow Co.)	Manufacturing and processing of light cream and frozen dough	80.85 %	- %	Note 3
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	80.85 %	80.94 %	Note 3

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2022	December 31, 2021	
Tianjin Yoshi Yoshi Co.	Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	80.85 %	80.94 %	Note 3

Note 1: The Company, directly or indirectly, holds 89.97% shares of NBP Co.

Note 2: The Company, directly or indirectly, holds 99.65% shares of Dian Shui Lou Co. and Namchow Gastronomy Consulting Co.

Note 3: Nanchow Food Co., has submitted the application for A-share listing in the security market of China, thus, the board of directors of the Company has approved the resolution for the subsidiary to increase capital by cash injection and to award new shares of restricted stock on April 28, 2021 and on November 12, 2021. As the result, the Company's ownership percentage in the subsidiary decreased from 96.15% to 81.73% and then to 80.94%. In addition, due to the board of directors resolved to issue the remaining restricted shares on October 28, 2022 and the Company's ownership percentage in the subsidiary decreased further from 80.94% to 80.85%.

Note 4: Nanchow BVI Co., has approved the resolution on September 28, 2021 to transfer dividends payable of \$64,823 thousand to Lucky Co., as capital increase. As the result, the Company's ownership percentage in the subsidiary increased from 90.39% to 93.00%.

Note 5: Chow Food Co., designated December 12, 2022 as the liquidation date and is currently in the liquidation process.

**(d) Foreign currency**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Classification of current and non current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short term cash commitment rather than investment.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(Continued)



**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On initial recognition, a financial assets is classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	3~65 years
Machinery equipment	1~25 years
Other equipment	1~20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprised the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying assets purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss, if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize its right-of-use assets and lease liabilities for the short-term leases of its machinery and leases of its IT equipment that have a lease term of 12 months or less, and leases of its low-value assets, including its IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Intangible assets — Goodwill

(i) Recognition

Upon conversion to the IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Group can choose to restate all its business combinations that occurred on and after January 1, 2012. For those acquisitions that occurred prior to January 1 2012, any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets recognized at the date of acquisition is recognized as goodwill.

(ii) Measurement

Goodwill is measured at cost, less, accumulated impairment losses.

Goodwill is not amortized. Instead, it is tested for impairment annually, or more frequently, when there is an indication that the cash generating unit may be impaired.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)



**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Site restoration reservation is the obligation of removal, moving and reinstatement after the Group obtained or has used the lease asset for a while. The Group recognized its related cost as expense during the lease term.

(o) Treasury stock

Under the cost method, the treasury stock account is debited for the cost of the Group's shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus—treasury stock; otherwise, the excess of the cost over the price is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted average cost and is calculated by each group according to the reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

The shares that are owned by the Company's subsidiaries are seen as treasury stock.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Some contracts have already received partial considerations from clients but have not fulfilled the obligations, and they are required to recognize contractual liabilities after the initial application date.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Customer loyalty program

The Group operates a customer loyalty program to its customers. The customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

(q) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grant that compensates the Group for expenses or losses incurred is recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
  - 1) the same taxable entity or
  - 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after the adjustment on the effects of all dilutive potential ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and each operating segment consists of standalone financial information. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

In preparing these consolidated financial statements management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivable

The Group has estimated the loss allowance of trades receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions, and forward-looking information at the reporting date, to determine the assumptions to be used in calculating its impairments and selected inputs. For the relevant assumptions and input values, please refer to note 6(c).

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 10,583	11,499
Savings and checking deposits	9,988,086	9,297,381
Time deposits	275,008	402,296
Cash equivalents	220,766	18,627
Total	<b>\$ 10,494,443</b>	<b>9,729,803</b>

The Group's exposure to interest rate risk and the sensitivity analysis on the financial instruments held by the Group are disclosed in note 6(v).

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	<b>\$ 15,872</b>	<b>24,795</b>

(i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

No strategic investments were disposed for the years ended December 31, 2022, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

(ii) Credit risk (including depreciation of debt instrument investment) and market risk, please refer to note 6(v).

(iii) The aforesaid financial assets were not pledged as collateral.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Notes and accounts receivable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable	\$ 198,491	182,401
Accounts receivable	2,028,053	1,946,285
Less: allowance for impairment	<u>30,203</u>	<u>27,714</u>
	<b><u>\$ 2,196,341</u></b>	<b><u>2,100,972</u></b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The allowance for impairment was determined as follows:

<b>December 31, 2022</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	\$ 2,053,688	0~2.29	5,943
Overdue 1~30 days	129,612	0.35~28.46	5,144
Overdue 31~60 days	18,662	0.88~69.34	1,086
Overdue 61~90 days	4,666	0.63~100.00	1,547
Overdue 91~180 days	6,091	0.00~100.00	4,629
Overdue 181~365 days	1,993	1.10	22
Overdue 365 days past due	<u>11,832</u>	100.00	<u>11,832</u>
	<b><u>\$ 2,226,544</u></b>		<b><u>30,203</u></b>

<b>December 31, 2021</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	\$ 1,986,413	0~0.86	3,682
Overdue 1~30 days	98,085	0.37~14.05	3,008
Overdue 31~60 days	19,814	0.41~58.60	2,092
Overdue 61~90 days	1,346	1.35~100.00	903
Overdue 91~180 days	6,403	0.09~100.00	4,749
Overdue 181~365 days	4,965	0.10~65.64	2,253
Overdue 365 days past due	<u>11,660</u>	100.00	<u>11,660</u>
	<b><u>\$ 2,128,686</u></b>		<b><u>28,347</u></b>

(Continued)



**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movement in the allowance for notes receivable and accounts receivable were as follows:

	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 27,714	24,982
Impairment losses recognized	2,670	3,023
Amounts written off	(462)	(60)
Effect of changes in exchange rates	281	(231)
Balance on December 31	<b>\$ 30,203</b>	<b>27,714</b>

The Group has not provided the notes and accounts receivable as collateral or factored them for cash.

(d) Other receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables	\$ 218,667	134,450
Less: loss allowance	2,266	1,332
	<b>\$ 216,401</b>	<b>133,118</b>

The Group's other receivables which were overdue on December 31, 2022 and 2021, have been assessed for impairment losses.

The movement in the allowance for other receivables were as follows:

	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 1,332	543
Impairment loss recognized	917	792
Effect of changes in exchange rates	17	(3)
Balance on December 31	<b>\$ 2,266</b>	<b>1,332</b>

(e) Inventories

The components of the Group's inventories were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Merchandise	\$ 44,326	39,897
Finished goods	1,594,895	1,581,786
Work in progress	155,402	147,404
Raw materials	1,460,348	821,742
Supplies	363,220	516,007
Goods in transit	53,375	367,583
Total	<b>\$ 3,671,566</b>	<b>3,474,419</b>

As of December 31, 2022 and 2021, the Group's inventories were not provided as pledged assets.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating cost were as follows:

	<b>2022</b>	<b>2021</b>
Loss on (reversal of) decline in market value of inventory	27,001	(7,786)
Loss on physical count, net	937	361
Loss on scrap of inventory	5,520	4,922
Income from sale of scrap	(15,465)	(16,993)
Total	<u><b>17,993</b></u>	<u><b>(19,496)</b></u>

(f) Material non-controlling interests of subsidiaries

<b>Name of subsidiary</b>	<b>The main operating place / register country</b>	<b>Proportion of Non- controlling interests</b>	
		<b>December 31, 2022</b>	<b>December 31, 2021</b>
Namchow Food CO.	China	19.15 %	19.06 %

The following information of the aforementioned subsidiary has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in this information is the fair value adjustment made during the acquisition and the relevant difference in accounting principles between the Group and its subsidiary as at the acquisition date. Intra-group transactions were not eliminated in this information.

Summary of financial information of Namchow Food CO.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current assets	\$ 12,733,682	12,350,678
Non-current assets	5,579,902	5,517,527
Current liabilities	(3,395,591)	(3,331,861)
Non-current liabilities	(329,351)	(355,111)
Net assets	<u><b>\$ 14,588,642</b></u>	<u><b>14,181,233</b></u>
Non-controlling interests	<u><b>\$ 2,875,923</b></u>	<u><b>2,719,579</b></u>
	<b>2022</b>	<b>2021</b>
Revenue	<u><b>12,616,066</b></u>	<u><b>12,430,372</b></u>
Net income	708,521	1,607,474
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u><b>708,521</b></u>	<u><b>1,607,474</b></u>
Total net income attributable to non-controlling interests	<u><b>135,027</b></u>	<u><b>170,192</b></u>
Total comprehensive income attributable to non-controlling interests	<u><b>135,027</b></u>	<u><b>170,192</b></u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>2022</b>	<b>2021</b>
Net Cash flow from operating activities	\$ 365,972	740,759
Net Cash flow used in investing activities	(432,816)	(337,048)
Net Cash flow from financing activities	204,013	3,671,921
Effect of exchange rate changes on cash and cash equivalents	(847)	164
Increase in cash and cash equivalents	<u><u>\$ 136,322</u></u>	<u><u>4,075,796</u></u>

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Other equipment</b>	<b>Unfinished construction</b>	<b>Total</b>
Cost and revaluation:						
Balance at January 1, 2022	\$ 2,777,223	6,493,094	7,108,275	4,157,325	407,726	20,943,643
Additions	4,743	24,086	58,415	116,424	515,774	719,442
Disposals	-	(738)	(26,853)	(24,009)	(1,760)	(53,360)
Reclassification	-	104,302	424,269	73,927	(582,421)	20,077
Effect of changes in exchange rates	(12,262)	82,741	193,639	57,211	14,388	335,717
Balance at December 31, 2022	<u><u>\$ 2,769,704</u></u>	<u><u>6,703,485</u></u>	<u><u>7,757,745</u></u>	<u><u>4,380,878</u></u>	<u><u>353,707</u></u>	<u><u>21,965,519</u></u>
Balance at January 1, 2021	\$ 2,887,928	6,690,798	7,318,881	4,239,438	310,058	21,447,103
Additions	-	16,563	42,075	120,365	336,970	515,973
Disposals	-	(114)	(9,956)	(268,103)	(229)	(278,402)
Reclassification	-	33,291	59,956	128,709	(208,679)	13,277
Effect of changes in exchange rates	(110,705)	(247,444)	(302,681)	(63,084)	(30,394)	(754,308)
Balance at December 31, 2021	<u><u>\$ 2,777,223</u></u>	<u><u>6,493,094</u></u>	<u><u>7,108,275</u></u>	<u><u>4,157,325</u></u>	<u><u>407,726</u></u>	<u><u>20,943,643</u></u>
Depreciation and impairment loss:						
Balance at January 1, 2022	\$ 31,953	1,833,166	4,353,862	2,837,551	-	9,056,532
Depreciation	-	208,615	301,817	302,259	-	812,691
Disposal	-	(738)	(24,792)	(22,053)	-	(47,583)
Impairment loss	-	2,171	6,930	-	-	9,101
Effect of changes in exchange rates	-	26,507	115,726	38,180	-	180,413
Balance at December 31, 2022	<u><u>\$ 31,953</u></u>	<u><u>2,069,721</u></u>	<u><u>4,753,543</u></u>	<u><u>3,155,937</u></u>	<u><u>-</u></u>	<u><u>10,011,154</u></u>
Balance at January 1, 2021	\$ 31,953	1,660,692	4,219,386	2,785,144	-	8,697,175
Depreciation	-	206,644	313,499	323,529	-	843,672
Disposal	-	(113)	(8,957)	(235,890)	-	(244,960)
Reclassification	-	-	(22)	2,343	-	2,321
Effect of changes in exchange rates	-	(34,057)	(170,044)	(37,575)	-	(241,676)
Balance at December 31, 2021	<u><u>\$ 31,953</u></u>	<u><u>1,833,166</u></u>	<u><u>4,353,862</u></u>	<u><u>2,837,551</u></u>	<u><u>-</u></u>	<u><u>9,056,532</u></u>
Carrying value:						
December 31, 2022	<u><u>\$ 2,737,751</u></u>	<u><u>4,633,764</u></u>	<u><u>3,004,202</u></u>	<u><u>1,224,941</u></u>	<u><u>353,707</u></u>	<u><u>11,954,365</u></u>
December 31, 2021	<u><u>\$ 2,745,270</u></u>	<u><u>4,659,928</u></u>	<u><u>2,754,413</u></u>	<u><u>1,319,774</u></u>	<u><u>407,726</u></u>	<u><u>11,887,111</u></u>
January 1, 2021	<u><u>\$ 2,855,975</u></u>	<u><u>5,030,106</u></u>	<u><u>3,099,495</u></u>	<u><u>1,454,294</u></u>	<u><u>310,058</u></u>	<u><u>12,749,928</u></u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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(i) Impairment loss and subsequent reversal

On December 31, 2022, Namchow Thailand conducted an asset impairment assessment on the buildings and machinery of the Instant Noodles and Rice Crackers Divisions. An impairment loss of \$9,101 thousand, by which the carrying value is lower than the recoverable amount, is recognized.

	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 243,114	243,114
Impairment loss recognized	9,101	-
Effect of changes in exchange rates	412	-
Ending balance	<u><u>\$ 252,627</u></u>	<u><u>243,114</u></u>

(ii) Collateral

Please refer to note 8 for information on pledged property, plant and equipment as of December 31, 2022 and 2021.

(h) Right-of-use assets

The Group leases many assets including land, buildings and transportation equipment. Information about leases for which the Group as a lessee is presented below:

	<b>Land</b>	<b>Buildings</b>	<b>Transportation equipment</b>	<b>Total</b>
Cost:				
Balance at January 1, 2022	\$ 329,160	1,138,057	86,659	1,553,876
Additions	-	78,080	31,519	109,599
Modification	-	(381,457)	(35,986)	(417,443)
Effect of changes in exchange rates	4,849	15,705	768	21,322
Balance at December 31, 2022	<u><u>\$ 334,009</u></u>	<u><u>850,385</u></u>	<u><u>82,960</u></u>	<u><u>1,267,354</u></u>
Balance at January 1, 2021	\$ 331,660	1,371,586	83,425	1,786,671
Additions	-	185,425	12,588	198,013
Modification	-	(407,855)	(3,572)	(411,427)
Reclassification	-	-	(4,527)	(4,527)
Effect of changes in exchange rates	(2,500)	(11,099)	(1,255)	(14,854)
Balance at December 31, 2021	<u><u>\$ 329,160</u></u>	<u><u>1,138,057</u></u>	<u><u>86,659</u></u>	<u><u>1,553,876</u></u>
Accumulated depreciation:				
Balance at January 1, 2022	\$ 91,954	466,630	49,391	607,975
Depreciation	7,062	144,895	26,981	178,938
Modification	-	(282,668)	(35,401)	(318,069)
Effect of changes in exchange rates	1,333	6,745	221	8,299
Balance at December 31, 2022	<u><u>\$ 100,349</u></u>	<u><u>335,602</u></u>	<u><u>41,192</u></u>	<u><u>477,143</u></u>
Balance at January 1, 2021	\$ 85,663	447,082	28,382	561,127
Depreciation	6,931	192,659	25,745	225,335
Modification	-	(168,865)	(2,229)	(171,094)
Reclassification	-	-	(2,336)	(2,336)
Effect of changes in exchange rates	(640)	(4,246)	(171)	(5,057)
Balance at December 31, 2021	<u><u>\$ 91,954</u></u>	<u><u>466,630</u></u>	<u><u>49,391</u></u>	<u><u>607,975</u></u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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	Land	Buildings	Transportation equipment	Total
Carrying value:				
December 31, 2022	\$ 233,660	514,783	41,768	790,211
December 31, 2021	\$ 237,206	671,427	37,268	945,901
January 1, 2021	\$ 245,997	924,504	55,043	1,225,544

(i) Investment property

	<b>Buildings</b>
Cost:	
Balance as at January 1, 2022	\$ 71,842
Effect of changes in exchange rates	1,058
Balance as at December 31, 2022	\$ <u>72,900</u>
Balance as at January 1, 2021	\$ 72,387
Effect of changes in exchange rates	(545)
Balance as at December 31, 2021	\$ <u>71,842</u>
Depreciation:	
Balance as at January 1, 2022	\$ 35,562
Depreciation	3,291
Effect of changes in exchange rates	513
Balance as at December 31, 2022	\$ <u>39,366</u>
Balance as at January 1, 2021	\$ 32,574
Depreciation	3,230
Effect of changes in exchange rates	(242)
Balance as at December 31, 2021	\$ <u>35,562</u>
Carrying value:	
Balance as at December 31, 2022	\$ <u>33,534</u>
Balance as at December 31, 2021	\$ <u>36,280</u>
Balance as at January 1, 2021	\$ <u>39,813</u>
Fair value:	
Balance as at December 31, 2022	\$ <u>86,895</u>
Balance as at December 31, 2021	\$ <u>76,103</u>
Balance as at January 1, 2021	\$ <u>77,385</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(u) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by the management of the Group. The range of yields applied to the net annual rentals to determine the fair value of the property was as follows:

Region	2022	2021
Xuhui Dist., Shanghai	3.22%	3.57%

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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As of December 31, 2022 and 2021, the Group's investment properties were not provided as pledged assets.

(j) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	RMB	1.64~3.95	2023	\$ 2,078,902
Unsecured loans	TWD	1.45~1.83	2023	733,000
Unsecured loans	JPY	0.57~0.92	2023	468,286
Letter of credit	USD	0	2023	3,077
Total				<u><u>\$ 3,283,265</u></u>

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	RMB	3.30~3.95	2022	\$ 1,705,905
Unsecured loans	USD	0.71	2022	16,106
Unsecured loans	TWD	0.65~0.90	2022	357,766
Unsecured loans	JPY	0.57~0.98	2022	381,193
Total				<u><u>\$ 2,460,970</u></u>

As of December 31, 2022 and 2021, the unused credit facilities amounted to \$17,150,840 thousand and \$15,660,946 thousand, respectively.

(ii) Short-term commercial paper payable

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Commercial paper payable	TWD	1.23~1.55	2023	\$ 300,000
Discount				(91)
Total				<u><u>\$ 299,909</u></u>

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Commercial paper payable	TWD	0.73	2022	\$ 90,000
Discount				(17)
Total				<u><u>\$ 89,983</u></u>

The Group did not pledge assets against the short-term commercial paper payable.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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As of December 31, 2022 and 2021, the unused credit facilities amounted to \$460,000 thousand and \$680,000 thousand, respectively.

(iii) Long-term borrowings

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	JPY	1.25	2038~2039	\$ 694,577
Secured loans	TWD	1.88	2025	966,000
Unsecured loans	JPY	1.01818	2024	23,240
Unsecured loans	TWD	0.95~1.88	2024~2025	1,850,000
Unsecured loans	RMB	4.55	2023	38,085
Total				<b>\$ 3,571,902</b>
Current				\$ 276,423
Non-current				3,295,479
Total				<b>\$ 3,571,902</b>

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	JPY	1.275	2038~2039	\$ 757,972
Secured loans	TWD	0.95	2024	359,000
Unsecured loans	JPY	0.93545	2023	36,075
Unsecured loans	THB	1.92	2025	166,940
Unsecured loans	TWD	0.8400~1.0500	2023~2024	2,450,000
Unsecured loans	RMB	4.2250~4.7000	2022~2023	152,735
Total				<b>\$ 3,922,722</b>
Current				\$ 237,893
Non-current				3,684,829
Total				<b>\$ 3,922,722</b>

As of December 31, 2022 and 2021, the unused credit facilities amounted to \$1,818,813 thousand and \$3,507,661 thousand, respectively.

The Group has disclosed the related risk exposure to the financial instruments in note 6(v).

The Group has pledge certain assets against the loans; please refer to note 8 for additional information.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Bonds payable

(i) The details of bonds payable were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured bonds	\$ 5,000,000	5,000,000
Less: discounts on bonds payable	119,400	146,473
Total	<u><u>\$ 4,880,600</u></u>	<u><u>4,853,527</u></u>

(ii) As August 11, 2021, the Group issued its 1st domestic secured bonds, and its major obligations are as follows:

<b>Item</b>	<b>110-1 Secured Bonds (Tranche A)</b>
1) Issue date	August 11, 2021
2) Issue period	5 years, commencing from August 11, 2021 and matured on August 11, 2026.
3) Offering amount	3,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 300 bonds
5) Coupon Rate	Annual interest rate 0.47%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

<b>Item</b>	<b>110-1 Secured Bonds (Tranche B)</b>
1) Issue date	August 11, 2021
2) Issue period	7 years, commencing from August 11, 2021 and matured on August 11, 2028.
3) Offering amount	2,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 200 bonds
5) Coupon Rate	Annual interest rate 0.53%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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- (iii) As November 29, 2016, the Group issued its 1st domestic secured bonds, and its major obligations are as follows:

Item	Secured Bonds Issied in 2016
1) Issue date	November 29, 2016
2) Issue period	5 years, commencing from November 29, 2016 and matured on November 29, 2021.
3) Offering amount	4,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 400 bonds
5) Coupon Rate	Annual interest rate 0.75%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

The first domestic secured bonds issued in 2016 have been fully repaid in November 2022.

(l) Provisions

The information of the Group's provisions for the years ended December 31, 2022 and 2021 were as follows:

	<u>Site restoration</u>
Balance as of January 1, 2022 (Balance as of December 31, 2022)	\$ <u><u>10,264</u></u>
Balance as of January 1, 2021	\$ 12,134
Provisions reversed during the year	<u>(1,870)</u>
Balance as of December 31, 2021	\$ <u><u>10,264</u></u>

The provision was the estimation for removing, moving and restoring the lease assets according to the lease, which was recognized as long-term liability. The future cost shall result in an uncertainty of provision due to the long-term lease of the restaurant. Related costs are expected to paid in full after the lease term reaches its maturity.

(m) Lease liabilities

The carrying amounts of lease liabilities for the Group were as follows:

	December 31, 2022	December 31, 2021
Current	\$ <u><u>140,486</u></u>	<u><u>158,142</u></u>
Non-current	\$ <u><u>468,911</u></u>	<u><u>603,722</u></u>

For the maturity analysis, please refer to note 6(v).

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u><b>29,696</b></u>	<u><b>42,345</b></u>
Variable lease payments not included in the measurement of lease liabilities	<u><b>53,357</b></u>	<u><b>40,626</b></u>
Income from sub-leasing right-of-use assets	<u><b>(1,268)</b></u>	<u><b>(1,234)</b></u>
Expenses relating to short-term leases	<u><b>79,593</b></u>	<u><b>81,923</b></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><b>6,281</b></u>	<u><b>7,210</b></u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u><b>\$ 327,126</b></u>	<u><b>376,234</b></u>

(n) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
The present value of the defined benefit obligations	\$ 497,361	549,194
Fair value of plan assets	<u>(308,753)</u>	<u>(302,163)</u>
The net defined benefit liability	<u><b>\$ 188,608</b></u>	<u><b>247,031</b></u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$308,753 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at 1 January	\$ 549,194	571,608
Current service costs and interest	10,941	11,457
Remeasurements of the net defined benefit liability		
— Due to changes in financial assumption of actuarial gains	3,012	3,036
Benefits paid by the plan	<u>(65,786)</u>	<u>(36,907)</u>
Defined benefit obligation at 31 December	<u><u>\$ 497,361</u></u>	<u><u>549,194</u></u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets, January 1	\$ 302,163	311,036
interest revenue	35	24
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	1,446	1,697
— Due to changes in financial assumption of actuarial gains	24,373	3,750
Contributions made	30,028	11,581
Benefits paid by the plan	<u>(49,292)</u>	<u>(25,925)</u>
Fair value of plan assets, December 31	<u><u>\$ 308,753</u></u>	<u><u>302,163</u></u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 7,560	7,697
Net interest on the defined benefit liability	<u>1,900</u>	<u>2,039</u>
	<u><u>\$ 9,460</u></u>	<u><u>9,736</u></u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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	<b>2022</b>	<b>2021</b>
Operating costs	\$ 4,817	5,090
Selling expenses	840	1,940
General and administration expenses	3,767	2,662
Research and development expenses	36	44
	<u><u>\$ 9,460</u></u>	<u><u>9,736</u></u>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	<b>2022</b>	<b>2021</b>
Discount rate	1.50~1.75%	0.500~0.625%
Future salary increases rate	1.000~2.000%	1.000~2.000%

The Group expects to make contributions of \$8,754 thousand to the defined benefit plans in the next year starting from the reporting date of 2022.

The weighted average duration of the defined benefit obligation is 8.69~12.35 years.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group uses judgments and estimations to determine the related actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2022 and 2021, the present value of defined benefit obligation impact was as follow:

	<b>The impact of defined benefit obligation</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2022		
Discount rate (0.25%)	\$ (6,291)	6,480
Future salary increase rate (0.25%)	6,188	(6,035)
December 31, 2021		
Discount rate (0.25%)	(8,270)	8,537
Future salary increase rate (0.25%)	8,185	(7,972)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

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There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company and its subsidiaries in Taiwan have made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Subsidiaries in China have made monthly contributions equal to 20% of each employee's monthly wages to China Social Security Fund in accordance with the provisions of the Endowment Insurance of the People's Republic of China. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance and China Social Security Fund without additional legal or constructive obligations.

The Group's pension costs under the defined contribution plan were \$180,007 thousand and \$166,726 thousand for the years ended December 31, 2022 and 2021, respectively.

(iii) Short-term employee benefit

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Compensated absence liabilities (recorded under other payables)	<b>\$ 28,918</b>	<b>26,788</b>

(o) Income tax

i) Income tax expenses

The components of income tax for the years ended December 31, 2022 and 2021, were as follows:

	<b>2022</b>	<b>2021</b>
Current tax expenses		
Current period	\$ 272,837	518,957
Adjustment for prior period	854	(3,855)
	<u>273,691</u>	<u>515,102</u>
Deferred tax expense		
Origination and reversal of temporary differences	108,030	183,662
Income tax on continuing operations	<b>\$ 381,721</b>	<b>698,764</b>

No income tax recognized in other comprehensive income for 2022 and 2021.

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Reconciliations of the Group's income tax expense and the profit before tax for 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Income before tax	<b>\$ 1,073,438</b>	<b>1,937,908</b>
Income tax calculated on pretax accounting income at statutory rate	\$ 214,688	387,582
Effect of tax rates in foreign jurisdiction	178,002	344,529
Adjustment for prior periods	854	(3,855)
Non-deduction expenses	(15,725)	(36,547)
Tax-exempt expense	(744)	(261)
Investment income	(39,866)	(165,753)
Estimated withholding tax of attributable earnings of subsidiaries in Mainland China	11,676	39,046
Current-year losses for which no deferred income tax assets was recognized	56,474	85,436
Surtax on undistributed earnings	-	14,257
Others	(23,638)	34,330
Total	<b>\$ 381,721</b>	<b>698,764</b>

ii) Recognized deferred tax assets and liabilities

i. Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with its investments in its subsidiaries as of the years ended December 31, 2022 and 2021. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unrecognized deferred tax liabilities	<b>\$ 540,019</b>	<b>500,563</b>

ii. Unrecognized deferred income tax assets

The Deferred income tax assets that have not been recognized by the Group are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Deductible temporary differences	\$ -	5,379
Impairment loss	23,701	35,011
Tax losses	863,868	689,222
	<b>\$ 887,569</b>	<b>729,612</b>

(Continued)



**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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Tax losses are applied to Income Tax Act that can be carried forward for ten years, after assessed by tax authority, to offset taxable income before apply to tax rate. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefore.

As of December 31, 2022, the amount of tax losses not yet recognized as deferred tax assets and their last year for credit is as follows:

<b>Year</b>	<b>Amount</b>	<b>Year of expiration</b>
2013	\$ 8,252	2023
2014	5,988	2024
2015	4,490	2025
2016	4,302	2026
2017	7,592	2027
2018	5,552	2028
2019	5,378	2029
2020	93,418	2030
2021	90,587	2031
2022	55,326	2032
	<b>\$ 280,885</b>	

As of December 31, 2022, the amount of tax losses not yet recognized as deferred tax assets and their last year for credit is as follows:

<b>Year</b>	<b>Amount</b>	<b>Year of expiration</b>
2020	\$ 115,918	2025
2021	231,965	2026
2022	235,100	2027
	<b>\$ 582,983</b>	

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

iii. Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	<b>Loss carryforward</b>	<b>Other</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	\$ 138,571	120,055	258,626
Recognized in profit or loss	(22,519)	(36,150)	(58,669)
Foreign currency translation differences for foreign operations	2,046	2,309	4,355
<b>Balance at December 31, 2022</b>	<b>\$ 118,098</b>	<b>86,214</b>	<b>204,312</b>
<b>Balance at January 1, 2021</b>	\$ 172,779	108,849	281,628
Recognized in profit or loss	(33,189)	13,766	(19,423)
Foreign currency translation differences for foreign operations	(1,019)	(2,560)	(3,579)
<b>Balance at December 31, 2021</b>	<b>\$ 138,571</b>	<b>120,055</b>	<b>258,626</b>

Deferred tax liabilities:

	<b>Investment income from Mainland China accounted for using equity method</b>	<b>Foreign investment income accounted for using equity method</b>	<b>Depreciation difference between financial and tax reporting and other</b>	<b>Land value increment tax</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	\$ 210,611	915,538	21,129	304,572	1,451,850
Recognized in profit or loss	14,130	40,974	(5,743)	-	49,361
Foreign currency translation differences for foreign operations	3,059	-	1,223	-	4,282
<b>Balance at December 31, 2022</b>	<b>\$ 227,800</b>	<b>956,512</b>	<b>16,609</b>	<b>304,572</b>	<b>1,505,493</b>
<b>Balance at January 1, 2021</b>	\$ 203,400	756,129	28,304	304,572	1,292,405
Recognized in profit or loss	8,640	159,409	(3,810)	-	164,239
Foreign currency translation differences for foreign operations	(1,429)	-	(3,365)	-	(4,794)
<b>Balance at December 31, 2021</b>	<b>\$ 210,611</b>	<b>915,538</b>	<b>21,129</b>	<b>304,572</b>	<b>1,451,850</b>

iii) Examination and approval

The tax returns of the Company have been examined and approved by the tax authorities through 2018.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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(p) Capital and other equity

(i) Capital

As of December 31, 2022 and 2021, the total value of authorized ordinary shares amounted to \$4,000,000 thousand, with par value of \$10 per share, of which 400,000 thousand shares, 294,133 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Share premium	\$ 1,280	1,280
Overaging unclaimed dividends	7,092	4,868
Treasury stock	1,284,757	1,183,820
Recognize changes in all equity in subsidiaries	<u>2,389,866</u>	<u>2,400,897</u>
	<b><u>\$ 3,682,995</u></b>	<b><u>3,590,865</u></b>

The Company's subsidiary, Lucky Co., was awarded with cash dividends on 2020 and 2019 amounting to \$100,937 thousand and \$91,760 thousand, and they were recognized as capital surplus-treasury stock transactions.

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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The dividend policy of the Company reflects its current and future development plans and takes into accounts factors such as investment climate, funding demand, and domestic and international competition as well as shareholders' interests. Each year, no less than 30% of earnings available for distribution are assigned to shareholders as dividend bonus. The dividend bonus may be done in case or in the form of stock. When it is done in cash, the value may not exceed 10% of the overall dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting distribute its legal reserve by issuing new shares or by distribute cash and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special earnings reserve

As the Company opted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of \$512,508 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. A special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of above mentioned special reserve amounted to \$512,508 thousand as of December 31, 2022 and 2021.

For the regulatory permission mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of the above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

3) Distribution of retained earnings

The Company's Board of Directors resolved to appropriate the 2021 and 2020 other earnings in the board meeting held on March 15, 2022 and March 12, 2021, respectively. These other earnings were appropriated as follows:

	<u>2021</u>	<u>2020</u>
	<u>March 15, 2022</u>	<u>March 12, 2021</u>
Date resolved by Board of Directors		
Dividends distributed to common shareholders:		
Cash	\$ <u>647,093</u>	<u>588,266</u>
Dividend Payout (dollars)	\$ <u>2.2</u>	<u>2.0</u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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The Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	<b>2022</b>
Date resolved by Board of Directors	<b>March 15, 2023</b>
Dividends distributed to common shareholders:	
Cash	\$ <b>588,266</b>
Dividend Payout (dollars)	\$ <b>2.0</b>

(iv) Treasury stock

None shares were purchased by the Company and its subsidiaries during the years ended December 31, 2022 and 2021. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of December 31, 2022 and 2021, the subsidiaries held the Company's shares as follows:

	<b>December 31, 2022</b>				
<b>Subsidiary name</b>	<b>Number of shares (in thousand)</b>	<b>Market price per share</b>	<b>Adjusted cost per share</b>	<b>Total market value</b>	<b>Total treasury stock</b>
Lucky Co.	46,041	45.50	11.51	\$ <b>2,094,877</b>	<b>530,114</b>

	<b>December 31, 2021</b>				
<b>Subsidiary name</b>	<b>Number of shares (in thousand)</b>	<b>Market price per share</b>	<b>Adjusted cost per share</b>	<b>Total market value</b>	<b>Total treasury stock</b>
Lucky Co.	46,041	50.20	11.51	\$ <b>2,311,271</b>	<b>530,114</b>

Under the Business Mergers and Acquisitions Act, the treasury stock held by the Company shall not be pledged nor be entitled to any distribution of dividends or voting rights.

(v) Other equities (net for tax)

	<b>Foreign exchange differences arising from foreign operations</b>	<b>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</b>	<b>Non-controlling interests</b>	<b>Total</b>
Balance as of January 1, 2022	\$ (1,059,576)	(40,183)	207,069	(892,690)
Foreign exchange differences arising from foreign operations	348,625	-	40,893	389,518
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(8,917)	-	(8,917)
Balance as of December 31, 2022	\$ <b>(710,951)</b>	<b>(49,100)</b>	<b>247,962</b>	<b>(512,089)</b>
Balance as of January 1, 2021	\$ (681,563)	(45,154)	162,100	(564,617)
Foreign exchange differences arising from foreign operations	(378,013)	-	44,969	(333,044)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	4,971	-	4,971
Balance as of December 31, 2021	\$ <b>(1,059,576)</b>	<b>(40,183)</b>	<b>207,069</b>	<b>(892,690)</b>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Share-based payment

- (i) On October 15, 2021 and November 12, 2021, the board of directors of Namchow Food CO., resolved to issue 4,595 thousand shares of RSAs, including 4,125 thousand shares of restricted stock and 470 thousand reserved shares of restricted stock; Of these the Board of Directors resolved to issue, 470 thousand shares on October 28, 2022, the grant price was RMB 16.425 per share of RSAs, the fair value was RMB 16.945 per share at the grant date. The recipients are limited to the full-time employees of Namchow Food CO. who meet certain conditions. As of October 10, 2022, the grant price of the reserved restricted shares is adjusted from RMB 16.425 per share to RMB 16.095 per share.

The sales restriction period of restricted stocks granted by this incentive plan is 12 months, 24 months, 36 months from the date of registration of the granted restricted stocks. The restricted stocks granted by this incentive plan shall not be transferred, and used for security or debt repayment before the restriction is lifted. The stocks resulting from the conversion from capital reserves to share capital, stock dividends and stock splits of the restricted stocks granted for incentive objects are also restricted for sales, and shall not be sold in the secondary market or transferred by other means, or used for security and debt repayment before the restriction is lifted. The releasing period of these shares is the same as that of the restricted stocks.

The cash dividends obtained by this incentive plan due to the restricted stocks granted shall be managed by the Company before the restriction is lifted, and shall be regarded as the dividend payable by the Company, and shall not be paid until the restriction is lifted. If the restricted stocks cannot be lifted according to this plan, the dividends corresponding to the restricted stocks that cannot be lifted will be recovered by the Company

The unlocking period of the restricted stocks granted for the first time in this plan and the timetable for unlocking the restricted stocks in each period are as follows:

- 1) Employees who have been working in the Company for 1 year: 20% of vested shares can be sold.
- 2) Employees who have been working in the Company for 2 years: 40% of vested shares can be sold.
- 3) Employees who have been working in the Company for 3 years: 40% of vested shares can be sold.

For those restricted stocks that have not been applied for releasing the restriction in above agreed period or have not been released due to failure to meet the conditions of restriction releasing, Namchow Food CO., will repurchase according to this incentive plan and disconnect those restricted stocks from the original incentive object.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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Information about restricted shares was as follows:

	<u>2022</u>	<u>2021</u>
Shares outstanding on January 1	4,125	-
Granted during the year	470	4,125
lost during the year	(761)	-
Shares outstanding on December 31 (Shares outstanding on January 1)	<u>3,834</u>	<u>4,125</u>

(ii) Compensation cost

	<u>2022</u>	<u>2021</u>
Expenses resulting from RSA	<u>\$ 80,764</u>	<u>20,977</u>

(r) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for the years ended December 31, 2022 and 2021, were as follows:

(i) Basic earnings per share

	<u>2022</u>	<u>2021</u>
	Unit: thousand of shares	
Net income attributable to common shareholders of the Company	<u>\$ 559,669</u>	<u>1,071,166</u>
Weighted-average number of common shares	<u>248,092</u>	<u>248,092</u>
Basic earnings per share (in NT dollars)	<u>\$ 2.26</u>	<u>4.32</u>

ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
	Unit: thousand of shares	
Net income attributable to common shareholders of the Company (diluted)	<u>\$ 559,669</u>	<u>1,071,166</u>
Weighted-average number of common shares (basic)	248,092	248,092
Impact of potential common shares:		
Effect of employees' remuneration	203	311
Weighted-average number of shares outstanding (diluted)	<u>248,295</u>	<u>248,403</u>
Diluted earnings per share (in NT dollars)	<u>\$ 2.25</u>	<u>4.31</u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2022							
		Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
Area of distribution:									
China	\$	11,686,305	-	946,873	-	11,020	209,734	36,943	12,890,875
Taiwan		981,113	495,823	532,413	1,406,212	538,775	330,511	54,528	4,339,375
Thailand		-	-	-	-	195,301	-	2,333	197,634
New Zealand and Australia		-	-	-	-	1,021,108	-	-	1,021,108
United states		-	-	-	-	883,831	-	-	883,831
Europe		-	-	-	-	816,241	-	-	816,241
Others		21,917	-	-	-	290,256	17,168	-	329,341
	\$	12,689,335	495,823	1,479,286	1,406,212	3,756,532	557,413	93,804	20,478,405

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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		2021							
		Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
Area of distribution:									
China	\$	11,588,716	-	869,323	-	13,211	485,736	46,934	13,003,920
Taiwan		1,072,587	502,638	471,713	1,186,805	486,158	310,877	47,003	4,077,781
Thailand		-	-	-	-	187,754	-	1,589	189,343
New Zealand and Australia		-	-	-	-	945,723	-	-	945,723
United states		-	-	-	-	733,545	-	250	733,795
Europe		-	-	-	-	610,807	-	-	610,807
Others		24,748	-	-	-	259,818	15,835	-	300,401
	\$	12,686,051	502,638	1,341,036	1,186,805	3,237,016	812,448	95,776	19,861,770

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liability	\$ <u>469,076</u>	<u>540,585</u>	<u>574,384</u>

The amount of revenue recognized for the years ended December 31, 2022 and 2021, that was included in the contract liability balance at the beginning of the period was \$499,015 thousand and \$574,384 thousand, respectively.

(t) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company shall set aside no less than 1% of its profit as for employee remuneration and no more than 5% as directors' remuneration. However, priority shall be given to covering cumulative losses, if any.

Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

The Company estimated its remuneration to employees amounting to \$6,645 thousand and \$13,343 thousand, as well as its directors' \$26,578 thousand and \$53,372 thousand for the years 2022 and 2021, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's consolidated financial statements.

(u) Non-operating income and expenses

(i) Interest income

	2022	2021
Interest income from bank deposits	\$ <u>237,284</u>	<u>185,320</u>

(ii) Other income

	2022	2021
Rental income	\$ 10,532	8,934
Dividend income	2,900	1,931
Other income — other		
Government grants	78,028	99,501
Others	<u>66,739</u>	<u>90,695</u>
Total other income — Other	<u>144,767</u>	<u>190,196</u>
Total other income	\$ <u>158,199</u>	<u>201,061</u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Losses on disposal of property, plant and equipment	\$ (1,364)	(29,477)
Gains on lease modification	13,314	34,450
Gains foreign exchange	34,712	48,319
Recognize impairment loss	(9,101)	-
Others	(39,291)	(32,701)
Net other gains and losses	<u>\$ (1,730)</u>	<u>20,591</u>

(iv) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 213,457</u>	<u>257,548</u>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount.

2) Concentration of credit risk

The Group's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Group deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Group concluded that it is not exposed to credit risk.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,660,577	1,776,150	64,962	111,763	1,111,478	487,947
Unsecured loans	5,194,590	5,268,489	3,587,713	1,680,776	-	-
Short-term commercial paper payable	299,909	300,000	300,000	-	-	-
Accounts payable	1,318,949	1,318,949	1,318,949	-	-	-
Other payables	1,611,599	1,611,599	1,611,599	-	-	-
Bonds payable	4,880,600	5,000,000	-	-	3,000,000	2,000,000
Lease liabilities	609,397	685,624	163,168	157,491	250,827	114,138
Guarantee deposits received	793	793	793	-	-	-
	<u>\$ 15,576,414</u>	<u>15,961,604</u>	<u>7,047,184</u>	<u>1,950,030</u>	<u>4,362,305</u>	<u>2,602,085</u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	More than 5 years
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,116,972	1,207,054	51,843	456,528	145,297	553,386
Unsecured loans	5,266,720	5,317,576	2,747,450	2,570,126	-	-
Short-term commercial paper payable	89,983	90,000	90,000	-	-	-
Accounts payable	1,347,326	1,347,326	1,347,326	-	-	-
Other payables	1,483,345	1,483,345	1,483,345	-	-	-
Bonds payable	4,853,527	5,000,000	-	-	3,000,000	2,000,000
Lease liabilities	761,864	869,880	188,157	186,002	319,900	175,821
Guarantee deposits received	60	60	60	-	-	-
	<u>\$ 14,919,797</u>	<u>15,315,241</u>	<u>5,908,181</u>	<u>3,212,656</u>	<u>3,465,197</u>	<u>2,729,207</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Risk exposure

The Group's financial assets and financial liabilities exposed to significant currency risk were as follows:

	Foreign currency	Exchange rate	TWD
<b>December 31, 2022</b>			
Financial assets:			
Monetary assets:			
USD	\$	4,842	30.710
148,707			
Financial liabilities:			
Monetary liabilities:			
USD	\$	7,077	30.710
217,336			
EUR		7,571	32.720
247,733			
<b>December 31, 2021</b>			
Financial assets:			
Monetary assets:			
USD	\$	4,467	27.680
123,645			
Financial liabilities:			
Monetary liabilities:			
USD	\$	6,164	27.680
170,617			
EUR		8,684	31.320
271,980			

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivables, other receivables, loans and borrowings, accounts payable and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the TWD against the USD and EUR as of December 31, 2022 and 2021 would have increased (decreased) the net income after tax for the years ended December 31, 2022 and 2021 by \$3,164 thousand and \$3,190 thousand, respectively. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the December 31, 2022 and 2021, foreign exchange gains (losses) (including realized and unrealized abortions) amounted to \$34,712 thousand and \$48,319 thousand, respectively.

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting to the management internally, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have decreased / increased by \$65,802 thousand and \$59,814 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing and time deposits at floating rates.

(v) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

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# **NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

## **Notes to the Consolidated Financial Statements**

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

December 31, 2022					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ <u>15,872</u>	<u>15,872</u>	<u>-</u>	<u>-</u>	<u>15,872</u>
December 31, 2021					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ <u>24,795</u>	<u>24,795</u>	<u>-</u>	<u>-</u>	<u>24,795</u>

## 2) Valuation techniques and assumptions used in fair value determination – Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

Stocks of listed Companies and open-ended funds are financial assets possessing standard provision and trading in active markets. The fair values are determined based on the market quotes and net assets value, respectively.

(Continued)



**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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3) Fair value hierarchy

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2022 and 2021.

(w) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2022 and 2021, there was no geographical concentration of credit risk regarding the Group's revenue.

The Group have established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investment and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, there are no non-compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2022 and 2021, the Group did not provide any endorsement and guarantees to preparation of the third-party.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
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(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted. The Group has unused short term bank facilities of \$19,429,653 thousand and \$19,848,607 thousand on December 31, 2022 and 2021, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily TWD, CNY, JPY and THB. The currencies used in these transactions are the TWD, USD and EUR.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Group's operating cash flow, primarily consisting of TWD, USD, THB, CNY, and JPY.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Group relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

2) Interest rate risk

The interest rates of the Group's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Group's finance department monitors and measures potential changes in market conditions to achieve a fixed interest rate on the Group's loans.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 18,083,809	17,578,210
Less: cash and cash equivalents	10,494,443	9,729,803
Net debt	<u>\$ 7,589,366</u>	<u>7,848,407</u>
Total equity	<u>\$ 12,379,973</u>	<u>11,835,658</u>
Debt-to-adjusted-capital ratio	<u>61 %</u>	<u>66 %</u>

As of December 31, 2022, there were no changes in the Group's approach of capital management.

(y) Investing and financing activities not affecting current cash flow

The Group did not have any non-cash flow transactions on the investing and financing activities for the years ended December 31, 2022 and 2021.

(z) The reconciliation of liabilities arising from financing activities

For the year ended December 31, 2022 and 2021, the reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>December 31, 2022</b>
			<b>Foreign exchange movement</b>	<b>Others</b>	
Short-term borrowings	\$ 2,460,970	806,869	15,426	-	3,283,265
Short-term commercial paper payable	89,983	210,000	-	(74)	299,909
Bonds payable	4,853,527	-	-	27,073	4,880,600
Long-term borrowings (including current portion)	3,922,722	(329,724)	(21,095)	-	3,571,903
Lease liabilities	761,864	(189,163)	10,088	26,608	609,397
Other non-current liabilities	165,839	(27,188)	-	-	138,651
Total liabilities from financing activities	<u>\$ 12,254,905</u>	<u>470,794</u>	<u>4,419</u>	<u>53,607</u>	<u>12,783,725</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Foreign exchange movement	Others	
Short-term borrowings	\$ 2,998,640	(458,944)	(78,726)	-	2,460,970
Short-term commercial paper payable	89,962	-	-	21	89,983
Bonds payable	3,980,298	1,000,000	-	(126,771)	4,853,527
Long-term borrowings (including current portion)	5,073,191	(610,333)	(540,136)	-	3,922,722
Lease liabilities	1,052,141	(247,709)	(8,143)	(34,425)	761,864
Other non-current liabilities	57,266	(3,345)	-	111,918	165,839
Total liabilities from financing activities	<u>\$ 13,251,498</u>	<u>(320,331)</u>	<u>(627,005)</u>	<u>(49,257)</u>	<u>12,254,905</u>

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Chen Fei Lung	Key management personnel
Chen Fei Peng	"

**(b) Significant transactions with related parties — leases**

The Group entered into a two-year lease agreement with its key management personnel for a building to be used for its business operation, with a rental fee based on the rental rates within the vicinity. For the years ended December 31, 2022 and 2021, the Group recognized the amount of \$38 thousand and \$127 thousand as interest expense, respectively. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to \$0 thousand and \$8,326 thousand, respectively.

**(c) Personnel transactions from key management**

The compensation of the key management personnel comprised as the following:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 207,583	243,593
Post-employments benefits	1,658	1,161
	<u>\$ 209,241</u>	<u>244,754</u>

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment:			
Land	Long-term borrowings	\$ 1,755,616	1,776,263
Buildings	Long-term borrowings	<u>786,646</u>	<u>833,694</u>
		<u><u>\$ 2,542,262</u></u>	<u><u>2,609,957</u></u>

**(9) Commitments and contingencies**

(a) Major contracts not recognized the commitment:

(i) The Group's unrecognized contractual commitments were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 84,812</u>	<u>157,318</u>

(ii) The Group's unused letters of credit for purchases of materials:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused letters of credit for purchases of materials	<u>\$ 929,978</u>	<u>939,781</u>

(iii) Long-term letters of credit guarantee bill:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term letters of credit guarantee bill	<u>\$ 392,000</u>	<u>392,000</u>

(b) Lucky Co., Namchow BVI Co. and Paulaner Brauhaus Consult GmbH (PBCG) have entered into a contract for the use of the PBCG brand name and beer brewing techniques. In accordance with the contract, PBCG has to provide the right to use its brand name and its management consultation service for restaurant management, information service. The contract lasts for 10 years, starting from October 1, 2019 to September 30, 2029, with the option of extending it for an additional of 10 years, and there will be an automatic renewal for five years after the first renewal.

	<u>December 31, 2022</u>
One year	\$ 785
Less than five years	3,141
More than five years	<u>1,374</u>
	<u><u>\$ 5,300</u></u>

(c) Dian Shui Lou Co. entered into an agreement with several malls, it is agreed to take a certain percentage according to the turnover of each store.

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**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other**

The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By nature	By function	Years ended December 31, 2022			Years ended December 31, 2021		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		906,081	1,430,708	2,336,789	958,237	1,465,952	2,424,189
Labor and health insurance		298,027	171,821	469,848	296,259	157,154	453,413
Pension		64,237	125,230	189,467	64,023	112,439	176,462
Remuneration of directors		-	31,273	31,273	-	58,262	58,262
Others		72,651	195,748	268,399	83,280	123,084	206,364
Depreciation (note 1)		590,671	400,958	991,629	670,475	398,532	1,069,007
Amortization		-	-	-	-	-	-

Note 1: Depreciation expenses for investment property recognized under non-operating income and expenses— other gains and losses amounting to \$3,291 thousand and \$3,230 thousand for the years ended December 31, 2022 and 2021 were not excluded, respectively.

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## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2022:

##### (i) Loans extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 1)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Shanghai Namchow Co.	Tianjin Namchow Co.	Other receivable -- related parties	Yes	1,716,407	578,833	578,833	-	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 2)	5,830,939 (Note 2)
1	Shanghai Namchow Co.	Guangzhou Namchow Co.	Other receivable -- related parties	Yes	831,723	824,427	824,427	-	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 2)	5,830,939 (Note 2)
1	Shanghai Namchow Co.	Shanghai Namchow Co.	Other receivable -- related parties	Yes	1,473,062	574,818	574,818	-	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 2)	5,830,939 (Note 2)
1	Shanghai Namchow Co.	Tianjin Yoshi Yoshi Co.	Other receivable -- related parties	Yes	96,976	96,976	96,976	-	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 2)	5,830,939 (Note 2)

Note 1: The transactions within the Group were eliminated in the consolidated financial statements.

Note 2: Based on the Namchow Food CO.'s guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 40% of the Namchow Food Co.'s stockholder's equity.

##### (ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the period	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Nankyo Japan Co.	2	9,472,666	1,315,565	1,050,780	491,526	-	11.09 %	9,472,666	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company that has business transaction with another company.
- (2) A public company which, directly or indirectly, holds more than 50 percent of the voting shares.
- (3) A company that, directly or indirectly, holds more than 50 percent of the voting shares in the public company.
- (4) A public company which, directly or indirectly, holds 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company wherein all its capital contributing shareholders can make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies within the same industry that provide joint and several security among themselves for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 2: According to the Company's guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of the Company's net worth, while the total guarantees and endorsements for an individual party not exceed 100% of the Company's net worth.

##### (iii) Securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars/thousand of shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2021	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income — non-current	1,185	12,861	0.05 %	12,861	12,861	
Lucky Co.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income — non-current	46,041	2,094,877	15.65 %	2,094,877	530,114	Note 1
Lucky Co.	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income — non-current	277	3,011	0.01 %	3,011	3,011	

Note 1: The stated book value is after subtraction of the amount being reclassified treasury stock.

##### (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Lucky Co.	Huaciang Co.	Subsidiary	Purchase	(324,949)	(32) %	Note 1	-	-	(63,172)	(45) %	Note 2
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	324,949	30 %	Note 1	-	-	63,172	33 %	Note 2
Huaciang Co.	Namchow Oil and Fat Co.	Subsidiary	Purchase	157,847	33 %	Note 1	-	-	(29,424)	(8) %	Note 2
Namchow Oil and Fat Co.	Huaciang Co.	Subsidiary	(Sales)	(157,847)	(9) %	Note 1	-	-	29,424	31 %	Note 2
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	451,194	(67) %	Note 1	-	-	(69,621)	80 %	Note 2
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(451,194)	(16) %	Note 1	-	-	69,621	24 %	Note 2
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,804,775	(22) %	Note 1	-	-	(172,684)	17 %	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,804,775)	(66) %	Note 1	-	-	172,684	59 %	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,702,868	(20) %	Note 1	-	-	(180,838)	18 %	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,702,868)	(50) %	Note 1	-	-	180,838	38 %	Note 2
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	640,150	(8) %	Note 1	-	-	(55,381)	6 %	Note 2
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(640,150)	(78) %	Note 1	-	-	55,381	73 %	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	1,686,220	(20) %	Note 1	-	-	-	- %	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,686,220)	(78) %	Note 1	-	-	-	- %	Note 2
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	390,144	(9) %	Note 1	-	-	(33,515)	6 %	Note 2
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(390,144)	(14) %	Note 1	-	-	33,515	11 %	Note 2
Chongqing Qiaoxing Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	181,672	(4) %	Note 1	-	-	(20,481)	4 %	Note 2
Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(181,672)	(22) %	Note 1	-	-	20,481	27 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	395,750	(9) %	Note 1	-	-	(64,755)	12 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(395,750)	(18) %	Note 1	-	-	64,755	100 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,004,770	(22) %	Note 1	-	-	(128,293)	23 %	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(1,004,770)	(30) %	Note 1	-	-	128,293	27 %	Note 2
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	626,043	(75) %	Note 1	-	-	(161,928)	78 %	Note 2
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(626,043)	(19) %	Note 1	-	-	161,928	34 %	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	737,853	(9) %	Note 1	-	-	(72,824)	7 %	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(737,853)	(67) %	Note 1	-	-	72,824	61 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	366,063	(8) %	Note 1	-	-	(45,969)	8 %	Note 2
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(366,063)	(33) %	Note 1	-	-	45,969	39 %	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	1,752,463	(21) %	Note 1	-	-	(250,459)	25 %	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,752,463)	(36) %	Note 1	-	-	250,459	48 %	Note 2

Note 1: Depending on capital movement motor adjustment.

Note 2: All intercompany accounts and transactions are eliminated.

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## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note 1)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	180,838	9.20	-		180,838 (As of March 15, 2023)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	172,684	8.31	-		172,684 (As of March 15, 2023)	-
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	128,293	7.77	-		128,293 (As of March 15, 2023)	-
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	161,928	1.30	-		161,928 (As of March 15, 2023)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	250,459	9.17	-		250,459 (As of March 15, 2023)	-

Note1: The transactions within the Group were eliminated in the consolidated financial statements.

Note2: Loan to the subsidiary.

(ix) Trading in derivative instruments

On December 31, 2022, Namchow Thailand has no unexpired forward exchange contracts. In 2022, Namchow Thailand recognized realized benefits of \$12,541 thousand dollars in other gains and losses.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Sales revenue	451,194	No significant differences	2.20 %
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Accounts receivable	69,621	No significant differences	0.23 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Sales revenue	1,804,775	No significant differences	8.81 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Accounts receivable	172,684	No significant differences	0.57 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	390,144	No significant differences	1.91 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	33,515	No significant differences	0.11 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Sales revenue	1,702,868	No significant differences	8.32 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Accounts receivable	180,838	No significant differences	0.59 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	1,004,770	No significant differences	4.91 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	128,293	No significant differences	0.42 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Sales revenue	626,043	No significant differences	3.06 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Accounts receivable	161,928	No significant differences	0.53 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	640,150	No significant differences	3.13 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	55,381	No significant differences	0.18 %
3	Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	181,672	No significant differences	0.89 %
3	Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	20,481	No significant differences	0.07 %

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
4	Shanghai Namchow Co.	Namchow Food Co.	3	Sales revenue	1,686,220	No significant differences	8.23 %
4	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	395,750	No significant differences	1.93 %
4	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	64,755	No significant differences	0.21 %
5	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	737,853	No significant differences	3.60 %
5	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	72,824	No significant differences	0.24 %
5	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	366,063	No significant differences	1.79 %
5	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	45,969	No significant differences	0.15 %
6	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Sales revenue	1,752,463	No significant differences	8.56 %
6	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Accounts receivable	250,459	No significant differences	0.82 %
7	Namchow Oil and Fat Co.	Huaciang Co.	3	Sales revenue	157,847	No significant differences	0.77 %
7	Namchow Oil and Fat Co.	Huaciang Co.	3	Accounts receivable	29,424	No significant differences	0.10 %
8	Huaciang Co.	Lucky Co.	3	Sales revenue	324,949	No significant differences	1.59 %
8	Huaciang Co.	Lucky Co.	3	Accounts receivable	63,172	No significant differences	0.21 %
9	Namchow Food Co.	Tianjin Namchow Co.	3	Other receivable-related parties	578,833	Determined capital demand	1.90 %
9	Namchow Food Co.	Guangzhou Namchow Co.	3	Other receivable-related parties	824,427	Determined capital demand	2.71 %
9	Namchow Food Co.	Shanghai Namchow Co.	3	Other receivable-related parties	574,818	Determined capital demand	1.89 %
9	Namchow Food Co.	Other receivable-related parties	3	Other receivable-related parties	96,976	Determined capital demand	0.32 %

Note 1: Company numbering is as follows:

- (1) Parent company - 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

Note 3: Disclose that the individual amount record under the assets and liabilities are greater than \$20,000 thousand; profit and loss are greater than \$50,000 thousand.

Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2021	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value				
The Company	Namchow Thailand	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100.00 %	2,731,651	1,027,405	504,062	504,062	Note 4
The Company	Mostro	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100.00 %	32,783	10,201	667	667	Note 4
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100.00 %	12,393,984	343,443	394,437	394,437	Note 4
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	137,000	137,000	2,900	100.00 %	14,533	137,000	(7,054)	(7,053)	Note 4
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99.65 %	771,891	938,438	154,113	52,808	Note 4

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2021	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value				
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80.00 %	243	763	41	32	Note 4
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	690,580	690,580	-	100.00 %	189,829	690,580	(88,330)	(88,330)	Notes 4
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	9,200	5,000	500	100.00 %	4,884	9,200	(78)	(78)	Note 4
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	-	49,000	-	- %	-	49,000	(2,559)	(2,623)	Note 4
The Company	Namchow Oil and Fat Co.	Taipei, Taiwan	Manufacturing, processing and selling of edible oil and frozen dough	411,731	411,731	41,173	100.00 %	614,378	411,731	114,824	115,279	Note 4
The Company	Huacang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	392,341	30,000	100.00 %	226,510	392,341	(32,208)	(31,790)	Note 4
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	293,793	293,793	6,705	93.32 %	20,326	293,793	(52,715)	(49,193)	Notes 1 and 4
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	352,000	352,000	13,100	100.00 %	9,466	352,000	(46,558)	(46,505)	Notes 1 and 4
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	18,300	18,300	500	100.00 %	3,133	18,300	(1,514)	(1,514)	Note 4
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10.00 %	30	100	41	4	Note 4
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies.	Holding of investments	2,522,207	2,522,207	35,378	100.00 %	12,382,657	2,522,207	394,311	394,311	Note 4
Namchow Food Co.	Namchow Singapore Pte.	Singapore	The sales service of baking oil and fat product	2,965	-	-	80.85 %	(296)	2,965	(3,439)	(2,783)	Note 4

Note 1: Its investment gain and loss are also recognized by parent company.

Note 2: The Company holds the shares in subsidiaries Nankyo Japan Co. totaling 6 shares.

Note 3: Chow Food Co. liquidated on December 12, 2022 as the base date for dissolution, and is currently in the process of liquidation.

Note 4: All intercompany accounts and transactions are eliminated.

#### (c) Information on investment in mainland China:

##### (i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2022	Investment income (loss) (note 2)	Book value as of December 31, 2022	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Shanghai Qiaohao Co.	Holding of investments and international trade	1,058,568	(3)	-	-	-	-	(113,190)	100.00 %	1,058,568	(113,190) ((2)b.)	427,147	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00 %	961	- ((2)b.)	882	-
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(90,729)	100.00 %	704,181	(90,729) ((2)b.)	281,916	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(10,997)	100.00 %	90,836	(10,997) ((2)b.)	23,130	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	1,151,835	(3)	-	-	-	-	708,521	80.85 %	1,151,835	573,494 ((2)a.)	11,687,526	982,626
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	271,944	80.85 %	756,875	220,118 ((2)a.)	1,849,466	45,974
Tianjin Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	158,714	80.85 %	121,100	128,467 ((2)a.)	721,585	-
Guangzhou Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	122,541	80.85 %	452,150	99,188 ((2)a.)	497,570	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	251,259	80.85 %	544,950	203,375 ((2)a.)	1,959,369	279,529
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	-	6,291	80.85 %	676,597	5,092 ((2)a.)	913,116	-
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	93,465	80.85 %	94,200	75,653 ((2)a.)	680,264	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	916	80.85 %	215,250	741 ((2)a.)	176,002	-
Chongqing Namchow Co.	Manufacturing and processing of light cream and frozen dough	1,413,540	(3)	-	-	-	-	1,522	80.85 %	1,413,540	1,232 ((2)a.)	1,150,732	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	109	100.00 %	4,541	109 ((2)b.)	8,503	-
Bao Lai Na Co.	Multinational ceteries, and the promotion, and management of self-made beers	112,018	(3)	226,649	-	-	226,649	(52,458)	93.00 %	112,018	(48,786) ((2)c.)	14,754	35,967

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: Amount of investment income (loss) was recognized base on:

- (1) There is no investment income for the preparatory case.
- (2) Investment gains and losses were based on three basic:
  - a. The financial statements audited by an international accounting firm that has a cooperative relationship with accounting firms of the Republic of China.
  - b. The financial statements audited by the auditors of the parent company.
  - c. Others: the financial statements audited by the auditors of the local accounting firm, and the working papers were reviewed by the auditors of the parent company.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

#### (ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2022	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	372,813	3,737,519	5,683,600
Lucky Co.	226,649	194,406	1,745,424

(iii) Significant transactions with investees in Mainland China: None.

#### (d) Major shareholders:

			Unit: Share
Shareholder's Name	Shareholding	Shares	Percentage
Lucky Royal Co., Ltd.		46,041,259	15.65 %
Chen Fei Lung		33,814,934	11.49 %
Chen Fei Peng		19,537,995	6.64 %
Chen, Yu-Wen		18,003,624	6.12 %

### (14) Segment information

#### (a) General information

There are seven service departments which should be reported: Edible and non-edible oil department, frozen dough department, detergent department, ice cream department, food department, catering department and management and rental revenue department and other departments. The Edible and non-edible oil department provides manufacturing and selling of edible oil; frozen dough department provides manufacturing and selling of frozen dough; detergent department provides manufacturing and selling of detergent; ice cream department provides manufacturing and selling of variant ice cream; food department provides manufacturing and selling of instant noodles and rice cracker; catering department provides liquor importing and retailing and management and rental revenue department and other department provides business management and investment consulting services.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed.

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report and the chief operating decision maker reviews the basis to determine allocation of resource and makes a performance evaluation. The internal management report includes profit before taxation, but not includes any extraordinary activity. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions and are measured at market price.

(Continued)



**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Information on reportable segments and reconciliation for the Group is as follows:

Years ended December 31, 2022									
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Revenue:									
Revenue from external customers	\$ 12,689,335	495,823	1,479,286	1,406,212	3,756,532	557,413	93,804	-	20,478,405
Inter-segment revenues	229,806	-	3,693	30,421	346,527	11,542	180,685	(802,674)	-
<b>Total revenue</b>	<b>\$ 12,919,141</b>	<b>495,823</b>	<b>1,482,979</b>	<b>1,436,633</b>	<b>4,103,059</b>	<b>568,955</b>	<b>274,489</b>	<b>(802,674)</b>	<b>20,478,405</b>
Reportable segment profit or loss	<u>\$ 453,037</u>	<u>(41,217)</u>	<u>188,838</u>	<u>99,093</u>	<u>522,754</u>	<u>(180,422)</u>	<u>(137,495)</u>	<u>(11,446)</u>	893,142
Interest income and other income									403,960
Other gains and losses									(10,207)
Finance costs									(213,457)
Net income before tax									<u>\$ 1,073,438</u>

Years ended December 31, 2021									
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Revenue:									
Revenue from external customers	\$ 12,686,051	502,638	1,341,036	1,186,805	3,237,016	812,448	95,776	-	19,861,770
Inter-segment revenues	204,362	-	4,597	27,771	334,340	12,875	200,957	(784,902)	-
<b>Total revenue</b>	<b>\$ 12,890,413</b>	<b>502,638</b>	<b>1,345,633</b>	<b>1,214,576</b>	<b>3,571,356</b>	<b>825,323</b>	<b>296,733</b>	<b>(784,902)</b>	<b>19,861,770</b>
Reportable segment profit or loss	<u>\$ 1,726,506</u>	<u>15,478</u>	<u>68,055</u>	<u>57,840</u>	<u>321,695</u>	<u>(228,045)</u>	<u>(165,423)</u>	<u>(7,622)</u>	1,788,484
Interest income and other income									386,381
Other gains and losses									20,591
Finance costs									(257,548)
Net income before tax									<u>\$ 1,937,908</u>

(Continued)

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) In 2022 and 2021, inter-segment revenues of \$802,674 thousand and \$784,902 thousand respectively, should be eliminated from total revenue.
- (ii) Share of associate profit under equity method amounting to \$11,446 thousand and \$7,622 thousand, respectively, should be eliminated.

(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

<b>Products and services</b>	<b>2022</b>	<b>2021</b>
Baking oil, cooking oil and industrial oil	\$ 12,689,335	12,686,051
Frozen dough, noodles and cooked rice	5,235,818	4,578,052
Restaurant Business	557,413	812,448
Ice cream products	1,406,212	1,186,805
Others	589,627	598,414
Total	<b>\$ 20,478,405</b>	<b>19,861,770</b>

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

<b>Geographical information</b>	<b>2022</b>	<b>2021</b>
Revenue from external customers:		
China	\$ 11,925,807	12,105,286
Taiwan	5,438,745	5,099,857
Thailand	3,113,853	2,656,627
Total	<b>\$ 20,478,405</b>	<b>19,861,770</b>

<b>Geographical information</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Non-current assets:		
Taiwan	\$ 3,225,816	3,455,032
China	6,569,667	6,502,994
Thailand	1,892,514	1,726,136
Japan	1,370,105	1,435,103
Total	<b>\$ 13,058,102</b>	<b>13,119,265</b>

Non-current assets include investment accounted for under the equity method, property, plant and equipment, investment property.

(e) Information about major customers

For the years 2022 and 2021, the Group had no major customer who constituted 10% or more of net sales.

## V. Entity Financial Statement of the Latest Year Inspected and Authenticated by CPAs



安侯建業聯合會計師事務所

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### Independent Auditors' Report

To the Board of Directors of Namchow Holding Co., Ltd.:

#### Opinion

We have audited the parent company only financial statements of Namchow Holding Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, parent company only changes in equity and parent company only cash flows for the years ended December 31, 2022 and 2021, 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, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2022 and 2021 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' 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 Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

Evaluation of investments accounted for under equity method

Please refer to notes 4(g) and 6(e) for the disclosure related to the evaluation of investments accounted for under equity method of the parent company only financial statements.

Description of key audit matter:

Namchow Holding Co., Ltd. mainly engages in the investment business. Investments accounted for under equity method amounts to \$16,980,686 thousand, which constitutes 88% of the total assets of Namchow Holding Co., Ltd. Therefore, the evaluation of investments accounted for under equity method is the key judgmental area for our audit.

How the matter is address in our audit:

Our principal audit procedure including providing audit instructions and communicating with auditors of other components; obtaining financial statements of the components, recalculating shares of profit from the subsidiaries and exam whether if it is recognized in the correct period; and evaluating whether the disclosure related to investments accounted for under equity method made by the management is appropriate.

**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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 Audit Committee) are responsible for overseeing the Company's financial reporting process.

**Auditors' 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 the Standards on Auditing of the Republic of China 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 and appropriate audit evidence regarding the financial information of the investment in other entities accounted for under equity method to express an opinion on the parent company only 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 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.

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Chung-shun Wu.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2023

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Balance Sheets**

**December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
11XX	<b>Assets</b>					21XX	<b>Liabilities and Equity</b>				
	<b>Current assets:</b>						<b>Current liabilities:</b>				
1100	Cash and cash equivalents (note 6(a))	\$ 288,356	2	28,511	-	2100	Short-term borrowings (note 6(i))	\$ 340,000	2	-	-
1180	Accounts receivable—related parties (notes 6(c) and 7)	1,969	-	2,494	-	2110	Short-term commercial paper payable (note 6(ii))	299,909	1	-	-
1200	Other receivables (note (d))	2,306	-	-	-	2322	Current portion of long-term borrowings (notes (i) and 8)	200,000	1	-	-
1210	Other receivables—related parties (notes 6(d), (m) and 7)	24,269	-	32,860	-	2200	Other payables (notes 6(l) and (q))	144,608	1	177,680	1
1220	Current income tax assets	25,090	-	25,090	-	2220	Other payable—related parties (notes 6(m) and 7)	12,500	-	5,951	-
1410	Prepayments	2,936	-	2,700	-	2230	Current income tax liabilities	50,971	-	30,220	-
1470	Other current assets	-	-	50	-	2280	Current lease liabilities (note 6(k))	2,250	-	1,719	-
	<b>Total current assets</b>	<u>344,926</u>	<u>2</u>	<u>91,705</u>	<u>-</u>	2399	Other current liabilities	1,122	-	778	-
15XX	<b>Non-current assets:</b>						<b>Total current liabilities</b>	<u>1,051,360</u>	<u>5</u>	<u>216,348</u>	<u>1</u>
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(b))	12,861	-	20,092	-	25XX	<b>Non-Current liabilities:</b>				
1550	Investments accounted for under equity method (note 6(c))	16,980,686	88	16,204,469	88	2530	Bonds payable (note 6(j))	4,880,600	26	4,853,527	26
1600	Property, plant and equipment (notes 6(f) and 8)	1,829,555	9	1,827,787	10	2540	Long-term borrowings (notes 6(i) and 8)	2,616,000	14	2,809,000	15
1755	Right-of-use assets (note 6(g))	4,662	-	3,136	-	2570	Deferred income tax liabilities (note 6(m))	1,195,475	6	1,154,501	6
1760	Investment property (notes 6(h) and 8)	207,049	1	216,524	2	2580	Lease liabilities—non-current (note 6(k))	2,342	-	1,429	-
1840	Deferred income tax assets (note 6(m))	4,349	-	4,349	-	2640	Accrued pension liabilities—non-current (note 6(l))	88,868	-	125,885	1
1915	Prepayments for equipment	706	-	238	-	2670	Other non-current liabilities	85,879	-	111,968	1
1990	Other non-current assets	8,396	-	11,320	-		<b>Total non-current liabilities</b>	<u>8,869,164</u>	<u>46</u>	<u>9,056,310</u>	<u>49</u>
	<b>Total non-current assets</b>	<u>19,048,264</u>	<u>98</u>	<u>18,287,915</u>	<u>100</u>	2XXX	<b>Total liabilities</b>	<u>9,920,524</u>	<u>51</u>	<u>9,272,658</u>	<u>50</u>
						3110	<b>Equity attributable to shareholders of parent (note 6(n)):</b>				
						3200	Common stock	<u>2,941,330</u>	<u>15</u>	<u>2,941,330</u>	<u>16</u>
						3300	Capital surplus	<u>3,682,995</u>	<u>19</u>	<u>3,590,865</u>	<u>20</u>
						3310	Retained earnings:				
						3320	Legal reserve	1,039,356	5	932,166	5
						3350	Special reserve	1,612,266	9	1,239,224	7
							Unappropriated earnings	<u>1,486,884</u>	<u>8</u>	<u>2,033,250</u>	<u>11</u>
								<u>4,138,506</u>	<u>22</u>	<u>4,204,640</u>	<u>23</u>
						3400	Other equity:				
						3410	Financial statement translation differences for foreign operations	(710,951)	(4)	(1,059,576)	(6)
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(49,100)	-	(40,183)	-
								<u>(760,051)</u>	<u>(4)</u>	<u>(1,099,759)</u>	<u>(6)</u>
						3500	Treasury stock	<u>(530,114)</u>	<u>(3)</u>	<u>(530,114)</u>	<u>(3)</u>
						3XXX	<b>Total equity</b>	<u>9,472,666</u>	<u>49</u>	<u>9,106,962</u>	<u>50</u>
1XXX	<b>Total assets</b>	<u>\$ 19,393,190</u>	<u>100</u>	<u>18,379,620</u>	<u>100</u>	2-3XXX	<b>Total liabilities and shareholders' equity</b>	<u>\$ 19,393,190</u>	<u>100</u>	<u>18,379,620</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<b>2022</b>		<b>2021</b>	
		<u><b>Amount</b></u>	<u><b>%</b></u>	<u><b>Amount</b></u>	<u><b>%</b></u>
4000	<b>Operating revenue (notes 6(p) and 7)</b>	\$ 60,183	100	59,683	100
5000	<b>Operating costs</b>	-	-	-	-
5900	<b>Gross profit from operations</b>	60,183	100	59,683	100
6200	<b>General and administrative expenses (notes 6(f), (g), (k), (l), (q) and 7)</b>	<u>267,535</u>	<u>445</u>	<u>290,876</u>	<u>487</u>
6900	<b>Operating loss</b>	<u>(207,352)</u>	<u>(345)</u>	<u>(231,193)</u>	<u>(387)</u>
7000	<b>Non-operating income and expenses (notes 6(h), (j), (k), (r) and 7):</b>				
7100	Interest income	136	-	1,081	2
7010	Other income	1,632	3	1,118	2
7020	Other gains and losses	(11,250)	(19)	(12,633)	(21)
7050	Finance costs	(89,348)	(148)	(91,827)	(154)
7070	Share of profit of subsidiary accounted for using equity method	<u>937,411</u>	<u>1,559</u>	<u>1,601,037</u>	<u>2,682</u>
	<b>Total non-operating income and expenses</b>	<u>838,581</u>	<u>1,395</u>	<u>1,498,776</u>	<u>2,511</u>
7900	<b>Profit from continuing operations before tax</b>	631,229	1,050	1,267,583	2,124
7950	<b>Less: Income tax expenses (note 6(m))</b>	<u>71,560</u>	<u>119</u>	<u>196,417</u>	<u>329</u>
8000	<b>Profit</b>	<u>559,669</u>	<u>931</u>	<u>1,071,166</u>	<u>1,795</u>
8300	<b>Other comprehensive income (note 6(n)):</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains on remeasurements of defined benefit plans	(2,188)	(3)	5,505	9
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(7,231)	(12)	4,030	7
8330	Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	21,792	36	(3,832)	(6)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>12,373</u>	<u>21</u>	<u>5,703</u>	<u>10</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	175,678	292	(333,478)	(559)
8380	Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	172,947	287	(44,535)	(75)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>348,625</u>	<u>579</u>	<u>(378,013)</u>	<u>(634)</u>
8300	<b>Other comprehensive income</b>	<u>360,998</u>	<u>600</u>	<u>(372,310)</u>	<u>(624)</u>
	<b>Total comprehensive income</b>	<u>\$ 920,667</u>	<u>1,531</u>	<u>698,856</u>	<u>1,171</u>
9750	<b>Basic earnings per share (in New Taiwan dollars) (note 6(o))</b>	<u>\$ 2.26</u>		<u>4.32</u>	
9850	<b>Diluted earnings per share (in New Taiwan dollars) (note 6(o))</b>	<u>\$ 2.25</u>		<u>4.31</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Total other equity interest		Total	Treasury stock	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
<b>Balance at January 1, 2021</b>	\$ 2,941,330	1,214,039	838,824	1,286,181	1,596,003	3,721,008	(681,563)	(45,154)	(726,717)	(530,114)	6,619,546
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	93,342	-	(93,342)	-	-	-	-	-	-
Special reserve	-	-	-	(46,957)	46,957	-	-	-	-	-	-
Cash dividends of ordinary share	-	91,760	-	-	(588,266)	(588,266)	-	-	-	-	(496,506)
Other changes in capital surplus	-	2,061	-	-	-	-	-	-	-	-	2,061
Net income	-	-	-	-	1,071,166	1,071,166	-	-	-	-	1,071,166
Other comprehensive income (loss)	-	-	-	-	732	732	(378,013)	4,971	(373,042)	-	(372,310)
Total comprehensive income (loss)	-	-	-	-	1,071,898	1,071,898	(378,013)	4,971	(373,042)	-	698,856
Changes in ownership interests in subsidiaries	-	2,283,005	-	-	-	-	-	-	-	-	2,283,005
<b>Balance at December 31, 2021</b>	2,941,330	3,590,865	932,166	1,239,224	2,033,250	4,204,640	(1,059,576)	(40,183)	(1,099,759)	(530,114)	9,106,962
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	107,190	-	(107,190)	-	-	-	-	-	-
Special reserve	-	-	-	373,042	(373,042)	-	-	-	-	-	-
Cash dividends of ordinary share	-	100,937	-	-	(647,093)	(647,093)	-	-	-	-	(546,156)
Other changes in capital surplus	-	2,224	-	-	-	-	-	-	-	-	2,224
Net income	-	-	-	-	559,669	559,669	-	-	-	-	559,669
Other comprehensive income (loss)	-	-	-	-	21,290	21,290	348,625	(8,917)	339,708	-	360,998
Total comprehensive income (loss)	-	-	-	-	580,959	580,959	348,625	(8,917)	339,708	-	920,667
Changes in ownership interests in subsidiaries	-	(11,031)	-	-	-	-	-	-	-	-	(11,031)
<b>Balance at December 31, 2022</b>	<u>\$ 2,941,330</u>	<u>3,682,995</u>	<u>1,039,356</u>	<u>1,612,266</u>	<u>1,486,884</u>	<u>4,138,506</u>	<u>(710,951)</u>	<u>(49,100)</u>	<u>(760,051)</u>	<u>(530,114)</u>	<u>9,472,666</u>

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 631,229	1,267,583
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	18,752	18,285
Interest expense	89,348	91,827
Interest income	(136)	(1,081)
Share of profit of subsidiaries accounted for using equity method	(937,411)	(1,601,037)
Gains on lease modification	-	(7)
Total adjustments to reconcile profit	<u>(829,447)</u>	<u>(1,492,013)</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Accounts receivable due from related parties	525	564
Other receivable	(2,306)	-
Other receivable due from related parties	8,591	12,691
Prepayments	(236)	(32)
Other current assets	<u>50</u>	<u>14</u>
Total changes in operating assets, net	<u>6,624</u>	<u>13,237</u>
Changes in operating liabilities:		
Other payables	(34,994)	16,600
Other payable to related parties	6,549	(2,224)
Other current liabilities	344	(52)
Net defined benefit liabilities	<u>(39,204)</u>	<u>(1,382)</u>
Total changes in operating liabilities, net	<u>(67,305)</u>	<u>12,942</u>
Total changes in operating assets / liabilities, net	<u>(60,681)</u>	<u>26,179</u>
Total adjustments	<u>(890,128)</u>	<u>(1,465,834)</u>
Cash provided by operating activities	(258,899)	(198,251)
Interest income received	136	1,081
Dividends received	621,838	507,405
Interest paid	(60,407)	(100,178)
Income taxes refund	<u>(9,835)</u>	<u>5,932</u>
<b>Net cash used in operating activities</b>	<u>292,833</u>	<u>215,989</u>
<b>Cash flows from investing activities:</b>		
Acquisition of investments accounted for using equity method	(4,200)	(272,400)
Proceeds from disposal of investments accounted for using equity method	3,878	-
Acquisition of property, plant and equipment	(8,312)	(3,526)
Acquisition of investment properties	(202)	(691)
Decrease in other non-current assets	2,924	-
Increase in prepayments for business facilities	<u>(706)</u>	<u>(238)</u>
<b>Net cash provided by investing activities</b>	<u>(6,618)</u>	<u>(276,855)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	6,126,000	4,258,000
Decrease in short-term borrowings	(5,786,000)	(4,258,000)
Increase in short term commercial paper payable	1,332,000	-
Decrease in short-term notes and bills payable	(1,032,000)	-
Proceeds from issuing bonds	-	5,000,000
Repayments of bonds	-	(4,000,000)
Proceeds from long-term borrowings	13,990,000	13,386,000
Repayments of long-term borrowings	(13,983,000)	(13,724,000)
Payment of lease liabilities	(2,375)	(2,210)
Decrease in other non-current liabilities	(50)	-
Cash dividends paid	(647,093)	(588,266)
Interest paid	(26,076)	(24)
Overaging unclaimed dividends	<u>2,224</u>	<u>2,061</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(26,370)</u>	<u>73,561</u>
<b>Net increase in cash and cash equivalents</b>	<u>259,845</u>	<u>12,695</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>28,511</u>	<u>15,816</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 288,356</u>	<u>28,511</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**NAMCHOW HOLDING CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Namchow Holding Co., Ltd. (formerly called Namchow Chemical Industrial Co., Ltd.) (the Company) was incorporated on March 29, 1952 as a corporation limited by shares under the laws of the Republic of China (R.O.C.). The Company is engaged in the manufacture, sale, and processing of edible and non-edible oil products and frozen dough, as well as dish and laundry liquid detergent, it also provides management consulting services.

In order to improve its business performance and competitiveness, the Company decided to conduct a group restructuring and division of profession. On May 31, 2017, the shareholders of the Company decided to divide its entire departments and categorize them into two, then transfer them to two of its subsidiaries. The Department of Edible Products, which includes frozen dough items, will be transferred to Namchow Oil and Fat Co., Ltd. and the Department of Non-Edible Products will be transferred to Huaciang Industry Co., Ltd.. Both entities are 100% owned by the Company, with a record date of August 1, 2017.

For the purpose of transforming into a holding company, the Company, which was formerly named as Namchow Chemical Industrial Co., Ltd., is renamed as Namchow Holding Co., Ltd.. After the spin-off, the Company only engaged in investment holding.

**(2) Approval date and procedures of the financial statements**

The financial statements were authorized for issue by the Board of Directors on March 14, 2023.

**(3) New standards, amendments and interpretations adopted**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments<sup>1</sup>, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and parent company only financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

**(4) Summary of significant accounting policies**

The significant accounting policies presented in the parent company only financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the parent company only financial statements.

**(a) Statement of compliance**

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

**(b) Basis of preparation**

**(i) Basis of measurement**

The parent company only financial statements have been prepared on a historical cost basis, unless, otherwise stated (please refer to the summary of the significant accounting policies).

(Continued)

## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan dollars, which is Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short term cash commitment rather than investment.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

On initial recognition, a financial asset is classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(Continued)



## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Investment in subsidiaries

When preparing the parent company only financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the parent company only financial statements are equivalent to those attributable to the shareholders of the parent company only financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	3~65 years
Other equipment	1~15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprised the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying assets purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss, if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize its right-of-use assets and lease liabilities for the short-term leases of its machinery and leases of its machine and other equipment that have a lease term of 12 months or less, and leases of its low-value assets, including its machine and other equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

(k) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Treasury stock

Under the cost method, the treasury stock account is debited for the after tax cost of the Company's shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus—treasury stock; otherwise, the excess of the cost over the price is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average cost and is calculated by each group according to the reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

The shares that are owned by the Company's subsidiaries are seen as treasury stock.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering service to its customers, wherein revenue is recognized in the reporting period when the Company satisfies a performance obligation by transferring its control of a service, which is mainly management service, to the customer.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(o) Income tax

Income taxes comprise include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

When the business of the Company and its subsidiary has been operating for a period of at least 12 months, they are entitled to file a combined income tax return, including a 10% surplus, in accordance with the tax regulation, with the Company being appointed as the tax payer. Thereafter, the Company will allocate the income tax expense (benefit), deferred income tax, as well as Current income tax assets (liabilities) to itself and its subsidiary.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after the adjustment on the effects of all dilutive potential ordinary shares.

(q) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the parent company only financial statements.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the parent company only financial statements.

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 50	111
Savings and checking deposits	288,306	28,400
Cash and cash equivalents per statements of cash flow	<u>\$ 288,356</u>	<u>28,511</u>

The Company's exposure to interest rate risk and the sensitivity analysis on the financial instruments held by the Company are disclosed in note 6(s).

(Continued)



**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	<b>\$ <u>12,861</u></b>	<b><u>20,092</u></b>

- (i) Equity investments at fair value through other comprehensive income

The Company held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

No strategic investments were disposed for the year ended December 31, 2022, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

- (ii) Credit risk (including depreciation of debt instrument investment) and market risk, please refer to note 6(s).

- (iii) The aforesaid financial assets were not pledged as collateral.

- (c) Accounts receivable (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accounts receivable—related parties	<b>\$ <u>1,969</u></b>	<b><u>2,494</u></b>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all accounts receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The allowance for impairment were determined as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	<b>\$ <u>1,969</u></b>	<b>0.00</b>	<b><u>-</u></b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	<b>\$ <u>2,494</u></b>	<b>0.00</b>	<b><u>-</u></b>

The Company has not provided the notes and accounts receivable (including related parties) as collateral or factored them for cash.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(d) Other receivables(including related parties)

	December 31, 2022	December 31, 2021
Other receivables	\$ 2,306	-
Other receivables—related parties	24,269	32,860
	<u>\$ 26,575</u>	<u>32,860</u>

As of December 31, 2022 and 2021, the Company had no other receivables that were past due and did not have any impairment on other receivables.

(e) Investments accounted for under the equity method

The details of the investments accounted for under the equity method at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	<u>\$ 16,980,686</u>	<u>16,204,469</u>

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Collateral

As of December 31, 2022 and 2021, the Company did not pledge any collateral on investments accounted for under the equity method.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021 were as follows:

	Land	Buildings	Other equipment	Construction in progress and testing equip	Total
Cost:					
Balance at January 1, 2022	\$ 1,775,064	69,259	210,009	1,011	2,055,343
Additions	-	486	7,826	-	8,312
Disposals	-	-	(25)	-	(25)
Reclassification	-	205	238	(1,011)	(568)
Balance at December 31, 2022	<u>\$ 1,775,064</u>	<u>69,950</u>	<u>218,048</u>	<u>-</u>	<u>2,063,062</u>
Balance at January 1, 2021	\$ 1,775,064	69,109	207,695	-	2,051,868
Additions	-	150	2,365	1,011	3,526
Disposals	-	-	(51)	-	(51)
Balance at December 31, 2021	<u>\$ 1,775,064</u>	<u>69,259</u>	<u>210,009</u>	<u>1,011</u>	<u>2,055,343</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Other equipment</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
Depreciation:					
Balance at January 1, 2022	\$ -	31,739	195,817	-	227,556
Depreciation	-	1,665	4,311	-	5,976
Disposal	-	-	(25)	-	(25)
Balance at December 31, 2022	<u>\$ -</u>	<u>33,404</u>	<u>200,103</u>	<u>-</u>	<u>233,507</u>
Balance at January 1, 2021	\$ -	30,142	191,775	-	221,917
Depreciation	-	1,597	4,093	-	5,690
Disposal	-	-	(51)	-	(51)
Balance at December 31, 2021	<u>\$ -</u>	<u>31,739</u>	<u>195,817</u>	<u>-</u>	<u>227,556</u>
Carrying value:					
December 31, 2022	<u>\$ 1,775,064</u>	<u>36,546</u>	<u>17,945</u>	<u>-</u>	<u>1,829,555</u>
December 31, 2021	<u>\$ 1,775,064</u>	<u>37,520</u>	<u>14,192</u>	<u>1,011</u>	<u>1,827,787</u>
January 1, 2021	<u>\$ 1,775,064</u>	<u>38,967</u>	<u>15,920</u>	<u>-</u>	<u>1,829,951</u>

Please refer to note 8 for information on pledged property, plant and equipment as of December 31, 2022 and 2021.

(g) Right-of-use assets

The Company leases assets including transposition equipment. Information about leases, for which the Company is the lessee is presented below:

	<u>Buildings</u>	<u>Transposition equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ -	7,776	7,776
Additions	1,026	2,793	3,819
Modification	-	(5,340)	(5,340)
Balance at December 31, 2022	<u>\$ 1,026</u>	<u>5,229</u>	<u>6,255</u>
Balance at January 1, 2021	\$ -	7,632	7,632
Additions	-	2,435	2,435
Modification	-	(2,291)	(2,291)
Balance at December 31, 2021	<u>\$ -</u>	<u>7,776</u>	<u>7,776</u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ -	4,640	4,640
Depreciation	171	2,122	2,293
Modification	-	(5,340)	(5,340)
Balance at December 31, 2022	<u>\$ 171</u>	<u>1,422</u>	<u>1,593</u>
Balance at January 1, 2021	\$ -	4,028	4,028
Depreciation	-	2,203	2,203
Modification	-	(1,591)	(1,591)
Balance at December 31, 2021	<u>\$ -</u>	<u>4,640</u>	<u>4,640</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

	<u>Buildings</u>	<u>Transposition equipment</u>	<u>Total</u>
Carrying value:			
December 31, 2022	\$ <u>855</u>	<u>3,807</u>	<u>4,662</u>
December 31, 2021	\$ <u>-</u>	<u>3,136</u>	<u>3,136</u>
January 1, 2021	\$ <u>-</u>	<u>3,604</u>	<u>3,604</u>

(h) Investment property

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2022	\$ 364,324
Additions	202
Reclassification	<u>806</u>
Balance as at December 31, 2022	<u>\$ 365,332</u>
Balance as at January 1, 2021	\$ 363,633
Additions	<u>691</u>
Balance as at December 31, 2021	<u>\$ 364,324</u>
Depreciation:	
Balance as at January 1, 2022	\$ 147,800
Depreciation	<u>10,483</u>
Balance as at December 31, 2022	<u>\$ 158,283</u>
Balance as at January 1, 2021	\$ 137,408
Depreciation	<u>10,392</u>
Balance as at December 31, 2021	<u>\$ 147,800</u>
Carrying value:	
Balance as at December 31, 2022	<u>\$ 207,049</u>
Balance as at December 31, 2021	<u>\$ 216,524</u>
Balance as at January 1, 2021	<u>\$ 226,225</u>
Fair value:	
Balance as at December 31, 2022	<u>\$ 207,049</u>
Balance as at December 31, 2021	<u>\$ 216,524</u>
Balance as at January 1, 2021	<u>\$ 226,225</u>

Investment property comprises a number of factory that are leased to the Company's subsidiary Lucky Royal Co., Ltd., Namchow Oil and Fat Co., Ltd. and Huaciang Industry Co., Ltd. Each of the leases contains an initial non-cancellable period of 1 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(p) for further information (including leasing income and direct operating expenses).

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Investment property of the Company was acquired in 2014, since the Company considered that the book value of investment property as of December 31, 2022 and 2021 nearly equal to the fair value of investment property, the Company is not required to take any valuation from its independent third party as reference.

Please refer to note 8 for information on pledged investment property as of December 31, 2022 and 2021.

(i) Short-term and long-term borrowings

The details, terms and clauses of the Company's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	TWD	1.45~1.75	2023	<u>\$ 340,000</u>

The short-term borrowings repayment period is within one year.

As of December 31, 2021, the Company has no short-term borrowings.

As of December 31, 2022 and 2021, the unused credit facilities amounted to \$2,954,920 thousand and \$2,405,360 thousand, respectively, which included the credit facilities shared with related parties of \$1,400,000 thousand and \$820,000 thousand, respectively, which included the credit facilities shared with related parties of \$80,000 thousand and \$50,000 thousand, respectively.

(ii) Short-term commercial paper payable

	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Commercial paper payable	TWD	1.55	2023	\$ 300,000
Discount				(91)
Total				<u>\$ 299,909</u>

The Company has not used the short-term commercial paper payable quota granted by the bank for 2021.

As of December 31, 2022 and 2021, the unused credit facilities amounted to \$210,000 thousand and \$330,000 thousand, respectively.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(iii) Long-term borrowings

<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>
Secured loans	TWD	1.88	2025
Unsecured loans	TWD	0.95~1.88	2024~2025
Total			<b>\$ 2,816,000</b>
Current			\$ 200,000
Non-current			2,616,000
Total			<b>\$ 2,816,000</b>

<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>
Secured loans	TWD	0.95	2024
Unsecured loans	TWD	0.84~1.05	2023~2024
Total			<b>\$ 2,809,000</b>
Non-current			<b>\$ 2,809,000</b>

As of December 31, 2022 and 2021, the unused credit facilities amounted to \$1,418,720 thousand, and \$2,717,800 thousand, respectively, which included the credit facilities shared with related parties of \$668,720 thousand and \$2,526,800 thousand, respectively.

The Company has disclosed the related risk exposure to the financial instruments in note 6(s).

(iv) Collateral of loans

The Company has pledge certain assets against the loans; please refer to note 8 for additional information.

(j) Bonds payable

(i) The details of bonds payable was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured bonds	\$ 5,000,000	5,000,000
Less: discounts on bonds payable	119,400	146,473
Total	<b>\$ 4,880,600</b>	<b>4,853,527</b>
	<b>2022</b>	<b>2021</b>
Interest expenses	<b>\$ 51,773</b>	<b>67,383</b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**

**Notes to the Financial Statements**

- (ii) As August 11, 2021, the Company issued its 1st domestic secured bonds, and its major obligations are as follows:

<b>Item</b>	<b>110-1 Secured Bonds (Tranche A)</b>
1) Issue date	August 11, 2021
2) Issue period	5 years, commencing from August 11, 2021 and matured on August 11, 2026.
3) Offering amount	3,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 300 bonds
5) Coupon Rate	Annual interest rate 0.47%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

<b>Item</b>	<b>110-1 Secured Bonds (Tranche B)</b>
1) Issue date	August 11, 2021
2) Issue period	7 years, commencing from August 11, 2021 and matured on August 11, 2028.
3) Offering amount	2,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 200 bonds
5) Coupon Rate	Annual interest rate 0.53%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

- (iii) As November 29, 2016, the Company issued its 1st domestic secured bonds, and its major obligations are as follows:

<b>Item</b>	<b>1st domestic secured bonds Issued in 2016</b>
1) Issue date	November 29, 2016
2) Issue period	5 years, commencing from November 29, 2016 and matured on November 29, 2021.
3) Offering amount	4,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 400 bonds
5) Coupon Rate	Annual interest rate 0.75%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

The first domestic secured bonds issued in 2016 have been fully repaid in November 2022.

(k) Lease liabilities

The carrying amounts of lease liabilities for the Company were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	\$ <u>2,250</u>	<u>1,719</u>
Non-current	\$ <u>2,342</u>	<u>1,429</u>

For the maturity analysis, please refer to note 6(s).

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ <u>37</u>	<u>24</u>
Expenses relating to short-term leases	\$ <u>4,752</u>	<u>3,714</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>852</u>	<u>963</u>

The amount recognized in the statement of cash flows for the Company was as follows:

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	\$ <u>8,016</u>	<u>6,911</u>

(Continued)



**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(l) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
The present value of the defined benefit obligations	\$ 261,352	299,651
Fair value of plan assets	(172,484)	(173,766)
The net defined benefit liability	<b>\$ 88,868</b>	<b>125,885</b>

The Company established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$172,484 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Company's defined benefit plan obligation for the years ended December 31, 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Defined benefit obligation at 1 January	\$ 299,651	320,933
Current service costs and interest	2,008	2,128
Re-measurements of the net defined benefit liability		
— Due to changes in financial assumption of actuarial gains	16,582	(3,123)
Benefits paid by the plan	(56,889)	(20,287)
Defined benefit obligation at 31 December	<b>\$ 261,352</b>	<b>299,651</b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets, January 1	\$ 173,766	188,161
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	871	955
— Due to changes in financial assumption of actuarial gains	14,394	2,382
Contributions made	20,436	2,508
Benefits paid by the plan	(36,983)	(20,240)
Fair value of plan assets, December 31	<u>\$ 172,484</u>	<u>173,766</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 358	351
Net interest on the defined benefit liability	779	822
	<u>\$ 1,137</u>	<u>1,173</u>
	<u>2022</u>	<u>2021</u>
General and administration expenses	<u>\$ 1,137</u>	<u>1,173</u>

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	<u>2022</u>	<u>2021</u>
Discount rate	1.750 %	0.625 %
Future salary increases rate	2.000 %	2.000 %

The Company expects to make contributions of \$2,257 thousand to the defined benefit plans in the next year starting from the reporting date of 2022.

The weighted average duration of the defined benefit obligation is 8.69 years.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

6) Sensitivity analysis

As of December 31, 2022 and 2021, the present value of defined benefit obligation impact was as follow:

	<b>The impact of defined benefit obligation</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2022		
Discount rate (0.25%)	\$ (3,582)	3,689
Future salary increase rate (0.25%)	3,500	(3,414)
December 31, 2021		
Discount rate (0.25%)	(4,711)	4,860
Future salary increase rate (0.25%)	4,671	(4,552)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company and its subsidiaries in Taiwan have made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of the Labor Insurance and China Social Security Fund without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan were \$2,663 thousand and \$2,240 thousand for the years ended December 31, 2022 and 2021, respectively.

(iii) Short-term employee benefit

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Compensated absence liabilities (recorded under other payables)	<u>\$ 2,885</u>	<u>2,715</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(m) Income tax

(i) Income tax expenses

The amount of the Company's income tax for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Current income tax expense		
Current period	\$ 30,586	3,814
Adjustment for prior periods	<u>-</u>	<u>5</u>
	<u>30,586</u>	<u>3,819</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>40,974</u>	<u>192,598</u>
Income tax expenses on continuing operations	<u><u>\$ 71,560</u></u>	<u><u>196,417</u></u>

No income tax recognized in other comprehensive income for 2022 and 2021.

Reconciliations of income tax expense and the profit before tax for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	<u><u>\$ 631,229</u></u>	<u><u>1,267,583</u></u>
Income tax calculated on pretax financial income at the statutory rate	\$ 126,246	253,517
Adjustment for prior periods	-	5
Dividend income	(47,239)	(125,798)
Non-deduction expenses	(6,703)	(13,492)
Exempt income	(744)	(261)
Overestimated of prior year's deferred income tax assets	-	68,189
Surplus on undistributed earnings	<u>-</u>	<u>14,257</u>
Total	<u><u>\$ 71,560</u></u>	<u><u>196,417</u></u>

The Company and its subsidiaries, Namchow Oil and Fat Co., Ltd. and Huaciang Industry Co., Ltd., will file their combined income tax return. As of December 31, 2022 and 2021, the tax payables to (receivables from) related parties, based on the allocation of the combined income tax return, are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivable from subsidiary (recorded under other receivable – related party)	<u><u>\$ 24,236</u></u>	<u><u>30,663</u></u>
Payable to subsidiary (recorded under other payable – related party)	<u><u>\$ 12,259</u></u>	<u><u>5,706</u></u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with its investments in its subsidiaries of the years ended December 31, 2022 and 2021. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unrecognized deferred tax liabilities	<b>\$ 540,019</b>	<b>500,563</b>

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<b>Loss carry forward</b>	<b>Foreign investment income accounted for using equity method</b>	<b>Land value increment tax</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	\$ 4,349	(915,539)	(238,962)	(1,150,152)
Recognized in profit or loss	-	(40,974)	-	(40,974)
<b>Balance at December 31, 2022</b>	<b>\$ 4,349</b>	<b>(956,513)</b>	<b>(238,962)</b>	<b>(1,191,126)</b>
<b>Balance at January 1, 2021</b>	\$ 37,538	(756,130)	(238,962)	(957,554)
Recognized in profit or loss	(33,189)	(159,409)	-	(192,598)
<b>Balance at December 31, 2021</b>	<b>\$ 4,349</b>	<b>(915,539)</b>	<b>(238,962)</b>	<b>(1,150,152)</b>

(iii) Examination and approval

The tax returns of the Company have been examined and approved by the tax authorities through 2018.

(n) Capital and other equity

(i) Capital

As of December 31, 2022 and 2021, the total value of authorized ordinary shares amounted to \$4,000,000 thousand, with par value of \$10 per share, of which 400,000 thousand shares, 294,133 shares were issued. All issued shares were paid up upon issuance.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2022 and 2021, were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Share premium	\$ 1,280	1,280
Overaging unclaimed dividends	7,092	4,868
Treasury stock	1,284,757	1,183,820
Recognize changes in all equity in subsidiaries	<u>2,389,866</u>	<u>2,400,897</u>
	<b><u>\$ 3,682,995</u></b>	<b><u>3,590,865</u></b>

The Company's subsidiary, Lucky Co. was awarded with cash dividends on 2020 and 2019 amounting to \$100,937 and \$91,760 thousand, and they were recognized as capital surplus-treasury stock transactions.

In accordance with the Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The dividend policy of the Company reflects its current and future development plans and takes into accounts factors such as investment climate, funding demand, and domestic and international competition as well as shareholders' interests. Each year, no less than 30% of earnings available for distribution are assigned to shareholders as dividend bonus. The dividend bonus may be done in case or in the form of stock. When it is done in cash, the value may not exceed 10% of the overall dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting distribute its legal reserve by issuing new shares or by distribute cash and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

# **NAMCHOW HOLDING CO., LTD.**

## **Notes to the Financial Statements**

### 2) Special earnings reserve

As the Company opted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of \$512,508 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. A special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to \$512,508 thousand as of December 31, 2022 and 2021.

For the regulatory permission mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

### 3) Distribution of retained earnings

The Company's Board of Directors resolved to appropriate the 2021 and 2020 other earnings, respectively. These other earnings were appropriated as follows:

	<u>2021</u>	<u>2020</u>
	<u>March 15, 2022</u>	<u>March 12, 2021</u>
Date resolved by Board of Directors		
Dividends distributed to common shareholders:		
Cash	\$ <u>647,093</u>	<u>588,266</u>
Dividend Payout (dollars)	\$ <u>2.2</u>	<u>2</u>

The Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	<u>2022</u>
	<u>March 14, 2023</u>
Date resolved by Board of Directors	
Dividends distributed to common shareholders:	
Cash	\$ <u>588,266</u>
Dividend Payout (dollars)	\$ <u>2.0</u>

### (iv) Treasury stock

None shares were purchased by the Company and its subsidiaries during the years 2022 and 2021. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of December 31, 2022 and 2021, the subsidiaries held the Company's shares as follows:

	<u>December 31, 2022</u>				
<u>Subsidiary name</u>	<u>Number of shares (in thousand)</u>	<u>Market price per share</u>	<u>Adjusted cost per share</u>	<u>Total market value</u>	<u>Total treasury stock</u>
Lucky Co.	46,041	45.50	11.51	\$ <u>2,094,877</u>	<u>530,114</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**

**Notes to the Financial Statements**

<b>Subsidiary name</b>	<b>December 31, 2021</b>				
	<b>Number of shares (in thousand)</b>	<b>Market price per share</b>	<b>Adjusted cost per share</b>	<b>Total market value</b>	<b>Total treasury stock</b>
Lucky Co.	46,041	50.20	11.51	\$ <u>2,311,271</u>	<u>530,114</u>

Under the Business Mergers and Acquisitions Act, the treasury stock held by the Company shall not be pledged nor be entitled to any distribution of dividends or voting rights.

(v) Other equities

	<b>Foreign exchange differences arising from foreign operations</b>	<b>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance as of January 1, 2022	\$ (1,059,576)	(40,183)	(1,099,759)
Foreign exchange differences arising from foreign operations	175,678	-	175,678
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	172,947	-	172,947
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(7,231)	(7,231)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(1,686)	(1,686)
Balance as of December 31, 2022	\$ <u>(710,951)</u>	<u>(49,100)</u>	<u>(760,051)</u>
Balance as of January 1, 2021	\$ (681,563)	(45,154)	(726,717)
Foreign exchange differences arising from foreign operations	(333,478)	-	(333,478)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(44,535)	-	(44,535)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	4,030	4,030
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	941	941
Balance as of December 31, 2021	\$ <u>(1,059,576)</u>	<u>(40,183)</u>	<u>(1,099,759)</u>

(Continued)



**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(o) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the years ended December 31, 2022 and 2021, was as follows:

(i) Basic earnings per share

	2022	2021
Net income	\$ <u>559,669</u>	<u>1,071,166</u>
Weighted-average number of common shares	<u>248,092</u>	<u>248,092</u>
Basic earnings per share (in NT dollars)	\$ <u>2.26</u>	<u>4.32</u>

(ii) Diluted earnings per share

	2022	2021
Net income	\$ <u>559,669</u>	<u>1,071,166</u>
Weighted-average number of common shares (basic)	248,092	248,092
Impact of potential common shares		
Effect of employee's remuneration	203	311
Weighted-average number of shares outstanding (diluted)	<u>248,295</u>	<u>248,403</u>
Diluted earnings per share (in NT dollars)	\$ <u>2.25</u>	<u>4.31</u>

(p) Revenue from contracts with customers — Disaggregation of revenue

		2022		
		Revenue from dividends	Management revenue	Rental revenue
				Total
Area of distribution:				
Taiwan		\$ 2,088	765	54,513
Thailand		-	2,817	-
		<u>\$ 2,088</u>	<u>3,582</u>	<u>54,513</u>
				<u>60,183</u>
		2021		
		Revenue from dividends	Management revenue	Rental revenue
				Total
Area of distribution:				
Taiwan		\$ 1,304	316	55,517
Thailand		-	2,546	-
		<u>\$ 1,304</u>	<u>2,862</u>	<u>55,517</u>
				<u>59,683</u>

(q) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company shall set aside no less than 1% of its profit as for employee remuneration and no more than 5% as directors' remuneration. However, priority shall be given to covering cumulative losses, if any.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The Company estimated its remuneration to employees amounting to \$6,645 thousand and \$13,343 thousand, as well as its directors' \$26,578 thousand and \$53,372 thousand for the years 2022 and 2021, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's individual financial statements.

(r) Non-operating income and expenses

(i) Interest income

The details of the Company's interest income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ <u>136</u>	<u>1,081</u>

(ii) Other income

	<u>2022</u>	<u>2021</u>
Other income — other	\$ <u>1,632</u>	<u>1,118</u>

(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains on lease modification	\$ -	7
Gains of foreign exchange	2,169	37
Others	<u>(13,419)</u>	<u>(12,677)</u>
Net other gains and losses	\$ <u>(11,250)</u>	<u>(12,633)</u>

(iv) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	\$ <u>89,348</u>	<u>91,827</u>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

2) Concentration of credit risk

The Company's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Company deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Company concluded that it is not exposed to credit risk.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	More than 5 years
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Secured loans	\$ 966,000	1,007,397	18,161	18,161	971,075	-
Unsecured loans	2,190,000	2,244,007	563,231	1,680,776	-	-
Short-term commercial paper payable	299,909	300,000	300,000	-	-	-
Other payable (including related parties)	157,108	157,108	157,108	-	-	-
Bonds payable	4,880,600	5,000,000	-	-	3,000,000	2,000,000
Lease liabilities	4,592	4,649	2,290	1,825	534	-
	<u>\$ 8,498,209</u>	<u>8,713,161</u>	<u>1,040,790</u>	<u>1,700,762</u>	<u>3,971,609</u>	<u>2,000,000</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Secured loans	\$ 359,000	363,074	3,411	359,663	-	-
Unsecured loans	2,450,000	2,470,320	23,295	2,447,025	-	-
Other payable (including related parties)	183,631	183,631	183,631	-	-	-
Bonds payable	4,853,527	5,000,000	-	-	3,000,000	2,000,000
Lease liabilities	3,148	3,178	1,738	823	617	-
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 7,849,356</u>	<u>8,020,253</u>	<u>212,125</u>	<u>2,807,511</u>	<u>3,000,617</u>	<u>2,000,000</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting to the management internally, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased / decreased by 1%, the Company's net income before tax would have increased / decreased by \$25,248 thousand and \$22,472 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(iv) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market data and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ <u>12,861</u>	<u>12,861</u>	<u>-</u>	<u>-</u>	<u>12,861</u>

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ <u>20,092</u>	<u>20,092</u>	<u>-</u>	<u>-</u>	<u>20,092</u>

2) Valuation techniques and assumptions used in fair value determination

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and Liability instruments trading in active markets.

Stocks of listed Companies and open ended funds are financial assets possessing standard provision and trading in active markets. The fair values are determined based on the market quotes and net assets value, respectively.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2022 and 2021.

(t) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Company's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

(Continued)

## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

##### 1) Trade and other receivables

The company is an investment holding company, and the accounts receivable and other receivables are all from related parties, and the management assesses that there is no risk of default.

##### 2) Investments

The credit risk exposure in the bank deposits, fixed income investment and other financial instruments is measured and monitored by the Company's finance department. Since those who transact with the Company are banks and other external parties with good credit standing, there are no non-compliance issues, and therefore, there is no significant credit risk.

##### 3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As December 31, 2022 and 2021, the Company did not provide any endorsement and guarantees to preparation of the third-party.

#### (iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(Continued)

## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Company has unused short term bank facilities of \$6,798,920 thousand and \$4,713,160 thousand on December 31, 2022 and 2021.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Interest rate risk

The interest rates of the Company's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Company's finance department monitors and measures potential changes in market conditions to achieve a fixed interest rate on the Company's loans.

2) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(u) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 9,920,524	9,272,658
Less: cash and cash equivalents	288,356	28,511
Net debt	<u><u>\$ 9,632,168</u></u>	<u><u>9,244,147</u></u>
Total equity	<u><u>\$ 9,472,666</u></u>	<u><u>9,106,962</u></u>
Debt-to-adjusted-capital ratio	<u><u>102 %</u></u>	<u><u>102 %</u></u>

As of December 31, 2022, there were no changes in the Company's approach of capital management.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(v) Investing and financing activities not affecting current cash flow

For the year ended December 31, 2022 and 2021, the reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes Others</b>	<b>December 31, 2022</b>
	\$ -	340,000	-	340,000
Short-term commercial paper payable	-	300,000	(91)	299,909
Bonds payable	4,853,527	-	27,073	4,880,600
Long-term borrowings (including current portion)	2,809,000	7,000	-	2,816,000
Lease liabilities	3,148	(2,412)	3,856	4,592
Short-term borrowings	111,968	(26,089)	-	85,879
Total liabilities from financing activities	<u>\$ 7,777,643</u>	<u>618,499</u>	<u>30,838</u>	<u>8,426,980</u>

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes Others</b>	<b>December 31, 2021</b>
Bonds payable	\$ 3,980,298	1,000,000	(126,771)	4,853,527
Long-term borrowings (including current portion)	3,147,000	(338,000)	-	2,809,000
Lease liabilities	3,630	(2,234)	1,752	3,148
Short-term borrowings	50	-	111,918	111,968
Total liabilities from financing activities	<u>\$ 7,130,978</u>	<u>659,766</u>	<u>(13,101)</u>	<u>7,777,643</u>

**(7) Related-party transactions**

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

<b>Name of related party</b>	<b>Relationship with the Group</b>
Namchow (Thailand) Ltd. (Namchow Thailand)	The Company's subsidiary
Mostro (Thailand) Ltd. (Mostro)	The Company's subsidiary
Nacia International Corp. (Nacia Co.)	The Company's subsidiary
Chow Ho Enterprise Co., Ltd. (Chow Ho Co.)	The Company's subsidiary
Lucky Royal Co., Ltd. (Lucky Co.)	The Company's subsidiary
Nankyo Japan Co., Ltd. (Nankyo Japan Co.)	The Company's subsidiary
Namchow Consulting Company, Ltd. (Namchow Consulting Co.)	The Company's subsidiary
Chow Food Biotechnology Co., Ltd. (Chow Food Co.)(note)	The Company's subsidiary(The company was dissolutiond on December 12, 2022)

(Continued)



# **NAMCHOW HOLDING CO., LTD.**

## **Notes to the Financial Statements**

<b>Name of related party</b>	<b>Relationship with the Group</b>
Namchow Oil and Fat Co., Ltd. (Namchow Oil and Fat Co.)	The Company's subsidiary
Huaciang Industry Co., Ltd. (Huaciang Co.)	The Company's subsidiary
Navigator Business Publications Co., Ltd. (NBP Co.)	The Company and Lucky Co. used the equity method to evaluate the invested company
Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Lucky Co. used the equity method to evaluate the invested company
Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Lucky Co. used the equity method to evaluate the invested company
Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Lucky Co. used the equity method to evaluate the invested company
Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Namchow BVI Co. used the equity method to evaluate the invested company
Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Nacia Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Namchow Cayman Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Namchow Cayman Co. used the equity method to evaluate the invested company
Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Namchow Cayman Co. and Shanghai Qizhi Co. used the equity method to evaluate the invested company
Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Namchow Cayman Co. and Namchow Food Co. used the equity method to evaluate the invested company
Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Namchow Trading Singapore Pte.,Ltd (Namchow Singapore Pte.)	Namchow Food Co. used the equity method to evaluate the invested company

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
Chongqing Namchow Food Co., Ltd. (Chongqing Namchow Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Tianjin Namchow Co. used the equity method to evaluate the invested company
Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Tianjin Yoshi Yoshi Co. used the equity method to evaluate the invested company

(c) Significant transactions with related parties

(i) Management technology service revenue

The Company provided management technology service to subsidiaries recorded under service revenue and the amounts were as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries:		
Namchow Thailand	\$ 2,817	2,546
Other subsidiaries	<u>703</u>	<u>250</u>
	<u>\$ 3,520</u>	<u>2,796</u>

(ii) Rental revenue

The Company rents offices to subsidiaries and the amounts were as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries:		
Namchow Oil and Fat Co.	\$ 24,876	24,876
Huaciang Co.	18,216	18,216
Lucky Co.	8,750	8,750
Other subsidiaries	<u>2,557</u>	<u>3,560</u>
	<u>\$ 54,399</u>	<u>55,402</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(iii) Receivable from related parties

The details of the receivables from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable — related parties	Subsidiaries:		
	Lucky Co.	\$ 1,445	1,395
	Huaciang Co.	28	738
	Chow Ho Co.	220	221
	Dian Shui Lou Co.	210	140
	Other subsidiaries	66	-
		<u>1,969</u>	<u>2,494</u>
Other receivables — related parties	Subsidiaries		
	Namchow Oil and Fat Co.	24,236	31,873
	Huaciang Co.	10	962
	Lucky Co.	14	18
	Other subsidiaries	9	7
		<u>24,269</u>	<u>32,860</u>
		<u>\$ 26,238</u>	<u>35,354</u>

(iv) Payable to related parties

The details of the Group's payable to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payable — related parties	Subsidiaries		
	Huaciang Co.	\$ 12,272	5,721
	Dian Shui Lou Co.	166	176
	Namchow Oil and Fat Co.	-	47
	Other subsidiaries	62	7
		<u>\$ 12,500</u>	<u>5,951</u>

(v) Guarantees

As of December 31, 2022 and 2021, the Company provided the amounts of \$1,050,780 thousand and \$1,301,082 thousand, respectively, guarantees to its subsidiaries.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(d) Personnel transactions from key management

The compensation of the key management personnel comprised as the following:

	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 103,742	126,307
Post-employments benefits	1,292	718
	<b>\$ 105,034</b>	<b>127,025</b>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Property, plant and equipment:			
Land	Long-term borrowings	\$ 1,084,368	1,084,368
Buildings	Long-term borrowings	23,664	24,061
Investment property:			
Buildings	Long-term borrowings	74,191	75,940
		<b>\$ 1,182,223</b>	<b>1,184,369</b>

**(9) Commitments and contingencies: None.**

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

<b>By nature</b>	<b>By function</b>	<b>2022</b>			<b>2021</b>		
		<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits							
Salary		-	138,388	138,388	-	144,500	144,500
Labor and health insurance		-	7,861	7,861	-	7,608	7,608
Pension		-	3,800	3,800	-	3,413	3,413
Remuneration of directors		-	29,101	29,101	-	55,917	55,917
Others		-	2,075	2,075	-	1,370	1,370
Depreciation		-	8,269	8,269	-	7,893	7,893
Amortization		-	-	-	-	-	-

As of December 31, 2022 and 2021, the depreciation expenses recognized under non-operating income and expenses — other gains and losses amounted to \$10,483 thousand and \$10,392 thousand, respectively.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The Company's number of employees for the years ended December 31, 2022 and 2021 and additional information employee benefits were as follows:

	2022	2021
Number of employees	<u>61</u>	<u>61</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	\$ <u>2,766</u>	<u>2,853</u>
The average salaries and wages	\$ <u>2,516</u>	<u>2,627</u>
The average of employee salary cost adjustment as follows	<u>(4.23)%</u>	
Supervisors compensation	\$ <u>-</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (a) According to the Company's articles of incorporation, the policy for the remuneration to directors' policy is as follows:
- (i) Article 18: The Company has 5 to 9 board directors, who are to be elected among capable individuals during the shareholders meetings to serve a tenure of 3 years and may be re-elected to serve for multiple terms. The directors are entitled to transportation reimbursements that have to be paid regardless of gains or losses incurred by the Company.
  - (ii) Article 19: The directors shall form the Board of Directors and shall elect among themselves one Chairman and one Vice Chairman with paid salaries regardless of gains or losses incurred by the Company.
- (b) The Remuneration Committee evaluates and decides on the remuneration payment policy according to the Company's management strategy, manpower utilization policy, as well as payment capability. It also establishes and periodically reviews the remuneration levels for directors, supervisors, and managers of the Company to be submitted for approval during the Board meeting based on the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" and "Regulations of the Company Remuneration Committee".

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## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

#### (13) Other disclosures

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

##### (i) Loans to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year (Note 1)	Ending balance (Note 1)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Namchow Food Co.	Tianjin Namchow Co.	Other receivable—related parties	Yes	1,716,407	578,833	578,833	(Note 1)	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 1)	5,830,939 (Note 1)
1	Namchow Food Co.	Guangzhou Namchow Co.	Other receivable—related parties	Yes	831,723	824,427	824,427	(Note 1)	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 1)	5,830,939 (Note 1)
1	Namchow Food Co.	Shanghai Namchow Co.	Other receivable—related parties	Yes	1,473,062	574,818	574,818	(Note 1)	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 1)	5,830,939 (Note 1)
1	Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Other receivable—related parties	Yes	96,976	96,976	96,976	(Note 1)	Short term financing	-	Capital for operation	-	-	-	5,830,939 (Note 1)	5,830,939 (Note 1)

Note 1: Base on the Namchow Food CO.'s guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 40% of the Namchow Food Co.'s stockholder's equity.

##### (ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Nankyo Japan Co.	2	9,472,666	1,315,565	1,050,780	491,526	-	11.09 %	9,472,666	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company that has business transaction with another company.
- (2) A public company which, directly or indirectly, holds more than 50 percent of the voting shares.
- (3) A company that, directly or indirectly, holds more than 50 percent of the voting shares in the public company.
- (4) A public company which, directly or indirectly, holds 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company wherein all its capital contributing shareholders can make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies within the same industry that provide joint and several security among themselves for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 2: According to Namchow Co.'s guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of Namchow Co.'s net worth, while the total guarantees and endorsements for an individual party not exceed 100% of Namchow Co.'s net worth.

##### (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	1,185	12,861	0.05 %	12,861	
Lucky Co., Ltd.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income—non-current	46,041	2,094,877	15.65 %	2,094,877	Note 1
Lucky Co., Ltd.	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	277	3,011	0.01 %	3,011	

Note 1: The stated book value is after subtraction of the amount being reclassified treasury stock.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Lucky Co.	Huaciang Co.	Subsidiary	Purchase	(324,949)	(32) %	Note 1	-		(63,172)	(45) %	
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	324,949	30 %	Note 1	-		63,172	33 %	
Huaciang Co.	Namchow Oil and Fat Co.	Subsidiary	Purchase	157,847	33 %	Note 1	-		(29,424)	(8) %	
Namchow Oil and Fat Co.	Huaciang Co.	Subsidiary	(Sales)	(157,847)	(9) %	Note 1	-		29,424	31 %	
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	451,194	(67) %	Note 1	-		(69,621)	80 %	
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(451,194)	(16) %	Note 1	-		69,621	24 %	
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,804,775	(22) %	Note 1	-		(172,684)	17 %	
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,804,775)	(66) %	Note 1	-		172,684	59 %	
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,702,868	(20) %	Note 1	-		(180,838)	18 %	
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,702,868)	(50) %	Note 1	-		180,838	38 %	
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	640,150	(8) %	Note 1	-		(55,381)	6 %	
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(640,150)	(78) %	Note 1	-		55,381	73 %	
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	1,686,220	(20) %	Note 1	-		-	- %	
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,686,220)	(78) %	Note 1	-		-	- %	
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	390,144	(9) %	Note 1	-		(33,515)	6 %	
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(390,144)	(14) %	Note 1	-		33,515	11 %	
Chongqing Qiaoxing Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	181,672	(4) %	Note 1	-		(20,481)	4 %	
Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(181,672)	(22) %	Note 1	-		20,481	27 %	
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	395,750	(9) %	Note 1	-		(64,755)	12 %	
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(395,750)	(18) %	Note 1	-		64,755	100 %	
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,004,770	(22) %	Note 1	-		(128,293)	23 %	
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(1,004,770)	(30) %	Note 1	-		128,293	27 %	
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	626,043	(75) %	Note 1	-		(161,928)	78 %	
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(626,043)	(19) %	Note 1	-		161,928	34 %	
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	737,853	(9) %	Note 1	-		(72,824)	7 %	
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(737,853)	(67) %	Note 1	-		72,824	61 %	
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	366,063	(8) %	Note 1	-		(45,969)	8 %	
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(366,063)	(33) %	Note 1	-		45,969	39 %	
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	1,752,463	(21) %	Note 1	-		(250,459)	25 %	
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,752,463)	(36) %	Note 1	-		250,459	48 %	

Note 1: Depending on capital movement motor adjustment.

(Continued)

## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	180,838	9.20	-		180,838 (As of March 15, 2023)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	172,684	8.31	-		172,684 (As of March 15, 2023)	-
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	128,293	7.77	-		128,293 (As of March 15, 2023)	-
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	161,928	1.30	-		161,928 (As of March 15, 2023)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	250,459	9.17	-		250,459 (As of March 15, 2023)	-

(ix) Trading in derivative instruments: Please refer to notes

On December 31, 2022, Namchow Thailand has no unexpired forward exchange contracts. In 2022, Namchow Thailand recognized realized benefits of 12,541 thousand dollars in other gains and losses.

(b) Information on investees:

The following is the information on investees for the year 2022 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance		Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership			
The Company	Namchow Thailand	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100.00 %	2,731,651	504,062	504,062
The Company	Mostro	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100.00 %	32,783	667	667
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100.00 %	12,393,984	394,437	394,437
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	137,000	137,000	2,900	100.00 %	14,533	(7,054)	(7,053)
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99.65 %	771,891	154,113	52,808
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80.00 %	243	41	32
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	690,580	690,580	- (Note 2)	100.00 %	189,829	(88,330)	(88,330)
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	9,200	5,000	500	100.00 %	4,884	(78)	(78)
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	-	49,000	- (Note 3)	- %	-	(2,559)	(2,623)
The Company	Namchow Oil and Fat Co.	Taipei, Taiwan	Manufacturing, processing and selling of edible oil and frozen dough	411,731	411,731	41,173	100.00 %	614,378	114,824	115,279
The Company	Huaciang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	392,341	30,000	100.00 %	226,510	(32,208)	(31,790)
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	293,793	293,793	6,705	93.32 %	20,326	(52,715)	(49,193) (Note 1)
Lucky Co.	Dian Shui Loo Co.	Taipei, Taiwan	Liquor importing and retailing	352,000	352,000	13,100	100.00 %	9,466	(46,558)	(46,505) (Note 1)
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	18,300	18,300	500	100.00 %	3,133	(1,514)	(1,514)
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10.00 %	30	41	4
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies	Holding of investments	2,522,207	2,522,207	35,378	100.00 %	12,382,657	394,311	394,311
Namchow Food Co.	Namchow Trading Singapore	Singapore	The sales service of baking oil and fat product	2,965	-	-	80.85 %	(296)	(3,439)	(2,783)

Note 1: Its investment gain and loss are also recognized by Namchow Co.

Note 2: The Company holds the shares in subsidiaries Nankyo Japan Co. totaling 6 shares.

Note 3: Chow Food Co. liquidated on December 12, 2022 as the base date for dissolution, and is currently in the process of liquidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Unit: thousand dollars

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of December 31, 2022	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shanghai Qiaohao Co.	Holding of investments and international trade	1,058,568	(3)	-	-	-	-	(113,190)	100.00 %	(113,190) (2)(b.)	427,147	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00 %	- (2)(b.)	882	-

(Continued)



## NAMCHOW HOLDING CO., LTD.

### Notes to the Financial Statements

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of December 31, 2022	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(90,729)	100.00 %	(90,729) ((2)b.)	281,916	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(10,997)	100.00 %	(10,997) ((2)b.)	23,130	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	1,151,835	(3)	-	-	-	-	708,521	80.85 %	573,494 ((2)a.)	11,687,526	982,626
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	271,944	80.85 %	220,118 ((2)a.)	1,849,466	45,974
Tianjin Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	158,714	80.85 %	128,467 ((2)a.)	721,585	-
Guangzhou Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	122,541	80.85 %	99,188 ((2)a.)	497,570	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	251,259	80.85 %	203,375 ((2)a.)	1,959,369	279,529
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	-	6,291	80.85 %	5,092 ((2)a.)	913,116	-
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	93,465	80.85 %	75,653 ((2)a.)	680,264	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	916	80.85 %	741 ((2)a.)	176,002	-
Chongqing Namchow Co.	Manufacturing and processing of light cream and frozen dough	1,413,540	(3)	-	-	-	-	1,522	80.85 %	1,232 ((2)a.)	1,150,732	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	109	100.00 %	109 ((2)b.)	8,503	-
Bao Lai Na Co.	Multinational eateries, and the promotion, and management of self-made beers	112,018	(3)	226,649	-	-	226,649	(52,458)	93.00 %	(48,786) ((2)c.)	14,754	35,967

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: Amount of investment income (loss) was recognized base on:

- (1) There is no investment income for the preparatory case.
- (2) Investment gains and losses were based on three basic:
  - a. The financial statements audited by an international accounting firm that has a cooperative relationship with accounting firms of the Republic of China.
  - b. The financial statements audited by the auditors of the parent company.
  - c. Others: the financial statements audited by the auditors of the local accounting firm, and the working papers were reviewed by the auditors of the parent company.

Note 3: The transactions within the Company were eliminated in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2022	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	372,813	3,737,519	5,683,600
Lucky Co.	226,649	194,406	1,745,424

(iii) Significant transactions: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Lucky Royal Co., Ltd.		46,041,259	15.65 %
Chen Fei Lung		33,814,934	11.49 %
Chen Fei Peng		19,537,995	6.64 %
Chen, Yu-Wen		18,003,624	6.12 %

(14) Segment information

Please refer to the year 2022 consolidated financial statements.

**VI. Impacts of Latest Financial Difficulties Encountered by Company and Its Associated Enterprises on Company's Financial Standing as of Date of Printing of Annual Report: None.**

## VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks

### I. Financial Standing

Financial Standing Comparison and Analysis Table

Unit: NTD thousands

Item \ Year	2022	2021	Difference	
			Value	%
Current assets	17,185,495	16,011,182	1,174,313	7
Financial assets of fair value	15,872	24,795	(8,923)	(36)
Real estate, manufacturing facilities and equipment	11,954,365	11,887,111	67,254	1
Other Assets	1,308,050	1,490,780	(182,730)	(12)
Gross assets	30,463,782	29,413,868	1,049,914	4
Current liabilities	7,595,803	6,561,148	1,034,655	16
Long-term liabilities	8,176,079	8,538,356	(362,277)	(4)
Others	2,311,927	2,478,706	(166,779)	(7)
Gross liabilities	18,083,809	17,578,210	505,599	3
Capital stock	2,941,330	2,941,330	0	0
Capital reserve	3,682,995	3,590,865	92,130	3
Retained earnings	4,138,506	4,204,640	(66,134)	(2)
Others	1,617,142	1,098,823	518,319	47
Total shareholders' equity	12,379,973	11,835,658	544,315	5
Description: Main causes of major changes to assets, liabilities, and equities of the past two years (changes by 20% or more and NTD 10 million or more) and their impact and countermeasures Other items: mainly due to the decrease in exchange difference loss and the increase in non-controlling interests in the conversion of financial statements of foreign operating institutions. Impacts and response plans in the future: None				

## II. Financial Performance

Financial Performance Comparison and Analysis Table

Unit: NTD thousands

Year Item	2022	2021	Increased/ reduced value	Variable ratio (%)
Net revenue	20,478,405	19,861,770	616,635	3
Operating cost	15,133,045	13,589,951	1,543,094	11
Gross operating profit	5,345,360	6,271,819	(926,459)	(15)
Business expenditure	4,452,219	4,483,335	(31,116)	(1)
Business profits	893,142	1,788,484	(895,342)	(50)
Non-business income and expenditure	180,296	149,424	30,872	21
Pre-tax profits of continuing department	1,073,438	1,937,908	(864,470)	(45)
Personal Income Tax	381,721	698,764	(317,043)	(45)
After-tax profits of continuing department	691,717	1,239,144	(547,427)	(44)
<p>1. Descriptions of the increase or decrease in the ratio: (changes by 20% or more and NTD 10 million or more)</p> <p>Business profits and income taxes: mainly due to the decrease in operating gross profit as a result of the rising prices for international raw materials and the impact of the epidemic lockdown in the mainland Oil &amp; Fat business this year.</p> <p>Non-operating income and expenses: mainly due to an increase in interest income as a result of higher cash and cash equivalents for the year.</p> <p>2. There were no changes to the contents of main business scope of the Company.</p> <p>3. It is expected that the revenue will keep growing in the following year for the Company.</p>				

### III. Cash Flow

#### Cash flow analysis

Unit: NTD thousands

Balance of cash at start of term	Net cash flow from business activities throughout the year	Cash outflow throughout the year	Balance of cash (shortage)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
9,729,803	1,427,614	(662,974)	10,494,443	-	-

#### 1. Liquidity analysis of the past two years

No.	Year	2022	2021	Ratio of increase/decrease (%)
Cash flow ratio		19	18	6
Cash flow adequacy ratio		103	84	23
Cash flow reinvestment ratio		2	2	-
Description: The increase in cash flow adequacy ratio was due to an increase in NT\$317 million in net cash inflow from operating activities in the last five years compared with last year and a decrease in capital expenditure of approximately NT\$1,664 million in the last five years.				

#### 2. Cash utilization and liquidity analysis for the coming year:

Unit: NTD thousands

Balance of cash at start of term	Net cash flow from business activities throughout the year	Cash outflow throughout the year	Balance of cash (shortage)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
10,494,443	2,017,000	(1,457,443)	11,054,000	-	-

- (1) Business activities: Business income for the year will increase to keep the net cash flow associated with business activities relatively positive and increasing.
- (2) Investment activities: It is the estimated capital expenditure because of new business or investments in new products in the coming year.
- (3) Financing: This refers mainly to the issuance of cash dividends and repayment of loans with banks.

Expected remedies and liquidity analysis upon shortage in cash: It is expected that the working cash flow of the Company will meet the cash requirements in the coming year to be sufficient to support normal operations. As such, there are no measures required to make up for the shortage in cash such as investment plans or wealth management plans.

## IV. Impact of the Latest Major Capital Expenditures on Financial Business

### (I) Major capital expenditure and funding source

Unit: NTD thousands

Project	Actual or expected funding source	Actual or expected date of completion	Required funds in total	Year						
				2019	2020	2021	2022	2023	2024	2025
Shanghai and Beijing Offices	Bank loans and self-capital	First Quarter 2021	169,730	-	130,274	39,456	-	-	-	-
Shanghai Namchow-Frozen Dough equipment	Self-capital	First Quarter 2023	477,840	-	-	206,197	241,231	30,412	-	-
Guangzhou Namchow-Bagel production line	Self-capital	2023 Q2	120,303	-	-	-	47,412	72,891	-	-
Chongqing Namchow-Plant, production line and machinery and equipment	Bank loans and self-capital	2025 Q1	1,490,861	-	-	-	-	306,964	431,389	752,507
Thai Namchow-Plant construction, new production lines and machinery and equipment	Self-capital	First Quarter 2023	275,930	1,791	135,917	8,433	129,181	608	-	-

### (II) Expected impacts of possible benefits on financial operations

In response to the operating demand, investing in building new facilities and purchasing production equipment will help upgrade the operational scale and profits for the Group and bring about positive benefits for financial business.

## V. Main Reasons for Profits or Losses of Latest Reinvestment Policy, Improvement Plan, and Investment Plan for the Coming Year

Re-investment Analysis Table

Unit: NTD thousands

Explanation No.	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
Namchow (Thailand) Ltd.	1,027,405	100.00	504,062	Profits from investment, operation, production, and sales	The production and distribution policy is bringing about profits.	None	Investment to expand plants, production lines, equipment and etc.
Mostro (Thailand) Ltd.	10,201	100.00	667	Trading of foods and others	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Nacia International Corporation	343,443	100.00	394,437	Reinvestment holding	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Chow Ho Enterprise Co., Ltd.	137,000	100.00	(7,054)	Dining business	Fluctuating food ingredients and rising labor cost	Increased revenue and expanded sales	No substantial investment plans yet
Lucky Royal Co., Ltd.	938,438	99.65	154,113	Production and sale of ice cream and investment in dining business	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet

Explanation No.	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
Qizhi Culture Co., Ltd.	863	90.00	41	Publishing and issuance of books	Reduced publications and release volume inside the Company	None	No substantial investment plans yet
Namchow BV Ltd.	293,793	93.32	(52,715)	Reinvestment holding	Fluctuating food ingredients and rising labor cost of the subsidiaries	None	No substantial investment plans yet
Dian Shui Lou Restaurant Business Co., Ltd.	352,000	100.00	(46,558)	Catering	Fluctuating food ingredients and rising labor cost	Additional revenues from expanded services	No substantial investment plans yet
Namchow Restaurant Consultancy Co., Ltd.	18,300	100.00	(1,514)	Restaurants and food consulting	Cost increase	Additional revenues from expanded services	No substantial investment plans yet
Namchow (Cayman Islands) Holding Corp.	2,522,207	100.00	394,311	Reinvestment holding	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Tianjin Namchow Food Co.,Ltd.	756,875	80.85	271,944	Production and sale of household oils, artificial butter, and deep fry oil	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Shanghai Qiaohao Trading Co.,Ltd.	1,058,568	100.00	(113,190)	Importation and exportation	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
Shanghai Qiaohao Enterprise Management Co.,Ltd	961	100.00	0	Commerce, business administration, and investment consulting	Operation adjustment	None	No substantial investment plans yet
Shanghai Qiaohao Food Co.,Ltd	704,181	100.00	(90,729)	Packaged foods, sales of restaurant equipment, goods, and technical imports and exports	Operation adjustment	Increased revenue and expanded sales	Investment in production line equipment
Tianjin Yoshi Yoshi Co., Ltd.	121,100	80.85	158,714	Development, manufacturing, and sale of dairy products and related services	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
BLN Restaurants & Caterings	112,018	93.32	(52,458)	Chinese and western foods and beverages and self-made beer music restaurant	Fluctuating food ingredients and rising labor cost	Increased revenue and expanded sales	No substantial investment plans yet
Guangzhou Namchow Food Co.,Ltd.	544,950	80.85	251,259	Manufacturing and sale of edible oils and fats	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Shanghai Qizhi Business Consulting Co., Ltd.	4,541	100.00	2020	Commerce, business administration, and investment consulting	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Namchow Food Group (Shanghai) Co., Ltd. Company	1,151,835	80.85	708,521	Wholesale of edible oils and fats and foods and importation/expo	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet

Explanation No.	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
				rtation			
Shanghai Namchow Food Co., Ltd.	676,597	80.85	6,291	Sale, development, production, and processing of edible oil and fat products, fast-frozen foods, and frozen foods	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Nankyo Japan Co., Ltd.	690,580	100.00	(88,330)	Restaurant, beverages, and alcohol business	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
Namchow Consultancy Co., Ltd.	9,200	100.00	(78)	Restaurant and food and management consulting	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
Tianjin Qiaohao Food Co., Ltd.	90,836	100.00	(10,997)	Manufacturing and sale of packaged foods	Operation adjustment	Increased revenue and expanded sales	No substantial investment plans yet
Chongqing Xiaoxing Co., Ltd.	94,200	80.85	93,465	Corporate management and investment consulting and delivery and shipping center	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Namchow Oils and Fats	411,731	100.00	114,824	Manufacturing, processing, and distribution of edible oils and fats	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Huciang Industry	392,341	100.00	(32,208)	Manufacturing, processing, and distribution of cleaners and frozen foods	Cost increase	Increased revenue and expanded sales	No substantial investment plans yet
Guangzhou Yoshi Yoshi Co., Ltd	452,150	80.85	122,541	Development and distribution of dairy products	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Wuhan Qiaoxing Co., Ltd.	215,250	80.85	916	Oil & Fat products technical service	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Namchow Trading Singapore Pte. Ltd.	2,965	80.85	(3,439)	Sales of baking fats	Operation adjustment	None	No substantial investment plans yet
Chongqing Namchow	1,413,540	80.85	1,522	Production and processing of light cream and frozen dough	The production and distribution policy is bringing about profits.	None	Investment to construct plants, production lines, equipment and etc.



## **VI. Analysis of Risks in Recent Years as of the Date Annual Report was Printed**

- (I) Impacts of changes in the interest rate and exchange rate and inflation on the Company's gains and losses and response measures in the future:
1. Interest rate risk: The Company's interest rate risk mainly comes from the financing cost. In response to interest rate changes, in addition to effectively arranging working capital to reduce financial borrowing, and continuing to pay attention to market interest rate changes, we also regularly evaluate interest rates on borrowings with correspondent banks, and timely control financing costs through financing channels in the market, however, the principle of financing is based on the safety and stability of capital liquidity.
  2. Changes in exchange rates: In addition to strengthening the control on the foreign exchange funds flow, the Company also keeps a close eye on the changes in exchange rate through communication with the special foreign exchange departments in banks. It engages in appropriate use of exchange rate hedging financial instruments under the principle of conservatism to affect the company's profits and losses through a systematic foreign exchange operation strategy to reduce exchange rate fluctuations.
  3. Inflation: In recent years, due to the impact of the epidemic, especially the rise in energy prices and food prices caused by the Russian-Ukrainian war in February 2022, inflation has become the primary problem faced by governments. The Company will continue to pay attention to the overall economy and grasp the changes in the global market, and flexibly adjust its purchasing and sales strategies to avoid a significant impact of inflation on the Company's profit and loss.
- (II) Main causes of the policies to engage in high-risk, high-leverage, lending, endorsement and guarantee, and derivatives trading and countermeasures in the future:
1. The Company did not engage in high-risk, and highly leveraged investment.
  2. Lending of funds to others occurred between the Company and its subsidiaries, not external companies. The fund lending with subsidiaries as mentioned in the foregoing was meant to serve as the operating fund of the said subsidiaries.
  3. Endorsement and guarantee were made by the Company for subsidiaries holding more than 90% of shares or those in which more than 90% of shares were directly or indirectly by the Company, not external companies. The endorsement and guarantee mentioned in the foregoing were meant to support the limits of financing applied for by the said subsidiaries.
  4. The Company is engaged in derivative commodity transactions mainly for minimizing and avoiding the impact on operations from changes in the exchange rate and interest rate. The Company had no derivative transactions at the end of 2022.
- (III) Research and development plan of the latest year and in the future and expected cost of research and development to be invested in:
- Respective businesses within the Group are equipped with their own research and development units that modify, develop, and seek innovations for products at any time. The cost already invested in research and development in 2022 totaled NTD 382,610 thousand. Research and development units in respective businesses are meant to ensure that existing products of the Company keep their leading positions on the market. According to the product study in 2022, the zero transfer series of oils and fats products

will continue to be developed; the latest food technology and technique will be applied to increase the quantities of exquisite frozen food products of high additional value to be produced so as to satisfy the pluralistic needs of consumers; and the development of natural cleaners for use exclusively at home and for personal hygiene will continue to honor the principles of nature and environmental protection. In terms of rice, there are currently two healthy rice products certified as health foods with proven claims of blood sugar regulating and blood lipid regulating effects. Efforts will continue in the future to proactively develop a series of rice products that can help preserve health. The cost of research and development is estimated to have totaled NTD 292,174 thousand for 2023.

(IV) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance:

The Company's management team pays close attention to any domestic and foreign policies and laws that may affect the Company's finances and business, and appropriately adjusts relevant internal systems and operations while formulating relevant risk management procedures. In the latest year and as of the date of publication of the Annual Report, the Company's financial business has not been affected by important domestic and foreign policies and legal changes, and the Group will continue to conduct business in accordance with the existing laws and regulations in the future as follows:

1. In terms of corporate organization, taxation and securities management laws, all operating bases of the Namchow Group follow the laws and regulations of the country and region where they are located. Namchow Group guides and manages the operation of the enterprise with a corporate governance mechanism, providing effective supervision, encouraging enterprises to make good use of resources, improving efficiency, and thereby improving competitiveness; It protects the interests of shareholders, in order to achieve the operational goal of the sustainable operation of the enterprise.
2. In terms of food hygiene act, product quality and safety have always been our most important business policies. In response to regional regulatory changes and to provide more self-regulations food safety managing, Namchow Group established a "Food Safety Office" in charge of regulatory compliance on food safety, final review of food raw materials, additives, labels; and strictly control food safety and sanitation throughout the Group. Food hygiene and safety management is implemented through daily attention to the collection of information on changes in regulations, collection of food safety related news; and informing the operation department of relevant information, convening regular and irregular food safety meetings; promulgating changes in food safety regulations and discuss countermeasures; and reviewing the food safety management actions of various departments, tracking progress and evaluating effectiveness, The company established the Namchow Food Safety Research and Inspection Centre for inspecting professional tests for further food safety to be ensured by the company.
3. In the terms of environmental protection law, in response to climate change, environmental protection is the common responsibility of the citizens of the earth. Namchow Group has been committed to energy conservation, carbon reduction and environmental protection, aimed at achieving net zero carbon emission and building a green factory. We mainly purchase electricity and natural gas for conduct of

business. We continue to take energy-saving measures for lighting in all plant complexes and adopt natural gas boilers to reduce carbon emissions. To strengthen the management of energy use, we have organized an internal energy conservation leading team to promote energy conservation measures. We have also developed energy efficiency indicators and targets by complying with the regional government energy and environmental policies in order to enhance energy conversion efficiency and reduce environmental impacts.

4. In the terms of labor laws, all companies affiliated with Namchow Group comply with the requirements of labor laws in that specific country. Namchow pays attention to the harmony of labor relations. In addition to establishing trade unions, we have also established a diversified and smooth communication channel via employee suggestion boxes, internal publications, management regulations, product information, bulletin boards, and internal meetings of various departments to uphold the principle of good faith to create laborer/employer cohesion, fostering a mutually beneficial outcome.

(V) The influence of changes in technology (including cyber security risks) and the industry on the Company's financial business and countermeasures:

1. Changes in technology (including cyber security risks)

Through appropriate risk assessment and risk treatment inspection, the Company manages the information assets in different categories and keeps the residual risks within an acceptable range through the risk assessment method for the information assets. In terms of IT assets, usage, process control, real-time control (anti-malware, firewall, and mail security), we sort out metrics such as: IT assets provide financial value equivalent to the cyber security expenditure, the costs of control over information security incurred for each IT asset reduce the financial value of information security risks.

In terms of response measures, the first measure is to set up a permanent working group, the Information Security Risk Management Team of the Information Department, responsible for information security policies, to coordinate the implementation of information security control measures, reasonably allocate responsibilities and effectively manage resources; The second measure is to become a member of the Taiwan Computer and Network Crisis Management and Coordination Center (TWCERT/CC), a window reporting and assisting in dealing with security incidents, providing consultation and coordination services, and obtaining the security information of the industry. The third measure is to research ISO27001 certification PDCA theory, information asset identification method, and control over residual risks of cyber security. The fourth measure is to identify information assets, network traffic, control process, etc., calculate the insurance amount and risk amount of the information security insurance program, and concretely predict that the implementation of high-intensity information security and individual protection can avoid information security risks, the possible loss of financial value, and can be regarded as the return on investment with capital expenditure on information security. The fifth measure is to appoint the IT security supervisor, and security personnel to manage information security system and control measures, establish and maintain the continuous operation of the business based on the ever-changing security concept and technical training.

Marching into the world of the next generation of WEB 3.0, metauniverse, blockchain, NFT, DeFi decentralized finance, DAO decentralized organization, at the same time, incurring the financial fixed costs of non-stop hacking, the most

important thing is cyber security. To this end, the Company has taken comprehensive network and computer related security measures.

2. Industrial change

Since 2010, the impact of COVID-19 and the recent surge in costs of raw materials have tested the resilience of enterprises. Namchow has developed multiple new consumption and business models, actively adjusted the layout and organization, given full play to the comprehensive effect of the group's dispersed production bases, and quickly responded to the new needs of customers and consumers.

With the trend of food safety and healthy food, the public's attention to food safety laws and regulations is increasingly rigorous, Namchow abide by the laws and regulations, by implementing the safety laws and regulations of products with high standards, and the production and development of products with health and safety as the main orientation, in line with the trend of The Times.

(VI) Impacts of changes in the corporate image on the management of corporate risks and countermeasures: None.

(VII) Expected benefits and possible risks of merger and acquisition as well as the response measures: None.

(VIII) Expected benefits and possible risks of the expansion of manufacturing facilities:

Investments made by the Company in the past two years were in the expansion of production lines and increase of the throughput in order to address the insufficient market demand. In the future, the focus will be placed on improving the overall revenue and profits of the Group to bring about positive benefits for the financial performance.

(IX) Risks encountered with focused purchases or sales:

1. Among the Company's purchasing targets, there are no suppliers that account for more than 10% of the purchasing amount. There is no risk of concentration of purchasing.

2. Among the sales targets of the Company, there are no clients accounting for 10% of all sales and there is no risk of focused sales.

(X) Impacts of transfer or exchange of stock options in large quantities by directors, supervisors, or heavyweight shareholders holding more than 10% of all shares on the Company and the risks and countermeasures: None.

(XI) Impact of the change in the management on the Company and the risks and countermeasures: None.

(XII) Lawsuits and non-lawsuit events: Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involved the Company, the Company's directors, supervisors, general managers, actual persons in charge and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value and start date of the lawsuit, main clients involved and handling status as of the date of printing of the Annual Report shall be disclosed.

(XIII) Other important risks and countermeasures: None.

**VII. Other important matters: None**

## VIII. Special Notes

### I. Information of associated enterprises

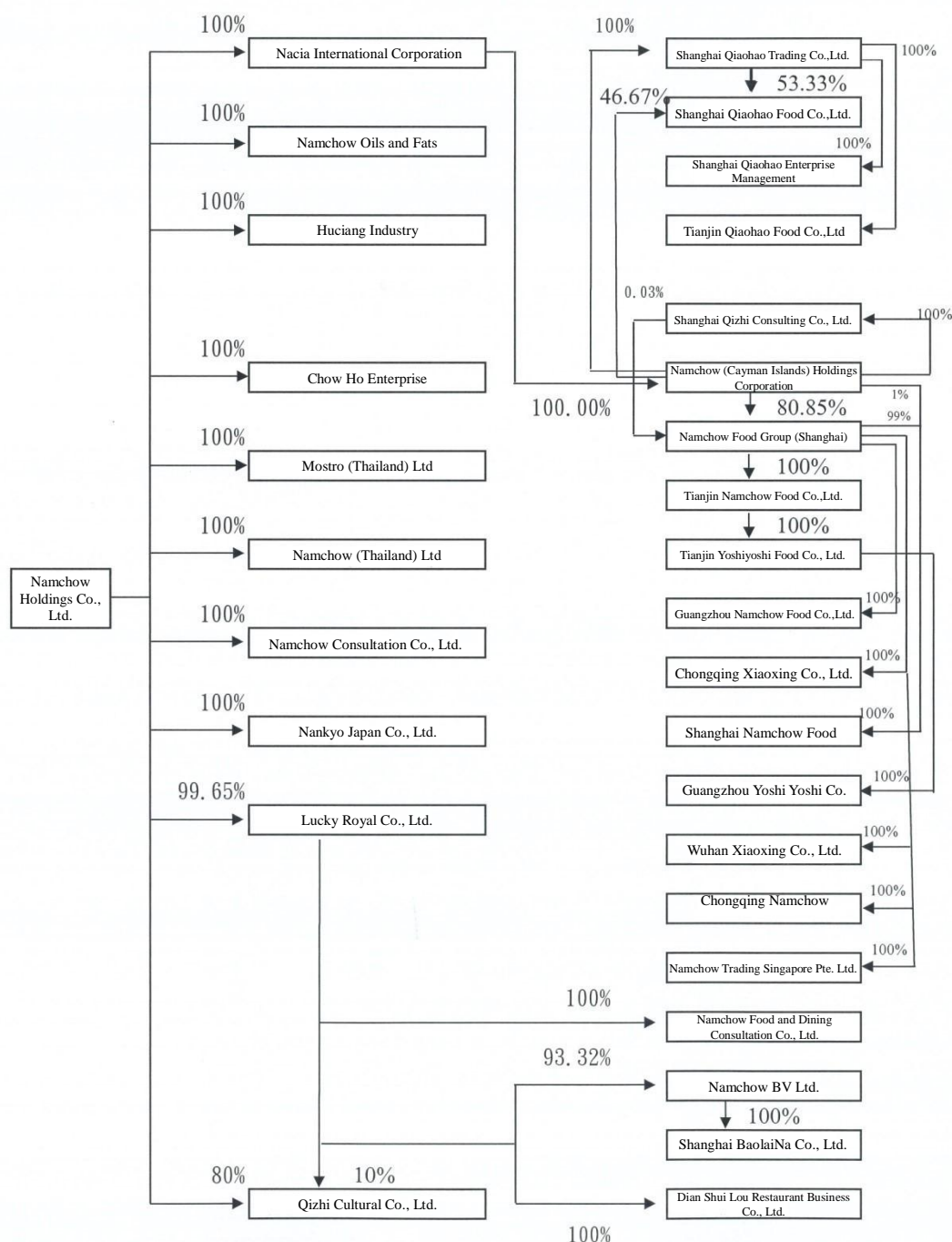
#### (I) Consolidated Financial Statement of Associated Enterprises

Companies that should be included in the compiled Consolidated Financial Statement of affiliates for 2022 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries as per the 7th Communique of Financial Accounting Standards. Therefore, the Consolidated Financial Statement of affiliates is not prepared separately.

#### (II) Consolidated Business Report of Associated Enterprises

##### 1. Overview of Associated Enterprises

##### (1) Organizational Chart of Associated Enterprises





## (2) Profile of affiliates of Namchow

Unit: NT\$1,000

Name of company	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Lucky Royal Co., Ltd.	1986.08.26	7F, No. 64, Huaining Street, Taipei City	956,684	Manufacturing and sale of Ice Cream
Namchow (Thailand) Ltd.	1989.03.01	75/27-29,18th-19th Floor, Ocean Tower 2 Bldg, Soi Sukhumvit 19(Soi Wattana) Sukhumvit Rd., North Klongtoey, Wattana Bangkok10110	1,000,185	Processing and sale of instant noodles and rice crackers
Mostro (Thailand) Ltd.	1988.09.21	75/27-29,18th-19th Floor, Ocean Tower 2 Bldg, Soi Sukhumvit 19(Soi Wattana) Sukhumvit Rd., North Klongtoey, Wattana Bangkok10111	10,201	Land rental
Chow Ho Enterprise Co., Ltd.	1999.11.20	2F, No. 64, Huaining Street, Taipei City	29,000	Management of chained noodles stores
Qizhi Culture Co., Ltd.	1987.11.05	2F, No. 64, Huaining Street, Taipei City	1,000	Publishing
Nacia International Corporation	1996.05.24	Trinity Chambers,P.O.Box 4301.Road Town, Tortola, British Virgin Islands	378,438	Investment holding
Shanghai Qiaohao Trading Co.,Ltd.	2001.03.26	Room 337 of Xinxing Building at No. 2005, Yanggao North Road, Waigao Bridge, Shanghai	1,058,568	Trade
Namchow (Cayman Islands) Holding Corp.	1996.06.07	3rd Floor,Genesis Building,P.O.Box 613,George Town, Grand Cayman,Cayman Islands,British West Indies	1,072,170	Investment holding
Tianjin Namchow Food Co.,Ltd.	1995.12.04	No. 52, Bohai Road, Economic and Technological Development Zone, Tianjin	756,875	Production and sale of oil and fat products
Tianjin Yoshi Yoshi Co., Ltd.	2003.01.27	No. 52, Bohai Road, Economic and Technological Development Zone, Tianjin	121,100	Production and sale of fresh cream
Namchow BV Ltd.	1992.10.16	Trinity Chambers,P.O.Box 4301.Road Town, Tortola, British Virgin Islands	221,043	Investment holding
BLN Restaurants & Caterings	1996.03.29	Unit E2, F/6, Building 4, No. 889, Yishan Road, Xuhui District, Shanghai	112,018	Restaurant management
Dian Shui Lou Restaurant Business Co., Ltd.	2004.12.31	4F, No. 338, Chongqing North Road Sec. 3, Taipei	131,000	Restaurant management
Guangzhou Namchow Food Co.,Ltd.	2005.09.16	No. 333, Lianguang Road, East Section of Guangzhou Economic and Technological Development Zone	544,950	Production and sale of oil and fat products
Shanghai Qizhi Business Consulting Co., Ltd.	2007.12.17	Unit A, 6F, 4th Building, No. 889, Yishan Road, Caohe Emerging Technology Research and Development Zone, Shanghai	4,541	Business administration and investment consulting
Namchow Food Group (Shanghai) Co., Ltd. Company	2010.08.02	12F, Building A, No. 1397, Yishan Road, Xuhui District, Shanghai	1,151,835	Sales company that undertakes products within the Group for sale.
Shanghai Qiaohao Enterprise Management Co.,Ltd	2010.06.28	Unit F, 6F, 4th Building, No. 889, Yishan Road, Shanghai	961	Exhibition and business information consulting
Shanghai Qiaohao Food Co.,Ltd	2010.09.02	No. 780, Jiugong Road, Jinshan Industrial Park, Shanghai	704,181	Manufacturing, distribution, and sale of packaged foods
Namchow Restaurant Consultancy Co., Ltd.	2011.11.11	7F, No. 276, Chongqing North Road Sec. 3, Taipei	5,000	Restaurant business and management consulting
Shanghai Namchow Food Co., Ltd.	2012.08.21	No. 399, Guangye Road, Jinshan Industrial Park, Shanghai	676,597	Production and processing of edible oils and fats, frozen foods, among others
Nankyo Japan Co., Ltd.	2014.05.02	東京都新宿区四谷四丁目 30 エスツイン新宿 3 階	42,306	Restaurant, beverages, and alcohol business

Name of company	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Namchow Consultancy Co., Ltd.	2014.08.14	7F, No. 276, Chongqing North Road Sec. 3, Taipei	5,000	Restaurant and food and management consulting
Tianjin Qiaohao Food Co., Ltd.	2016.11.28	No. 52, Bohai Road, Technological Development Zone, Tianjin	90,836	Manufacturing, distribution, and sale of packaged foods
Chongqing Xiaoxing Co., Ltd.	2016.10.13	No. 319, Haier Road, Jiangbei District, Chongqing	94,200	Distribution and sale of foods and corporate business investment consulting
Guangzhou Yoshi Yoshi Co., Ltd	2017.04.11	No. 333, Jiufojianshe Road, Zhongxing Guangzhou Knowledge Town, Guangzhou	452,150	Manufacturing and distribution of dairy products
Namchow Oils and Fats	2017.03.20	5F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	411,731	Manufacturing and distribution of edible oils and fats and frozen dough
Huciang Industry	2017.03.20	7F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	300,000	Manufacturing and distribution of foods and cleaning supplies
Wuhan Qiaoxing Co., Ltd.	2019.10.29	Putian Internet of Things Innovation Research, No. 18, Financial Port Fourth Road, East Lake New Technology Development Zone, Wuhan Development Base (Phase II) No.1, Floor 1-5, Unit 1, 10th Building	215,250	Oil & Fat products technical service
Namchow Trading Singapore Pte. Ltd.	2022.01.10	Shenton #10-00 16 Collyer Quay Singapore	2,965	Sales of baking fats
Chongqing Namchow Food Co., Ltd.	2022.08.15	Plot F10-01, Industrial Park, Degan Street, Jiangjin District, Chongqing	1,413,540	Production and sale of light cream and frozen dough

(3) The Company does not have the conditions determined to be a controlling or subordinate relationship under Article 369-3 of the Company Act.

(4) Industries covered in the scope of operations of the associated enterprises as a whole and interaction and division of labor:

Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
Namchow Holdings Co.,Ltd.	Investment holding	Yes	Sub-letting of part of premises and buildings to affiliated businesses
Namchow Oils and Fats	Production and sale of oils and fats products	Yes	Some oils and fats products are sold to Lucky Royal Co., Ltd. to be the latter's production raw materials.
	Production and sale of frozen dough	Yes	Some of the bread products are sold to restaurants as their purchases.
Huciang Industry	Production and sale of cleaners and restaurant operations goods	Yes	Some of the bread products are purchased from the oils & fats company and supplied to the restaurant as raw materials
	Production and sale of frozen noodles	Yes	Some of frozen noodles are sold to Chow Ho Enterprise Co., Ltd. to be the purchases by chained bakeries while Lucky Royal Co., Ltd. is authorized as the general distributor for the remainder.
Lucky Royal Co., Ltd.	Production and sale of ice cream	Yes	Oils and fats raw materials are purchased from Namchow.
	Sale and distribution of frozen noodles	Yes	The frozen noodles produced by Huciang Industry are undertaken to be sold.

Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
	Restaurant management	Yes	Some of the restaurant food ingredients are purchased from Chowho.
Namchow (Thailand) Ltd.	Instant noodles and rice crackers	Yes	Some instant noodles sold to Huciang Industry
	Manufacturing, sale, and processing	None	
Mostro (Thailand) Ltd.	Land rental	Yes	Land is leased to Namchow (Thailand) Ltd.
Chow Ho Enterprise	Management of chain noodles stores	Yes	Frozen noodles are purchased from Huciang while some of the ingredients are sold to Dian Shui Lou and Lucky Royal
Qizhi Culture Co., Ltd.	Magazine publishing and release	Yes	Publications on associated enterprises
Nacia International Corporation	Investment holding	None	
Shanghai Qiaohao Trading Co.,Ltd.	Trade	None	
Namchow (Cayman Islands) Holding Corp.	Investment holding	None	
Tianjin Namchow Food Co.,Ltd.	Production and sale of oil and fat products	Yes	Manufacturing and sale of products of the Group
Tianjin Yoshi Yoshi Co., Ltd.	Production and sale of fresh cream	Yes	Manufacturing and sale of products of the Group
Namchow BV Ltd.	Investment holding	None	
BLN Restaurants & Caterings	Restaurant management	None	
Dian Shui Lou Restaurant Business Co., Ltd.	Restaurant management	Yes	Some of the food ingredients are purchased from Chowho.
Guangzhou Namchow Food Co.,Ltd.	Production and sale of oils and fats products	Yes	Manufacturing and sale of products of the Group
Shanghai Qizhi Business Consulting Co., Ltd.	Business administration and investment consulting	None	
Namchow Food Group (Shanghai) Co., Ltd. Company	Holding and distribution company	Yes	Storage, transportation, and sale of products of the Group
Shanghai Qiaohao Enterprise Management Co.,Ltd	Exhibition and business information consulting	Yes	Design and planning for companies within the Group to attend exhibitions
Shanghai Qiaohao Food Co.,Ltd	Manufacturing and sale of packaged foods	Yes	Manufacturing and sale of products of the Group
Namchow Restaurant Consultancy Co., Ltd.	Restaurant business and management consulting	None	



Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
Shanghai Namchow Food Co., Ltd.	Production and sale of oils and fats products	Yes	Manufacturing and sale of products of the Group
Nankyo Japan Co., Ltd.	Restaurant, beverages, and alcohol business	None	
Namchow Consultancy Co., Ltd.	Restaurant and food and management consulting	None	
Tianjin Qiaohao Food Co., Ltd.	Manufacturing, distribution, and sale of packaged foods	None	
Chongqing Qiaoxing Co., Ltd.	Distribution and sale of foods and corporate consulting	Yes	Storage, transportation, and sale of products of the Group
Guangzhou Yoshi Yoshi Co., Ltd.	Production and sale of fresh cream	Yes	Manufacturing and sale of products of the Group
Wuhan Qiaoxing Co., Ltd.	Oil & Fat products technical service	None	
Namchow Trading Singapore Pte. Ltd.	Sales of baking fats	None	
Chongqing Namchow Food Co., Ltd.	Production and sale of light cream and frozen dough	None	Manufacturing and sale of products of the Group

(5) Profile of directors, supervisors, and general managers of individual associated enterprises

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
Lucky Royal Co., Ltd.	Chairman	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.	95,337,885	99.65%
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Chang-Ching Kao, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Hsu, Pai-Tsai		
Chow Ho Enterprise Co., Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	2,899,994	100.00%
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen		
Qizhi Culture Co., Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	80,000	80.00%
	Director	Zhang-Li Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.	10,000	10.00%
Namchow BV Ltd.	Chairman	Fei-Lung Chen, Representative of Lucky Royal Co., Ltd.	6,705,000	93.32%
	Director	Cheng-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
Nacia International Corporation	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	1,250	100.00%
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.		
Namchow (Cayman Islands) Holding Corp.	Chairman	Fei-Lung Chen, Representative of Nancia CO., LTD.	35,378,120	100.00%
	Director	Yi-Wen Chen, Representative of Nancia CO., LTD.		
	Director	Kan-Wen Lee, Representative of Nancia CO., LTD.		
	Director	Cheng-Wen Chen, Representative of Nancia CO., LTD.		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
Tianjin Namchow Food Co.,Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Kan-Wen Lee, Representative of Namchow Food Group Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Tianjin Yoshi Yoshi Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Tianjin Namchow Food Co., Ltd.		100.00%
	Director	Kan-Wen Lee, Representative of Tianjin Namchow Food Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Tianjin Namchow Food Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Tianjin Namchow Food Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Tianjin Namchow Food Co., Ltd.		
	Supervisor	Xi-Sheng Zhu, Representative of Tianjin Namchow Food Co., Ltd.		
BLN Restaurants & Caterings	Chairman	Cheng-Wen Chen, Representative of Namchow BV Ltd.		100.00%
	Vice Chairman	Li-Ming Chen, Representative of Namchow BV Ltd.		
	Vice Chairman	Jian-Fan Yu		
	Vice Chairman	Yi-Wen Chen, Representative of Namchow BV Ltd.		
	Director	Chih-Mei Wang, Representative of Namchow BV Ltd.		
	Supervisor	Yi-Yang, Representative of Namchow (BVI) Ltd.		
Namchow (Thailand) Ltd.	Chairman	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.	9,244,995	100.00%
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Kuo-Yao Hsiao, Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Chien Wei, Representative of Namchow Holdings Co., Ltd.		
Mostro (Thailand) Ltd.	Director	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	100,000	100.00%
	Director	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Chien Wei, Representative of Namchow		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
		Holdings Co., Ltd.		
Shanghai Qiaohao Trading Co.,Ltd.	Chairman	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		100.00%
	Director	Yi-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Director	Ming-Fen Chou, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Supervisor	Rui-Ying Liu, Representative of Namchow (Cayman Islands) Holdings Corporation		
Dian Shui Lou Restaurant Business Co., Ltd.	Director	Fei-Lung Chen, Representative of Lucky Royal Co., Ltd.	13,100,000	100.00%
	Director	Yu-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Chairman	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Supervisor	Chih-Mei Wang, Representative of Lucky Royal Co., Ltd.		
Guangzhou Namchow Food Co.,Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Kan-Wen Lee, Representative of Namchow Food Group Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Shanghai Qizhi Business Consulting Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holding Corp.		100.00%
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holding Corp.		
Namchow Food Group (Shanghai) Co., Ltd. Company	Chairman	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holding Corp.	346,153,846	80.85%
	Director	Yi-Wen Chen, Representative of Namchow (Cayman Islands) Holding Corp.		
	Director	Kan-Wen Lee, Representative of Namchow (Cayman Islands) Holding Corp.		
	Director	Yi-Chien Wei, Representative of Namchow (Cayman Islands) Holding Corp.		
	Independent Director	Ming-Chih Wang, Representative of Namchow (Cayman Islands) Holding Corp.		
	Independent Director	Huai-Ku Chen, Representative of Namchow (Cayman Islands) Holding Corp.		
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holding Corp.		
	Supervisor	Wu, Zhi-Ming		
	Supervisor	Nien Liu , Representative of Namchow (Cayman Islands) Holding Corp.		
Shanghai Qiaohao Enterprise Management Co.,Ltd	Executive Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		100.00%

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Supervisor	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
Shanghai Qiaohao Food Co.,Ltd	Chairman	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		53.33%
	Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Director	Chou-Ching Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holding Corp., Ltd.		46.67%
Namchow Restaurant Consultancy Co., Ltd.	Chairman	Chih-Mei Wang, Representative of Lucky Royal Co., Ltd.	500,000	100.00%
	Vice Chairman	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Lucky Royal Co., Ltd.		
	Supervisor	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.		
Shanghai Namchow Food Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Nankyo Japan Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.	6	100.00%
	Supervisor	Ching-Hui Chiu, Representative of Namchow Holdings Co., Ltd.		
Namchow Consultancy Co., Ltd.	Chairman	Zhi-Mei Wang, Representative of Namchow Holdings Co., Ltd.	500,000	100.00%
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
Tianjin Qiaohao Food Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		100.00%
	Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Director	Chou-Ching Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
Chongqing Qiaoxing Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow Food Group		100.00%
	Supervisor	Yi-Wen Chen, Representative of Namchow Food Group		
Guangzhou Yoshi Yoshi Co., Ltd	Chairman	Yi-Wen Chen, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		100.00%

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Kan-Wen Lee, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Supervisor	Xu-Sheng Zhu, Representative of Tianjin Yoshi Food Co., Ltd.		
Namchow Oils and Fats	Chairman	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.	41,173,127	100.00%
	Director	Kan-Wen Lee, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Ching-Hui Chiu, Representative of Namchow Holdings Co., Ltd.		
Huciang Industry	Chairman	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.	30,000,000	100.00%
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Chou-Ching Chen, Representative of Namchow Holdings Co., Ltd.		
Wuhan Qiaoxing Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow Food Group		100.00%
	Supervisor	Lan-Hsin Chou, Representative of Namchow Food Group		
Namchow Trading Singapore Pte. Ltd.	Director	Cheng-Wen Chen, Representative of Namchow Food Group		100.00%
	Director	Shu-Hsien Hsiang, Representative of Namchow Food Group		
	Director	Representative of Namchow Food Group Tang Edmund Koon Kay		
Chongqing Namchow Food Co., Ltd.	Chairman	Cheng-Wen Chen, Representative of Namchow Food Group (Shanghai) Co., Ltd.		100.00%
	Director	Lin Changyu, Representative of Namchow Food Group (Shanghai) Co., Ltd.		
	Director	Wu Zhi Ming, Representative of Namchow Food Group (Shanghai) Co., Ltd.		
	Supervisor	Zhang Liang Bin, Representative of Namchow Food Group (Shanghai) Co., Ltd.		

## 2. Overview of individual associated enterprises' operation

Unit: NTD thousands

Name of company	Code	Paid-in capital size	Gross assets	Gross liabilities	Net value	Operating revenues	Business profits	Gains and losses of the term (After-tax )	Earnings per share (NT\$) (After-tax )
Lucky Royal Co., Ltd.	0001	956,684	3,485,622	576,583	2,909,039	1,964,173	183,185	154,113	1.61
Namchow (Thailand) Ltd.	0004	1,000,185	3,143,803	429,821	2,713,982	3,120,665	499,053	504,062	54.52
Mostro (Thailand) Ltd.	0005	10,201	44,090	11,307	32,783	41,834	1,029	667	6.67
Nacia International Corporation	0006	378,438	12,394,253	269	12,393,984	0	(443)	394,437	315,549.30
Namchow BV Ltd.	0007	221,043	21,901	121	21,780	0	(398)	(52,715)	(7.34)
BLN Restaurants & Caterings	0008	112,018	227,590	211,726	15,864	209,735	(43,017)	(52,458)	-
Chow Ho Enterprise Co., Ltd.	0009	29,000	21,824	7,359	14,465	15,955	(7,081)	(7,054)	(2.43)
Qizhi Culture Co., Ltd.	0011	1,000	306	2	304	103	40	41	0.41
Shanghai Qiaohao Trading Co.,Ltd.	0015	1,058,568	741,012	313,865	427,147	89,244	(35,804)	(113,190)	-
Namchow (Cayman Islands) Holding Corp.	0017	1,072,170	12,496,819	227,975	12,268,844	0	(638)	394,311	11.15
Tianjin Namchow Food Co.,Ltd.	0019	756,875	3,428,344	1,140,918	2,287,426	2,721,587	66,998	271,944	-
Tianjin Yoshi Yoshi Co., Ltd.	0020	121,100	1,237,897	345,437	892,460	824,373	41,213	158,714	-
Dian Shui Lou Restaurant Business Co., Ltd.	0021	131,000	252,825	243,537	9,288	317,239	(45,198)	(46,558)	(3.55)
Guangzhou Namchow Food Co.,Ltd.	0023	544,950	3,541,298	1,117,942	2,423,356	3,369,900	236,984	251,259	-
Shanghai Qizhi Business Consulting Co., Ltd.	0024	4,541	8,503	0	8,503	0	(129)	2020	-
Namchow Food Group (Shanghai) Co., Ltd. Company	0025	1,151,835	16,227,628	1,650,280	14,577,348	9,599,644	14,994	708,430	1.65
Shanghai Qiaohao Enterprise Management Co.,Ltd	0026	961	882	0	882	0	0	0	-
Shanghai Qiaohao Food Co.,Ltd	0027	704,181	703,898	421,982	281,916	87,022	(74,551)	(90,729)	-
Namchow Restaurant Consultancy Co., Ltd.	0028	5,000	3,376	244	3,132	0	(1,519)	(1,514)	(3.03)
Shanghai Namchow Food Co., Ltd.	0029	676,597	3,531,058	2,401,713	1,129,345	2,083,324	6,047	6,291	-
Nankyo Japan Co., Ltd.	0030	42,306	1,385,241	1,195,412	189,829	17,168	(76,465)	(88,330)	-
Namchow Consultancy Co., Ltd.	0031	5,000	4,977	94	4,883	0	(85)	(78)	(0.16)
Chongqing Xiaoxing Co., Ltd.	0032	94,200	1,650,635	809,282	841,353	4,884,111	73,815	93,465	-
Tianjin Qiaohao Food Co., Ltd.	0033	90,836	23,261	131	23,130	0	(8,896)	(10,997)	-
Namchow Oils and Fats	0035	411,731	1,436,220	825,126	611,094	1,759,621	149,614	114,824	2.79
Huciang Industry	0036	300,000	781,349	557,821	223,528	1,075,447	(45,520)	(32,208)	(1.07)
Guangzhou Yoshi Yoshi Co., Ltd	0037	452,150	981,899	366,503	615,396	1,106,467	154,530	122,541	-
Wuhan Qiaoxing Co., Ltd.	0038	215,250	221,826	4,146	217,680	44,107	2,079	916	-
Namchow Trading Singapore Pte. Ltd.	0039	2,965	2,080	2,447	(367)	1,789	(3,421)	(3,439)	-
Chongqing Namchow Food Co., Ltd.	0040	1,413,540	1,423,497	267	1,423,230	0	(378)	1,522	-

### 3. Relations Report

The Company is not an affiliate of another company as indicated in the chapter about Associated Enterprises of the Company Act and hence it is not necessary to compile the Relations Report with its controlling companies.

## II. Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report: None

## III. Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report:

Unit: NTD 1,000; Share; %

Name of company	Paid-in capital size	Capital Source	Shareholding Ratio in the Company	Date of Acquisition or Disposal	Number and Value of Shares Acquired	Number of shares disposed of and value	Investment Profit and Loss	Number of shares held as of the date the Annual Report was printed and value	Pledge created	Value of endorsement and guarantee of the Company to its subsidiary	Value lent by the Company to its subsidiary
Lucky Royal Co., Ltd.	956,684	Self-capital	99.65%	By January 01, 2017	46,041,259 shares acquired Value when acquired 530,114 thousand			46,041,259 shares Value 530,114 thousand	None	None	None
				2017	None	None	None				
				This year up to the date the Annual Report was printed	None	None	None				

## IV. Other matters requiring supplementary information: None

**\* Latest Matters with Important Impacts on Shareholder Rights or Security Prices Indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities Exchange Act as of the Date of Printing of Annual Report: None**



*Namchow Holdings CO.,Ltd.*



*Person in Charge:*

陈永健

