



GRAPE KING BIO

# 2020 Annual Report

TSE 1707



科技  
Technology

健康  
Health

希望  
Hope

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This translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.



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A hand holding a pen over a stack of papers, with a red overlay containing the text 'Letter to Shareholders'.

I

# Letter to Shareholders





Dear Shareholders,

On behalf of Grape King Bio Ltd. (“the Company”), I would like to express my deepest gratitude to all Shareholders for your support over the past year.

Despite the widespread transmission of COVID-19 across countries in 2020, Grape King Bio still managed to generate earnings of NT\$9.34 per share by capitalizing on its quality products and business expansion as an original design manufacturer (ODM). We have formed the exciting strategic partnership with Uni-President Enterprises Corporation (“UPEC”) which is geared towards the expansion of domestic and overseas markets in the near future. A brand leader in the biotechnology industry, Grape King Bio is committed to innovation, research and development as we continuously provide new quality products in hopes of providing a more comprehensive experience for its consumers. The Company aims to increase revenue growth by utilizing these top three strategies, new product releases, cross-industry alliances and export expansion as well as the construction of a plant in Pingzhen Industrial Park, which will increase production capacity and gain further global market share.

We continue to maintain excellent corporate governance practices amid the pandemic and other external factors. The Company has retained its rank in the Top 20% of all listed companies in Taiwan for 3 consecutive years based on corporate governance assessment results in 2020. We uphold our corporate social responsibility by achieving the following objectives, including but not limited to environmental sustainability, social engagement and corporate governance towards sustainable development and further improvement of performance through the ESG Committee's operating framework.

With regards to the growth of the Company, I would like to thank all my Colleagues for their hard work and continued commitment and also sincerely thank our Shareholders for your trust and strong support to enable the Company to continue achieving outstanding performance. The following is a brief report to the Shareholders on our operating results for the 2020:

#### 1. Business Results for 2020

##### (1) Financial Revenue and Expenditure for 2020

Unit: NT\$ thousand; Earnings per share: NT\$

Item	2020
Operating Revenue	9,168,195
Operating costs	1,631,404
Operating margin	7,536,791
Operating expenses	5,232,009
Operating net profit	2,304,782
Non-operating income and expenses	73,408
Net profit after tax	1,895,095
Earnings per share	9.34

Although the pandemic had an impact on the Company in 2020, our revenue remained close to

the level in 2019 with a slight decline of 0.77% and EPS above over NT\$9. The operating status of the Company remained stable.

## (2) Analysis of Profitability in 2020

Item	Percentage
Return on assets	15.59%
Return on equity	24.53%
Ratio of Pre-tax net profit to paid-up capital	174.50%
Net profit ratio	20.67%
Earnings per share (NT\$)	9.34

## (3) Research and Development Status

The Company continues its efforts in new product research and development, new market development and enhancement of internal operations effectiveness in order to meet customer needs for high-quality products, and face industry and market challenges with a high degree of resilience so as to maintain our competitiveness and profitability. Therefore, new products like, Ling Zhi Essence Drink, and Night Slim Turmeric Complex as well as Tanglijia, Chang, Qie-Li, and Happy Probiotics from Pro-Partner were introduced in 2020 which received excellent feedback from consumers.

In the future, the Company will continue to invest its resources to develop new raw materials with professional biotechnology organizations and domestic tertiary institutions. We will also strive to upgrade our existing products to enhance their effectiveness and continuously apply for additional health food certifications from the Ministry of Health and Welfare, Executive Yuan.

## 2. Overview of 2020 Business Plan

### (1) Operating principle and important production and marketing policies

Under the vision of the founder and President Shui Chao Tseng, and our core values “Live Healthy, Think Grape King”, the Company has been able to maximize its competitive advantage of “delivering excellent quality with advanced equipment, professional research and development to maintain product innovation”. With precise marketing capability and diversified distributional channels, the Company continues to develop health products that meet the various needs of consumers nationwide. Dedicated organizational structure, brand image innovation, and operational diversification under Chairman Shenglin Andrew Tseng will continue to lead the Company into peaks of overall performance in the years to come.

For many years “Grape King Bio” has been one of the leading Brands in the domestic health food market. We have taken the initiative to upgrade our biotechnology equipment and R&D facilities to manufacture and market our own brands as a means to ensure the quality of production. We uphold the PIC/S GMP pharmaceutical quality control procedures with automated in-house production process from raw materials to finished products. The Company monitors the entire production process at all times, including raw material examination, production line spot checks, and the finished product inspection before entering

the warehouse. By strictly monitoring every step of the production process, we are able to guarantee the delivery of safe and qualitative products for our consumers and their families.

## (2) Impact from the external competitive environment, regulatory environment and overall business environment

According to the population projection report from the National Development Council in August 2020, Taiwan recorded a negative population growth in 2020 and is bound to enter a super-aged society in 2025. By then, 1 in 5 people will be 65 years of age or older. In 2034, half of the total population will be over 50 years old, i.e., middle-aged and elderly. Economic development and urbanization, a sedentary lifestyle, dietary changes and other factors have contributed to the emergence of chronic health conditions. According to various sources of information, population ageing and lifestyle diseases such as cancer, cardiovascular disease, obesity and diabetes, are expected to be the main reasons for medical expenses. With the increase in popularity of workout programs and disease prevention, consumers have become more interested in purchasing nutritional supplements.

A sustained, natural and gentle way of health maintenance should be the best solution for modern society as a way to stay healthy and balanced. With this goal in mind, the Company is committed to the development of natural ingredients beneficial to the human body, and develops natural health foods with an aim to promote the good health, energy and nutritional supplement for society against "civilization syndromes" and to provide high-quality health preservation measures.

Due to previous food safety issues in Taiwan, the Government has set more stringent controls and regulations for food safety. As the Company has already set high standards for its business and operational management, the regulatory environment changes have had no significant impact on its operation. On the contrary, the amendments to the laws and regulations will gradually eliminate manufacturers that do not meet the criteria, thus elevating the industry's entry barrier, and adding to the Company's advantage.

Since Covid-19 was nowhere near its end in 2020, lifestyle changes post-pandemic are a new subject that the industry should effectively tackle in the future.

## (3) Honors and Awards

2020 was a great year for the awards and international recognition Grape King Bio received recognition for both Corporate and Product, Raw Materials Innovation parts of our business. These included "No.2 on the Common Wealth Magazine Taiwanese -Pharmaceutical and Biotechnology Industry". Furthermore our involvement in Corporate Social Responsibility and for promoting a healthy workplace was recognized by the "Influenza Prevention Alliance Gold Award" from the Taiwan Immunization Vision and Strategy won the Gold Medal at the TCSA Corporate Sustainability Report Awards for the 3rd consecutive year. The Taoyuan City Government also presented the Company with the 2020 Excellent Enterprise Award.

Our Chairman and General Manager Shenglin Andrew Tseng was presented the "2020 Annual Golden Award for Excellent Brand Manager", which demonstrates exemplary corporate leadership and outstanding performance in various aspects of business.

For our Technology Research and Development we were awarded with; 20 Gold, 1 Copper

and 6 Special prizes for patent technologies as associated to Probiotics, Cicada, Antrodia, and *Lignosus Rhinocerus Mycelia*. Awards received were “2 Gold Medal and 1 Special Prize at Malaysia International Invention Exhibition”, “2 Gold Medal and 1 Special Prize at European Exhibition of Creativity and Innovation”, “2 Gold Medal at Japan World Genius Convention & Education Expo”, “2 Gold Medal and 1 Copper at the Taiwan Innotech Expo”, “2 Gold Medal and 1 Special Prize at the iCAN”, “2 Gold Medal and 1 Special Prize at Russian International Invention Exhibition”, “2 Gold Medal and 2 Special Prize at International Invention and Trade Expo London(IITE)”, “2 Gold Medal at the Korea World Invention Contest”, “2 Gold Medal at Ukraine Innovation Awards”, and “2 Gold Medal IWIS”. Grape King Bio’s Ganoderma King and Probiotics Series once again won the Excellence Award and Outstanding Award at the “Health Brand Award” which was jointly organized by YAHOO! for the 4<sup>th</sup> consecutive year, and “Good Morning Health” for the 5<sup>th</sup> consecutive year.

Our subsidiary Pro-Partner Ltd., led by the excellent leadership of Chairwoman Chang-Yeh Tseng, General Manager Mei-Ching Tseng and the six Consultants, have maintained a consistent and stable business for many years and once again claimed the 2<sup>nd</sup> ranked placing on the Taiwan Multilevel Marketing listing, based on revenue, a great achievement in a competitive environment.

#### (4) Corporate Social Responsibility

Due to the global pandemic, 2020 was difficult year for everyone. Amid the challenges, Grape King Bio remained steadfast to its mission: “Live Healthy, Think Grape King” strengthening the promotion of healthcare and provide quality products. We donated energy drinks PoweBomb, GoldCombest Energy Drink, Pro-Partner Antrodia Aqua to the Taoyuan City Government, the Ministry of Interior and main epidemic prevention hospitals in northern, central and southern Taiwan to help frontline healthcare workers maintain their physical strength and well-being. The Company also coordinated with the local government to provide energy drinks to citizens at home in self-quarantine or in isolation. We exerted all efforts to help and contribute to epidemic prevention!

The Company optimized its corporate social responsibility efforts by dividing it into Environmental Sustainability, Social Participation, Corporate Governance and other aspects. The Company will continuously “Contribute and Create a Beautiful Society” by promoting Good Corporate Governance, Product Responsibility, R&D and Innovation, Employee-Friendly Workplace, Social Coexistence and a Green Environment based on our core company values Technology, Healthy and Hope and through the operational framework of the Sustainable Development & ESG Committee.

##### i. Corporate Governance

Under the expectation of sustainable operation, the Company continues to strengthen its Corporate Governance. In addition to complying with the provisions of the laws and regulations, we have also divided corporate governance into six major areas, including establishing an effective corporate governance structure, protecting shareholders’ rights, strengthening the functions of the Board of Directors, fully exercising the functions of the supervisor, respecting the rights and interests of stakeholders and improving information transparency. The Corporate Governance team of the Company has been acting as the “specific unit for Corporate Governance” and “specific unit for Ethical Corporate Management” to further the enterprise culture of integrity and enhance enterprise

management, and facilitate the establishment and implementation of Ethical Corporate Management Best Practice Principles. Through annual internal promotion and assessment on relevant regulations on Ethical Corporate Management, the Company aims to inculcate integrity and moral values in its staff members. The implementation situation will report to the Board of Directors annually.

Through regular face-to-face communication between the Independent Directors, internal auditors and CPAs, the Independent Directors are able to fully exercise their powers. The Company also purchases “Director Supervisor and Key Staff Liability Insurance” for Directors and Supervisors to reduce and decentralize the risk of serious damage to the Company and Shareholders caused by mistakes or negligence of the Directors. Furthermore the Company providing a multi-communication channel, with dedicated staff responding to issues raised by stakeholders. The Company also has a website in both English and Chinese to disclose corporate governance information and financial business information, as well as was invited to attend 8 investor conferences both locally and abroad in 2020, to enhance information transparency.

#### ii. Product Liability

In terms of food safety management, the Company continuously implements new and updated food safety systems to ensure product liability. It has obtained several international certifications including PIC/S GMP, ISO22000, HACCP, NSF GMP, TQF, HALAL, FSSC2200 and ISO/IEC 17025 TAF accredited laboratory. We also conduct regular audits and evaluations of raw material suppliers, a total of 212 suppliers were audited in 2020, achieving a 100% audit ratio. As the Company maintains the most stringent standards of quality control, customers can be assured to receive top quality products to consume.

In addition, the Company implemented a comprehensive plan this year to foster food safety culture among employees. We placed food safety information and slogans in different areas of the factory and distributed food safety journals every quarter to provide news and new knowledge about food safety. Furthermore we gathered employees from six divisions and placed them into 14 groups, were encouraged to submit proposals for quality improvement and to engage in problem solving for effective implementation into their daily work.

#### iii. R&D and Innovation

The Company utilizes its advanced Biotechnology skills to continuously develop, create and provide products that benefit the public, as well as provides consumers with real-time and better brand experience. The industry-leading and professional fermentation technology of Grape King’s has now been extended with the official opening and production running of the Biotech Research Institute in Longtan Science Park in 2020.

In addition, the Company has actively engaged in industry-academic cooperation with colleges and universities over the past years. Company visits are arranged and internship opportunities for students are offered to students who wish to learn more or enhance their professional skills and training. Chairman Shenglin Andrew Tseng also leads fellow colleagues in undertaking different academic projects, as well as serving as an enterprise mentor for the “Executive Director Training Program” for the Taiwan Institute of Directors. With the mission of cultivating industry-oriented professional talents, the Company hopes to maximize academic and industrial strength to enhance the practical experience of students and increase their competitiveness in the workplace in the future.

#### iv. Employee-Friendly Workplace

The Company has an Occupational Health and Safety team as well as full-time nurses whom arrange health-related seminars and activities on a regular basis. Moreover our dedication to the provision of a safer and healthier working environment is also recognized through various certifications obtained, including ISO/CNS 45001, as well as Sport Enterprises and Healthy Workforce by the Sports Administration, Ministry of Education. Aside from providing industry leading staff benefits and a good work environment, we also arrange various team-building activities to cultivate a sense colleague bonding, thereby creating an employee-friendly workplace. In 2020, the Company received the Golden Award for Excellent Enterprise and Gender Quality in Taoyuan City as we have reached an almost 50/50 gender workforce.

#### v. Social Co-existence

Organizing and sponsoring various public welfare activities, connects employees with external institutions, giving them an opportunity to participate in social public welfare activities and help raise awareness of various organizations. Through participation and management, the Company is able to get involved with a wide variety of public welfare resources. In 2020, we gave out NT\$14.51 million in social welfare as well as 979 volunteering and 815 service hours.

#### vi. Green Environment

In order to maintain a sustainable environment for the next generation, the Company is deeply aware of the urgency to actively set goals to address climate change and global warming. Our Head Office in Pingzhen has obtained an ISO 14001 environmental management system certification that adopts PDCA and actively promotes various environmental protection measures. Moreover, we introduced the ISO50001 energy management system and a continued committed member of RE100, giving our commitment to use 100% renewable energy by 2035.

Summing up, in addition to meeting the expectations and requirements of the Shareholders and customers, we have also adhered to the concept of social welfare, putting an emphasis on our role in society as a whole. We believe that, through continuous efforts to learn and improve we will be able to achieve a socially responsible company that works for the best interest of the Company, Employees, and Society as well as making contributions to corporate social responsibility and sustainable development.

Finally, I would like to wish you all good health and happiness in the year of 2021, and beyond.

Chairman and GM  Shenglin Andrew Tseng



# Company Profile



葡萄王生技  
GRAPE KING BIO

1. Establishment Date
2. Company History
3. 2020 Awards



**1. Establishment date:** July 26, 1969

**2. Company history:**

1969	<ul style="list-style-type: none"> <li>● [Grape King Bio] Set up "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." as the predecessor of the Company. The address was No. 60, Section 3 Longgang Road, Zhongli City, Taoyuan County, and the capital was NT\$5 million.</li> </ul>
1971	<ul style="list-style-type: none"> <li>● [Grape King Bio] China Fusang Shenghuang Pharmaceutical Industry Co., Ltd. increased its capital by NT\$13 million to NT\$18 million to expand its production facilities and purchase equipment. "Grape King Food Co., Ltd." was established as one of the predecessors of the Company. The Company address was No. 60-9, Section 3 Longgang Road, Zhongli City, Taoyuan County, for the production of health foods such as Combest P and Lewei.</li> </ul>
1973	<ul style="list-style-type: none"> <li>● [Grape King Bio] "Grape King Food Co., Ltd." increased its capital by NT\$24.5 million to NT\$25 million to meet the needs of business expansion. A new four-story and a new five-story building were built, covering a total area of about 3,100 pings. "Kangbeishiang Cosmetics Co., Ltd." was set up, which changed its name to "Head &amp; Shoulders Cosmetics Co., Ltd." in 1976.</li> </ul>
1977	<ul style="list-style-type: none"> <li>● [Grape King Bio] "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." and the world famous factory "US Schering Pharmaceutical" started their technical cooperation.</li> </ul>
1979	<ul style="list-style-type: none"> <li>● [Grape King Bio] "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." and "Grape King Food Co., Ltd." merged into "Grape King Enterprise Co., Ltd." with a capital increase of NT\$53.5 million. The paid-up capital became NT\$150 million.</li> </ul>
1981	<ul style="list-style-type: none"> <li>● [Grape King Bio] Merged "Head &amp; Shoulders Cosmetics Co., Ltd." into a single company now for the purpose of centralized marketing and management operations.</li> </ul>
1982	<ul style="list-style-type: none"> <li>● [Grape King Bio] In December the Securities Exchange Commission of the Ministry of Finance approved the Company's public listing.</li> </ul>
1984	<ul style="list-style-type: none"> <li>● [Grape King Bio] In accordance with the provisions of the Government to implement the GMP (Good Manufacturing Practice) system and manufacture quality pharmaceutical products that meet international standards, the Company arranged a cash injection of NT\$36.2 million to improve the factory environment and expand the production equipment. The paid-up capital became NT\$230 million.</li> </ul>
1987	<ul style="list-style-type: none"> <li>● [Grape King Bio] The implementation of the GMP system to improve the factory environment and the expansion of production equipment were completed, and in November of the same year the Company was certified by the Department of Health, the Executive Yuan as a "G.M.P. Implemented Pharmaceutical Factory".</li> </ul>
1990	<ul style="list-style-type: none"> <li>● [Grape King Bio] For the development of new products, the improvement of the working environment of the food factory and the expansion of automated production equipment, the Company used the 1988 surplus of NT\$46.92 million to increase its capital, and the paid-up capital became NT\$276.92 million. In the same year the Company used the 1989 surplus of NT\$56,737 thousand to increase its capital to add the automated production equipment for easy-to-open canned drinks, Combest and the Head &amp; Shoulders Shampoo series in order to expand production capacity. In addition, to improve the timeliness of product supply for sales and reduce the cost of transportation, the Company planned to set up a delivery center and arranged a cash injection of NT\$200 million.</li> </ul>
1991	<ul style="list-style-type: none"> <li>● [Grape King Bio] Completed the cash injection and the capital injection from the 1989 surplus in February, and the paid-up capital became NT\$533,657 thousand. In view of the convenience and environmental friendliness of aluminum foil boxes, the Company purchased a set of aseptic production equipment for aluminum foil packaging and its peripheral facilities for the launch of its Kimoji Easy-to-Open Drink this year and the future development of new products.</li> <li>● [Grape King Bio] Set up a bio-engineering center (It is now known as the Grape King Biotech Research Institute) for the research and manufacturing of biotechnology products.</li> <li>● [Grape King Bio] Moved the Zhongli warehouse to the Pingzhen factory which covers an area of about 3,000 pings. A dedicated logistics center was also set up.</li> </ul>
1992	<ul style="list-style-type: none"> <li>● [Grape King Bio] Was approved in March to use the 1990 surplus of NT\$54,918,500 to increase its capital. The Company also expanded its production equipment, recruited well-known domestic microbiology and biochemical engineering experts for its development of bio-engineered nutrition food, introduced Japan's latest equipment for computer-controlled production, and researched and developed biotechnology products. It officially transitioned from pharmaceutical manufacturing to functional nutrition food research and development.</li> </ul>

	<ul style="list-style-type: none"> <li>● [Grape King Bio] The paid-up capital was NT\$588,575,500. It used the 1991 surplus of NT\$60,515,350 to increase its capital by issuing new shares, and the paid-up capital became NT\$649,090,850.</li> </ul>
1993	<ul style="list-style-type: none"> <li>● [Grape King Bio] Was approved in March to use the 1992 surplus of NT\$66,341,910 to increase its capital by issuing new shares in order to add automated pull-cap production equipment. The paid-up capital became NT\$715,432,760.</li> </ul>
1994	<ul style="list-style-type: none"> <li>● [Grape King Bio] Used the 1993 undistributed surplus of NT\$73,770,340 to increase its capital by issuing new shares in order to expand its production equipment as well as equipment for pure water, electricity and other items for the development of new products and production capacity improvement.</li> <li>● [Shanghai Grape King] Was approved by the Ministry of Economic Affairs to set up the Shanghai Grape King Enterprise Co., Ltd. in the mainland through a third-country investment for the manufacturing and sale of all kinds of health food, bio-engineering technology and related glass containers as its major business.</li> </ul>
1996	<ul style="list-style-type: none"> <li>● [Grape King Bio] Used NT\$88,230,430 from the 1995 surplus and capital reserve to increase its capital in order to improve the capital structure. The paid-up capital became NT\$957,684,910.</li> </ul>
1997	<ul style="list-style-type: none"> <li>● [Grape King Bio] Used NT\$ 96,726,750 from undistributed earnings to increase its capital, and the paid-up capital became NT\$1,054,411,660.</li> <li>● [Grape King Bio] This year the biotechnology center developed a variety of successful products such as Ganoderma King, Biolacto Powder and 995 Nutrient Drink. The Company created a high visibility for the products in a short period and led to a competition in the Ganoderma market.</li> <li>● [Shanghai Grape King] The first product - Combest drink was launched.</li> </ul>
1998	<ul style="list-style-type: none"> <li>● [Grape King Bio] Appropriated NT\$63,774,210 from its 1997 surplus to increase capital, and the paid-up capital became NT\$1,118,185,870. In November, a cash injection of NT\$190 million as approved by the competent authority was arranged and the paid-up capital became NT\$1,308,185,870.</li> <li>● [Pro-Partner] Made a filing to the Fair Trade Commission of the Executive Yuan to legally promote its business via multi-level marketing; the Taipei Head Office was set up.</li> </ul>
1999	<ul style="list-style-type: none"> <li>● [Grape King Bio] Completed the cash injection in February, and moved towards the goal of expanding biotechnology research and development.</li> </ul>
2000	<ul style="list-style-type: none"> <li>● [Grape King Bio] The Bio engineering center (It is now known as the Grape King Biotech Research Institute) developed a variety of biotechnology products in this year, such as Agaricus Blazei King, Antrodia King, Hericium mycelium and Coriolus versicolor mycelium. It also developed the 200p (Pro) Drink which gradually became a rising star; the sales revenue has been growing year after year and it has become one of the Company's main product.</li> <li>● [Pro-Partner] Set up its Taichung Operations Center.</li> </ul>
2001	<ul style="list-style-type: none"> <li>● [Grape King Bio] The biological engineering center (It is now known as the Grape King Biotech Research Institute) developed Grifola frondosa, Coriolus versicolor, Cordyceps militaris and other raw materials, and introduced a variety of new tastes for aluminum foil boxes to meet market demand.</li> </ul>
2002	<ul style="list-style-type: none"> <li>● [Grape King Bio] The Company changed its name to Grape King Bio Ltd.</li> <li>● [Grape King Bio] Started its diversification, and biotechnology products greatly improved the Company's operations. Besides, OEM also became an important new business.</li> </ul>
2003	<ul style="list-style-type: none"> <li>● [Grape King Bio] Made up for the losses in 1998, 1999 and 2000 and showed a profit.</li> </ul>
2004	<ul style="list-style-type: none"> <li>● [Grape King Bio] Antrodia camphorate OEM entered the Singapore market, and the biological center purchased a 40T fermentation tank to double the production capacity.</li> <li>● [Pro-Partner] Set up the Taoyuan Operation Center and the Pingzhen Delivery Center.</li> </ul>
2005	<ul style="list-style-type: none"> <li>● [Grape King Bio] Passed cGMP pharmaceutical certification of the Department of Health, Executive Yuan, and the biological center added a mobile layer dryer, expanded its capacity and developed new formulations.</li> <li>● [Grape King Bio] Subsidized by the Two-year Traditional Industry Upgrade Project of the Ministry of Economic Affairs.</li> </ul>
2006	<ul style="list-style-type: none"> <li>● [Grape King Bio] Signed a contract with the Food Industry Research and Development Institute for the transfer of two membrane concentration technologies; would be able to recycle high-priced protein drugs, and step into the field of biotechnology pharmacy.</li> </ul>
2007	<ul style="list-style-type: none"> <li>● [Grape King Bio] Subsidized by two projects of the Ministry of Economic Affairs for the</li> </ul>

	<p>development of anti-helicobacter pylori lactic acid bacteria products and plant endophytic biological fertilizer formulations.</p> <ul style="list-style-type: none"> <li>● [Pro-Partner] Set up the Fengyuan Operations Center.</li> </ul>
2008	<ul style="list-style-type: none"> <li>● [Grape King Bio] “Antrodia Cinnamomea” was granted the Republic of China Patent No. I296929. “Antrodia” was granted the People's Republic of China Patent No. ZL200510095801.1.</li> <li>● [Grape King Bio] Constructed an automated production and packaging plant for biotechnology products and the second fermentation plant.</li> <li>● [Pro-Partner] The revenue reached NT\$1.62 billion for the first time and surpassed that of Grape King, and the Company became number eight among the nation's direct sales merchants.</li> </ul>
2009	<ul style="list-style-type: none"> <li>● [Grape King Bio] Was subsidized by the Agricultural Biotechnology Research and Development Result Industrialization Project and started the fermentation production and product development of Ganoderma lucidum immunoregulatory protein.</li> <li>● [Pro-Partner] Set up the Hsinchu Operations Center; the total revenue was NT\$2.2 billion, ranking the sixth in Taiwan's direct sales industry and the first among local direct sales merchants.</li> </ul>
2010	<ul style="list-style-type: none"> <li>● [Grape King Bio] Began to expand the biological center's 3<sup>rd</sup> fermentation plant, which contains two 40T fermentation tanks and six 500L's. Test production is expected in June 2011.</li> <li>● [Pro-Partner] The Taipei Operations Center's new building was completed; the operations on the 6<sup>th</sup> floor of the Taichung operations center were expanded; the Kaohsiung Operations Center's new building was completed.</li> </ul>
2011	<ul style="list-style-type: none"> <li>● [Grape King Bio] Was subsidized by the Biotechnology Research and Development Result Industrialization Project, developed the liquid cultivation of Hericium erinaceus essence, and developed age-delaying health food; completed the construction of the biological center's 3<sup>rd</sup> fermentation plant, which contains two 40T fermentation tanks and six 500L's, and the total capacity expanded to 275 metric tons.</li> </ul>
2012	<ul style="list-style-type: none"> <li>● [Grape King Bio] The combined revenue was NT\$4.62 billion, and the five-year average growth rate was more than 20%.</li> <li>● [Pro-Partner] The revenue reached NT\$4.2 billion, becoming the fourth in Taiwan, the first among local direct sales merchants, and no. 83 among the world's top 100 direct sales merchants.</li> </ul>
2013	<ul style="list-style-type: none"> <li>● [Grape King Bio] Replaced the Company's logo. Added six one-metric ton fermentation tanks and freeze-drying equipment.</li> <li>● [Grape King Bio] Was granted a promotion subsidy of the Biotechnology Research and Development Result Industrialization Project of the Industrial Development Bureau, Ministry of Economic Affairs.</li> <li>● [Pro-Partner] Increased the number of service offices in Taipei, and established a new Taipei Operations Center which is the seventh operations center of Pro-Partner.</li> <li>● [Pro-Partner] Spent NT\$3 billion to purchase the new building in Neihu to create a new operating headquarters.</li> <li>● [Pro-Partner] The annual revenue was NT\$5 billion with a record 28% annual growth rate. The Company ranked the third in Taiwan's direct sales industry and the first among local direct sales merchants.</li> </ul>
2014	<ul style="list-style-type: none"> <li>● [Grape King Bio] The consolidated revenue was NT\$6.282 billion.</li> <li>● [Pro-Partner] The revenue reached NT\$5.827 billion, and the Company became the second in Taiwan's direct sales industry and the first among local direct sales merchants for four consecutive years.</li> <li>● [Grape King Bio] Obtained PIC/S GMP (Good Manufacturing Practices for Western Medicine) certification.</li> <li>● [Grape King Bio] Obtained ISO 22000 certification (food safety and health management system certification).</li> <li>● [Grape King Bio] The construction ceremony of the new plant in Pingzhen was held in May.</li> <li>● [Grape King Bio] Signed a letter of intent with the Chinese mainland pharmaceutical manufacturer Yunnan Baiyao Group in July.</li> <li>● [Grape King Bio] The Science Industrial Park's Review Committee decided in August that the Company falls into the "science industry" category in the "Regulations for Science Industrial Park's Establishment and Management", and was allowed to set up “Grape King Bio Ltd. Longtan Science Park Branch” in the Park.</li> </ul>

2015	<ul style="list-style-type: none"> <li>● [Grape King Bio] The consolidated revenue was NT\$7.247 billion.</li> <li>● [Pro-Partner] The revenue was NT\$6.708 billion, and the Company was still the second in Taiwan's direct sales industry and the first among local direct sales merchants for five consecutive years.</li> <li>● [Grape King Bio] Introduced a number of new products such as Tian Qi Ling Zhi Essential Drink, PowerBOMB Energy Drinks and Ganoderma for Kids, Marigold Lutein Complex and so on.</li> <li>● [Grape King Bio] Was awarded ISO17025 certification by TAF.</li> </ul>
2016	<ul style="list-style-type: none"> <li>● [Grape King Bio] The consolidated revenue was NT\$9.185 billion.</li> <li>● [Pro-Partner] The revenue reached NT\$8.17 billion, ranking number two in Taiwan's direct sale business and was number one among the local direct sale merchants for many years.</li> <li>● [Grape King Bio] The Pingzhen plan was opened in September.</li> <li>● [Grape King Bio] Launched new products Snow Brightening Essential Drink, Tian Qi Maca Essential Drink, Ling Zhi Anti-allergy, Pueraria Mirifica Queen.</li> </ul>
2017	<ul style="list-style-type: none"> <li>● [Grape King Bio] The consolidated revenue was NT\$9.388 billion.</li> <li>● [Pro-Partner] The revenue reached NT\$8.05 billion, ranking number two in Taiwan's direct sale business and was number one among the local direct sale merchants for many years.</li> <li>● [Grape King Bio] Opened its "Grape King Health and Vitality Power Center" in July.</li> <li>● [Grape King Bio] Launched a new product "Gold Combest Energy Drink", the country's first health-marked energy drink.</li> <li>● [Grape King Bio] Launched a new product "Sliim Turmeric Complex".</li> <li>● [Grape King Bio] Obtained TOSHMS (Taiwan Occupational Safety and Health Management System) certification, ISO14001 (Environmental Management System) certification and OHSAS 18001 (Occupational Safety and Health Management System) certification.</li> </ul>
2018	<ul style="list-style-type: none"> <li>● [Grape King Bio] The consolidated revenue was NT\$9.183 billion. (note: IFRS 15 is applied from this year)</li> <li>● [Pro-Partner] The revenue reached NT\$7.389 billion, ranking number two in Taiwan's direct sale business and has been ranked as the top local direct sale merchants for consecutive years. (note: IFRS 15 is applied from this year)</li> <li>● [Grape King Bio] Top 20% of the 2018 (4<sup>th</sup> Round) Corporate Governance Evaluation Award by Taiwan Stock Exchange Corporate Governance Center (all 864 listed companies).</li> <li>● [Grape King Bio] Launched new products "Probiotic King Powder" and "Sliim Probiotics King".</li> <li>● [Grape King Bio] Obtained TQF certification.</li> </ul>
2019	<ul style="list-style-type: none"> <li>● [Grape King Bio] The consolidated revenue was NT\$9.239 billion.</li> <li>● [Pro-Partner] The revenue reached NT\$7.791 billion, ranking number two in Taiwan's direct sale business and has been ranked as the top local direct sale merchants for consecutive years.</li> <li>● [Grape King Bio] Top 20% of the 2019 (5<sup>th</sup> Round) Corporate Governance Evaluation Award by Taiwan Stock Exchange Corporate Governance Center (all 868 listed companies).</li> <li>● [Grape King Bio] Obtained FSSC 22000 certification.</li> <li>● [Grape King Bio] The Biotech Research Institute was set up in Q2.</li> <li>● [Grape King Bio] Launched a new product "MOVE EEZI".</li> </ul>
2020	<ul style="list-style-type: none"> <li>● [Grape King Bio] The consolidated revenue was NT\$9.168 billion.</li> <li>● [Pro-Partner] The revenue reached NT\$7.719 billion, maintaining the ranking of 2<sup>nd</sup> in Taiwan's direct sale business and has been ranked as the top local direct sale merchants for consecutive years.</li> <li>● [Grape King Bio] Top 20% of the 2020 (6<sup>th</sup> Round) Corporate Governance Evaluation Award by Taiwan Stock Exchange Corporate Governance Center (all 901 listed companies).</li> <li>● [Grape King Bio] Obtained ISO 45001 certification.</li> <li>● [Grape King Bio] Launched a new product "Night Sliim Turmeric Complex" and "Ling Zhi Essence Drink".</li> </ul>

### 3. 2020 Awards:

#### Enterprise

- (1) [Grape King Bio] No.2 on the Common Wealth Magazine Taiwanese -Pharmaceutical and Biotechnology Industry” 2<sup>nd</sup>
- (2) [Grape King Bio] Won the Gold Medal at the TCSA Corporate Sustainability Report Awards for the 3rd consecutive year!
- (3) [Grape King Bio] Awarded Taoyuan City Government in recognition for the 2020 Excellent Enterprise!
- (4) [Grape King Bio] Received the "Influenza Prevention Alliance Gold Award" from Taiwan Immunization Vision and Strategy (TIVS)!
- (5) [Grape King Bio] Won "2020 Agency & Advertiser of the year— Social Enterprise" Award!

#### Product

- (1) [Ganoderma King] [Probiotics Series] Win "Everyday Health and Yahoo! Health Brand Award" for the 5<sup>th</sup> consecutive year!

#### Technique & Patent

- (1) [Probiotic patented technology] "Uses of treating, preventing or improving bone diseases with Probiotics, Pharmaceutical composition and edible composition thereof" was awarded a Gold medal at Malaysia MTE 2020.
- (2) [Probiotic patented technology] The Probiotic patent "GKM3-A New Probiotic for weight management" won 1 Gold medal at 23<sup>th</sup> Russian Archimedes International Invention Exhibition.
- (3) [Probiotic patented technology] "An active substance of Bifidobacterium lactis GKK2, a composition comprising thereof and its use for promoting longevity" won a Gold Medal at 2020 World Genius Convention & Education Expo.
- (4) [Probiotic patented technology] "An active substance of Bifidobacterium lactis GKK2, a composition comprising thereof and its use for promoting longevity" were praised with a Gold medal and a Special Poland award at iCAN 2020.
- (5) [Probiotic patented technology] "LACTOBACILLUS FERMENTUM GKF3, Composition Comprising the Strain and Method for improving psychataxia using the same" was awarded a Gold medal at the 2020 Korea World Invention Contest (WiC).
- (6) [Probiotic patented technology] "LACTOBACILLUS FERMENTUM GKF3, Composition Comprising the Strain and method for improving Psychataxia using the same" won a Gold Medal and a Special Prize at International Invention and Trade Expo London (IITE).
- (7) [Probiotic patented technology] "Multilayer Antioxidant Coating Lactic Acid Bacteria (MAOC-LAB) Microencapsulate and Method of Producing the same" was awarded a Gold Medal at Ukraine Innovation Awards 2020.
- (8) [Probiotic patented technology] "Uses of Treating, Preventing or Improving Bone Diseases by Lactobacillus Bacteria, Pharmaceutical Composition and Edible Composition Thereof" won a Gold Medal at the 2020 Taiwan Innotech Expo.
- (9) [Probiotic patented technology] "Lactobacillus brevis GKJOY, composition containing the same and its use for improving psychataxia and promoting nerve function" was awarded a Gold Medal from the International Warsaw Invention Show (IWIS) 2020.
- (10) [Hericium Erinaceus patented technology] "Compositions comprising an active compound for

- treating dementia and methods of use thereof" were highly praised with a Gold medal and a Special Prize at Malaysia MTE 2020.
- (11) [Hericium Erinaceus patented technology] "An active substance for preventing hearing loss, a method for preparing thereof, a pharmaceutical composition comprising the active substance and a method for preparing thereof" won s a Gold Medal at 2020 World Genius Convention & Education Expo.
  - (12) [Hericium Erinaceus patented technology] "An active substance for preventing hearing loss, a method for preparing thereof, a pharmaceutical composition comprising the active substance and a method for preparing thereof" was awarded a Gold Medal at Ukraine Innovation Awards 2020.
  - (13) [Antrodia patented technology] "Antrodia Cinnamomea Mycelia as adjuvant treatment to chemotherapy" was awarded a Gold Medal at 2020 Russian Archimedes International Invention Exhibition.
  - (14) [Antrodia patented technology] "Antrodia Cinnamomea mycelium for improving nonalcoholic steatohepatitis (NASH)" was awarded 1 Gold Medal at 20<sup>th</sup> European Exhibition of Creativity and Innovation.
  - (15) [Antrodia patented technology] "Use of Antrodia Cinnamomea Mycelia Active Substance for Ameliorating Chronic Obstructive Pulmonary Disease" won a Bronze Medal at the 2020 Taiwan Innotech Expo.
  - (16) [Cicada patented technology] "Use of Cordyceps Cicadae Mycelium Suppresses Allergy" was highly praised with 1 Gold and 1 Special Prize at 20<sup>th</sup> European Exhibition of Creativity and Innovation.
  - (17) [Cicada patented technology] "The use of Cordyceps Cicadae active substances for inhibiting and /or reducing allergic responses" won a Gold Medal at the 2020 Korea World Invention Contest (WiC).
  - (18) [Cicada patented technology] "Use of Water Extract or Ethanol Extract of Cordyceps Cicadae for preventing, Delaying or Treating Cataract" won a Gold Medal at the 2020 Taiwan Innotech Expo.
  - (19) [Cicada patented technology] "Method of Manufacturing and the Use of Cordyceps Cicadae Mycelia Active Substance for Preventing and/or Improving Acute lung Injury" and has won the Gold Medal at the iCAN 2020.
  - (20) [Lignosus patented technology] "Use of Lignosus Rhinocerus Mycelia active substance for manufacturing and antiviral composition" won a Gold Medal and a Special Prize at International Invention and Trade Expo London (IITE).
  - (21) [Phellinus patented technology] "Bioactive Components of Phellinus Linteus Mycelia, Method of producing the Same and Use in Preparation Antiviral composition including the same" was awarded a Gold Medal from the IWIS 2020.

### Individual

Grape King Bio Chairman, Dr. Shenglin Andrew Tseng, won 2020 Outstanding Brand Manager Gold Award at the "Agency & Advertiser of the Year ".



Corporate  
Governance

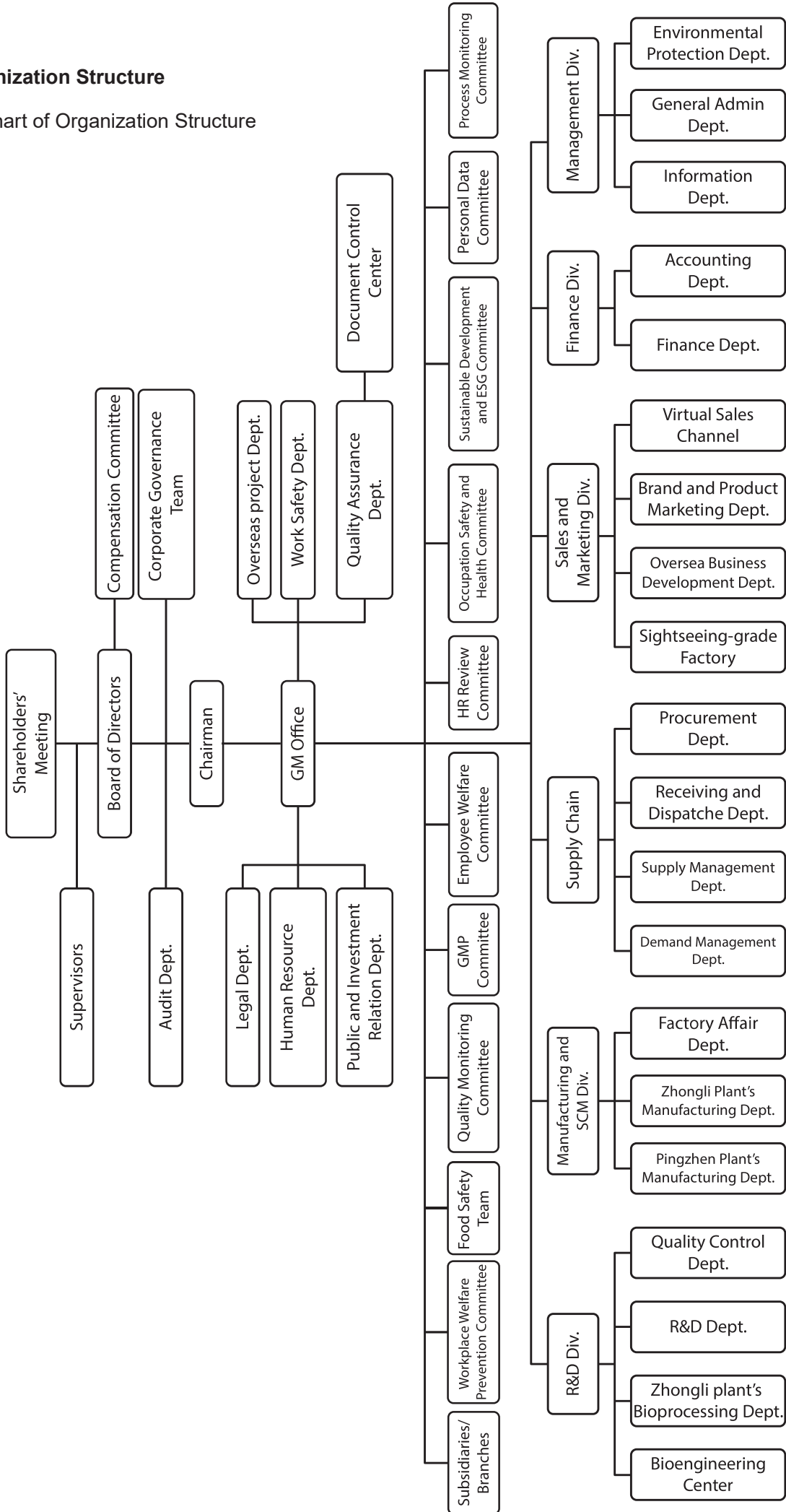


1. Organization Structure
2. Directors, Supervisors, General Manager, Deputy General Manager, Associates, Departments and Branches Officer Information
3. Recent Remuneration to Directors, Supervisors, Presidents and Vice Presidents
4. Corporate Governance Status
5. Accountant Fees
6. Change of Accountants
7. The Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Firm of the Auditing CPA or Its Affiliated Businesses in the Past Year
8. Particulars about Changes in Shareholding and Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of the Company's Shares in the Past Year and as of the Date of Publication of the Annual Report
9. Information about the Top Ten Shareholders Who are related parties
10. Total Shareholding Ratio



# 1. Organization Structure

(1) Chart of Organization Structure



(2) Responsibilities of Major Departments

Department	Responsibility
Compensation Committee	To help improve the Company's Directors, Supervisors and high-level manager evaluation and compensation management system.
Corporate Governance Team	To propose recommendations on corporate governance to the Board of Directors and/or the general manger and assist in matters related to the Board of Directors or shareholders' meetings in accordance with the law. Furthermore, serve as the specific unit for corporate governance and ethical corporate management.
Audit Department	To audit the various department's internal control system and timely provide suggestions for improvement.
General Manager's Office	To carry out and co-ordinate all departments' work distribution, coordination and utilization.
Process Monitoring Committee	To carry out project contracting, construction quality supervision and acceptance.
Personal Data Committee	To carry out corporate data maintenance and control and personal data protection and management.
Sustainable Development and ESG Committee	Regularly collects and incorporate expectations of internal and external stakeholders, maintains the ESG management system, sets up ESG indicators and targets and takes action accordingly in order to uphold the spirit of corporate sustainable management.
Occupation Safety and Health Committee	To study and set up labor safety and health related policies and regulations.
GMP Committee	To ensure that the product safety and health in the manufacturing process, including raw material handling, production, quality, warehousing, finished products and other operations, are in line with the government-required GMP and food safety management system specifications; to carry out quality management of the Company's planning, review, supervision and audit matters.
Quality Monitoring Committee	To carry out health management procedures, product planning, management, supervision and audit matters.
Food Safety Team	To carry out food safety operations control and maintenance, and reduce the risks in the supply chain.
Workplace Welfare Prevention Committee	Implement measures to prevent and control workplace violence and plan proper safety and health measures.
Employee Welfare Committee	To act as a platform and bridge for labor and employer communication and promote the coordination between labor and employer.
HR Review Committee	To implement and improve the HR development policy and review all kinds of personnel related disputes.
Quality Assurance Dept.	To carry out quality system-related operations with control measures such as supervision, assessment, validation, verification and identification to continuously improve product quality.
Work Safety Department	Responsible for the development, implementation and supervision of labor safety, environmental health and other related matters.

Department	Responsibility
Human Resource Department	Responsible for the formulation of the human resource policy and goals and plans concerning election, training, appointment, retention and tests.
Legal Department	To manage, plan and establish the Company's legal affairs related business.
Public and Investment Relation Dept.	Responsible for corporate relationship management and public relations related matters.
Management Division	Plans, executes, manages, and handles general affairs, environmental protection issues, information hardware system, information security and other software systems
Finance Division	To manage, plan and formulate the Company's financial and accounting related matters.
Sales and Marketing Division	To collect domestic and foreign marketing resources, contact and track domestic and foreign OEM businesses, carry out the Company's product sales development and lead and integrate marketing strategies to develop brand value and innovation.
Supply Chain	Responsible for the integration and implementation of demand planning, supply planning, procurement, raw material storage, finished product logistics and other related operations.
Manufacturing and SCM Division	Handles product manufacturing, processing, packaging, factory facility maintenance and relevant tasks
R&D Division	To carry out new product research and development and old product improvement, product quality control, raw material testing, product quality management, quality identification and other matters.
Overseas project Dept.	Responsible for businesses related to operation planning and management of overseas sales and development.
Subsidiaries/Branches	As for the businesses of the subsidiaries, please refer to page 117 of this Annual Report. Branches: (1) Zhongli Branch: Previously was engaged in the distribution of wine but now has no relevant operation. (2) Longtan Branch: It is engaged in the businesses such as research and development of innovative materials and existing materials, functional verification, process improvement and production of key materials.

2. Directors, Supervisors and Managers team

(1) Directors and Supervisors

March 30, 2021 Unit: Share, %

Title (Note 1)	Nationality	Name	Gender	Date Elected	Term (years)	Date First elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 3)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Shenglin Andrew Tseng	Male	May 29, 2018	3	June 19, 2009	5,761,244	4.25	6,351,244	4.29	-	-	40,000	0.03	PhD	Note 5	Director	Mei-Ching Tseng	Sister and brother	Note 4
Director	Republic of China	Mei-Ching Tseng	Female	May 29, 2018	3	June 26, 2015	4,505,117	3.32	4,993,117	3.37	-	-	45,000	0.03	Master's Degree	Note 5	Chairman	Shenglin Andrew Tseng	Sister and brother	
Director	Republic of China	Jue-Jia Chang	Male	May 29, 2018	3	June 19, 2009	1,538,386	1.13	1,538,386	1.04	1,663,366	1.12	-	-	Master's Degree	Note 5	Supervisor	Chih-Sheng Chang	Brothers	
Director	Republic of China	Chih-Wei Lai	Male	May 29, 2018	3	May 29, 2018	653,000	0.48	653,000	0.44	-	-	-	-	Master's Degree	Nil	Nil	Nil	Nil	
Director	Republic of China	Yen-Shiang Huang	Male	May 29, 2018	3	May 29, 2018	13,000	0.01	203,000	0.14	-	-	-	-	Bachelor	Note 5	Nil	Nil	Nil	
Director	Republic of China	Ding Fu Investment Co., Ltd. Representative Sheng-Bin Tseng		May 29, 2018	3	June 26, 2015	1,293,000	0.95	1,293,000	0.87	-	-	-	-	-	Nil	Nil	Nil	Nil	
				Effective date: May 29, 2018			709,230	0.52	709,230	0.48	817,000	0.55	-	-	College	Note 5	Nil	Nil	Nil	
Independent Director	Republic of China	Feng-I Lin	Male	May 29, 2018	3	June 26, 2015	-	-	-	-	-	-	-	-	Master's Degree	Note 5	Nil	Nil	Nil	
Independent Director	Republic of China	Ching-Pu Chen	Male	May 29, 2018	3	June 26, 2015	-	-	-	-	-	-	-	-	PhD	Nil	Nil	Nil	Nil	
Independent Director	Republic of China	I-Fan Miao	Female	May 29, 2018	3	May 29, 2018	-	-	-	-	-	-	-	-	Master's Degree	Note 5	Nil	Nil	Nil	
Supervisor	Republic of China	Chih-Sheng Chang	Male	May 29, 2018	3	June 16, 1997	2,093,957	1.54	2,093,957	1.41	992,530	0.67	-	-	College	Note 5	Director	Jue-Jia Chang	Brothers	
Supervisor	Republic of China	Hsing-Chun Chen	Female	May 29, 2018	3	May 29, 2018	1,038,596	0.77	1,303,596	0.88	-	-	-	-	Master's Degree	Nil	Nil	Nil	Nil	

Note 1: If a corporate shareholder, please list its name and the representative's name (if the representative of a corporate shareholder, please indicate the name of the corporate shareholder) and fill in Table 1 below.  
 Note 2: Please fill in the time of assuming the Company's director or supervisor position for the first time. If there is any interruption, please indicate.  
 Note 3: Experience related to the current position. If the person has worked for the Company's CPA firm or affiliates in the aforementioned period, please describe the titles and responsibilities.  
 Note 4: The chairman and general manager of the Company are the same person, responsible for facilitating internal communication and coordination within the Board of Directors to resolve issues, as well as improve the decision-making efficiency of the Company. The Company has 3 independent directors, 1 additional seat given which is more than the legal requirement. Moreover, more than half of its Board of Directors are not employees or managers therefore corporate governance is enhanced.  
 Note 5: List of Directors and Supervisors with positions at the Company and other companies.

Name	Positions at the Company and other companies
Shenglin Andrew Tseng	The Company's General Manager; Pro-Partner Ltd. Director; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Chairman; Shanghai Grape King Enterprise Co., Ltd. Director; Rivershine Ltd. Chairman; Dongpu Biotech Corporation Executive Director; Director; Yi Xin Investment Corporation
Mei-Ching Tseng	Pro-Partner Ltd. Director and General Manager; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Director; Rivershine Ltd. Director; Shanghai Rivershine Ltd. Supervisor; Yunshin Investment Ltd. Director.
Jue-Jia Chang	Pro-Partner Ltd. Director; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Director; Rivershine Ltd. Director; Dongpu Biotech Corporation Supervisor; Senior Consultant, BTS Taiwan; Supervisor, Kuowang Food Co., Ltd.
Chih-Wei Lai	Vice-President, Commodity Strategy, CarMax Corporate of Hotal Motor Group.
Yen-Shiang Huang	Shanghai Grape King Enterprise Co., Ltd. Supervisor; Chingbiao Biotech Co., Ltd. Chairman; Chingbiao Investment Co., Ltd. Chairman; Jinghua Industrial Co., Ltd. Director and General Manager.
Sheng-Bin Tseng	Ding Fu Investment Co., Ltd. Chairman.
Feng-I Lin	WAFERWORKS CORP. Independent Director; Joudier Precision Industry (Kunshan) Co., Ltd. Independent Director; Digiwin Software Co., Ltd. Independent Director; Director, Shanghai Karon Eco-Valve Manufacturing CO.,LTD.
Ching-Pu Chen	International Director, Global Affairs Office and Professor, Department of Social and Policy Sciences, Yuan Ze University
I-Fan Miao	Committee member, Department of Transportation, Taipei City Government; New Taipei City Traffic Accident Investigation Committee; Taipei City Government Traffic Accident Investigation Committee ; YI-SIN Law Office Attorney; Supervisor, THJ Consultants INC.; Supervisor, LANX Technologies Corporation
Chih-Sheng Chang	Director, Kuowang Food Co., Ltd.; YUSONG INTERNATIONAL INC. Director.
Hsing-Chun Chen	Standing Director, Chiayi Physical Disabilities Association

Table 1: Major shareholders of the institutional shareholders

Name of Institutional Shareholder	Major shareholder	March 30 ,2021
Ding Fu Investment Co., Ltd.	Sheng-Bin Tseng (20%), Ding-Fu Tseng (20%), Jin-Hua Chen (20%), Si-Wen Tseng (20%), Ying-Chen Tseng (20%)	

Note 1 : If the Director or Supervisor is the representative of a corporate shareholder, please fill in the name of the corporate shareholder.

Note 2 : Please fill in the name of the major shareholder of the corporate shareholder (top 10 in shareholding) and the shareholding ratio. If the major shareholder is a corporate shareholder, please also fill in Table 2.

Note 3 : For institutional shareholders that are not companies, the names of shareholders and shareholding ratios should be disclosed above; i.e., the names of investors or donors and their capital contribution or donation ratios.

Table 2: Major shareholders of the major shareholders in Table 1 who are Institutional shareholders

Name of Institutional Shareholder	Major shareholder	March 30 ,2021
NA	NA	

Note 1: If the major shareholder in Table 1 is a corporate shareholder, please fill in its name.

Note 2: Please fill in the name of the corporate shareholder's major shareholder (top 10 in shareholding) and the shareholding ratio.

Note 3: For institutional shareholders that are not companies, the names of shareholders and shareholding ratios should be disclosed above; i.e., the names of investors or donors and their capital contribution or donation ratios.





**Professional Qualifications and Independence analysis of the Directors and Supervisors**

March 30, 2021

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director		
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10		11	12
Name																
Shenglin Andrew Tseng			✓					✓			✓			✓		0
Mei-Ching Tseng			✓					✓			✓			✓		0
Jue-Jia Chang			✓				✓	✓			✓	✓		✓		0
Chih-Wei Lai			✓				✓	✓			✓	✓		✓		0
Yen-Shiang Huang			✓				✓	✓			✓	✓		✓		0
Ding Fu Investment Co., Ltd. Representative Sheng-Bin Tseng			✓				✓				✓			✓		0
Feng-I Lin			✓				✓	✓			✓	✓		✓		1
Ching-Pu Chen	✓						✓	✓			✓	✓		✓		0
I-Fan Miao		✓					✓	✓			✓	✓		✓		0
Chih-Sheng Chang			✓				✓	✓			✓	✓		✓		0
Hsing-Chun Chen			✓				✓	✓			✓	✓		✓		0

Note 1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- i. Not an employee of the Company or any of its affiliates.
- ii. Not a Director or Supervisor of the Company or its affiliates (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local ordinances.)
- iii. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an

- aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- iv. Not managers in the preceding first subparagraphs or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons specified in the preceding second and third subparagraphs.
  - v. Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or holds shares ranked among the top five holdings, or assigns representative as the director or supervisor pursuant to Article 27-1 or 27-2 of the Company Act (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local ordinances.)
  - vi. Not a director, supervisor, or employee of another company controlled by the same person of the Company with a director seat or more than half of the voting shares of the Company (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local ordinances.)
  - vii. Not a director, supervisor, or employee of another company or institution whose chairman, general manager or its equivalent is the same person or spouse holding such position in the Company (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local ordinances.)
  - viii. Not a director, supervisor, manager or shareholder holding five percent or more shares of a company or institution that has a business or financial relationship with the Company (However, this does not apply to cases wherein the Company or institution holds more than twenty percent but less than fifty percent of the total number of outstanding shares of the Company, and the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local ordinances.)
  - ix. Not a professional individual or owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or spouse thereof, who conducts audits of the Company or any affiliate of the Company, or receives remuneration less than NT\$500,000 in the last two years while providing commercial, legal, financial, accounting services or consultation services, so long as this restriction does not apply to any member of the compensation committee, the takeover board or the M&A special committee that exercises powers pursuant to the Securities Exchange Law or the Corporate M&A Law.
  - x. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
  - xi. Not been a person of any conditions defined in Article 30 of the Company Law.
  - xii. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) Management Team

March 30, 2021 Unit: Share; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Relation	Managers who are Spouses or Within Two Degrees of Kinship		Remarks
					Shares	%	Shares	%	Shares	%			Title	Name Relation	
Chairman and General Manager	Republic of China	Shenglin Andrew Tseng	Male	2014.11.06 Election. 2014.11.07 Assume office.	6,351,244	4.29	-	-	40,000	0.03	PhD, Business Management, University of Strathclyde (UK)	Note 2	Nil	Nil	Note 1
Deputy GM, R&D Division	Republic of China	Jin-Chu Chen	Male	2014.01.01	36,388	0.02	-	-	-	-	PhD, Life Science School, Tsing Hua University	Note 2	Nil	Nil	
Deputy GM, Business Division	Republic of China	Yuan-Tsung Lin	Male	2017.07.01	10,000	0.01	-	-	-	-	EMBA, National Chung Hsing University	Note 2	Nil	Nil	
CFO and Corporate Governance Officer	Republic of China	Nick Hung	Male	2014.01.01	10,000	0.01	-	-	-	-	Bachelor, Chung Hsing University	Note 2	Nil	Nil	
CLO	Republic of China	Chih-Lin Hung	Male	2017.07.03	15,000	0.01	-	-	-	-	Master, College of Law, National Chengchi University	Nil	Nil	Nil	

Note 1: The general manager and chairman of the Company are the same person, responsible for facilitating internal communication and coordination within the Board of Directors to resolve issues, as well as improve the decision-making efficiency of the Company. The Company has 3 independent directors, 1 additional seat given which is more than the legal requirement. Moreover, more than half of its Board of Directors are not employees or managers therefore corporate governance is enhanced.

Note2: List of Management Team with positions at the Company and other companies.

Name	Positions at the Company and other companies
Shenglin Andrew Tseng	Pro-Partner Ltd. Director; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Chairman; Shanghai Grape King Enterprise Co., Ltd. Director; Rivershine Ltd. Chairman; Dongpu Biotech Corporation Executive Director; Yi Xin Investment Corporation
Jin-Chu Chen	The Company's Longtan Science Park Branch General Manager; Pro-Partner Ltd. Director.
Yuan-Tsung Lin	Shanghai Grape King Enterprise Corp. Director and General Manager; Shanghai Rivershine Ltd. General Manager; Shanghai Changhong Biotechnology Co., Ltd. Director.
Nick Hung	GK BIO INTERNATIONAL SDN. BHD. Director.



### 3. Remunerations of the Directors, Supervisors, Presidents, and Vice Presidents

#### Remunerations of the Directors (including Independent Directors)

Unit: NT\$ thousand : %

Title	Name	Director remuneration				Remuneration from other jobs				The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (Note 10)		Remuneration from re-invested businesses other than subsidiaries (Note 11)						
		Remuneration (A) (Note 2)		Retirement pension (B)		Director remuneration (C) (Note 3)		Business execution expenses (D) (Note 4)		Remuneration, bonus and special fees (E) (Note 5)			Retirement pension (F)		Employee remuneration (G) (Note 6)			
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)		Cash	Stock	The Company	All companies in the consolidated financial statements (Note 7)		
Director	Shenglin Andrew Tseng																	
	Mei-Ching Tseng																	
	Jue-Jia Chang																	
	Chih-Wei Lai	-	-	23,670	960	2,615	4,518	-	4,151	-	2.47	3.13						
	Yen-Shiang Huang																	
Independent Director	Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng																	
	Feng-I Lin																	
	Ching-Pu Chen	-	-	-	1,590	-	-	-	-	-	0.12	0.12						
Independent Director	I-Fan Miao																	

(1) The policy, system, criteria and structure of remuneration paid to independent directors and their correlation to the amount of remuneration based on the following factors "responsibilities, risks, and time spent": The remuneration shall be paid to directors who manage the Company's business. The amount is determined based on the directors' participation in Company operations and value of contribution. In accordance with the Article of Incorporation, the Board of Directors is authorized to provide compensation based on industry standards. In case of profit generated for the year, it shall set aside no more than 2% for remuneration of directors and supervisors as stipulated in the Articles of Incorporation. For independent directors' remuneration, regardless of the Company's operating profit/loss, a fixed executive compensation is granted based on industry standards and participation in Company operations as well as value of contribution. The remuneration, retirement package, director remuneration and compensation for other job performance are not included in the payment.

(2) Except for the disclosure in the table above, the remuneration received by the directors of the Company for services to all companies in the financial report in the most recent year (such as non-employee consultants): Nil.





Range of Remuneration

Range of Remuneration	Director name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) I
Lower than 1,000,000	Feng-I Lin, Ching-Pu Chen, I-Fan Miao	Feng-I Lin, Ching-Pu Chen, I-Fan Miao	Feng-I Lin, Ching-Pu Chen, I-Fan Miao	Feng-I Lin, Ching-Pu Chen, I-Fan Miao
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	-	-	-	-
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Jue-Jia Chang, Chih-Wei Lai, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng	Jue-Jia Chang, Chih-Wei Lai, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng	Jue-Jia Chang, Chih-Wei Lai, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng	Jue-Jia Chang, Chih-Wei Lai, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Yen-Shiang Huang	Yen-Shiang Huang	Yen-Shiang Huang	Yen-Shiang Huang
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Shenglin Andrew Tseng , Mei-Ching Tseng	Shenglin Andrew Tseng , Mei-Ching Tseng	Mei-Ching Tseng	-
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	-	Shenglin Andrew Tseng	Shenglin Andrew Tseng , Mei-Ching Tseng
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	-	-	-
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-	-	-
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-	-	-
100,000,000 or more	-	-	-	-
Total	9 people	9 people	9 people	9 people

Note 1: The Directors' names should be listed separately (if the representative of a corporate shareholder, please indicate the name of the corporate shareholder), please indicate the name of the Directors and Independent Directors, and the payments should be consolidated for disclosure.

Note 2: The Director's remuneration for the most recent year (including salary, job allowances, severance payment, various bonuses and incentives).

Note 3: The latest amount of Director's remuneration as passed by the Board of Directors.

Note 4: The latest annual business execution expenses of the Director (including transportation costs, special expenses, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration.

Note 5: The latest salary, job allowances, severance payment, various bonuses, incentives, car expenses, special expenses, dormitory expenses, car expenses and other physical provisions for the Director's other jobs (including the positions of General Manager, Deputy General Manager, Manager and other positions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

Note 6: If a Director receives employee remuneration (including stock and cash) on his/her other job(s) (including the positions of General Manager, Deputy Manager, Manager and other positions) in the latest year, please disclose the amount of employee remuneration as passed by the Board of Directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year, and Appendix 1-3 should be filled out.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's Director.

Note 8: The total remuneration paid by the Company to each Director; the Director's name should be disclosed in the respective tier.

Note 9: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's Directors should be disclosed, and the Director's name should be disclosed in the respective tier.

Note 10: Net profit after tax refers to the net after-tax profit of the individual company or the respective financial statement for the latest year.

Note 11: i. In this field the amount of remuneration paid to the Director by the Company's re-invested businesses other than the subsidiaries or parent company, such remuneration should be incorporated into column I of the Remuneration Tiers Table, and the name of the field should be changed to "Parent company and all re-invested businesses".

ii. If the Director receives remuneration from the Company's re-invested businesses other than the subsidiaries or parent company, such remuneration should be clearly indicated.

iii. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's Director for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries or parent company.

\* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

## Remunerations of the Supervisors

Unit: NT\$ thousand ; %

Title	Name	Remuneration				Remuneration from re-invested businesses other than subsidiaries(C)(Note 4)		Ratio of Total Remuneration (A+B+C) to Net Income(Note 8)		Remuneration from re-invested businesses other than subsidiaries or parent company (Note 9)
		Remuneration (A)(Note 2)		Bonus to Supervisors (B)(Note 3)		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	
		The Company	Companies in the consolidated financial statements (Note 5)	Remuneration from re-invested businesses other than subsidiaries	Companies in the consolidated financial statements (Note 5)					
Supervisor	Chih-Sheng Chang	-	5,963	5,963	252	252	0.49	0.49	Nil	
Supervisor	Hsing-Chun Chen	-	-	-	-	-	-	-	-	

### Range of Remuneration

Range of Remuneration	Name of Supervisor	
	The Company(Note 6)	Companies in the consolidated financial statements (Note 7) D
Lower than 1,000,000	-	-
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	-	-
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Chih-Sheng Chang, Hsing-Chun Chen	Chih-Sheng Chang, Hsing-Chun Chen
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	-	-
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	-	-
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-
100,000,000 or more	-	-
Total	2 people	2 people

Note 1: The Supervisors' names should be listed separately (if a corporate shareholder, the corporate name and the representative's name should be listed separately), and the payments should be consolidated for disclosure.

Note 2: The Supervisor's remuneration for the most recent year (including salary, job allowances, severance payment, various bonuses and incentives).

Note 3: The latest amount of Supervisor's remuneration as passed by the Board of Directors.

Note 4: The latest annual business execution expenses of the Supervisor (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration.

Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's Supervisor.

Note 6: The total remuneration paid by the Company to each Supervisor; the Supervisor's name should be disclosed in the respective tier.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's Supervisors should be disclosed, and the Supervisor's name should be disclosed in the respective tier.

Note 8: Net profit after tax refers to the net after-tax profit of the individual company or the respective financial statement for the latest year.

Note 9: i. In this field the amount of remuneration paid to the Supervisor by the Company's re-invested businesses other than the subsidiaries or parent company should be clearly indicated.

ii. If the Supervisor receives remuneration from the Company's re-invested businesses other than the subsidiaries or parent company, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "Parent company and all re-invested businesses".

iii. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's Supervisor for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries or parent company.

\* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.



Remunerations of the management team

Unit: NT\$ thousand ; %

Title	Name	Salary (A)(Note 2)		Retirement pension (B)		Bonus and special fees (C) (Note 3)		Employee remuneration (D) (Note 4)			The sum of A, B, C and D as a percentage of after-tax net profit (%) (Note 8)	Remuneration from re-invested businesses other than subsidiaries or parent company (Note 9)
		The Company	Companies in the consolidated financial statements(Note 5)	The Company	Companies in the consolidated financial statements(Note 5)	The Company	Companies in the consolidated financial statements(Note 5)	Cash	Stock	The Company		
General Manager	Shenglin Andrew Tseng											
Deputy GM, R&D Division	Jin-Chu Chen	8,292	10,136	-	-	902	902	12,464	-	1.70	1.85	Nil
Deputy GM, Business Division	Yuan-Tsung Lin											
CFO	Nick Hung											

Range of Remuneration

Range of Remuneration	Name of President and Vice President	
	The Company (Note 6)	Companies in the consolidated financial statements (Note 7) E
Lower than 1,000,000	-	-
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	-	-
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	-	-
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Nick Hung, Yuan-Tsung Lin	Nick Hung
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Shenglin Andrew Tseng, Jin-Chu Chen	Shenglin Andrew Tseng, Jin-Chu Chen, Yuan-Tsung Lin
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-
100,000,000 or more	-	-
Total	4 people	4 people

Note 1: The General Manager's and the Deputy General Managers' names should be listed separately, and the payments should be consolidated for disclosure.

Note 2: The latest amount of the General Manager's and the Deputy General Managers' remunerations (including salary, job allowances and severance payment).

Note 3: The latest annual business execution expenses of the General Manager and the Deputy General Managers (including transportation costs, special expenses, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall also include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

Note 4: The employee remuneration (including stock and cash) distributed to the General Manager or Deputy General Manager as passed by the Board of Directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year and fill out Table 1-3.

Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's General Manager and Deputy General Managers.

Note 6: The total remuneration paid by the Company to each General Manager and Deputy General Manager, the General Manager's and the Deputy General Managers' names are to be disclosed in the respective tiers.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's General Manager and Deputy General Managers should be disclosed, and the General Manager's and the Deputy General Managers' names should be disclosed in the respective tier.

Note 8: Net profit after tax refers to the net after-tax profit of the individual company or the respective financial statement for the latest year.

Note 9: i. In this field the amount of remuneration paid to the General Manager or the Deputy General Managers by the Company's re-invested businesses other than the subsidiaries or parent company should be clearly indicated.

ii. If the General Manager and Deputy General Managers receive remuneration from the Company's re-invested businesses other than the subsidiaries or parent company, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "Parent company and all re-invested businesses".

iii. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's General Manager or Deputy General Manager for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries or parent company.

\* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

Managers with Employee Remuneration Distribution

Unit: NT\$ thousand : %

	Title (Note 1)	Name (Note 1)	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
Management team	Chairman and General Manager	Shenglin Andrew Tseng	-	27,139	27,139	2.13
	Deputy General Manager	Jin-Chu Chen				
	Deputy General Manager	Yuan-Tsung Lin				
	CFO and Corporate Governance Officer	Nick Hung				
	CLO	Chih-Lin Hung				
	Division Director	Du-Sheng Wang				
	Vice Division Director	Sheng-Chieh Hsu				
	Vice Division Director	Chia-lun Lin				
	Director	Ryan Chou				
	Director	Yi-Ru Hu				
	Director	Duncan Aitken				
	Director	Yen-Lien Chen				
Chief Auditor	Yi Chun Lee					

- Note 1: The names and titles should be listed separately, and the remuneration distribution may be consolidated for disclosure.  
 Note 2: The latest amount of the manager's employee remuneration as passed by the Board of Directors (including shares and cash) in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year. Net profit after tax refers to the net after-tax profit of the individual company or the respective financial statement for the latest year.  
 Note 3: The definition of manager, as governed by the letter of the SFC on March 27, 2003 with a reference no. of Tai-Tsai-Cheng III 0920001301, is as follows:  
 i. General Manager and equivalent.  
 ii. Deputy General Manager and equivalent.  
 iii. Associate and equivalent.  
 iv. Head of financial department.  
 v. Head of accounting department.  
 vi. Other people who have the right to manage the Company's affairs and are the Company's authorized signatories.

Comparison and explanation

- i. Analysis of the ratio of total remuneration (paid to the Directors, Supervisors, General Manager and Deputy General Managers of the Company by the Company and all the companies in the consolidated statements in the last two years) to net profit after tax:

Unit: %

Title	Ratio of Total Remuneration to Net Profit after Tax in 2020		Ratio of Total Remuneration to Net Profit after Tax in 2019	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Director (including independent director)	2.59	3.25	2.67	3.32
Supervisor	0.49	0.49	0.49	0.49
General Manager and Deputy General Managers	1.70	1.85	1.81	1.87

- ii. The correlation among the remuneration payment policy, standards and combinations, the procedures for setting the remuneration and the business performance:  
 (i) The remuneration shall be paid to directors who manage the Company's business. The amount is determined based on the directors' participation in Company operations and value of contribution. In accordance with the Article of Incorporation, the Board of Directors is authorized to provide compensation based on industry standards. In case of profit generated for the year, it shall set aside no more than 2% for remuneration of directors and supervisors as stipulated in the Articles of Incorporation. The actual appropriation ratio and amount shall be proposed by the Remuneration Committee based on operational performance and submitted to the Board of Directors for resolution. As for independent directors not included in the Company's profit distribution, the executive compensation shall be paid based on a fixed amount and requires a Board of Director resolution.  
 (ii) The amount of remuneration for supervisors shall be based on industry standards and performance of

supervisory duties and responsibilities. In case of profit generated for the year, it shall set aside no more than 2% for remuneration of directors and supervisors as stipulated in the Articles of Incorporation. The actual appropriation ratio and amount shall be proposed by the Remuneration Committee based on operational performance and submitted to the Board of Directors for resolution.

- (iii) The managers of the Company handle with business in accordance with business policies and key decision made by the Board of Directors. Their appointment and dismissal are determined in the form of the Board of Directors resolution, as stipulated in the Articles of Incorporation. The remuneration of managers includes a fixed salary and bonus. The fixed salary is based on rank, experience, professional qualifications, length of service, industry standards, etc. The bonus is dependent on corporate performance objectives, which include corporate revenue and profit, continuous improvement in food safety management, ESG sustainable development, enhancement of quality and innovation, etc. In terms of the above mentioned performance and degree of contribution to overall company operations, the amount shall be decided through a Board of Directors resolution after the Remuneration Committee evaluates the management performance and provides recommendations.
- (iv) The proposed remuneration of directors and managers listed above shall be submitted to the Remuneration Committee for approval in accordance with the Article of Incorporation and related regulations. (As for the remuneration of independent directors, to avoid a conflict of interest, it is paid by the Board of Directors as stipulated in the Article of Incorporation and according to industry standards, and is not determined by the Remuneration Committee.)

#### 4. Corporate Governance Status

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

Seven board meetings were held in 2020, the attendance of Directors (including Independent Directors) is as follows:

Title	Name (Note 1)	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	Shenglin Andrew Tseng	7	0	100	
Director	Mei-Ching Tseng	7	0	100	
Director	Jue-Jia Chang	7	0	100	
Director	Yen-Shiang Huang	7	0	100	
Director	Chih-Wei Lai	7	0	100	
Director	Ding Fu Investment Co., Ltd. Representative : Sheng-Bin Tseng	7	0	100	
Independent Director	Feng-I Lin	7	0	100	Note 3
Independent Director	Ching-Pu Chen	7	0	100	Note 3
Independent Director	I-Fan Miao	7	0	100	Note 3

Other matters to be recorded:

i. If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the opinions of all independent directors and the Company's handling of the opinions of the Independent Directors:

(i) Matters listed in Article 14-3 of the Securities Exchange Act.: For details, refer to the important resolutions of the board meetings.

(ii) Other than the aforementioned matters, the board resolutions which Independent Directors object to or have reservations about and there are records or written statements for them: The Company did not encounter any of the circumstances.

ii. For the situation where a Director avoids a motion related to his/her own interests, please specify the director's names, the contents of the motion, the reasons for the avoidance of interests and the voting results:

Item	Board meeting	Name of Director	Resolution Content	Reasons for the avoidance of interests	Voting Results
1	The 14 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors August 4, 2020	Shenglin Andrew Tseng Mei-Ching Tseng	Transfer of the Company's treasury stock to the employees	Relation with personal interest	Vote withdrawal in accordance with the law

iii. Information on the cycle and period, scope, method and content of the Board of Directors' self-evaluation (For more details about the Remuneration Committee's self-evaluation, please refer to the "Remuneration Committee Operating Status" in this annual report.)

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annual	Jan.1, 2020~ Dec.31, 2020	Board of Directors	Board's Self-evaluation	1.Participation in Company operations 2.Improving the Board of Directors' decision-making quality 3.Composition and structure of the Board of Directors 4.Appointment and continuing education of directors 5.Internal Control
Annual	Jan.1, 2020~ Dec.31, 2020	Individual director	Director's Self-evaluation	1.Knowledge of corporate goals and mission 2.Knowledge of directors' responsibilities 3.Participation in Company operations 4.Internal relationship management and communication 5.Expertise and continuing education of directors 6.Internal Control

The Company evaluated the Board of Directors' overall annual operating performance, with the content for 2020 listed above. As for the performance evaluation, the Corporate Governance Team is responsible for the Board of Directors' internal self-evaluation. After the self-evaluation of directors, the assessment is submitted to the Corporate Governance Team for sorting. The evaluation adopts an internal questionnaire. The results of the above performance evaluation shall be provided to the directors and used as reference by the Board and Remuneration Committee in making decisions and further improving the quality of their decisions. They can also be used as reference for the nomination of directors or selection of the Remuneration Committee members. The Board of Directors had an excellent performance, having been able to fulfill its responsibilities efficiently and generating an average score of 4.51 points (out of 5 points). There were no other issues raised by the directors and Corporate Governance Team in 2020. The content of the performance evaluation was reported at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board on January 14, 2021.

iv. The goals for strengthening the board's functions in the current and the previous year (e.g., establishment of an Audit Committee, promotion of information transparency, etc.) and assessment of the implementation:

(i) The goals for strengthening the board's functions

- A. The Company established the "Corporate Governance Best Practice Principles" during the 4<sup>th</sup> Board of Directors held by the 18<sup>th</sup> Board on Nov 10, 2015 to facilitate the full development of corporate governance initiatives and enhance the functions of the Board of Directors as well as amend the best practices during the 15<sup>th</sup> Board of Directors held by the 19<sup>th</sup> Board on Nov. 3, 2020 in accordance with the current status of the Company. Article 20 of the "Corporate Governance Best Practice Principles" regulates the policy with regard to diversity of board members to complete the structure of the board. The structure of members of the Board of Directors has achieved diversified education, expertise, gender and age.
- B. Regarding Ethical Corporate Management Best Practice Principles established in 2015, the Company passed the "Unethical Conduct Prevention Program" at the 9<sup>th</sup> meeting of the 19<sup>th</sup> Board on November 11, 2019, aimed at actively preventing unethical behavior. In the Company, the corporate governance group is as a specific ethical management unit, which is responsible for formulating, monitoring and executing ethical management policies and prevention plans, and reports to the Board of Directors periodically. The Company passed the resolution to uphold its corporate ethical management for 2020 during the 17<sup>th</sup> Board of Directors held by the 19<sup>th</sup> Board on January 14, 2021.
- C. In order to strengthen the functions of the Board of Directors and maximize shareholders' interests, the Company voluntarily set up 3 independent directors, which goes beyond compliance with the Securities Exchange Act. In addition, the independent directors' term of office should not exceed continuous 9 years. Members of Board of Directors are not having any relationship, i.e., spouse or second-degree relative holding board seats, with more than two people. Directors who are also employees of the Company according to the consolidated financial statement, hold less than one third of the board seats. There is no government agency or single-listed company (and its subsidiaries) that accounts for one third of the board seats.
- D. The Company considered the pledge ratio of directors, supervisors and major shareholders too high, which could affect shareholders' equity. Hence, the Company hope that the average pledge ratio set by the directors, supervisors and major shareholders could be lower than 50%. The set pledge ratio of directors, supervisors and major shareholders in 2020 was 0%.
- E. The Company encourages board members and supervisors to attend the shareholders' meeting to protect shareholders' equity. Nine directors (including three independent directors) and two supervisors, that comprise more than 1/3 of the number of directors, attended the shareholders meeting in 2020 and the 1<sup>st</sup> Special Shareholders' Meeting in 2021. The chairman as well as all independent directors and supervisors were present (refer to shareholders meeting handbook on MOPS for details).
- F. The Company encourages independent directors, internal audit managers and accountants to communicate separately or jointly through a meeting or forum that enables independent directors to function efficiently and have a more advanced understanding of the financial report, as well as financial and business conditions of the Company. In 2020, there was a separate discussion between independent directors and internal audit managers and accountants twice regarding the financial report and other issues.
- G. A board meeting should be held to obtain consensus and make resolutions that enable board members to carry out their responsibilities effectively. The Company holds at least 6 board meetings every year. In 2020, 7 board meetings were held with a directors' attendance rate of 100%; all independent directors attended the board meeting in person. Apart from dealing with routine matters, the Board of Directors also periodically assesses the independency of certified accountants. Audit managers likewise attend the board meeting and submit an internal audit report to supervisors and independent directors for review.
- H. The Company encourages directors to continue acquiring new knowledge and enhance response capability so they can assume their roles effectively as members of the board. In 2020, the Company provided lecturers and courses on the topics of Corporate Governance and taxation to all directors and supervisors. Directors and supervisors also pursued advanced studies individually on topics such as foreign investment, value of enterprise and shareholders. A total of 11 directors and supervisors completed training for a total of 83 hours.
- I. The Company established the Compensation and Remuneration Committee to strengthen corporate governance. The members of the committee are all independent directors at present. Meetings are held at least twice a year. The committee assesses the policies and systems for the compensation and remuneration of directors, supervisors and managers based on professional outlook, and provide suggestions to the Board of Directors for their reference.

(ii) Assessment of implementation: The Company holds a group business meeting every six months and explains the contents to the Board of Directors, so that the Board of Directors can better understand the actual operation of the group. The Company adheres to the principle of operational transparency and immediately publishes important resolutions on MOPS after the BOD meeting to safeguard shareholders' interests. In addition, each board meeting situation will be posted on the Company's website (<https://www.grapeking.com.tw>) to enhance information transparency through instant disclosure.

Note 1: If a director or supervisor is a legal entity, please disclose the name of the corporate shareholder and of its representative.



Note 2: (i) If there is a director or supervisor leaving the Company before the end of the year, please indicate the date of departure in the note field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(ii) If there is a director or supervisor election before the end of the year, please list both the new and the old directors and supervisors, and indicate in the Remarks column whether the director or supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

Note 3: Attendance status of independent directors in 2020 Board of Directors meetings (V: attendance in person; ⊙: delegated attendance; \*: absence).

2020	1 <sup>st</sup> (2020/01/10)	2 <sup>nd</sup> (2020/02/24)	3 <sup>rd</sup> (2020/05/04)	4 <sup>th</sup> (2020/05/28)	5 <sup>th</sup> (2020/08/04)	6 <sup>th</sup> (2020/11/03)	7 <sup>th</sup> (2020/11/27)
Feng-I Lin	V	V	V	V	V	V	V
Ching-Pu Chen	V	V	V	V	V	V	V
I-Fan Miao	V	V	V	V	V	V	V

(2) Operation of the Audit Committee: The Company has not set up an Audit Committee.

Supervisors' participation in the operation of Board of Directors meetings:

A total of 7 (A) meetings of the Board of Directors were held in 2020, the attendance of supervisors was as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Chih-Sheng Chang	7	100	
Supervisor	Hsing-Chun Chen	7	100	

Other matters to be recorded:

i. Composition and responsibilities of Supervisors:

(i) The Company has selected two supervisors in accordance with the law to supervise the execution of procedures related to accounting, audit, financial reports as well as quality and integrity of financial control. Their main function is to exercise authority according to The Company Act and help the Board of Directors enhance quality of supervision of the Company's accounting, financial reports, internal control procedures, etc. The audit managers submit the internal audit report to the Board of Directors, as well as supervisors for review.

(ii) Communication between supervisors and company employees or shareholders (for example, communication channels, methods, etc.):

When the Company holds a shareholders meeting, the supervisors are also in attendance to facilitate communication among all parties present.

On the Company's website, "shareholder's area" and "Contact Us" with dedicated staff responding to issues of concern to shareholders have been set up. The Company also has an opinion mailbox that allows employees to anonymously give their feedback on the Company's system. The Company has an exclusive unit to handle these suggestions or issues raised by shareholders or employees, which are collated, selected and reported to the supervisors.

(iii) Communication between supervisors and internal audit managers and accountants (for example, issues, methods, results, etc. regarding financial or business situations affecting the Company):

Supervisors as well as internal audit managers are invited to attend the board meeting to allow them to discuss and deliberate on important matters that affect the Company's business and operations. In addition, supervisors will consult relevant questions on company business with the internal audit managers irregularly and the internal audit managers will reply properly. Certified accountants are also invited to attend 1 or 2 board meetings each year to report their audit results to the directors and supervisors or share other information. The contact information of the certified accountants is provided publicly. In conclusion, supervisors and internal audit managers or accountants can communicate with each other at all times.

ii. If Supervisors state their opinions in a board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the results of the board resolution and the Company's handling of the Supervisors' opinions: The Company did not encounter this situation.

\* If there is any supervisor leaving the Company before the end of the year, please indicate the date of departure in the note field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

\* If there is a supervisor election before the end of the year, please list both the new and the old supervisors, and indicate in the remarks column whether the supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.



### (3) Corporate Governance Status, Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
<p>1. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the Company established and disclosed its own Corporate Governance Best Practice Principles?</p>	V		<p>The Company has its "Corporate Governance Best Practice Principles" with reference to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies which protect the interests of shareholders, strengthen the functions of the Board of Directors, fulfill the functions of the supervisors, respect the rights and interests of interested parties and enhance the transparency of information. Please refer to our website for the Corporate Governance Best Practice Principles.</p>
<p>2. The Company's shareholding structure and shareholders' equity</p> <p>(1) Has the Company set up internal operating procedures to handle shareholder proposals, doubts, disputes and litigation matters and followed the procedures?</p> <p>(2) Does the Company have a list of its major shareholders and the ultimate controllers of the major shareholders?</p> <p>(3) Has the Company established and implemented risk management and firewall mechanisms with its affiliates?</p> <p>(4) Has the Company set up an internal standard to prohibit the insiders' use of private information to trade securities?</p>	V		<p>(1) The Company has a spokesman, acting spokesman, corporate action staff, legal staff, etc. to deal with shareholders' suggestions, disputes and other issues.</p> <p>(2) The Company constantly keeps track of the shareholdings of the Directors, Supervisors and majority shareholders holding more than 10% of the Company's shares, and declares in accordance with Information Filing by Companies with TWSE Listed.</p> <p>(3) There are risk controls and a firewall system between the Company and related parties as follows:</p> <ol style="list-style-type: none"> <li>1. Based on the laws and decrees, we have an internal control system governing our subsidiaries to effectively manage risk.</li> <li>2. We have "Procedures for Loading Funds to Others and Procedures for Endorsements and Guarantees" for related parties. The terms for general transactions such as selling and buying are the same as those for transactions with unrelated parties.</li> <li>3. Related party transactions are disclosed in the annual financial report and approved by the Board of Directors.</li> <li>(4) The Company has established the "Insider Trading Prevention Management Regulations" which prohibits all employees, managers, directors, supervisors, and individuals who have access to corporate information from taking advantage of their position or power to engage in any practice that involves insider trading.</li> </ol> <p>2020 initiatives:</p> <ol style="list-style-type: none"> <li>i. The Company provided a training session for directors and supervisors on November 3, 2020, and sent out an advocacy letter regarding "Business Integrity and Insider Trading Prevention" to all employees (including managers) on November 16, 2020, including confidentiality of material information, legal liabilities in case of breach and case studies. Moreover, employees and managers received a briefing which also served as reference.</li> <li>ii. The "Business Integrity and Insider Trading Prevention" test was conducted for leaders above section chief level. A total of 104 colleagues were tested, with 100% passing rate (score above 80 points).</li> <li>iii. The promotion of "Business Integrity and Insider Trading Prevention in 2020" was reported at the board meeting held on January 14, 2021.</li> </ol>
<p>3. The composition and duties of the Board of Directors</p> <p>(1) Has the Board of Directors formulated a diversified approach based on the composition of its members and implemented it?</p>	V		<p>(1) The Company has formulated diversified policies and specific management goals listed below: The Company adopted the "Corporate Governance Best Practice Principles" in the 4<sup>th</sup> meeting of the 18<sup>th</sup> term Board of Directors on November 10, 2015. A diversification policy was formulated in Article 20 of "The Board's Overall Competence Requirements." The members of the Company's Board of Directors are diversified. The directors who are serving</p>





Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
<p>(2) Has the Company set up other types of functional committees voluntarily in addition to the Remuneration Committee and the Audit Committee according to law?</p> <p>(3) Has the Company set up a performance appraisal method</p>	V	<p>concurrently as managers of the Company shall hold less than one third of the total director seats. The diversified policies are formulated based on operations, business patterns and development needs, which include but are not limited to the criteria of the following two aspects:</p> <p>i. Basic conditions and values: gender, age, nationality, and culture.</p> <p>ii. Professional knowledge and competency: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.</p> <p>Directors are required to possess general knowledge, competency and character necessary to perform their duties. In order to achieve the goal of corporate governance, the Board needs to acquire the following abilities:</p> <p>i. Operational judgment. ii. Accounting and financial analysis. iii. Business management. iv. Crisis management. v. Industry knowledge. vi. International market outlook. vii. Leadership. viii. Decision-making.</p> <p>The nomination and selection of Company directors is based on a candidate nomination system in accordance with the provisions of Article 20 of the Article of Incorporation. In addition to the Regulations Governing the Election of Directors and Supervisors, information regarding the education and experience of each candidate is also provided for the reference of shareholders. To achieve the goal of diversity on the Board of Directors, the nominated candidates must also comply with the Corporate Governance Best Practice Principles.</p> <p>The Company values the diversification of directors, with the expected goals listed as below:</p> <p>Gender diversification: 2 or more director seats are female (at least 15%).</p> <p>Expertise diversification: It covers four core items of business management, leadership decision-making, industrial knowledge, finance and accounting.</p> <p>Currently, a diversity of directors is achieved as follows:</p> <p>The directors of the Company are diversified. There are 9 directors (including independent directors) whose educational backgrounds range from PhD in business management to master's degree in marketing management, law, economics, etc.; all of whom have different professional experience. Those who possess abilities in operational judgment, decision-making, business management and crisis management, as well as industrial knowledge and international market outlook are Shenglin Andrew Tseng, Mei-Ching Tseng, Jue-Jia Chang, Chih-Wei Lai, Yen-Shiang Huang, and Sheng-Bin Tseng. Ding Fu Investment Co., Ltd. representatives Shenglin Andrew Tseng and Jue-Jia Chang have extensive marketing experience. Mei-Ching Tseng has a wide range of media experience, while Chih-Wei Lai has a background in design and Yen-Shiang Huang has audit experience. The three independent directors Feng-I Lin, Ching-Pu Chen and I-Fan Miao have expertise in finance and accounting as well as business management and law.</p> <p>There are 11% of directors who are also employees of the Company; the two female Directors account for 22% and independent Directors account for 33%. Among the three independent directors, one has served for less than three years, while the other two have taken office for 4-6 years. The directors encompass a wide age range; two are aged 60-69, three are aged 50-59, and the remaining four are below the age of 50.</p> <p>All these indicate the directors have achieved complementary diversification in terms of education, expertise, gender, and age.</p> <p>(2) In accordance with the requirements of its operations, the Company also set up the Engineering Supervision Committee, the Food Safety Team as well as the Sustainable development and ESG Committee to carry out their duties on a regular basis.</p> <p>(3) The Company passed the "Regulations for the Performance Evaluation of the Board and</p>	<p>No major difference</p>

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
and an assessment method for the Board of Directors, conducted performance appraisal on a regular basis every year, submit the results of performance assessments to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination and additional office term?			<p>Remuneration Committee" on November 11, 2019, and evaluated the overall annual operating performance of the Board since 2019.</p> <p>The performance evaluation of the Board and Remuneration Committee in 2020 is explained below.</p> <p>The overall performance evaluation of the Board covers the following five aspects with a total of 47 evaluation items:</p> <ol style="list-style-type: none"> <li>i. Participation in the operation of the Company.</li> <li>ii. Improvement of the quality of the Board of Directors' decision making.</li> <li>iii. Composition and structure of the Board of Directors.</li> <li>iv. Election and continuing education of the directors.</li> <li>v. Internal control.</li> </ol> <p>The performance self-evaluation of directors covers the following six aspects with a total of 22 evaluation items:</p> <ol style="list-style-type: none"> <li>i. Alignment of the goals and missions of the Company.</li> <li>ii. Awareness of the duties of a director.</li> <li>iii. Participation in the operation of the Company.</li> <li>iv. Management of internal relationship and communication.</li> <li>v. The director's professionalism and continuing education.</li> <li>vi. Internal control.</li> </ol> <p>The overall performance evaluation of the Remuneration Committee covers the following five aspects with a total of 19 evaluation items:</p> <ol style="list-style-type: none"> <li>i. Participation in Company operations.</li> <li>ii. Knowledge of the Remuneration Committee's responsibilities.</li> <li>iii. Improving the Remuneration Committee's decision-making quality.</li> <li>iv. Composition of the Remuneration Committee and appointment of committee members.</li> <li>v. Internal Control.</li> </ol> <p>As for the above performance evaluation, the Corporate Governance Team is responsible for the internal self-evaluation of the Board and the Remuneration Committee. After the self-evaluation of directors, the assessment is submitted to the Corporate Governance Team for sorting. The evaluation adopts an internal questionnaire.</p> <p>The results of the above performance evaluation shall be provided to the directors and used as reference by the Board and Remuneration Committee in making decisions and further improving the quality of their decisions. They can also be used as reference for the nomination of directors or selection of the Remuneration Committee members.</p> <p>The Board had an excellent performance, having been able to fulfill its responsibilities efficiently and generating an average score of 4.51 points (out of 5 points).</p> <p>The performance of the Remuneration Committee was also excellent, having been able to fulfill its responsibilities efficiently and generating an average score of 4.26 points (out of 5 points).</p> <p>There were no other issues raised by the directors, the Remuneration Committee and the Corporate Governance Team in 2020.</p> <p>The content of the performance evaluation was reported at the board meeting on January 14, 2021.</p> <p>(4) The Company assesses the independence of its certifying accountants on a yearly basis. The latest</p>
(4) Does the Company regularly evaluate the independence of	V		No major difference

V





Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
its certifying accountants?			<p>results were submitted and passed in the Board of Directors on January 14, 2021. CPA Yu Feng Huang and CPA Ming Yuan Chung of Deloitte &amp; Touche both meet the Company's independence assessment criteria and are eligible as the Company's certifying accountants. The accounting firm also issued a letter of declaration.</p>
4. Has the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer, responsible for corporate governance related matters (including but not limited to providing the directors and supervisors with required information to carry out their business, assisting directors and supervisors with legal compliance, handling corporate registration and change of corporate registration related matters and taking the minutes of board meetings and shareholders' meetings)?	V		<p>The appointment of chief financial officer (CFO) Nick Hung as the Company's chief corporate governance officer and set up a Corporate Governance team as the concurrent unit responsible for corporate governance was approved in the 3<sup>rd</sup> board meeting of the 19<sup>th</sup>-term Board of Directors on Nov 13, 2018. Nick Hung has over three year experience in financial, legal, and stock service related field, and managers of the Company.</p> <p>The terms of reference of the Company's corporate governance unit are listed as follows:</p> <ul style="list-style-type: none"> <li>- To propose recommendations on corporate governance to the board or the general manager for reference and execution.</li> <li>- To assist in matters related to the board or shareholders' meetings in accordance with the law.</li> <li>- To produce board or shareholders' minute meetings.</li> <li>- To assist directors and supervisors in completing registration and declarations in accordance with the provisions.</li> <li>- To assist directors and supervisors in advanced studies and compliance with statutory requirements.</li> <li>- To assist directors and supervisors with required information for the execution of duties.</li> <li>- Other matters prescribed by the Articles of Incorporation and the law.</li> </ul> <p>Business execution situation in 2020 is listed as follows:</p> <ol style="list-style-type: none"> <li>i. Understand the revision and update of the relevant provisions of corporate governance, and incorporate the comprehensive assessment of the actual operating conditions of the Company, provide suggestions for improvement to the Board of Directors and the general manager, and assist in the implementation, in order to further provide corporate governance quality.</li> <li>ii. To assist in the 7 meetings of the Board of Directors and 1 meeting of the shareholders' meetings in accordance with the law, to resolve the requirements of the various laws and important matters of the Company's operations, and to complete the minutes of the Board of Directors and the shareholders' meetings.</li> <li>iii. To assist directors and supervisors in completing the registration of changes and reporting of various information in accordance with the law.</li> <li>iv. To assist directors and supervisors in arranging courses in accordance with the Company's industry characteristics, the background of the academic experience of the directors and supervisors, so that the supervisors can perform their duties. In accordance with the provisions of the newly added or revised laws and regulations, this shall be constantly updated for the directors and supervisors' compliance.</li> <li>v. Provide the necessary information to directors and supervisors to fulfill their duties in order to provide operational recommendations on the Company.</li> <li>vi. Assist in the completion of other matters related to corporate governance as the Company's Articles of Incorporation and relevant laws.</li> <li>vii. To guarantee equality of shareholders, enable investors to obtain company information, and prevent unjust enrichment of insiders, the Company's "Insider Trading Prevention Management Regulations" were amended. Along with upholding business integrity, the Company promoted education, programs, and testing.</li> <li>viii. The Company's "Procedures for Ethical Management and Guidelines Conduct" and "Unethical</li> </ol>

No major difference

Evaluation Item	YES		NO		Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons																									
	Abstract Illustration																																
					<p>Conduct Prevention Programs" were created to establish a corporate culture and uphold business integrity.</p> <p>ix. The Company assisted in promoting business integrity and insider trading prevention-related initiatives.</p> <p>Below is the continuing education program for the corporate governance manager in 2020:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organization</th> <th>Course name</th> <th>Study hours</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td>2020.08.04</td> <td>Taiwan Institute of Directors</td> <td>Audit Committee establish and implementation practices</td> <td>3</td> <td></td> </tr> <tr> <td>2020.11.03</td> <td>Taiwan Institute of Directors</td> <td>Black swan rises - family business inherits new way of thinking</td> <td>3</td> <td>12</td> </tr> <tr> <td>2019.11.19~2019.11.20</td> <td>Accounting Research and Development Foundation</td> <td>Continuous Training Program for the Chief Accountant of Issuers and the Stock Exchange—course of corporate governance,</td> <td>3</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Continuous Training Program for the Chief Accountant of Issuers and the Stock Exchange—course of ethics and legal liability,</td> <td>3</td> <td></td> </tr> </tbody> </table>			Date	Organization	Course name	Study hours	Total hours	2020.08.04	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3		2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3	12	2019.11.19~2019.11.20	Accounting Research and Development Foundation	Continuous Training Program for the Chief Accountant of Issuers and the Stock Exchange—course of corporate governance,	3				Continuous Training Program for the Chief Accountant of Issuers and the Stock Exchange—course of ethics and legal liability,	3		
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5. Has the Company established a communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up an interested party page on the Company's website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	√				<p>The Company set "Interested party page", "Contact Us" mailbox, a consumer service hotline and an internal "employee mailbox" on the Company's website, provide shareholders and investors a communication channel, product inquiry services and OEM services, as well as a report mailbox for suppliers and employees for communication of ESG issues. Concerns of interested parties are responded to by the respective personnel of the Company.</p> <p>Important issues related to corporate social responsibility which stakeholders cared are disclosed in the "interested party page" of the Company's website. (<a href="https://www.grapeking.com.tw/tw/stakeholder/contact">https://www.grapeking.com.tw/tw/stakeholder/contact</a>).</p>			No major difference																									
6. Does the Company appoint a professional stock agency to handle shareholders' meeting related affairs?	√				<p>The Company appointed Capital Securities Corp. as the stock agency to handle shareholders' meetings related affairs.</p>			No major difference																									
7. Information disclosure					<p>(1) The Company discloses the relevant information on its website (<a href="https://www.grapeking.com.tw">https://www.grapeking.com.tw</a>).</p> <p>(2) The Company's English website is as follows:<a href="https://www.grapeking.com.tw/index.php/en/home">https://www.grapeking.com.tw/index.php/en/home</a> The Company has appointed a dedicated person to be responsible for the collection and disclosure of the Company's information, and has implemented the spokesman system in accordance with the requirements.</p> <p>If the Company participates in a corporate briefing session, it will disclose the information on "MOPS" and post the briefing presentation on the Company's website afterwards.</p> <p>(3) The Company has announced and filed its annual consolidated financial reports within 2 months before the end of the fiscal year and the first, second and third quarter financial reports are presented to the Board of Directors 7 days before the announcement deadline and the financial reports are published within one day after the date of presentation. Furthermore, the English financial reports for each quarter are published within two months after the declaration deadline of the Chinese version. The operational report for each month is announced and declared according to regulations.</p>			No major difference																									





Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
<p>8. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of interested parties, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?</p>	V	<p>The summary is provided below:</p> <p>i. Employee rights and interests and employee care: The Company attaches great importance to the harmony of labor relations and the welfare and rights of employees. It continuously enhances the staff welfare system and the working environment and its quality, including employee meals, health checks, travel ... and so on, so that employees can enjoy a sound welfare system and job security.</p> <p>ii. Investor relations: The Company continues to maintain good interaction with investors by disclosure of financial information, regular communication through various activities (e.g., corporate briefings, overseas roadshows and broker-organized investor conferences) to communicate and exchange with investors. Investor feedback is also provided to the Company's executives and related units for improvement and adjustment.</p> <p>In the future, the Company will continue to strengthen investor relations and maintain good communication and exchange with investors.</p> <p>We value the opinions of shareholders and promptly address issues. For example, during the shareholder's meeting in May of 2019, a shareholder raised a doubt about the loan amount's connection to the pledged and mortgaged assets in the financial statement. Besides, we addressed shareholder's concerns and answered their questions during the meeting. Therefore starting from the second quarter of 2019, we explained the pledged and mortgaged assets' connection to the loan quotas from the bank in our financial statement. There was also a legal entity-shareholder who wanted to know more about the Company's ODM business; hence in the financial statement, we disclosed the revenue from ODM business both in Taiwan and in China. We also addressed an issue raised by a legal entity-shareholder regarding information of the investee. We have provided additional explanations of the investee in the financial statement as well.</p> <p>In conclusion, we have provided more details to further enhance the transparency of the financial statement to help our shareholders easily understand our operating status.</p> <p>iii. Supplier relationship: Food safety is the first priority of any procurement. Raw material suppliers must be in the Government's "Food Industry Registration System", and purchases are made with registered manufacturers only without having the price as the only consideration. Through the Company's supplier appraisal process, in addition to reviewing relevant information of suppliers, and conducting on-the-spot inspections to assess whether they are suitable, as a basis for follow-up control and counseling, and to establish sustainable supply chain management mechanism.</p> <p>iv. Rights and interests of interested parties: We provide a wide range of communication and information disclosure channels, maintain a good dialogue and communication with interested parties collect information on the concerns of interested parties</p> <p>There are 9 entities; namely, shareholder/investor, client, supplier, employee, government, community and neighborhood, media, the academe and non-profit organizations. Through every communication channel, we are able to gather feedback, understand expectations and needs, properly address stakeholder's concerns, and report to the Board of Directors at least once in a year. There was communication with stakeholders in 2020 at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board of Directors on January 14, 2021.</p> <p>For stakeholder communications, the relevant websites are as follows:  <a href="https://www.grapeking.com.tw/tw/stakeholder/contact">https://www.grapeking.com.tw/tw/stakeholder/contact</a>            For stakeholder engagement methods, issues of concern and our response, please refer to the ESG report. The relevant websites are as follows:  <a href="https://www.grapeking.com.tw/tw/csr/reports">https://www.grapeking.com.tw/tw/csr/reports</a></p> <p>v. Training for the directors and supervisors: This is carried out in accordance with TSEs "Key Points</p>	No major difference

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
	V		

for the Promotion of Training for Directors and Supervisors of TWSE/GTSM Listed Companies". Please refer to the appendix "Directors' and Supervisors' Training in 2020" (Note 3).

vi. Implementation of risk management policies and risk measurement standards:

(1) Risk Management Policies and Procedures

In order to cultivate corporate culture with emphasis on risk management, the Company has established its "Risk Management Policies and Procedures" which were approved by the Board of Directors for implementation and compliance of everyone, including directors, managers at all levels, and employees. By recognizing and responding to every operational material risk, we are able to provide proper evaluation and control of such risk, using it as a reference to the establish business strategies.

(2) The Scope of Risk Management

In order to manage risks, first, we have to recognize potential risks during the operational process. For an effective control system, every risk factor is roughly categorized and defined as follows:

A. Financial Risk: Risks influenced corporate finance and business development due to domestic and international microeconomics as well as industry changes, i.e. interest rate, exchange rate and credit.

B. Operational Risk: Risks influenced normal corporate operation, i.e. client rights, food safety, supply chain, trade secrets, recruitment and staff training

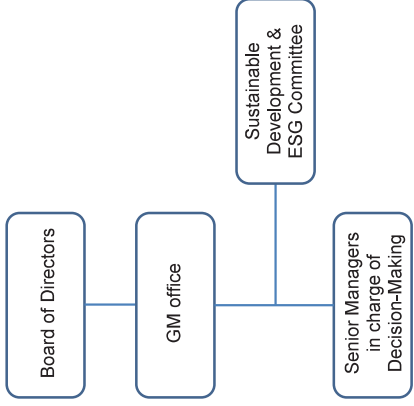
C. Strategic Risk: Risks related to business strategies, i.e. statutory compliance, product development and launch, as well as marketing.

D. Hazardous Risk: Due to internal and external factors, workplace risks would endanger the health and safety of employee as well as could result in business losses.

E. Risks relevant to Climate Change: Due to global warming, physical risks are caused by natural disasters such as flood, and transition risks are caused by government regulations and market expectations, e.g. cost increase as a result of Taipower fee increase

F. Other Risks

(3) Risk Management Organizational Framework



Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	
	V		<p>(4) Execution Status of Risk Evaluation Standards</p> <p>The execution of the material operating policies, investment projects, endorsements and guarantee, loaning funds, bank financing and other material proposals of the Company shall be evaluated and analyzed by the proper competent department and get the approval from the Board of Directors. The Audit Department also drafts its annual audit plan based on the result of risk evaluation and executes it accurately, thereby attaining a supervisory system and controlling of every task of risk management.</p> <p>(5) Operational Situation</p> <p>The Company has actively implemented a risk management system since 2020 and reports to the Board of Directors regularly (at least once a year). Below is the 2020 operational situation:</p> <p>A. Established the Risk Management Policies and Procedures of the Company</p> <p>B. Enhanced the Company's risk management system, allowing all units responsible for risk management to analyze and manage operational risks within their respective units to ensure effective implementation of the risk control system. The Sustainable Development &amp; ESG Committee, under the supervision of the above-mentioned unit, help collect and summarize risk management results as well as report to the Board of Directors</p> <p>C. Recognized potential risks during the operational process and established relevant policies and risk management strategies based on the evaluation</p> <p>D. The operational situation was reported at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board of Directors on January 14, 2021.</p> <p>vii. Implementation of customer policy: To provide consumers with real-time product consulting services, the Company set up a customer service hotline and a customer service email address to communicate with customers and safeguard their interests.</p> <p>viii. Purchase of liability insurance for directors and supervisors: The Company has purchased "Liability Insurance for Directors, Supervisors and Important Staff" for its Directors and Supervisors.</p> <p>ix. The Company established a succession plan for directors and key management personnel with the operation status described below:</p> <p>A. Members of Board of Directors</p> <p>(A) Succession plan: Besides the requirements (i.e., knowledge, education and experience) for Company directors, the proportion of independent directors in the Board of Directors and the diversity of directors in terms of gender, age distribution and expertise have to be considered. The most important part in the succession plan is to select directors that meet the needs of the Company through careful evaluation and targeted search.</p> <p>(B) Operation status: When re-electing directors in 2018, multiple aspects of the Board of Directors succession plan were taken into account:</p> <p>In terms of diversified skill sets, newly elected directors Chih-Wei Lai, Yen-Shiang Huang, I-Fan Miao have design-related experience, audit and industrial experience, and professional legal background, respectively.</p> <p>In terms of the proportion of independent directors in the Board of Directors, the number of independent directors increased from 2 to 3 after the re-election in 2018, accounting for 33%. The seats should be more than two as required by law, and the consecutive tenure of all independent directors should be less than nine years.</p>
			No major difference



Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
	YES	NO	<p>When selecting and nominating directors, gender diversification is also a key consideration. After the re-election in 2018, 2 female directors remained in the Board, accounting for 22%. After the re-election in 2018, the age distribution of directors becomes more even. The number of directors over the age of 60 declined from 5 to 2; the number of directors aged 50~59 remained at 3, while the number of directors under the age of 50 increased from 1 to 4.</p> <p>The Chairman is the most important person in the Board's succession plan. Director Andrew Tseng, who was elected Chairman of the Company in 2014, has made great contributions by increasing profitability, strengthening corporate governance, continuously improving research and development, and fulfilling corporate social responsibility.</p> <p>a. Increase profitability : The EPS of the Company increased from NT\$7.24 in 2014 to NT\$ 9.34 in 2020. The profitability increased dramatically.</p> <p>b. Strengthen corporate governance: To strengthen corporate governance, he formulated the Corporate Governance Best Practice Principles and formed a concurrent unit in charge of corporate governance and business integrity. As a result, the Company made it to the top 20% for the 3<sup>rd</sup> consecutive year in the 2019 corporate governance assessment, compared to its 81%~100% ranking in 2015.</p> <p>c. Continuously improve research and development: The Company actively engages in industry-academic cooperation. It arranges visits to its factories and provides internship opportunities for students. Besides winning various awards, it has set a goal of building a green smart factory by establishing the Grape King Biotech Research Institute in Longtan Science Park for continuous research and development projects.</p> <p>d. Fulfill corporate social responsibility: To offer social assistance and support, the Company imposes product liability, strengthens environmental protection, creates a happy workplace, provides donations and support to society, and fulfills its corporate social responsibility. Since 2014, it has voluntarily issued a CSR report and actively obtains third party assurance services, making its CSR report more reliable.</p> <p>With more than 50 years of history since its establishment, the Company's product focus has undergone transformation several times, from pharmaceuticals and functional oral liquid drinks to health foods. The Company has encountered significant challenges in terms of operational reforms and R &amp; D innovations. As the soul of the Company, the Chairman must have extensive experience and in-depth understanding of the changes in the Company and the industry, so as to carry out an action plan and lead the long-term development of the Company. When former Chairman Shuizhao Tseng served for more than 40 years, he led the Company forward through its products, research and development. Chairman Shenglin Andrew Tseng has since taken over, holding office for 6 years. Based on the industrial characteristics of the Company stated above, the succession plan needs long-term and careful planning to maximize the overall efficiency of the Company.</p> <p>B. Key management team</p> <p>(A) Succession plan: The Company has conducted an annual review of potential successors for key management positions in the Company since 2016 and has made a successor development plan based on these review results.</p> <p>(B) Operation status: The top management from each department has conducted a comprehensive review and planning of potential successors for key management positions from different departments since 2016. Those who hold important management positions need to have potential successors based on their functions. Those who have no successors should propose programs such as training for internal succession candidates or finding external</p>
			No major difference





Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
	V		No major difference

talents to join the Company. There is also a need to evaluate succession candidates' eligibility for promotion to management level. These candidates are divided into those who can be promoted immediately and those who cannot be currently promoted. The latter ones are classified as either high promotion potential or future promotion potential. There is a need to evaluate the time required for promotion and to propose a development plan. Moreover, the actual status is evaluated every year.

The general manager of the Company also serves as the Chairman, responsible for facilitating internal communication and coordination within the Board to reduce conflicts, as well as improve the decision-making efficiency of the Company.

As the soul of the Company, the Chairman must have extensive experience and in-depth understanding of the changes in the Company and the industry, so as to carry out an action plan and lead the long-term development of the Company. Chairman Shenglin Andrew Tseng has been in office for 6 years. Based on the industrial characteristics of the Company stated above, the succession plan needs long-term and careful planning to maximize the overall efficiency of the Company.

Succession schedule: Before retirement, those who hold key management positions shall train their target successors according to the succession criteria specified in the Company's development plan, as well as potential successors who could take over their position when they retire. For the appointment information of managers, please refer to page 24 of this annual report.

x. Intellectual Property Management Scheme:

Sustainable management is the business philosophy of the Company while technology, R&D and innovation are key factors to achieving continuous growth. Intellectual property rights are considered one of the most important assets of the Company. Through a trade secret management system along with the application and acquisition of intellectual property rights such as patents and trademarks, the Company protects its operations our intellectual properties which are accumulated for over 60 years to enhance business value. In addition, the Company respects the intellectual properties of others by legal and operating units reviewing mechanism to minimize infringement risks.

The Company reports relevant tasks to the Board of Directors regularly (at least once a year).

The 2020 execution status are as follows:

(1) The execution status relevant to the management of intellectual properties was recorded at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board of Directors on January 14, 2021.

(2) Patent acquisition results are as follows:

In 2020, the Company's total number of global patent applications was 29; the total number of patent acquisitions was 13, of which Taiwan accounts for 8.

(3) The trademark registration results are as follows:

In 2020, the total number of global trademark applications was 11; the total number of trademark registration consents was 9, of which Taiwan accounts for 9.

(4) The trade secret protection results are as follows:

The Company established the "Trade Secret Protection System", requiring clients and suppliers to sign an NDA (non-disclosure agreement) as well as employees to sign a "staff NDA" and the "Trade Secret Deletion Declaration".

xi. Information Security Governance:

In 2019, the Company set up the "Personal Data Committee" with the aim of implementing and managing internal information security and protecting the personal data of the Company, including verification of information security policies, a personal data protection scheme, allocation of

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	
	V		No major difference
<p>9. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved.</p> <p>The Company has been ranked among the top 20% Corporate Governance Evaluation Awards of the Taiwan Stock Exchange Corporate Governance Center (all 901 listed companies in 2019) for the consecutive three years since 2017. In order to enhance corporate governance and strengthen corporate risk control, the Company established its "Risk Management Policies and Procedures" in 2020, which were approved by the Board of Directors. By recognizing and responding to every operational risk, it is able to provide proper evaluation and control of potential risks, which serve as a reference for establishing business strategies. To increase information transparency, domestic investors and foreign-funded institutions will be able to obtain sufficient and correct information in a timely manner. The financial reports for each quarter are approved by the Board of Directors 7 days before the announcement deadline and published within one day after the date of presentation. The English financial reports for each quarter are published within two months after the declaration deadline for the Chinese version.</p> <p>The Company plans to set up the Audit Committee in 2021 to assist the Board of Directors in enhancing corporate governance and providing accurate disclosures on crucial tasks and the operational situation of the Audit Committee in the Annual Report.</p>			responsibilities regarding information security and data protection, and coordination with regard to the implementation of every information security procedure, so that the personal data protection system will continue to operate smoothly. <p>The Company reports to the Board of Directors regularly (at least once a year).</p> <p>The 2020 execution status are as follows:  (1)The execution of the information security system in 2020 was reported at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board of Directors on January 14, 2021.  (2)Given the import plan of the ISMS system this year, we have obtained ISO27001 certification on May 27, 2020, which is valid from 2020/5/27 to 2023/5/27.</p>

Note 1: 2021 Evaluation of the independence of the auditing CPA and Grape King Bio Ltd. (including subsidiaries)

According to the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 "Integrity, Objectivity and Independence", the assessment is as follows:

Item	Independence Explanations	Compliance with independence	
		YES	NO
1	The Professional accountants should avoid and should not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence.	V	
2	The audit or review of financial statements provides a wide range of potential report users for a high or medium but not absolute assurance. Except for maintaining substantial independence, maintaining formal independent for CPA is more important. Therefore, audit service team members, other joint certified public accountants, firms and firm-related companies must maintain independence for audit clients.	V	
3	A CPA shall serve the society with integrity and objective standpoint and keep independent spirit. (1) Integrity: A professional accountant shall be straightforward and honest in all professional and business relationships. (2) Objectivity: A professional accountant shall not be bias, conflict of interest or undue influence of others to override professional or business judgments. (3) Independence: A professional accountant shall have independence of mind and in appearance, to express an opinion on financial statements for the work of auditing or review.	V	
4	Independence is related with the integrity and objectivity. In the lack of or impairment of independence, the integrity and objectivity could also not be held.	V	
5	Independence may be impaired by self-interest, self-review, advocacy, familiarity and intimidation.	V	
6	The self-interest could impair on the accountant's independence. The self-interest threat means to acquire a financial interest in an audit client or has another conflict of interest created by other interests or relationships with the client. The self-interest may be as follows: (1) Having a direct or material indirect financial interest in the audit client. (2) Financing or guaranties with audit clients or their Directors or Supervisors.	V	





Item	Independence		Compliance with independence	
	Item	Explanations	YES	NO
	<ul style="list-style-type: none"> <li>(3) Being concerned about the possibility of losing a significant client.</li> <li>(4) Having a significant close business relationship with an audit client.</li> <li>(5) Entering into a potential employment negotiations with the audit client.</li> <li>(6) Entering into a contingent fee arrangement relating to an audit engagement.</li> </ul>			
7	<p>Independence is influenced by self-review threat means that a professional accountant uses the reports or judgments that result from the non-assurance services as an important factor of concluding the result in auditing or reviewing the financial information; or a member of the audit team is an audit client's former director or, supervisor or is in a key position to influence the audit engagement. Examples of circumstances that create self-review threats for a professional accountant include:</p> <ul style="list-style-type: none"> <li>(1) A member of the assurance team being, or having been a director, or supervisor of the client, or employed by the client in a position to exert significant influence over the subject matter of the engagement within the last two years.</li> <li>(2) The non-assurance service which performed by the firm for an audit client that would affect directly a material item of the assurance engagement.</li> </ul>	<p>Independence is influenced by advocacy threat means that a member of the audit team acting as an advocate in support of the client's position that results in objectivity challenged. Examples of circumstances that create advocacy threats for a professional accountant include:</p> <ul style="list-style-type: none"> <li>(1) The firm promoting or brokering shares in an audit client or other securities issued by the client.</li> <li>(2) Besides legally permitted businesses, a professional accountant acting as an advocate on behalf of an audit client in litigation or disputes with third parties.</li> </ul>	<p>Y</p>	
8	<p>The effect on independence of familiarity means that a close relationship with an audit clients' director, supervisor and manager will influence a CPA or a member of the audit engagement team to excessive concern or sympathize with the audit clients' interests. Examples of circumstances that create familiarity threats for a professional accountant include:</p> <ul style="list-style-type: none"> <li>(1) A member of the engagement team having a close or immediate family member who is a director, supervisor, or officer of the client or an employee of the client who is in a position to exert significant influence over the subject matter of the engagement.</li> <li>(2) A former partner within one year of disassociating from the firm joins the client as a director, supervisor, or officer or is in a key position to exert significant influence over the subject matter of the engagement.</li> <li>(3) A professional accountant accepting gifts or preferential treatment from the client, the client's director, supervisor, officer or major stockholder.</li> </ul>	<p>Independence is influenced by intimidation threat. The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant. Examples of circumstance that create intimidation threats for a professional accountant include:</p> <ul style="list-style-type: none"> <li>(1) A member of the audit engagement team being informed by a partner of the firm agrees with an audit client's inappropriate accounting treatment.</li> <li>(2) A firm being pressured to reduce inappropriately fees, in order to compel the firm to reduce the extent of work performed.</li> </ul>	<p>Y</p>	
10	<p>In summary, Deloitte &amp; Touche did not violate the independence.</p>		<p>Y</p>	

Note 2: Statement by Deloitte & Touche Accounting Firm

Recipient: GRAPE KING BIO LTD

Subject:

Deloitte & Touche (“D&T” or “we” or “us” or “our”) is engaged to audit the financial statements for the year then ended December 31, 2021 of GRAPE KING BIO LTD (the “Company” or “you” or “your” or “its”). We hereby affirm that we are independent accountants with respect to the Company, within the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China, No.10 “Integrity, Objectivity and Independence”. All the members of our audit team have declared to comply with the following norms and no violation of independence.

Declaration:

1. All the members of our audit team and their spouse or dependents do not :

- (1) Hold a direct or indirect material financial interest with the Company;
- (2) Have a business relationship with the Company or its director, supervisor and manager that may cause an effect on independence.

2. During the period of our audit engagement, all the members of our audit team and their spouse or dependents do not serve as the Company’s director, supervisor, manager or is in a key position having a direct and significant influence over the audit work.

3. All the members of our audit team do not have close family members, such as spouse, lineal, immediate affinity and sibling, who is the director, supervisor, manager of the Company.

4. All the members of our audit team do not accept material hospitality or gifts (the value does not exceed the normal social matters standard) from the Company or its director, supervisor, manager, major shareholders.

5. All the members of our audit team have performed required self-examination procedures for independence and conflict of interest, and no violated or unsolved conditions haven been identified.

Yu Feng Huang

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 14, 2021



Recipient: GRAPE KING BIO LTD

Subject:

Deloitte & Touche (“D&T” or “we” or “us” or “our”) is engaged to audit the financial statements for the year then ended December 31, 2021 of GRAPE KING BIO LTD (the “Company” or “you” or “your” or “its”). We hereby affirm that we are independent accountants with respect to the Company, within the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China, No.10 “Integrity, Objectivity and Independence”. All the members of our audit team have declared to comply with the following norms and no violation of independence.

Declaration:

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  - (1) Hold a direct or indirect material financial interest with the Company;
  - (2) Have a business relationship with the Company or its director, supervisor and manager that may cause an effect on independence.
2. During the period of our audit engagement, all the members of our audit team and their spouse or dependents do not serve as the Company’s director, supervisor, manager or is in a key position having a direct and significant influence over the audit work.
3. All the members of our audit team do not have close family members, such as spouse, lineal, immediate affinity and sibling, who is the director, supervisor, manager of the Company.
4. All the members of our audit team do not accept material hospitality or gifts (the value does not exceed the normal social matters standard) from the Company or its director, supervisor, manager, major shareholders.
5. All the members of our audit team have performed required self-examination procedures for independence and conflict of interest, and no violated or unsolved conditions haven been identified.

Ming Yuan Chung

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 14, 2021

Note 3: Directors' and Supervisors' Training in 2020

Title	Name	Date	Organizer	Course	Hours
Chairman	Shenglin Andrew Tseng	2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
		2020.10.29	Taiwan Institute for Sustainable Energy	The 22nd CEO Lecture & Topic Speech	2
		2020.10.28	Taiwan Institute of Directors	2020 Taiwan Institute of Directors: A Year of Turning Strategy - Look for momentum for new growth	3
		2020.08.04	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
Director	Mei-Ching Tseng	2020.04.23	Taiwan Institute of Directors	2020 Director's Lecture - How to make an accurate decision in times of crisis	3
		2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
		2020.08.04	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
		2020.04.23	Taiwan Institute of Directors	2020 Director's Lecture - How to make an accurate decision in times of crisis	3
Director	Jue-Jia Chang	2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
		2020.08.04	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
Director's corporate representative	Sheng-Bin Tseng	2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
		2020.08.04	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
Director	Chih-Wei Lai	2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
Director	Yen-Shiang Huang	2020.11.03	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
		2020.08.04	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
Independent Director	Feng-I Lin	2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
Independent Director	Ching-Pu Chen	2020.11.03	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
		2020.08.04	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
Independent Director	I-Fan Miao	2020.03.26	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Notice for the 2020 Board of Directors and Shareholder's Meeting	3
		2020.03.17	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Discussion of New Way of Thinking on Taxation Governance in view of the Trends on Digital Tax and International Lease Tax Toward Future	3
Supervisor	Chih-Sheng Chang	2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
Supervisor	Hsing-Chun Chen	2020.08.04	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
		2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3
Supervisor	Hsing-Chun Chen	2020.08.04	Taiwan Institute of Directors	Audit Committee establish and implementation practices	3
		2020.11.03	Taiwan Institute of Directors	Black swan rises - family business inherits new way of thinking	3





(4) If the Company has a Remuneration Committee, please disclose its composition, duties and operation: :

i. Remuneration Committee Member Information

Identity (Note 1)	Criteria  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)							No. of other listed companies working as remuneration committee member for	Remarks		
		Business, Legal Affairs, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7			8	9
Independent Director	Feng-I Lin		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Ching-Pu Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	I-Fan Miao		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in director, independent director or others as the identity.

Note 2: If the member meets any of the following conditions during the two years before the position and during the term of office, please tick in the spaces below the conditions.

- (i) Is not an employee of the Company or its affiliate.
- (ii) Is not a director or supervisor of the Company or its affiliates (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local country ordinances.)
- (iii) Is not a top ten shareholder or a shareholder who holds more than one percent of the total issued shares of the Company by him/herself or through his/her spouse, minor children or other persons.
- (iv) Not managers in the preceding first subparagraphs or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons specified in the preceding second and third subparagraphs.
- (v) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or holds shares ranked among the top five holdings, or assigns a representative as the director or supervisor pursuant to Article 27-1 or 27-2 of the Company Act (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local country ordinances.)
- (vi) Not a director, supervisor, or employee of another company that is controlled by the same person of the Company with a director seat or more than half of the voting shares of the Company (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local country ordinances.)
- (vii) Not a director, supervisor, or employee of another company or institution whose chairman, general manager or its equivalent is the same person or spouse holding such position in the Company (However, this does not apply to cases wherein the person is an Independent Director of the Company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances.)
- (viii) Is not a director, supervisor or manager of a particular company or organization that is related with the Company either financially or on business, or a shareholder with more than 5% of the shares of the Company (However, this does not apply to cases wherein the Company or institution holds more than twenty percent but less than fifty percent of the total number of outstanding shares of the Company, and the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary under the same company set up according to this Act or local country ordinances.)
- (ix) Is not a professional or a business owner, partner, director, supervisor, manager or a spouse of any of the persons above of a sole proprietorship, partnership, corporation or institution which provides the Company or its affiliates with audit or the amount of accumulated compensation received in the last two years below NT\$500,000 in business, legal, financial, accounting, consulting or other services. This restriction does not apply to any member of the compensation committee, the takeover board or the M&A special committee who exercises powers pursuant to Securities Exchange Law or the Corporate M&A Law.
- (x) Does not have any of the circumstances in Article 30 of the Company Act.



ii. Remuneration Committee Operation Status

(i) The Company's Remuneration Committee is composed of three people.

(ii) Current member's tenure: From Jun 11, 2018 to Jun 10, 2021. In 2020 the Remuneration Committee held four meetings (A), and the member qualifications and attendance are as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Feng-I Lin	4	0	100	
Member	Ching-Pu Chen	4	0	100	
Member	I-Fan Miao	4	0	100	

Other matters to be recorded:

A. If the Board of Directors did not adopt or amend the suggestion of the Remuneration Committee, please indicate the date and session number of the board meeting, the contents of the motion, the result of the resolution and the Company's handling of the suggestion of the Remuneration Committee (if the remuneration passed by the board is better than the suggestion of the Remuneration Committee, please state the difference and the reasons): Nil.

B. If any member had objections or reservations about the resolution of the Remuneration Committee and there is a record or a written statement, please indicate the date and session number of the Remuneration Committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: Nil.

C. The functions of the Remuneration Committee are to professionally and objectively evaluate the policies and systems for compensation of the directors, supervisors, and managerial officers of the Company, meetings of the Remuneration Committee shall be held at least two times a year and submit recommendations to the Board of Directors for its reference in decision making.

(A) Operational Responsibilities of the Remuneration Committee:

The Committee operation is subject to the "Remuneration Committee Charters" of the Company. It shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.

- a. Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
- b. Establishing and periodically reviewing the performance assessment standards, and the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managerial officers.
- c. Periodically assessing and setting their individual compensation for the directors, supervisors, and managerial officers.

(B) The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

- a. Ensuring that the compensation arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
- b. Performance assessments and compensation levels of directors, supervisors, and managerial officers shall take into account the general pay levels in the industry, also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.
- c. There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
- d. For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.
- e. No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

D. Information on the cycle and period, scope, method and content of the Remuneration Committee's self-evaluation:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annual	Jan. 1, 2020~ Dec. 31, 2020	Remuneration Committee	Self-evaluation of the Remuneration Committee	1. Participation in Company operations. 2. Knowledge of the Remuneration Committee's responsibilities. 3. Improving the Remuneration Committee's decision-making quality. 4. Composition of the Remuneration Committee and appointment of committee members. 5. Internal Control.

The Company passed the "Regulations for the Performance Evaluation of the Board of Directors and Remuneration Committee" at the 9<sup>th</sup> meeting of the 19<sup>th</sup> Board of Directors on November 11, 2019, and evaluated the overall annual operating performance of the Board of Directors, with the evaluation content listed above. The evaluation adopts an internal questionnaire. The Remuneration Committee had an excellent performance, having been able to fulfill its responsibilities efficiently and generating an average score of 4.26 points (out of 5 points). There were no other issues raised by the Remuneration Committee and the Corporate Governance Team in 2020. The content of the performance evaluation was reported at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board on January 14, 2021.

E. Matters for Discussion and Resolution of Remuneration Committee, and Company's handling of member opinions:



Date	Matters for Discussion	Resolution and Opinion of the Company
2020.01.10	<p>Motion 1: Set up the managers' year-end bonus for 2019.</p> <p>Motion 2: Set up the "2019 Annual Excessive Profit Bonus Scheme" for Shanghai Grape King Enterprises Co., Ltd.</p>	<p>Motion 1: 1. Shareholders (General Manager Shenglin Andrew Tseng and CFO Nick Hung) were requested not to be present when the decision was made.</p> <p>2. After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion.</p> <p>Motion 2: (There is no distribution of bonus payments based on excess profits this year.) 1. The stakeholder (General Manager Shenglin Andrew Tseng) was requested not to be present when the decision was made. 2. After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion.</p>
2020.02.24	<p>Motion 1: Revision of the Company's "Remuneration Committee Charters".</p> <p>Motion 2: Issues on remuneration of employees and distribution of remuneration of directors and supervisors of the Company in 2019.</p> <p>Motion 3: In order to fulfill its obligations with regards to environmental protection and to increase efficiency in providing information, the Company convened the Remuneration Committee meeting and sent the meeting handbook by email instead.</p>	<p>Motion 1: After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion.</p> <p>Motion 2: After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion.</p> <p>Motion 3: 1. Member (1)'s inquiry: How would we know if the executive member received the notification? 2. Member (2)'s suggestion: Add a read receipt when sending the email. 3. After the moderator's consultation with all the attending members, the Company convened the Remuneration Committee meeting and sent the meeting handbook by email instead and added a read receipt.</p>
2020.05.04	<p>Motion 1: The Company's 2019 (2020 pay) managers compensation.</p>	<p>Motion 1: 1. Shareholders (General Manager Shenglin Andrew Tseng and CFO Nick Hung) were requested not to be present when the decision was made. 2. After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion. 3. The moderator suggested to Human Resources to provide a yearly trend analysis of the Company's manpower in the next Remuneration Committee meeting.</p>
2020.08.04	<p>Motion 1: Transfer of the Company's treasury stock to the employees who are also directors and managers.</p>	<p>Motion 1: (The stakeholder (General Manager Shenglin Andrew Tseng) was requested not to be present when the decision was made.) 1. The case was passed. 2. To build a strong sense of self among employees and to improve team cohesion within the organization, an executive member suggested to the Company to revise Article 5 and Article 6 of Transferring Repurchased Shares to Employees and get the approval from the Board of Directors. 3. The Company will revise the procedures before the next subscription in accordance with the recommendation of committee members.</p>

Notes:

- I. If any Remuneration Committee member leaves the Company before the end of the year, please state in the remarks column the departure date, the actual attendance rate (%) calculated based on the number of Remuneration Committee meetings and the number of actual meetings attended during the tenure.
- II. If there is a Remuneration Committee member election before the end of the year, please list both the new and the old members, and indicate in the remarks column whether the member is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of Remuneration Committee meetings held and the actual number of meetings attended during the tenure.

(5) Corporate Social Responsibility (CSR) Status, Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation Item	Implementation Status		Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons																								
	Yes	No																									
1. Has the Company conducted risk evaluation for the environmental, social and corporate governance issues related to the operations of the Company based on the materiality principle, and formulated related risk management policies or strategies?(Note 3)			<p>The Company evaluates the environmental, social and corporate governance issues related to operations based on the material principles of corporate social responsibility. The main risks after evaluation are classified into five aspects: Risk relevant to climate change operational risk, hazardous risk, financial risk, and strategic risk, in which relevant risk management policies or strategies are formulated as follows:</p> <table border="1"> <thead> <tr> <th>Material issue</th> <th>Risk evaluation aspect</th> <th>Risk management policies or strategies</th> </tr> </thead> <tbody> <tr> <td>Environmental</td> <td>Risks relevant to climate change</td> <td><b>Climate change and environmental risk:</b> In response to the low rainfall this year, and the reservoir storage reducing, the Company complies with the government's water conservation policies and continues to implement relevant water recycling procedures, i.e. RO concentrate wastewater recycling, the optimization of the cooling tower's water replenishment process, etc.</td> </tr> <tr> <td>Social</td> <td>Operational risk Hazardous risk</td> <td><b>Talent development and employee welfare:</b> In terms of talent management, the Company prioritizes character and competency, and creates a two-way communication that matches suitable talents with the right positions. It also sets up channels to get employee feedback. In addition, it actively improves and enhances safety in the workplace, so as to mitigate employee health and safety risks.</td> </tr> <tr> <td></td> <td>(1) Financial risk</td> <td><b>(1) Financial risk:</b> Ensure effective response that impacts interest rates, exchange rates and credit risks.</td> </tr> <tr> <td></td> <td>(2) Operational risk</td> <td><b>(2-1) Supply chain risk:</b> Continuously deal with customers and suppliers effectively to reduce supply chain risk.</td> </tr> <tr> <td>Corporation Governance</td> <td></td> <td><b>(2-2) Food safety risk:</b> Comply with food safety regulations to ensure quality and safety.</td> </tr> <tr> <td></td> <td></td> <td><b>(2-3) Trade secrets, patent and trademark rights:</b> Protect trade secrets, patent and trademark rights to strengthen core technologies and ensure brand advantage.</td> </tr> <tr> <td></td> <td>(3) Strategic risk</td> <td><b>(3) Product development and release:</b> Analyze and evaluate changes in market demand and implement various countermeasures.</td> </tr> </tbody> </table>	Material issue	Risk evaluation aspect	Risk management policies or strategies	Environmental	Risks relevant to climate change	<b>Climate change and environmental risk:</b> In response to the low rainfall this year, and the reservoir storage reducing, the Company complies with the government's water conservation policies and continues to implement relevant water recycling procedures, i.e. RO concentrate wastewater recycling, the optimization of the cooling tower's water replenishment process, etc.	Social	Operational risk Hazardous risk	<b>Talent development and employee welfare:</b> In terms of talent management, the Company prioritizes character and competency, and creates a two-way communication that matches suitable talents with the right positions. It also sets up channels to get employee feedback. In addition, it actively improves and enhances safety in the workplace, so as to mitigate employee health and safety risks.		(1) Financial risk	<b>(1) Financial risk:</b> Ensure effective response that impacts interest rates, exchange rates and credit risks.		(2) Operational risk	<b>(2-1) Supply chain risk:</b> Continuously deal with customers and suppliers effectively to reduce supply chain risk.	Corporation Governance		<b>(2-2) Food safety risk:</b> Comply with food safety regulations to ensure quality and safety.			<b>(2-3) Trade secrets, patent and trademark rights:</b> Protect trade secrets, patent and trademark rights to strengthen core technologies and ensure brand advantage.		(3) Strategic risk	<b>(3) Product development and release:</b> Analyze and evaluate changes in market demand and implement various countermeasures.
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2. Has the Company set up a dedicated (or concurrent) corporate social responsibility promotion unit which is authorized by the Board of Directors to be managed by the high-level management and reports to the Board of Directors?			<p>For the operation status of the above risks in 2019, please refer to 7. Other important information to facilitate better understanding of the Company's implementation of CSR.</p> <p>For more details, please refer to 1.3 Risk Management in CH1 Ethics Governance of the 2020 ESG Report.</p> <p>i. The Company had passed the "Corporate Social Responsibility Best Practice Principles of Grape King Bio Ltd." and taken Corporate Social Responsibility-related initiatives in 2015. To engage in active corporate social responsibility efforts, our corporate social responsibility committee underwent restructuring in 2020 and was renamed "Sustainable Development &amp; ESG Committee" with the purpose of achieving the Company's goal of sustainable development. The Company is aiming for a sustainable development which is promoted and implemented through the six goals of corporate governance, product responsibility, R&amp;D, happy workplace, prosperous society and a green environment.</p>																								
		√		No major difference																							



Evaluation Item	Implementation Status		Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
		<p>Main tasks are as follows:</p> <ul style="list-style-type: none"> <li>- Compose and revise the ESG Report.</li> <li>- Plan and implement the annual plan of ESG.</li> <li>- Review and report the effectiveness of implementation and ways of improvement on a regular basis.</li> </ul> <p>ii. The Company has a "Sustainability Development and ESG Committee" under the General Manager's Office which actively responds to and promotes performance of environment, social, and corporate governance as well as has included corporate social responsibility so as to implement the spirit of corporate social responsibility. Each year, the information is gathered and reported to the Board of Directors.</p> <p>For more details, please refer to ESG Management Structure in the Section Sustainable Strategies of the 2020 ESG Report.</p>	
<p>3. Environmental issues</p> <p>(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?</p>	V	<p>(1) The Company has taken the following environmental management-related actions in 2020:</p> <ul style="list-style-type: none"> <li>i. Compliance with the regulatory obligations: Make every effort to promote environmental protection policies, strictly abide by relevant environmental protection laws and regulations, comply with regulatory obligations, take the initiative to regularly identify environmental protection laws and regulations, and pay attention to environmental protection issues and development trends. Regularly perform preventive maintenance of environmental protection facilities in each plant to ensure that various environmental protection systems maintain normal operation.</li> <li>ii. Risk reduction: (1) Zhongji Factory laid the groundwork for the second sewage treatment plant to improve wastewater processing. (2) Pingzhen Factory is equipped with a new screen enclosure to effectively filter and improve wastewater treatment efficiency, thus ensuring effluent quality parameters.</li> <li>iii. Implementation of environmental protection: Evaluate and make plans to reduce various wastes and improve recycling programs; add gas treatment equipment in the process area of Grape King's Biotech Research Institute to improve indoor air quality.</li> <li>iv. Friendly workplace environment: Introduce green procurement, actively promote and advocate the use of environmental protection labels, energy saving labels, water-saving labels, etc.; add mufflers onto the process equipment at Zhongji Plant to continuously protect the environment.</li> <li>v. Supporting green energy: Proactively join RE100 and commit to using 100% renewable energy by 2035.</li> <li>vi. Improving energy efficiency: Carry out energy-conservation plans and improvements on the blower equipment at Pingzhen Plant to reduce power consumption.</li> <li>vii. Encouraging active participation: Implement the environmental management system by keeping all employees well-informed, actively promote energy conservation and carbon reduction activities in the workplace, and continue street clean-up activities at Zhongji Plant as part of the organization's corporate social responsibility initiatives.</li> <li>viii. Continuous cycle improvement: With reference to the core value of ISO 14001 environmental management system, adopt PDCA management mode to continuously improve the risks and opportunities of the environmental management system to ensure that sustainable operation is achievable in an environmentally friendly environment.</li> </ul> <p>For more details, please refer to Environmental Management in CH6 Green Environment of the 2020 ESG Report.</p>	No major difference
<p>(2) Is the Company committed to improving the efficiency in the use of resources, and the use of recycled materials with low environmental impact?</p>		<p>(2)</p> <ul style="list-style-type: none"> <li>i. Reusing waste materials: Reuse food sludge as a source of organic fertilizer to improve the reuse rate of waste and reduce environmental burden.</li> <li>ii. Recycling and reclaiming water: The cold and heat exchange discharged by the process equipment is recycled to improve the recycle rate of reclaimed water.</li> </ul>	

Evaluation Item	Implementation Status		Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons										
	Yes	No											
(3) Is the Company aware of the impact of climate change on its operations, and has it implemented greenhouse gas checking and developed a strategy for reduction of energy consumption and carbon emission as well as greenhouse gas reduction?		<p>iii. Maintaining ISO14001 management system: By implementing an environmental management system, there is continuous improvement, optimization and review of various environmental protection management operations.</p> <p>Relevant certifications and activities:</p> <ul style="list-style-type: none"> <li>● Obtained ISO 50001 energy management system certification on October 8, 2019. (Valid from October 8, 2019 until October 8, 2020)</li> <li>● Obtained ISO 45001 occupational health and safety management system certification on August 28, 2020. (Valid from August 28, 2020 until August 28, 2023)</li> <li>● Obtained CNS 45001 Taiwan occupational safety and health management system certification on August 28, 2020 until August 28, 2023)</li> <li>● Obtained ISO 14001 environmental management system certification on September 11, 2020. (Valid from Sep. 11, 2020 until Sep. 11, 2023)</li> </ul> <p>iv. For more details, please refer to 3.3.2 Design of Green Product Package in CH3 R&amp;D Innovation and Environmental Management in CH6 Green Environment of 2020 ESG Report.</p> <p>(3) The influence and impact of climate change on the global economy, society and environment has become more significant. At the same time, the Accord de Paris which provides clearly defined carbon reduction goals was approved by the United Nations in 2015. The issue of climate change has drawn public attention. Hence, the Company has made green operations, environmental protection and sustainable development as part of its social responsibilities and commitment. It has promoted environmental protection initiatives and clearly defined its obligations to implement environmental protection through environmental, safety and health management policies. It also actively implements its ISO50001 energy management system and takes the issue of climate change into account in its risk management framework, which is regularly evaluated and reviewed by relevant departments. It is expected to respond and handle risk incidents in real time to reduce impact.</p> <p>At present, the Company uses energy sources such as natural gas and electricity that can cause climate change. To mitigate climate change and potential risks of certain energy sources, the following control mechanisms have been developed:</p>	No major difference										
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Evaluation Item	Implementation Status		Abstract Explanation																											
	Yes	No																												
<p>(4) Has the Company calculated the greenhouse gases (GHG) emission, water consumption and total weight of wastes for the past two years, and formulated the strategies for energy conservation, carbon reduction, GHG emission reduction, water saving and management of other wastes?</p>	V		<p>external factors.</p> <ol style="list-style-type: none"> <li>2. Utilize an Uninterruptible Power System as auxiliary power specifically for lab equipment to keep research and development projects protected.</li> <li>3. For high/low-voltage power equipment, the mechanical and electrical inspection company conducts monthly inspections, performs infrared temperature measurement and overall annual maintenance, so as to ensure normal operation of the plant's main power supply equipment.</li> <li>4. In response to climate change and energy management, our annual goal is to achieve an energy efficiency rate of 1%.</li> </ol> <p>For more details, please refer to 1.3 Risk Management in CH1 Ethics Governance of the 2020 ESG Report.</p> <p>(4) The carbon emissions in the past two years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Carbon emission (Metric Ton)</th> <th>Plant</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>16,496.50 (Note 1)</td> <td>Pingzhen plant, Zhongji plant, Longtan Plant</td> </tr> <tr> <td>2020</td> <td>18,009.51 (Note 2)</td> <td>Pingzhen plant, Zhongji plant, Longtan Plant</td> </tr> </tbody> </table> <p>Explanation: Longtan Plant started operating in the second quarter of 2019 and started manufacturing in 2020. As a result, greenhouse gas emissions increased in 2020 compared with 2019.</p> <p>Note 1 : The scope of GHG emission calculated in 2019 included heavy oil, diesel, gasoline, natural gas, sewage disposal, CO<sub>2</sub> fire extinguishers and power purchase.</p> <p>Note 2 : The scope of GHG emission calculated in 2020 included heavy oil, diesel, gasoline, natural gas, sewage disposal, CO<sub>2</sub> fire extinguishers, refrigerant and power purchase.</p> <p>Note 3 : The main GHG emissions of the Company included three categories; namely, CO, CH<sub>4</sub>, and N<sub>2</sub>O.</p> <p>Note 4 : Inventory and verification were regulated by operational controls. The global warming potential (GWP) was obtained from the 5<sup>th</sup> Assessment Report of IPCC (2013). All data were verified by Deloitte and an assurance report was presented in the 2020 ESG Report.</p> <p>Data on water source and waste management in the past two years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Water consumption (1,000,000 L)</th> <th>Wastewater and sewage drainage (1,000,000 L)</th> <th>General business waste (Metric Ton)</th> <th>Hazardous business waste (Metric Ton)</th> <th>Plant</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>326.70</td> <td>229.68</td> <td>488.97</td> <td>4.79</td> <td>Pingzhen Plant + Zhongji Plant +Longtan Plant</td> </tr> <tr> <td>2020</td> <td>324.74</td> <td>263.16 (Explanation1)</td> <td>1,769.38 (Explanation 1 &amp; 2)</td> <td>1.6</td> <td>Pingzhen Plant + Zhongji Plant +Longtan Plant</td> </tr> </tbody> </table> <p>Explanation 1: Longtan Plant started operating in the second quarter of 2019 and started manufacturing in 2020. As a result, the amount of wastewater and general industrial waste increased in 2020 compared with 2019.</p> <p>Explanation 2: Constructing of waste water processing station in 2020 in Zhongji plant has reduced the volume of outsourced processing. Although the method of waste water processing was optimized, the sludge</p>	Year	Carbon emission (Metric Ton)	Plant	2019	16,496.50 (Note 1)	Pingzhen plant, Zhongji plant, Longtan Plant	2020	18,009.51 (Note 2)	Pingzhen plant, Zhongji plant, Longtan Plant	Year	Water consumption (1,000,000 L)	Wastewater and sewage drainage (1,000,000 L)	General business waste (Metric Ton)	Hazardous business waste (Metric Ton)	Plant	2019	326.70	229.68	488.97	4.79	Pingzhen Plant + Zhongji Plant +Longtan Plant	2020	324.74	263.16 (Explanation1)	1,769.38 (Explanation 1 & 2)	1.6	Pingzhen Plant + Zhongji Plant +Longtan Plant
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2019	326.70	229.68	488.97	4.79	Pingzhen Plant + Zhongji Plant +Longtan Plant																									
2020	324.74	263.16 (Explanation1)	1,769.38 (Explanation 1 & 2)	1.6	Pingzhen Plant + Zhongji Plant +Longtan Plant																									
			<p>Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons</p> <p>No major difference</p>																											

Evaluation Item	Implementation Status		Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
	v	<p>(ordinary industrial waste) which was generated from the treated waste water increased compared to 2019.</p> <p>Measures taken to promote environmental protection:</p> <p>The issue of climate change has been the operational focus of the Company to achieve sustainable development. The Company has made green operations, environmental protection and sustainable development as its responsibilities and commitment. Its obligation to implement environmental protection is clearly defined in the environmental protection, safety and health management policies.</p> <p>The company adheres to its ISO14001 environmental management system (The Pingzhen head office received the ISO 14001 environmental management system certification.). The PDCA is applied to continuously implement key environmental protection and management in company operations. The environmental protection measures are planned and implemented as follows:</p> <p>(i) Advocate energy conservation: Promote energy-saving and carbon-reduction activities in the workplace, and raise employee awareness of environmental protection and energy conservation. Warehouses use LED light sources to reduce power consumption.</p> <p>(ii) Strengthen pollution prevention: Burners use natural gas as fuel to reduce environmental pollution. Gas treatment equipment was added in the process area of Longtan Biotech Research Institute to improve environmental quality.</p> <p>(iii) Maintain ISO 14001 management system: Through the environmental management system, environmental protection and management operations are monitored to achieve long-term improvement.</p> <p>(iv) Use green energy: The Company joined the international RE100 organization in 2019, with its commitment to use 100% renewable energy by 2035. In 2018, the Health and Vitality Power Center was equipped with solar energy generator to provide overall lighting. Power generation in 2020 was about 624 degrees, accounting for 0.5% of the total power consumption of the Center, and CO<sub>2</sub> emission was reduced by about 318 kgCO<sub>2</sub>e / year.</p> <p>(v) Promote green procurement: The Company resolved and replaced equipment with poor energy efficiency by using green, energy-saving and water-saving products. "Grape King fulfills its CSR and is committed to energy efficiency and carbon reduction. It implements pollution prevention and energy conservation measures to continuously comply with related laws and regulations." This statement was added to the inquiry form in 2019. The purchasing personnel of the Company included energy performance as one of the evaluation items, so as to demonstrate the importance of energy performance to suppliers. In addition, suppliers were required to provide data on energy utilization efficiency in the major energy consumption equipment evaluation form as reference for the purchasing personnel.</p> <p>(vi) Water resource and waste management: The Company has continuously conducted evaluation and introduced a water-saving process equipment. It also expanded its wastewater treatment equipment. At the same time, it effectively reduced water consumption and wastewater discharge by increasing its water recycle rate. Through preventive maintenance, it ensured the normal operation of wastewater treatment equipment. In order to reduce environmental impact and effectively control business waste, the Company has implemented waste classification, collection, storage, management, and cleanup, so as to manage waste effectively. In accordance with environmental protection laws and regulations, it has conducted waste cleanup, treatment and recycling operations, as well as increased its waste recycle rate and relieved environmental burden.</p> <p>Through the optimization of the cooling tower's water replenishment process, water purification system and backwashing time and water amount of underground water sand filter, in 2020, the total consumption water and the carbon emission were reduced 41,102 metric tons and 6,576 kilograms compared to 2019.</p> <p>Future planning</p> <p>(i) The Company received its ISO 50001 energy management system certification in October 2019. In the future, it</p>	No major difference





Evaluation Item	Implementation Status		Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>4. Social issues</p> <p>(1) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V	<p><u>Abstract Explanation</u></p> <p>will manage its energy baseline and plan to introduce relevant energy-saving measures year by year. This aims to control the power consumption of plant machinery and equipment, so as to save power annually by more than 1% on average and improve energy utilization efficiency.</p> <p>(ii) We have organized energy conservation and carbon reduction activities to expect reach 1.2% and above of power saving rate in 2021.</p> <p>(iii) We expect to achieve the goal of reusing water resources to 5,000 metric tons.</p> <p>(iv) Strengthen waste management: We will intensify waste cleanup and transportation, continuously evaluate and conduct feasibility studies on various waste recycling projects, so as to achieve the goals of waste reduction and higher recycling rate.</p> <p>For more details, please refer to CH6 Green Environment of the 2020 ESG Report.</p> <p>(1) In accordance with labor-related laws and regulations; i.e., Labor Standards Act, Occupational Safety and Health Act, and Act of Gender Equality in Employment, the Company regularly holds labor-management meetings to discuss and resolve issues that are continuously updated and revised based on employee work rules. At the same time, it has formulated the "Grape King Bio Policies on Human Rights" based on globally-recognized human rights code and principles such as "Universal Declaration of Human Rights" and "UN Global Compact".</p> <p>The Company has an Employee Welfare Committee which regularly holds labor meetings in accordance with the law and has developed employee rules, and formulates the "Grape King Bio Ltd. Human Rights Policy" with reference to the international human rights convention.</p> <p>The Company has implemented the following management schemes to safeguard human rights:</p> <p>i. It has set up communication channels for reporting and submitting appeals to protect the rights of employees; these are provided for employees in case there are infringements or abuse of their legal rights and issues that could not be reasonably resolved. No cases of discrimination or appeal, or violation against human rights were reported in 2020.</p> <p>ii. Sexual harassment prevention as well as control measures and regulations were clearly defined and publicly posted on the bulletin board. A harassment complaint box was set up, but no sexual harassment cases were reported in 2020. This undertaking will continue for the long-term.</p> <p>iii. Labor conditions were established in accordance with labor-related government laws and regulations. The working hours of each department were tracked regularly. Labor practices in 2020 complied with laws and regulations, with no cases of forced labor reported.</p> <p>iv. At the same time, the Company demonstrates its respect in the workplace by listening to employee feedback from multiple parties. In order to facilitate communication between labor and management, the Company appoints labor representatives on a regular basis and holds labor-management meetings (on a quarterly basis) in accordance with the law. It gathers the opinions of all parties/departments to ensure that their voices are heard.</p> <p>A team that handles workplace violence was set up in 2018 for the purpose of creating a timetable to prevent liability arising from damage as well as handling prevention and settlement of disputes due to workplace violence. Relevant training sessions is offered and the timetable separated into four stages. The training hours in 2019 took 5.5 hours (2 sessions) with a total of 53 trainees including high-risk unit supervisors, department heads, EAP employees, and members of the team that handle workplace violence. In 2019, a total of 3 sessions were organized for employees, offering professional consultation and stress relief activities. Subsequently, professional consultations were also provided for high-risk personnel to help prevent and relieve stress. In addition, we organized operations meetings regularly for review and discussion. 2020 was the maintenance period. Executive training course was stress relief training, which lasted 8 hours (2 sessions) with 184 participants. For high-risk personnel, an EAP specialist was assigned to conduct visits and guidance programs, totaling 6 sessions. In addition, we communicated our objectives</p>	No major difference



Evaluation Item	Implementation Status		Abstract Explanation	Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No		
<p>(2) Does the Company formulate and implement reasonable policies of staff welfare (including compensation, vacation and other welfares), and reflect the operating performance or achievement in the compensation of the employees properly?</p> <p>(3) Does the Company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?</p> <p>(4) Has the Company developed an effective training program for employees?</p>	<p>Yes</p>	<p>No</p>	<p>and goals of cultivating an employee-friendly workplace through our internal journals – GK Life and on the bulletin board as a reminder.</p> <p>For more details, please refer to 4.1 Talent Recruitment and Structure in CH4 Happy Workplace of the 2020 ESG Report.</p> <p>(2) Salary Policies: The Company has developed reasonable welfare measures such as salary structure, employee vacation and employee welfare, all of which were established and implemented in accordance with relevant management regulations. The employee vacation and welfare plans were fully discussed during the regular labor-management meetings, so as to ensure fairness and regulatory compliance of employee welfare programs. According to the Articles of Incorporation, in case of profit generated for the year, the Company shall set aside 6%-8% for employee compensation. The performance evaluation system was also established to include CSR in the performance evaluation goals. In addition, there is a performance evaluation of employees at the end of the year, which is conducted based on review and evaluation, as well as setting goals at the beginning of the period and holding face-to-face interviews in the middle and at the end of the period. The evaluation results are used as the basis for promotion and remuneration distribution.</p> <p>Workplace Gender Equality: The Company is dedicated to carrying out a friendly workplace with equality of gender, with a current ratio of male to female employees is 1:1, indicating the Company's implementation of right talent strategy. Recruitment is fulfilled by functionality and qualification required for every job, there is no difference between male and female. According to the 2020 statistics of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the salary that male employees earned in a company is more than that of the female employees by 14.5%, which was the best over the past years and the Company reported approx. 13% difference, which is better than average.</p> <p>Employee welfare programs: Regarding the Company's employee welfare programs, retirement system and their implementation, please refer to page 97-98 of this annual report. For employee safety and workplace protection measures and their implementation, please refer to page 99-100 of this annual report.</p> <p>For more details, please refer to 4.2 Talent Recruitment and Structure and 4.3 Employee Remuneration, Welfare and Healthcare in CH4 Happy Workplace of the 2020 ESG Report.</p> <p>(3) The Company regularly checks fire and sanitation equipment, and has a health center, factory nurses and AED equipment, and regularly holds health checks for in-service workers and conducts labor safety and health training every year to establish a sense of safety.</p> <p>For more details, please refer to 4.3 Employee Remuneration, Welfare and Healthcare and 4.4 Occupational Safety in CH4 Happy Workplace of the 2020 ESG Report.</p> <p>(4) The Company's efforts have been directed toward the improvement of both the Company's operations and its employees' careers. The Company encourages employees to participate in various learning opportunities, and employees are willing to provide feedback to the Company on the knowledge learned, thus creating in the organization a positive learning cycle. Through the introduction of TTQS training quality system, the Company's training system has become more complete. The Company won Silver Medal at TTQS in 2019. The development program for potential talents has been carried out since 2019. The HR Dept. and requesting departments jointly planned and designed courses to develop potential talents, which include management competency training, innovation and leadership training, practices, quality improvement proposals, etc. The program is aimed at developing and cultivating the abilities of potential talents, who will be promoted to important positions in order to make significant contributions in the future. In 2020, Human Resources continued to assist departments that require staff training. Apart from providing professional training and guidance, it also implemented strategies to improve and assist in developing a training blueprint or plan of action. In 2021, Human Resources will continue with staff training and integrate this into the Company's ESG executive strategies while overseeing its execution and review.</p>	No major difference



Evaluation Item	Implementation Status		Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>(5) Did the Company follow relevant laws and international codes regarding product/service, customer health, safety, customer privacy, marketing and labeling, as well as formulate related policies to protect the rights and interests of consumers and develop a complaint-handling procedure?</p> <p>(6) Did the Company formulate supplier management policies and require suppliers to follow relevant standards on environmental protection, occupational safety and health, or labor rights, as well as specify the implementation process?</p>			<p>For more details, please refer to 4.2 Talent Cultivation and Performance Incentives in CH4 Happy Workplace of the 2020 ESR Report.</p> <p>(5) The Company follows the food safety and health laws and food labeling regulations announced by Taiwan Food and Drug Administration for marketing promotion of products and services.</p> <p>In addition, 0800 hotline is set up and service personnel are assigned to provide product consulting. Consumers can enjoy post-sales consulting service or complaint management.</p> <p>For more details, please refer to 2.3.4 Traceability and Regulatory Compliance Management in CH2 Product Liabilities and 3.4 Customer Service in CH3 R&amp;D Innovation of the 2020 ESG Report.</p> <p>(6) The Company shall consider multiple suppliers and assess their compliance with national laws and industry standards while taking into account regulatory compliance, good credit, protection of employee rights and interests, as well as food safety and environmental protection when auditing suppliers. The Company has added a CSR clause in the new version of the contract in 2015. According to the field assessment procedure for suppliers, if there is any major breach involving any supplier, the cooperation shall be terminated until the supplier takes corrective actions. The Grape King Bio Code of Conduct for Suppliers was formulated and announced on the Company's website in October 2019, which was read and followed by suppliers.</p> <p>For more details, please refer to 2.2 Supply Chain Management in CH2 Product Liabilities of the 2019 CSR Report.</p>
<p>5. Did the Company follow internationally recognized guidelines in preparing and publishing reports; i.e., corporate social responsibility report to disclose non-financial information about the Company? Did the Company hire a third-party verification or assurance provider for such reports?</p>	V		<p>The Company's 2020 ESG Report was consulted with Ernst and Young to design and develop our Sustainability Report and Sustainability Strategy. The Grape King Bio Sustainability Report's assurance engagement has been planned and performed in accordance with Statements of Assurance Engagements Standards No. 1 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" by Deloitte. Deloitte provides limited assurance on the completeness and accuracy of the claims and performance data presented in the 2020 Sustainability Report. Please refer to the ESG report for details of the assurance report.</p> <p>The 2020 ESG Report of the Company was issued in March, 2021 and is also available on the Company website (<a href="http://www.grapeking.com.tw">www.grapeking.com.tw</a>) for viewing and downloading.</p> <p>For more details, please refer to the About section of the 2020 ESG Report.</p>
<p>6. If the Company has its own corporate social responsibility code in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the prescribed code: No major difference.</p>			
<p>7. Other important information to help understand the operation of corporate social responsibility:</p> <p><b>2020 Governance Performance</b></p> <ul style="list-style-type: none"> <li>● Corporate governance           <ol style="list-style-type: none"> <li>(1) The "Enterprise Social Responsibility Committee" was reorganized and renamed "Sustainable Development &amp; ESG Committee".</li> <li>(2) The Board of Directors approved the following: "Code of Integrity Practice", "Insider Trading Prevention Management Regulations", "Unethical Conduct Prevention Programs" and "Procedures for Ethical Management and Guidelines Conduct", to prevent unethical conduct and practices.</li> <li>(3) The Company was invited to attend 8 investor conferences at home and abroad.</li> <li>(4) In 2020, we adopted SASB indicators for ESG communication with investors.</li> </ol> </li> <li>● Product innovation           <ol style="list-style-type: none"> <li>(1) The Company applied 30 patents and obtained 17 patents in 2020.</li> <li>(2) The Company won Gold Award at Taiwan Innotech Expo.</li> <li>(3) The Company won No.2 on the Common Wealth Magazine Taiwanese -Pharmaceutical and Biotechnology Industry</li> <li>(4) Five SNQ (Symbol of National Quality) products.</li> <li>(5) There were 30 industry-academic cooperation and commissioned research programs in 2020, totaling over NT\$28 million.</li> <li>(6) In 2020, we combined fermentation techniques and developed 219 products.</li> <li>(7) In 2020, we published 24 journals.</li> </ol> </li> </ul>			

Evaluation Item	Implementation Status		Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<ul style="list-style-type: none"> <li>● Food safety and supply chain management               <ol style="list-style-type: none"> <li>(1) A total of 212 suppliers were audited in 2020, achieving 100% audit ratio.</li> <li>(2) In 2020, the "Smart Multi-level Communication Platform for Suppliers" was created.</li> </ol> </li> <li>● Customer satisfaction and regulatory compliance               <ol style="list-style-type: none"> <li>(1) In 2020, we conducted interviews with more than 40 consumers in order to make improvements and plans on mid-term and long-term customer service.</li> <li>(2) By organizing training sessions and establishing a feedback database, our customer service personnel improved customer satisfaction in terms of product information.</li> <li>(3) By utilizing Martech techniques, we established lifestyle and health requirements for complete profiling.</li> </ol> </li> <li>● Brand value               <ol style="list-style-type: none"> <li>(1) It won the "Influenza Prevention Alliance Gold Award" from TIVS.</li> <li>(2) It won the TCSA Enterprise Sustainability Report Gold Award.</li> </ol> </li> </ul> <p><b>Social Performance in 2020</b></p> <ul style="list-style-type: none"> <li>● Talent development and employee welfare               <ol style="list-style-type: none"> <li>(1) Received the 2020 Taoyuan Excellent Enterprise and Gender Quality award</li> <li>(2) In 2020, Pingzhen Factory was awarded first prize by the Ministry of Labor's Occupational Safety and Health Administration for Excellence in Workplace &amp; Employee Health</li> <li>(3) No major accidents for 7 consecutive years from 2014 to 2020</li> <li>(4) In 2020, Longtan Biotech Research Institute received a Sports Enterprise Certificate from the Ministry of Education's Sports Administration.</li> <li>(5) In 2020, the Company received a Healthy Workplace Promotion Certificate from the Ministry of Health and Welfare's Health Promotion Administration for our facilities; namely, Pingzhen Plant, Zhongji Plant, and Longtan Technology Research Institute.</li> <li>(6) Grape King Bio Institute courses help potential employees improve their professional skills.</li> <li>(7) The amount invested in employee health management and health promotion was NT\$1,608,000. A total of 38 health promotion activities were held with 2,679 participants.</li> <li>(8) Established the "Grapeseed Scheme" to provide care and support for female employees during pregnancy</li> </ol> </li> <li>● Community investment               <ol style="list-style-type: none"> <li>(1) In 2020, the frequency of volunteering and social participation reached 979 times with a total of 815 service hours.</li> <li>(2) Organized a charity street cleanup program for Zhenxing Village, Longxing Village, and Beixing Village</li> </ol> </li> </ul> <p><b>Environmental Performance in 2020</b></p> <ul style="list-style-type: none"> <li>● Climate commitment and environmental advocacy               <ol style="list-style-type: none"> <li>(1) In 2020, we adopted TCFD as a way to address and respond to climate change and risk.</li> <li>(2) The Company joined the RE 100 Organization and affirmed its commitment to phase I (i.e., using 15% renewable energy by 2030) and phase II (i.e., using 100% renewable energy by 2035).</li> <li>(3) In 2020, our boilers in three factories ceased using heavy oil to reduce particulate matter emission.</li> <li>(4) In 2020, we reduced 318 kg. of CO2 emissions with the aid of green energy.</li> <li>(5) In 2020, we introduced food sludge as organic fertilizer to improve waste reuse rate.</li> <li>(6) A variety of products used recyclable plastic bottles, which came from consumers and decomposed into plastic granular materials by manufacturers to implement a circular economy. As of 2020, we have recycled 3,681 plastic bottles.</li> </ol> </li> <li>● Energy and water management               <ol style="list-style-type: none"> <li>(1) In 2020, the energy saving target for the 3 plants was 1%</li> <li>(2) In 2020, Longtan Science Park Branch implemented the MBR and RO wastewater recycling plan in compliance with the conservation scheme launched by Hsinchu Science Industrial Park.</li> </ol> </li> </ul>			

Note 1: If "Yes" is selected for the operation status, please explain the important policies, strategies, measures and implementation status. If "No" is selected for the operation status, please explain the reason and related policies, strategies and measures to be implemented in the future.

Note 2: If the Company has prepared an ESG report, the operation status should indicate the method for viewing the ESG report and index pages.

Note 3: The material principle refers to environmental, social and corporate governance issues that have significant influence on the Company's investors and other interested parties.



(6) Implementation of Ethical Corporate Management Status, Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation Item	Implementation Status		Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>1. Setting business Ethical Corporate Management policies and programs</p> <p>(1) Does the Company develop business integrity policies to be passed by the Board, and express its commitment to the policies and practices of Ethical Corporate Management in its regulations and in the external documents, and do the Board of Directors and the management actively implement the business policies?</p> <p>(2) Has the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly adopted precautionary measures in respect of business activities with a high risk of dishonesty and at least include preventive measure in Article 7 (2) of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?</p> <p>(3) Has the Company set up a program for the prevention of dishonesty as well as the procedures, conduct guidelines and a disciplinary and appeals system in various programs and implemented them?</p>	V	<p>(1) The Company set up the "Ethical Corporate Management Best Practice Principles" with reference to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, which was passed in the 4<sup>th</sup> meeting of the 18<sup>th</sup> Board held on November 10, 2015, to prevent the occurrence of dishonesty and prohibits the employees from using their functions and duties to misappropriate public funds, damage the interests and reputation of the Company, etc. The Company also undertakes on its website sound corporate governance and compliance with the laws and regulations and the Code of Business Ethics.</p> <p>(2) To implement business integrity policies and actively prevent unethical conduct, the Company formulated the "Unethical Conduct Prevention Program" pursuant to the provisions of Article 7 of the Ethical Corporate Management Best Practice Principles", which was passed at the 9<sup>th</sup> meeting of the 19<sup>th</sup> Board held on November 11, 2019. This was used to regularly evaluate operating activities with high ethical risk within the business scope, in which the unethical conduct prevention schemes were determined:</p> <ul style="list-style-type: none"> <li>- Bribery.</li> <li>- Provision of illegal political contributions.</li> <li>- Improper charitable donation or sponsorship.</li> <li>- Provision or acceptance of inappropriate gifts, entertainment or other benefits.</li> <li>- Infringement of intellectual property rights.</li> <li>- Engagement in unfair competition.</li> <li>- Provision of products or services damaging to interested parties.</li> </ul> <p>According to the evaluation of unethical conduct risk in 2020, the Company's current rules and regulations could effectively reduce unethical risk, thus having a low risk evaluation result.</p> <p>(3) The Company has set out relevant operating procedures and guidelines specified in the "Unethical Conduct Prevention Program" to prevent unethical behavior, and formulated related disciplinary and appeal systems in Article 18 of the "Unethical Conduct Prevention Program" and the "Merits and Demerits Management Regulations".</p> <p>We have zero tolerance for corruption and prohibit any form of bribery, fraud, or misuse of Company assets, or damage to Company interests in exchange for personal benefits. Our integrity management unit is responsible for evaluating integrity risks, modifying prevention plans and other related measures regularly in order to strengthen and implement our integrity management system. We have also published the abovementioned regulations on our internal website to let employees inquire anytime and to keep everyone informed about issues such as anti-corruption, integrity and ethics. The ethics clauses are added into the labor contract signed by new recruits. Through annual education, advocacy and testing related to business integrity management, the values of integrity and justice are disseminated, so as to deepen ethical principles.</p>	No major difference
<p>2. Implementation of Ethical Corporate Management</p> <p>(1) Does the Company assess the integrity record of its business partner, and stipulate the terms of conduct on integrity in the</p>	V	<p>(1) The Company fulfills the contract of commercial activities in accordance with the principle of fairness and integrity, the provisions of the relevant laws and regulations and the contract terms.</p>	No major difference

Evaluation Item	Implementation Status		Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>contract with the business partner?</p> <p>(2) Has the Company set up a dedicated (or concurrent) corporate integrity promotion unit under the Board of Directors which report to the Board of Directors on a regular basis (at least once a year) on supervising the implementation of the ethical corporate management policies and prevention programs?</p> <p>(3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?</p> <p>(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, which is checked by the internal auditing unit based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examine accordingly the compliance with the prevention programs or engage audited by external auditors?</p> <p>(5) Does the Company hold regular internal and external training on business integrity?</p>	V	<p>and assesses the business partner with the same principle. The Company also established the relevant integrity terms in the contract.</p> <p>(2) The Corporate Governance Team of the Company is the dedicated business integrity unit that helps formulate the "Ethical Corporate Management Best Practice Principles" and promotes the implementation of business integrity. Through annual education, advocacy and testing related to business integrity management, it promotes the values of integrity and justice, and reports the implementation status to the Board on an annual basis. The promotion of "Business Integrity and Insider Trading Prevention in 2020" was reported at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board of Directors held on January 14, 2021.</p> <p>(3) We included an avoidance of conflict of interest clause in the "Ethical Corporate Management Best Practice Principles", requiring Directors, managers and all employees to avoid conflict of interest and to refrain from receiving illegal interest.</p> <p>The Directors and managers of the Company have issued a commitment letter stating compliance with "Ethical Corporate Management Best Practice Principles", to avoid conflict of interest. If a Director or juristic representative of a Director has personal interest in any of the agenda items which could be prejudicial to the Company's interests, the Director may not participate in the discussion or voting on the matter, and may not exercise voting rights as proxy on behalf of another director.</p> <p>We also developed a complete internal control system and operating regulations, as well as provided educational training for all employees based on their scope of work to facilitate division of labor and to prevent internal conflict of interest. In addition, we established open reporting channels, fair and reasonable investigation mechanisms, and a statement system to further reduce the risk and impact of any conflict of interest.</p> <p>(4) The Company has established an accounting system and an internal control system for the integrity operation of the Company, and the internal audit unit conducts checks in accordance with the annual audit plan based on the results of assessment of the risk of involvement in unethical conduct.</p> <p>(5) In 2020, the Company held internal and external education training related to the issues of good faith management for a total of 683 person-times and 1,787 person-hours.</p>	No major difference
<p>3. Operation of the Company Reporting System</p> <p>(1) Has the Company set up specific reporting and reward systems and a convenient reporting channel, and does the Company assign appropriate personnel to investigate the person being reported?</p>	V	<p>(1) The Company supports the creation of a transparent culture that upholds ethical standards and integrity. Internal employees and external personnel are encouraged to report any act in violation of laws and regulations or related policies of the Company through relevant reporting channels, which also allow anonymous reporting. The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Accusation and Complaint Management". The Company has set up a clear accusation system, and detailed specific accusation channels, a reward system, and ad hoc units as follows:</p> <p>i. Grievance channels :</p> <p>(i) Internal suggestion box</p>	No major difference



Evaluation Item	Implementation Status		Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>(2) Has the Company set up standard investigation procedures, follow-up measures to be adopted after investigations of cases reported are completed and a related confidentiality mechanism for the matter being reported?</p> <p>(3) Does the Company take measures to protect the reporter from improper treatment?</p>	V	<p>(ii) Grievance and complaint hotlines            (A) Grievance hotline : (03)4572121#1999            (B) Appeal hotline : (03)4582121#1995            (iii) Feedback via email or website            (A) Grievance box : companyopinion@grapeking.com.tw            (B) Complaint box : employeeopinion@grapeking.com.tw</p> <p>ii. Reward system:            (i) Non-employees: Company gift for the reporting of an incident.            (ii) Internal staff: Rewards according to the Company's personnel regulations.</p> <p>iii. Designated handling units:            (i) Express opinion via internal suggestion box.            (A) The grievance opinions are consolidated and handled by the audit department.            (B) Appeal opinions are consolidated and handled by the human resources department.            (ii) Express opinion via email or website:            Opinions will be handled by the Company's designated personnel.            (iii) All reports and appeals should consolidate and report to the general manager for review and instruction, and then could be closed.</p> <p>(2) The Company's "Grievance and Complaint Management Procedures" is the standard operating procedure for handling grievances, follow-up measures to be adopted after investigations of cases reported are completed and related confidentiality matters.</p> <p>(3) The safety of the complainant shall be protected. Care shall be taken in accordance with the precautionary notes of the confidentiality statement, and no improper punishment shall be imposed for the grievance.</p>	No major difference
<p>4. Strengthening of Information Disclosure            (1) Does the Company disclose the contents of Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?</p>	V	<p>The Company has the "Ethical Corporate Management Best Practice Principles" which are published on the Company's website and MOPS. The Company has disclosed the implementation and effectiveness on website</p>	No major difference
<p>5. If the Company has its own Ethical Corporate Management Best Practice Principles in accordance with the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them:            In order to establish a corporate culture of integrity and improve its operation, the Company has formulated and followed Ethical Corporate Management Best Practice Principles with reference to "Ethical Corporate Management Best Practice Principles for TWSE/GTSE Listed Companies". No difference.</p> <p>6. Other important information that will help to understand the operation of the Company's integrity:            Anti-corruption and integrity management practices constitutes as our core values and basic operating principles. The Board of Directors has established the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines Conduct", "Unethical Conduct Prevention Programs", "Code of Integrity Practice", and "Code of Conduct for Suppliers" as guidelines for all employees and business partners to follow.            Anti-corruption and Ethical Corporate Management practices cover the following:            1. Employees            (1) On the day of employment, all newcomers should take an anti-corruption course and test to ensure their understanding of the subject.            (2) The Company has rules regarding acceptance of gifts, all employees must decline lavish gifts or corporate gifts including dinners, kickbacks, bribes, hospitality, etc. Whether a gift is big or small, the employee is required to report to it to their line manager.            (3) When dealing with unethical behavior, all employees are asked to notify the Company through the proper channels, internal suggestion box, whistleblowing hotline, email or website.</p>			

Evaluation Item	Implementation Status		Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
		Abstract Illustrations	
<p>(4) The whistleblowing procedures clearly state that whistleblowers and employees involved in the investigation are protected from unfair retaliatory action or treatment.</p> <p>(5) In 2020, there were 0 (zero) complaints and reports (including anonymous reports) related to integrity management.</p> <p>2. Business Partners :</p> <p>(1) Before establishing a business relationship with distributors, suppliers or other business partners, it is important to evaluate the entity's commercial legitimacy and reasonableness, as well as relevant records indicating any ethical management violation. During the business process, it is necessary to refuse to provide, promise, demand or accept commissions in any form or name whether directly or indirectly, and to cease communication and transaction once there is evidence of unethical activity.</p> <p>(2) Distributors are required to state in the contract the reasonable terms of payment, prohibitions against bribery, commissions, kickbacks, gifts and other aspects related to profiteering.</p> <p>(3) Suppliers should abide by the "Code of Conduct for Suppliers" during the purchasing process. It is necessary to add warnings on the purchase orders in accordance with trade secrets and anti-corruption policies, as well as to remove violators from the supplier list as punishment.</p> <p>(4) In 2020, none of the distributors and suppliers violated the anti-corruption and ethical corporate management policies.</p> <p>3. Evaluation of Anti-corruption and Ethical Corporate Management Practices :</p> <p>(1) The Corporate Governance Team specifically evaluates operating activities with high ethical risk and ensures that internal rules and regulations are capable of reducing corruption and unethical corporate management risks by implementing corresponding prevention plans.</p> <p>(2) The evaluation result in 2020 indicated low risk, this is provided as a reference to the internal audit for developing the audit plan.</p> <p>4. Supervisory functions of the Board of Directors :</p> <p>(1) The Corporate Governance Team presents the anti-corruption and ethical corporate management results to the Board of Directors on a regular basis.</p> <p>(2) The 2020 report on "Ethical Corporate Management and Prevention of Insider Trading" was presented to the Board of Directors at the 17<sup>th</sup> meeting of the 19<sup>th</sup> Board of Directors on January 14, 2021. Below is the summary.</p> <ul style="list-style-type: none"> <li>● The Company sent out an advocacy letter; i.e., "Business Integrity and Insider Trading Prevention" to all employees (including managers), including the importance of business integrity, confidentiality of material information, legal liabilities in case of breach and case studies.</li> <li>● The "Business Integrity and Insider Trading Prevention" test was conducted for leaders above section chief level. A total of 104 persons were tested, with 100% passing rate (score above 80 points).</li> <li>● The Company provided training programs on "Business Integrity and Insider Trading Prevention" for all directors and supervisors.</li> <li>● A total of 11 directors and supervisors participated in the business integrity-related courses (including courses related to group tax management) for 83 hours in total.</li> <li>● The internal/external trainings related to business integrity issues (including courses on food safety management laws, health and safety management inspection, ISO37001 the Bribery Prevention System merged case studies, operating activities with unethical behavior risk, methods of investigating covert illegal activities, and other relevant courses.) were conducted for employees. The training took 1,787 hours with a total of 683 participants.</li> </ul>			
(7) Inquiry on Corporate Governance Best Practice Principles and related regulations: The Company has its Corporate Governance Best Practice Principles which can be checked on MOPS or the Company's website.			
(8) Other important information to enhance the understanding of the corporate governance of the Company: They can be checked on MOPS or the Company's website.			

## (9) Implementation of the internal control system

## i. Internal Control Statement

**Statement of Internal Control System**

Date: February 25, 2021

The internal control system in 2020, according to the result of self-assessment is thus stated as follows:

- (i) The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
- (ii) The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
- (iii) According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: A. Control environment; B. Risk assessments; C. Control activities; D. Information and communication; and E. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
- (iv) The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
- (v) Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
- (vi) This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
- (vii) This statement has been approved by the meeting of Board of Directors on February 25, 2021, and those 9 directors in presence all agree at the contents of this statement.

Grape King Bio Ltd.

Chairman: Shenglin Andrew Tseng

General Manger: Shenglin Andrew Tseng



ii. If the Securities and Futures Commission requires the Company to commission an accountant to audit its internal control system, please disclose the accountant's audit report: Nil.

(10) The punishment to the Company and its employees in accordance with the law, the Company's punishment to its employees for violation of the provisions of its internal control system, the major defects and the improvements made in the latest year and as of the date of publication of the annual report: Nil.

(11) Important resolutions of the shareholders' meeting and the board meetings in the latest year and as of the date of publication of the annual report:

i. Important resolutions of the shareholders' meeting and the status of implementation

The Company's 2020 general shareholders' meeting was held on May 28, 2020 at No. 402, Section 2, Jinling Road, Pingzhen District, Taoyuan City (8F of Pingzhen Headquarters). The resolution by the attending shareholders and the implementation status are as follows:

No.	Resolution of shareholders' meetings	Status of implementation	approval votes	disapproval votes	invalid votes	abstention votes / no votes
1	Acknowledgement of the Company's 2019 business report and financial statements.	The relevant documents have been filed with the competent authorities for record and announcement in accordance with the Company Art and other relevant laws and regulations.	108,960,073 votes, 91.02% of total votes	2,014 votes, 0.00% of total votes	0 votes, 0.00% of total votes	10,738,499 votes, 8.97% of total votes
2	Acknowledgement of the Company's 2019 profit distribution.	Proposed July 4, 2020 as the record date, and July 31, 2020 as the payment date (cash dividend of NT\$6.5 per share).	108,918,950 votes, 90.99% of total votes	2,012 votes, 0.00% of total votes	0 votes, 0.00% of total votes	10,779,624 votes, 9.00% of total votes
3	Approved the amendment to the Company's Article of Incorporation.	The resolution was passed and announced on the Company's website.	108,841,036 votes, 90.92% of total votes	2,017 votes, 0.00% of total votes	0 votes, 0.00% of total votes	10,857,533 votes, 9.07% of total votes
4	Approved the amendment to the Company's Procedures for Election of Directors and Supervisors	The resolution was passed and reported on the MOPS, and announced on the Company's website.	108,840,515 votes, 90.92% of total votes	2,019 votes, 0.00% of total votes	0 votes, 0.00% of total votes	10,858,052 votes, 9.07% of total votes
5	Approved the amendment to the Company's Procedure for Rules of Procedure for Shareholders' Meetings	The resolution was passed and reported on the MOPS, and announced on the Company's website.	108,840,511 votes, 90.92% of total votes	2,022 votes, 0.00% of total votes	0 votes, 0.00% of total votes	10,858,053 votes, 9.07% of total votes
6	Approved the amendment to the Company's Procedures for Loaning Funds to Others	The resolution was passed and reported on the MOPS, and announced on the Company's website.	108,840,316 votes, 90.92% of total votes	5,533 votes, 0.00% of total votes	0 votes, 0.00% of total votes	10,854,737 votes, 9.06% of total votes
7	Approved the	The resolution was passed	108,839,318	5,411 votes,	0 votes,	10,855,857

	amendment to the Company's Procedure for Endorsements and Guarantees	and reported on the MOPS, and announced on the Company's website.	votes, 90.92% of total votes	0.00% of total votes	0.00% of total votes	votes, 9.06% of total votes
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The Company's 2021 1<sup>st</sup> Special shareholders' meeting was held on January 14, 2021 at No. 402, Section 2, Jinling Road, Pingzhen District, Taoyuan City (8F of Pingzhen Headquarters). The resolution by the attending shareholders and the implementation status are as follows:

No.	Resolution of shareholders' meetings	Status of implementation	approval votes	disapproval votes	invalid votes	abstention votes / no votes
1	Agreed to issue new common shares for cash in private placement	The resolution was passed. On the same day, the Board of Directors resolved the issue price of privately placed common shares and related matters. The announcement was completed in accordance with the regulations. The Company received the funds in full to repay bank loans and increase capital for operations, and completed the change in registration required by the Ministry of Economic Affairs.	92,202,451 votes, 97.99% of total votes	760,161 votes, 0.80% of total votes	0 votes, 0.00% of total votes	1,126,642 votes, 1.19% of total votes

ii. Important resolutions of the Board of Directors:

Board of Directors	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
The 10 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors January 10, 2020	1. Passed the "2019 management bonus scheme" proposed by the Remuneration Committee.	√	
	2. Passed the Company's business plan of 2020.	√	
	3. Passed the Evaluation of independent of External Certificate Auditor.	√	
	4. Passed the Company's Financial Statement Preparation Process Management Regulations and report on the financial report preparation situation.	√	
	5. Passed the introduction of strategic partners to expand the operations through joint ventures in Mainland China.	√	
	6. Passed the change of Spokesperson.	√	
	7. Passed the change of Acting Spokesperson.	√	
	8. Passed the motion of lifting the business strife limitation for the financial and accounting manager of the Company.	√	
	9. Passed the motion of lifting the business strife limitation for the Vice General Manger of the R&D Division of the Company.	√	
	10. Passed the motion of authorizing the chairman to handle the price and terms regarding purchasing of land.	√	
Independent Directors' opinions: The independent director suggested checking the provisions of the Articles of Incorporation for Motion 5. The independent director proposed the response was too slow for Motion 10.			
The Company's handling of Independent Directors' opinions: For Motion 5, the Company would follow the Articles of Incorporation. For Motion 10, the Company explained the reason to the independent director, and would take action as soon as possible.			

Board of Directors	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	Results of the resolutions: Motion 5 was discussed by the directors in detail after the opinion was given by the independent director, and finally approved upon the consent of all attending directors. Motion 10 was discussed by directors in detail after the opinion was given by the independent director, and finally approved upon the consent of all attending directors. All other motions were approved upon the consent of all attending directors.		
The 11 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors February 24, 2020	1. Passed the amendments to the "Remuneration Committee Charters".	V	
	2. Passed the 2019 remuneration distribution to employees, directors and supervisors.	V	
	3. Passed the Company's 2019 business report and financial statements.	V	
	4. Passed the Company's 2019 earnings distribution proposal.	V	
	5. Passed the amendment to the "Articles of Incorporation".	V	
	6. Passed the amendment to the Company's Procedures for Election of Directors and Supervisors.	V	
	7. Passed the amendment to the Company's Rules of Procedure for Shareholders' Meetings.	V	
	8. Passed the amendment to the Company's Procedures for Loaning Funds to Others.	V	
	9. Passed the amendment to the Company's Procedures for Endorsements and Guarantees.	V	
	10. Passed the Company's 2020 shareholders' meeting date, venue and agenda: (1) Date: 9 am on May 28, 2020 (Thursday) (2) Venue: Auditorium on the 8 <sup>th</sup> floor of the Company at No. 402, Section 2 Jinling Road, Pingzhen District, Zhongli District, Taoyuan City (8F of the Pingzhen headquarters) (3) Agenda of the shareholders' meeting: A. Report Items : 1. 2019 business report. 2. The Supervisors' review of the 2019 Financial Statements. 3. Report on Remuneration Distribution for Employees, Directors and Supervisors for the Year 2019. 4. Amendments to the Rules for Transferring Share Repurchases to Employees. B. Matters for Ratification: 1. Adoption of the 2019 Business Report and Financial Statements. 2. Adoption of the Proposal for Distribution of 2019 Profits. C. Matters for discussion 1. To amend the Company's Article of Incorporation. 2. To amend the Company's Procedures for Election of Directors and Supervisors. 3. To amend the Company's Rules of Procedure for Shareholders' Meetings. 4. To amend the Company's Procedures for Loaning Funds to Others. 5. To amend the Company's Procedures for Endorsements and Guarantees. D. Extempore motion:	V	
	11. Passed the 2019 "Validity Assessment of Internal Control System" and "Statement of Internal Control System" of the Company.	V	
	12. Approved the amendments to the "Rules of Procedures for the Board of Directors".	V	
	13. Passed the motion of purchasing land for plant construction in Pingzhen Industrial Park.	V	
	14. Passed a motion to provide e-notice and meeting minutes at the board meeting so that environmental protection measures could be implemented and data provisioning efficiency could be improved.	V	
Extempore motion: 1. Settled the date of holding the next board meeting.			
2. Passed a motion requesting the companies under the Group to	V		



Board of Directors	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	<p>present a report regarding their response to the epidemic in the next board meeting.</p> <p>Independent Directors' opinions: For Motion 13, the independent director asked about the difference between the given and expected amount; for Motion 14, the independent director gave instructions and suggested adding a received notification function for sent email.</p> <p>The Company's handling of Independent Directors' opinions: Motion 13, after the chairman explained the difference, it was approved upon the consent of all attending directors. As for the implementation of Motion 14, the suggestion of the independent director to add a received notification function for sent e-mail, was approved.</p> <p>Results of the resolutions: Motion 13, after the chairman explained the difference to the independent director, it was approved upon the consent of all attending directors. Motion 14 was discussed by the directors in detail after the opinion was given by the independent director, and finally approved upon the consent of all attending directors. Moreover, it was implemented after the release of the meeting minutes, and the received notification function for sent email was added. For extemporary Motion 1, to address matters pertaining to corporate governance and the financial statement, the date for holding the next board meeting was settled. For extemporary Motion 2, after the directors discussed the possible risks, the chairman and CFO pointed out the current practice. The motion was passed requiring all companies under the group to present a report regarding their response to the epidemic in the next board meeting. Except for the above motions, all other motions were approved upon the consent of all attending directors.</p>		
The 12 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors May 4, 2020	1. Adopted the Remuneration Committee's proposal of the 2019 remuneration for managers.(2020 pay)	√	
	2. In response to the long-term impact of COVID-19, the Company amended and approved its "2020 Audit Plan".	√	
	3. Passed the Company's proposed credit line and credit line renewal application with Hua Nan Bank for its business operations and mid and long term capital needs.	√	
	Independent Directors' opinions: Nil.		
	The Company's handling of Independent Directors' opinions: Nil.		
	Result of the resolutions: All attending Directors agreed to pass the resolutions.		
The 13 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors May 28, 2020	1. Passed to set the record date for stock and cash dividends.	√	
	2. Passed the motion of re-appointing the executive director and supervisors for the reinvestment subsidiary-Dongpu Biotech Corporation.	√	
	3. Passed the amendments to the internal control and internal audit systems of Grape King's "Capital Acquisition and Repayment Cycle – Loan Procedures"	√	
	4. Passed the amendments to the "The whistleblowing procedures".	√	
	5. Passed the Company's proposed credit line and credit line renewal application with Chang Hwa Bank for its business operations.	√	
	Independent Directors' opinions: Whistleblower protection measures in Motion 4 from independent directors.		
	The Company's handling of Independent Directors' opinions: As per Motion 4, the Chairman and audit manager explained that current procedures will protect whistleblowers.		
	Result of the resolutions: Motion 4 was approved by all attending directors after the Chairman and audit manager explained the methods of procedure. All other motions were approved upon the consent of attending Directors. Invest avoidance situation: For Motion 2, the reappointment of Supervisors did not receive benefit from remuneration, thus no withdrawal from the voting session was required.		
The 14 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors August 4, 2020	1. Passed distribution treasury stocks to employees.	√	
	2. Passed the motion of lifting the business strife limitation for the Vice General Manger of the Sales and Marketing Division of the Company.	√	
	3. Passed the establishment of a joint venture in Mainland China in order to increase ODM presence.	√	
	4. Passed the amendments to the "Self-Evaluation or Peer Evaluation of the Board of Directors and Remuneration Committee".	√	
	5. Passed the amendments to documents regarding the internal control system as well as internal control and internal audit system of Grape King's "Production Cycle" and "Information Cycle," respectively	√	

Board of Directors	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	Independent Directors' opinions: Nil. The Company's handling of Independent Directors' opinions: Nil Result of the resolutions: For Motion 1, the interested parties left the meeting first. Independent Director Feng-I Lin presided over the discussion and explained the resolution process and content in consideration of the Remuneration Committee. The other attending directors agreed to pass the case. Motion 3 was approved by all attending directors after the Chairman add comments of joint venture. All other motions were approved upon the consent of all attending directors. Invest avoidance situation: For Motion 1, Shenglin Andrew Tseng, Mei-Ching Tseng, CFO Nick Hung, and Manager Yi Chun Lee who were eligible for transferee, avoided the voting due to the conflict of interests.		
The 15 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors November 3, 2020	<ol style="list-style-type: none"> <li>1. Passed the annual internal audit plan of 2021.</li> <li>2. Passed the amendments to the "Rules Governing the Scope of Powers of Independent Directors".</li> <li>3. Passed the amendments to the "Corporate Governance Best Practice Principles".</li> <li>4. Passed the amendments to the "Procedures for Ethical Management and Guidelines Conduct".</li> <li>5. Passed the amendments to the "Unethical Conduct Prevention Programs".</li> <li>6. Passed the amendments to the "Insider Trading Prevention Management Regulations".</li> <li>7. Passed the amendments to the "Corporate Social Responsibility Best Practice Principles".</li> <li>8. Passed the amendments to the "Code of Integrity Practice".</li> <li>9. Passed the Company's proposed credit line and credit line renewal application with Land Bank of Taiwan for its business operations.</li> </ol> Independent Directors' opinions: Nil. The Company's handling of Independent Directors' opinions: Nil Result of the resolutions: All attending Directors agreed to pass the resolutions.	V V V V V V V V	
The 16 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors November 27, 2020	<ol style="list-style-type: none"> <li>1. Passed issuing new common shares for cash in private placement</li> <li>2. Passed the Company's 2021 1<sup>st</sup> special shareholders' meeting date, venue and agenda:                          (4) Date: 9 am on January 14, 2021 (Thursday)                          (5) Venue: Auditorium on the 8<sup>th</sup> floor of the Company at No. 402, Section 2 Jinling Road, Pingzhen District, Zhongli District, Taoyuan City (8F of the Pingzhen headquarters)                          (6) Agenda of the shareholders' meeting:                          A. Matters for discussion                          1. To issue new common shares for cash in private placement.                          B. Extempore motion:                     </li> </ol> Independent Directors' opinions: For Motion 1, in the item of purpose and necessary, Independent Directors inquired about the way in the overseas operation of products as an agent. The Company's handling of Independent Directors' opinions: For Motion 1, the Chairman explained the overseas operation of products as an agent. Results of the resolutions: For Motion 1, Accountants, CFO and Chairman explained the price of private placement, the purpose of fund, the corporate loan balance, the seat arrangement of Directors, the operation of products as agent, etc. All attending Directors agreed to pass the resolutions. For Motion 2, all attending Directors agreed to pass the resolutions.	V V	
The 17 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors January 14, 2021	<ol style="list-style-type: none"> <li>1. Passed the amendments to the "Remuneration Committee Charters".</li> <li>2. Passed the "2020 management bonus scheme" proposed by the Remuneration Committee.</li> <li>3. Passed to establish the motion regarding the issue price of ordinary share in private placement and relevant motions.</li> <li>4. Passed Risk Management Policies and Procedures and the operational situation of 2020 proposed by Sustainable Development &amp; ESG Committee.</li> </ol>	V V V V	



Board of Directors	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	5. Passed the Company's business plan of 2021.	V	
	6. Passed the Evaluation of independent of External Certificate Auditor.	V	
	Independent Directors' opinions: For Motion 4, Independent Directors inquired about current methods for evaluating environmental change.		
	The Company's handling of Independent Directors' opinions: For Motion 4, ESG members explained the methods for identifying environmental change and contingency planning.		
	Result of the resolutions: For Motion 3, all Directors present approved the subscription price of \$170. For Motion 4, after ESG members explained the methods for identifying environmental change and strategic response planning, all attending Directors agreed to pass the resolutions as well as to other motions. Invest avoidance situation: For Motion 1, Shenglin Andrew Tseng, Mei-Ching Tseng, CFO Nick Hung, and Chief Auditor Yi Chun Lee who were eligible for transferee, avoided the voting due to the conflict of interests.		
The 18 <sup>th</sup> board meeting of the 19 <sup>th</sup> -term Board of Directors February 25, 2021	1. Passed the 2020 remuneration distribution to employees, directors and supervisors.	V	
	2. Passed the Company's 2020 business report and financial statements.	V	
	3. Passed the Company's 2020 earnings distribution proposal.	V	
	4. Passed the amendment to the "Articles of Incorporation".	V	
	5. Passed the amendment to the "Election of Directors and Supervisors".	V	
	6. Passed the amendment to the Company's Procedures for Election of Directors and Supervisors.	V	
	7. Passed the amendment to the Company's Procedures for Loaning Funds to Others.	V	
	8. Passed the amendment to the Company's Procedures for Endorsements and Guarantees.	V	
	9. Passed the election the Board of Directors	V	
	10. Passed the list of director and independent director candidates nominated by the board of directors.	V	
	11. Passed the assignment of Company Director Representative for subsidiary, Pro-Partner Ltd.	V	
	12. Passed the motion of lifting the business strife limitation for new directors.	V	
	13. Passed the Company's 2021 shareholders' meeting date, venue and agenda: (1) Date: 9 am on May 28, 2021 (Thursday) (2) Venue: Auditorium on the 8 <sup>th</sup> floor of the Company at No. 402, Section 2 Jinling Road, Pingzhen District, Zhongli District, Taoyuan City (8F of the Pingzhen headquarters) (3) Agenda of the shareholders' meeting: A. Report Items : 1. 2020 business report. 2. The Supervisors' review of the 2020 Financial Statements. 3. Report on Remuneration Distribution for Employees, Directors and Supervisors for the Year 2020. 4. The execution result of issuing new common shares for cash in private placement. B. Matters for Ratification: 1. Adoption of the 2020 Business Report and Financial Statements. 2. Adoption of the Proposal for Distribution of 2020 Profits. C. Matters for discussion 1. To amend the Company's Article of Incorporation. 2. To amend the Company's Procedures for Election of Directors and Supervisors. 3. To amend the Company's Procedures for the Acquisition and Disposal of Assets. 4. To amend the Company's Procedures for Loaning Funds to Others. 5. To amend the Company's Procedures for Endorsements	V	

Board of Directors	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	and Guarantees. D. Matters for Election: 1. To elect the Board of Directors E. Other matters: 1. To release the Directors elected from non-competition restrictions. D. Extempore motion:	V	
	14. Passed the amendment to the "Audit Committee Charter"	V	
	15. Passed 2020 "Validity Assessment of Internal Control System" and "Statement of Internet Control System" of the Company.	V	
	16. Passed the amendment to the documents regarding the of internal control and internal audit systems of the "Salary-work Cycle" and "Information Cycle" of Grape King Biotechnology (Co., ) Ltd.	V	
	Independent Directors' opinions: The opinions of Independent Directors about Motion 3 are as follows: (1) In terms of dividend allotment, although the current distribution value is less than that of the previous year, our performance has been acceptable to shareholders despite the effects of the pandemic. (2) Should the rate increase, it will have an impact on the Company or would not easily return to its original amount.		
	The Company's handling of Independent Directors' opinions: Regarding the Motion 3, some Directors believed that maintaining the dividend rate was more conservative. However, the Company performed well during the pandemic and was acceptable to shareholders. Some Directors pointed out that having a moderate increase in dividend rate amid the pandemic could have positive effects but greater expenditures. Other Directors asked about the impact of an increase in dividend rate on the Company and whether it would be difficult to revert to the original dividend rate in the future. The Chairman explained the possibility of a decline in dividend rate after the increase as well as the Company's intention to take care of shareholders who have been investing in the Company for a long time.		
	Results of the resolutions: The Motion 3 was approved by all Directors present as an amendment to increase the dividend per share from NT\$ 6.3 to NT\$ 6.4. For Motion 12, an acting Chairman was appointed by the Chairman to pass a resolution. The Directors except for the concerned party who had abstained, approved the proposal. All other motions were approved upon the consent of all attending Directors. Invest avoidance situation: For Motion 11, since the Directors' remuneration belongs to the Company, recusal is no longer necessary. For Motion 12, Shenglin Andrew Tseng, Mei-Ching Tseng, Jue-Jia Chang, Yen-Shiang Huang and Chih-Sheng Chang who were eligible for transferee, avoided the voting due to the conflict of interests.		

(12) If the directors or supervisors have different opinions about important resolutions adopted by the board in the latest year and as of the date of publication of the annual report, and there are records or written statements: Nil.

(13) Summary of the resignation of the Company's related personnel

- i. Summary of the resignation and dismissal of personnel relevant to the financial report in 2020 and as of the date of publication of the annual report (including the chairman, general manager, chief accountant, chief financial officer, internal audit manager, R&D director, etc.): Nil.

## 5. Accountant Fees

### (1) Accountant fee information and tier table

Accounting firm	CPA name		Audit period	Remarks
Deloitte & Touche	Yu Feng Huang	Ming Yuan Chung	Jan 1, 2020 - Dec. 31, 2020	

Unit: NT\$ thousand

Tier	Fee item	Audit fee	Non-audit fee	Total
1	Lower than 2,000,000	-	278	278
2	2,000,000 (inclusive) ~ 4,000,000	3,778	-	3,778
3	4,000,000 (inclusive) ~ 6,000,000	-	-	-
4	6,000,000 (inclusive) ~ 8,000,000	-	-	-
5	8,000,000 (inclusive) ~ 10,000,000	-	-	-
6	10,000,000 and more	3,778	278	4,056

### (2) If the non-audit fees paid to the certifying CPA, the CPA's firm and the firm's affiliated businesses are more than 25% of the audit fees, please disclose the audit and non-audit fees and the non-audit services.

Unit: NT\$ thousand

Accounting firm	CPA name	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	HR	Others (Note 2)	Sub-total		
Deloitte & Touche	Yu Feng Huang	3,778	-	-	-	278	278	2020.01.01~ 2020.12.31	
	Ming Yuan Chung								

Note 1: If the Company has changed the CPAs or accounting firm this year, it should indicate the audit period and explain the reason for the change under Remarks. It should also disclose the audit and non-audit fees paid.

Note 2: Non-audit fees are presented by service items. If the "other" non-audit fees are 25% or more of the total amount of non-audit fees, please list the services in the remarks column: Deloitte & Touche: The "others" of non-audit fees include NT\$160 thousand for the transfer pricing report as well as NT\$118 thousand for the ESG report and assurance service.

### (3) If there is a change of the accounting firm, and in the year of the change the audit fee is lower than that in the previous year, please disclose the audit fees before and after the change and the reasons: Nil.

### (4) If the audit fee is reduced by more than 10% over that in the previous year, please disclose the amount of audit fee reduced, the proportion and reason for the reduction: NA.

## 6. Change of Accountants: Nil.

## 7. The Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Firm of the Auditing CPA or Its Affiliated Businesses in the Past Year: Nil.



## 8. Particulars about Changes in Shareholding and Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More than 10% of the Company's Shares in the Past Year and as of the Date of Publication of the Annual Report:

### (1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

March 30, 2021 Unit: share

Title (Note)	Name	2020		Current year as of March 30	
		Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)	Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)
Chairman and GM	Shenglin Andrew Tseng	229,000	-	-	-
Director	Jue-Jia Chang	-	-	-	-
Director	Mei-Ching Tseng	293,000	-	-	-
Director	Chih-Wei Lai	-	-	-	-
Director	Yen-Shiang Huang	-	-	-	-
Director	Ding Fu Investment Co., Ltd. (Note 2)	-	-	-	-
Director (Legal representative)	Sheng-Bin Tseng (Note 2)	-	-	-	-
Independent Director	Feng-I Lin	-	-	-	-
Independent Director	Ching-Pu Chen	-	-	-	-
Independent Director	I-Fan Miao	-	-	-	-
Supervisor	Chih-Sheng Chang	-	-	-	-
Supervisor	Hsing-Chun Chen	158,000	-	39,000	-
Deputy GM, R&D Division	Jin-Chu Chen	10,000	-	-	-
Deputy GM, Business Division	Yuan-Tsung Lin	-	-	-	-
CFO and Corporate Governance Officer	Nick Hung	5,000	-	-	-
CLO	Chih-Lin Hung	-	-	-	-

Note 1: The Company has no shareholders with more than 10% of the Company's total shares.

Note 2: Ding Fu Investment Co., Ltd. was elected Director on May 29, 2018 and appointed Mr. Sheng-Bin Tseng as a legal representative on May 29, 2018.

### (2) Share Trading Information:

Name (Note1)	Reasons for transfer (Note 2)	Transaction date	Transaction counterpart	The relation between "Transaction counterpart" and "Company, director, supervisor and shareholding ratio exceed 10% shareholder"	Number of shares	Transaction price
Shenglin Andrew Tseng	Acquisition (Gift)	2020.06.04	Chang-Yeh Tseng	Mother-child relationship with Shenglin Andrew Tseng, chairman of the Company	75,000	-
Mei-Ching Tseng	Acquisition (Gift)	2020.06.04	Chang-Yeh Tseng	Mother-child relationship with Mei-Ching Tseng, director of the Company	75,000	-

Note 1: The name of Company, director, supervisor and shareholding ratio exceed 10% shareholder.

Note 2: Acquisition or Disposal.

### (3) Share pledge Information: NA.

### 9. Information about the top 10 shareholders who are related parties

March 30, 2021 Unit: share; %

Name	Own shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party relationship per the Financial Accounting Standards Bulletin No. 6		Remarks
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %	Name	Relationship	
Uni-President Enterprises Corporation	11,851,000	8.00	-	-	-	-	Nil	Nil	
Fubon Life Insurance	10,757,000	7.26	-	-	-	-	Nil	Nil	
Nanshan Life Insurance Co., Ltd.	7,468,000	5.04	-	-	-	-	Nil	Nil	
Shenglin Andrew Tseng	6,351,244	4.29	-	-	40,000	0.03	Chang-Yeh Tseng Mei-Ching Tseng	Mother and son Sister and brother	
Mei-Ching Tseng	4,993,117	3.37	-	-	45,000	0.03	Chang-Yeh Tseng Shenglin Andrew Tseng	Mother and daughter Sister and brother	
New Labor Retirement Fund	3,929,000	2.65	-	-	-	-	Nil	Nil	
Chang-Yeh Tseng	3,770,114	2.55	-	-	-	-	Shenglin Andrew Tseng Mei-Ching Tseng	Mother and son Mother and daughter	
Labor Insurance Fund	3,500,000	2.36	-	-	-	-	Nil	Nil	
Ching Biao Biotech Co., Ltd	3,012,000	2.03	-	-	-	-	Nil	Nil	
Cathay Life Insurance Co., Ltd.	2,419,000	1.63	-	-	-	-	Nil	Nil	

**10. Total comprehensive shareholding ratio for the number of shares held by the Company, the Company's directors, managers and the Company directly or indirectly controlled by the Company in the same investment business.**

December 31, 2020 Unit: thousand share; %

Re-invested businesses (Note)	The Company's investment		Investment by directors, supervisors, managers or directly or indirectly controlled businesses		Total investment	
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %
Pro-Partner Ltd.	10,560	60	-	-	10,560	60
GRAPE KING INTERNATIONAL INVESTMENT INC.	24,890	100	-	-	24,890	100
Shanghai Grape King Enterprise Co., Ltd.	No shareholding as it is a limited company	100	No shareholding as it is a limited company	-	No shareholding as it is a limited company	100
Rivershine Ltd.	3,000	100	-	-	3,000	100
Shanghai Rivershine Ltd.	No shareholding as it is a limited company	100	No shareholding as it is a limited company	-	No shareholding as it is a limited company	100
Dongpu Biotech Corporation	No shareholding as it is a limited company	100	No shareholding as it is a limited company	-	No shareholding as it is a limited company	100
GK BIO INTERNATIONAL SDN. BHD.	900	30	-	-	900	30
Shanghai Biotechnology Co., Ltd.	No shareholding as it is a limited company	35.1	No shareholding as it is a limited company	-	No shareholding as it is a limited company	35.1

Note: The investment of the Company based on the equity method.





# IV

## Capital and Shares

- 
1. Capital and Shares
  2. Corporate Bonds
  3. Preferred Shares
  4. Overseas Depositary Receipts
  5. Employee Stock Options
  6. Issuance of Restricted Stock for Employees
  7. Issuance of New Shares for Merger, Acquisition or Exchange of Other Companies' Shares
  8. Financing Plans and Implementation

## 1. Capital and shares

### (1) Source of Share Capital

March 30, 2021 Unit: NT\$ ; share

Year	Par Value (NT\$)	Approved Capital		Paid-in Capital		Amount	Source of Capital	Remarks	Capital Increased by Assets Other than Cash	Others
		Shares	Amount	Shares	Amount					
1969	1000	5,000	5,000,000	5,000	5,000,000	5,000,000	Establishment with cash		Nil	China Fusang
1971	1000	18,000	18,000,000	18,000	18,000,000	18,000,000	Capital increase		Nil	
1971	1000	500	500,000	500	500,000	500,000	Establishment with cash		Nil	Grape King Food
1973	1000	25,000	25,000,000	25,000	25,000,000	25,000,000	Capital increase		Nil	
1973	1000	500	500,000	500	500,000	500,000	Establishment with cash		Nil	Head & Shoulders
1977	1000	66,100	66,100,000	66,100	66,100,000	66,100,000	Capital increase		Nil	
1977	1000	48,600	48,600,000	48,600	48,600,000	48,600,000	Capital increase		Nil	
1977	1000	10,000	10,000,000	10,000	10,000,000	10,000,000	Capital increase		Nil	
1979	10	15,000,000	150,000,000	15,000,000	150,000,000	150,000,000	Capital increase		Nil	Grape King Enterprise
1982	10	19,380,000	193,800,000	19,380,000	193,800,000	193,800,000		In 1981, there was a capital increase of NT\$10,500,000 from earnings, an appreciation from asset revaluation of NT\$25,104,000, a merger with Head & Shoulders for NT\$3,696,000, and a capital increase of NT\$4,500,000.	Nil	
1984	10	23,000,000	230,000,000	23,000,000	230,000,000	230,000,000		Approval ref. "73 Tai-Tsai-Cheng (1) No. 1925" for a capital increase of NT\$36,200,000	Nil	
1990	10	27,692,000	276,920,000	27,692,000	276,920,000	276,920,000		Approval ref. "79 Tai-Tsai-Cheng (1) No. 31424" for a capital increase of NT\$46,920,000 from 1988 earnings	Nil	
1990	10	53,365,700	533,657,000	53,365,700	533,657,000	533,657,000		Approval ref. "79 Tai-Tsai-Cheng (1) No. 02854" for a capital increase of NT\$200 million and a capital increase of NT\$56,737,000 from 1989 earnings	Nil	
1991	10	75,000,000	750,000,000	58,857,550	588,575,500	588,575,500		Approval ref. "80 Tai-Tsai-Cheng (1) No. 03453" for a capital increase of NT\$54,918,500 from 1991 earnings	Nil	
1992	10	75,000,000	750,000,000	64,909,085	649,090,850	649,090,850		Approval ref. "81 Tai-Tsai-Cheng (1) No. 02709" for a capital increase of NT\$60,515,350 from 1991 earnings	Nil	
1993	10	75,000,000	750,000,000	71,543,276	715,432,760	715,432,760		Approval ref. "82 Tai-Tsai-Cheng (1) No. 30931" for a capital increase of NT\$66,341,910 from 1992 earnings	Nil	
1994	10	78,920,310	789,203,100	78,920,310	789,203,100	789,203,100		Approval ref. "83 Tai-Tsai-Cheng (1) No. 42929" for a capital increase of NT\$73,770,340 from 1993 earnings	Nil	
1995	10	111,000,000	1,110,000,000	86,945,448	869,454,480	869,454,480		Approval ref. "84 Tai-Tsai-Cheng (1) No. 39338" for a capital increase of NT\$80,251,380 from 1994 earnings	Nil	

March 30, 2021 Unit: NT\$ : share

Year	Par Value (NT\$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
1996	10	111,000,000	1,110,000,000	95,768,491	957,684,910	Approval ref. "85 Tai-Tsai-Cheng (1) No. 41796" for a capital increase of NT\$88,230,430 from 1995 earnings	Nil	
1997	10	111,000,000	1,110,000,000	105,441,166	1,054,411,660	Approval ref. "86 Tai-Tsai-Cheng (1) No. 73312" for a capital increase of NT\$96,726,750 from 1996 earnings	Nil	
1998	10	130,920,000	1,309,200,000	111,818,587	1,118,185,870	Approval ref. "87 Tai-Tsai-Cheng (1) No. 71962" for a capital increase of NT\$63,774,210 from 1998 earnings	Nil	
1999	10	130,920,000	1,309,200,000	130,818,587	1,308,185,870	Approval ref. "87 Tai-Tsai-Cheng (1) No. 92331" for a capital increase of NT\$190,000,000	Nil	
2005	10	150,000,000	1,500,000,000	133,435,040	1,334,350,400	Approval ref. "Jin-Guan-Cheng (1) No. 0940133992" dated Aug 17, 2005 for a capital increase of NT\$26,164,530 from earnings	Nil	
2008	10	150,000,000	1,500,000,000	130,235,040	1,302,350,400	Approval ref. "Tai-Cheng-Shang No. 09700286141" dated Sept. 23, 2008 for a capital cancellation of NT\$32,000,000	Nil	
2015	10	150,000,000	1,500,000,000	130,300,141	1,303,001,410	Conversion of convertible corporate bond into shares for NT\$651,010, approval ref. "Jing-Shou-Shang No. 10501040870" dated Mar 8, 2016	Nil	
2016	10	150,000,000	1,500,000,000	135,214,211	1,352,142,110	Conversion of convertible corporate bond into shares for NT\$49,140,700, approval ref. "Jing-Shou-Shang No. 10601033480" dated Mar 17, 2017	Nil	
2017	10	150,000,000	1,500,000,000	135,221,060	1,352,210,600	Conversion of convertible corporate bond into shares for NT\$68,490, approval ref. "Jing-Shou-Shang No. 10701023750" dated Mar 16, 2018	Nil	
2018	10	150,000,000	1,500,000,000	136,286,373	1,362,863,730	Conversion of convertible corporate bond into shares for NT\$10,653,130, approval ref. "Jing-Shou-Shang No.10701150430" dated Nov 11, 2018	Nil	
2019	10	180,000,000	1,800,000,000	136,286,373	1,362,863,730	Authorized Capital increased, approval ref. "Jing-Shou-Shang No. 10801073880" dated June 20, 2019	Nil	
2020	10	180,000,000	1,800,000,000	148,137,373	1,481,373,730	Authorized issuing new common shares-11,851,000 shares for cash in private placement to increase capital, approval ref. "Jing-Shou-Shang No. 11001016050" dated February 8, 2021.	Nil	

Share Type	Authorized Capital		Remarks
	Issued Shares	Un-issued Shares	
Common Stock	148,137,373 shares	31,862,627 shares	Listed shares (with 11,851,000 private placement shares, offering date (stock issue date) March 5, 2021)
		180,000,000 shares	
		Total	

Summary reporting system related information: NA



(2) Status of Shareholders

March 30, 2021 Unit: person; share; %

Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreigners	Total
Holding						
Number	5	14	219	39,165	164	39,567
Shareholding	9,338,000	24,156,686	21,818,590	77,040,237	15,783,860	148,137,373
%	6.30	16.31	14.73	52.01	10.65	100.00

Note: The Company is a Non-foreign issuer, no requirement of disclosing the shareholding ratio by the PRC.

## IV

## (3) Shareholding Distribution Status

Common Shares: Face value NT\$10 per share

March 30, 2021 Unit: person; share; %

Shareholding Tiers	No., of Shareholders	Shareholding	%
1 to 999	28,175	1,502,892	1.02
1,000 to 5,000	10,083	17,390,569	11.74
5,001 to 10,000	708	5,495,826	3.71
10,001 to 15,000	186	2,356,916	1.59
15,001 to 20,000	96	1,757,906	1.19
20,001 to 30,000	89	2,228,253	1.50
30,001 to 40,000	53	1,873,979	1.27
40,001 to 50,000	32	1,476,983	1.00
50,001 to 100,000	48	3,418,081	2.31
100,001 to 200,000	27	3,510,269	2.37
200,001 to 400,000	22	6,301,556	4.25
400,001 to 600,000	6	2,873,087	1.94
600,001 to 800,000	6	4,017,326	2.71
800,001 to 1,000,000	6	5,652,316	3.81
1,000,001 or more	30	88,281,414	59.59
Total	39,567	148,137,373	100.00

Preferred shares: NA

## (4) Major Shareholders

March 30, 2021 Unit: share; %

Name	Shares	Shareholding	%
Uni-President Enterprises Corporation		11,851,000	8.00
Fubon Life Insurance		10,757,000	7.26
Nanshan Life Insurance Co., Ltd.		7,468,000	5.04
Shenglin Andrew Tseng		6,351,244	4.29
Mei-Ching Tseng		4,993,117	3.37
New Labor Retirement Fund		3,929,000	2.65
Chang-Yeh Tseng		3,770,114	2.55
Labor Insurance Fund		3,500,000	2.36
Ching Biao Biotech Co., Ltd		3,012,000	2.03
Cathay Life Insurance Co., Ltd.		2,419,000	1.63

## (5) The Share's Market Price, Net Worth, Earnings and Dividends for the Past Two Years

Unit: NT\$, share, %

Item		Year	2019	2020	Current year as of March 30, 2021
Market price per share (Note 1)	Highest		222.00	234.00	184.00
	Lowest		168.00	162.00	170.00
	Average		199.28	186.71	177.95
Net worth per share (Note 2)	Before distribution		45.38	48.61	(Note 6)
	After distribution		38.88	-	-
Earnings per share	Weighted average number of shares		135,875,798	136,132,307	145,740,541
	Earnings per share		9.63	9.34	(Note 6)
Dividend per share	Cash dividend		6.50	6.40 (Note 7)	-
	Bonus shares	By Retained earnings	-	-	-
		By Paid-in Capital	-	-	-
Accumulated undistributed dividends			-	-	-
Investment return analysis	Price / Earnings ratio (Note 3)		20.69	19.99	-
	Price / Dividend ratio (Note 4)		30.66	29.17 (Note 7)	-
	Cash dividend yield rate (Note 5)		3.26	3.43 (Note 7)	-

Note 1: The highest and lowest market prices of ordinary shares in each year; the average annual market price is calculated based on the annual turnover and volume.

Note 2: Based on the number of shares issued as of the end of the year, and in accordance with the resolution of the annual shareholders' meeting on earnings distribution.

Note 3: Price / Earnings ratio = average closing price per share for the year / earnings per share.

Note 4: Price / Dividend ratio = average closing price per share for the year / cash dividend per share.

Note 5: Cash dividend yield rate = cash dividend per share / average closing price per share for the year.

Note 6: As of the date of publication of the annual report, the information hasn't been CPA audited or reviewed.

Note 7: The 2020 annual earnings distribution has not yet been approved during the shareholders' meetings.

## (6) Dividend Policy and Implementation Status

i. The Company is in a stable growth stage. It takes into account the current and future development plans, the investment environment, capital needs and domestic and overseas competitions, as well as the interests of shareholders and other factors in order to maintain a stable and sustainable operation. The Company distributes no less than 60% of the balance of the current annual surplus as dividends, but will not distribute dividends if the accumulated surplus is less than 10% of the paid-in capital. The dividends can be made in cash or stock, and the cash dividend will not be less than 10% of the total dividends.

If there is a surplus in the Company's annual accounts, after paying taxes and making up for the accumulated loss in accordance with the law, 10% will be allocated as the statutory reserve. However, if the statutory reserve has reached the paid-in capital amount of the Company, then no further allocation will be made and a provision or reversal of special reserve will be made from the balance in accordance with the law. If there is a balance of current surplus, it will be combined with accumulated undistributed surplus, and the Board of Directors will propose a surplus distribution motion for the dividend distribution resolution of the shareholders' meeting.

ii. The proposed dividend distribution:

On Feb 25, 2021, the Board of Directors adopted the proposed cash dividend of NT\$948,079,187 (NT\$6.4 per share) to shareholders, subject to the resolution of the 2021 shareholders' meetings.

iii. Is there any significant change to be made to the dividend policy: Nil.

## (7) Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share: There were no bonus shares.

## (8) Bonuses of Employees, Directors and Supervisors:

- i. The percentage or scope of the bonuses of Employees, Directors and Supervisors stipulated in the Articles of Incorporation :

According to the stipulations of the Articles of Incorporation, if there is a profit for the year, the Company shall pay 6% to 8% of it for the employee bonus and not more than 2% for the supervisor bonus. However, if there is still a cumulative loss, an amount to make up for the loss should be retained in advance. The aforesaid employee bonus shall be paid in shares or cash, and shall be approved by a board meeting with the attendance of more than two-thirds of the directors and the consent of more than half of the attending directors, and then be reported to the shareholders' meeting. The Company also has an "Employee Remuneration Management Procedure", which has been reviewed by the Remuneration Committee and approved by the Board of Directors, to regulate the details and methods of distribution.

- ii. The basis for the estimation of the amount of bonus of employees, directors and supervisors in the current period, and the accounting treatment if there is a difference between the actual employee bonus paid in shares or cash and the estimated amount: If there is a discrepancy between the estimated number and the actual amount in the resolution of the Board of Directors, it will recognize as profit and loss for the next year.

- iii. Bonus distribution as passed by the board meeting:

- (i) Bonus of employees, directors and supervisors paid in shares or cash:

A. Employee bonus: cash NT\$118,532,362; share distribution: Nil.

B. Bonus for directors and supervisors: NT\$29,633,090.

- (ii) Employee bonus paid in shares as a percentage of the total amount of the current net profit after tax and the total employee bonus: Nil.

- iv. If there is a difference between the actual distribution of bonus of employees, directors and supervisors (including the number of shares, the amount and the share price) in the previous year and the provision for the bonus, please describe the difference, the reason and the accounting treatment:

There is no discrepancy between the actual remuneration paid to employees, directors and supervisors in 2021 and the amount in the resolution of the Board of Directors.

## (9) Buyback of Treasury Stock

March 30, 2021

Treasury stocks: Batch Order	2 <sup>nd</sup> Trench
Purpose of buy-back	Share distribution to employees
Timeframe of buy-back	January 4, 2017 ~ March 3, 2017
Price range	118.00~349.50
Class, quantity of shares bought back	508,000 ordinary shares
Value of shares bought-back (in NT\$ thousand)	NT\$91,061,773
Ratio of number of shares bought back to the number of shares to be repurchased	16.93%
Shares sold/transferred	508,000 shares
Accumulated number of company shares held	0 shares
Percentage of total company shares held (%)	0%

**2. Corporate Bond :** Nil.

**3. Preferred Shares:** Nil.

**4. Overseas Depositary Receipts:** Nil.

**5. Employee Stock Options:**

(1) Employee Stock Options: Nil.

(2) The name, acquisition and subscription of the manager, as well as the top 10 employees, who have obtained the Employee Stock Options: Nil.

**6. Issuance of restricted share for employees:**

(1) Issuance of restricted share for employees: Nil.

(2) The name, acquisition and subscription of the manager, as well as the top 10 employees, who have obtained the restricted share for employees: Nil.

**7. Issuance of New Shares for Merger, Acquisition or Exchange of Other Companies' Shares:** Nil.

**8. Financing Plans and Implementation:**

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: In 2021, we completed the capital increase through private placement. Please refer to p.120-122 for handling private placement securities.



A person in a grey suit and blue tie is pointing with a green pen at a bar chart on a clipboard. The chart has blue bars and a red line. The background is a blurred office setting. An orange semi-transparent box is overlaid on the right side of the image.

V

Operations Profile



1. Business Scope
2. Market and Sales Overview
3. Employee Information for the Past Two Years and as of the Publication of the Annual Report
4. Environmental Expenditure Information
5. Labor Relations
6. Important Contracts



## 1. Business Scope:

### (1) Business scope

#### i. Main businesses:

- (i) C103050 Canned, Frozen, Dehydrated Food Manufacturing
- (ii) C106010 Flour Milling
- (iii) F203010 Retail sale of Food and Grocery
- (iv) F102170 Wholesale of Food and Grocery
- (v) C201010 Prepared Animal Feeds Manufacturing
- (vi) F202010 Retail sale of Animal Feeds
- (vii) F102040 Wholesale of Nonalcoholic Beverages
- (viii) C114010 Food Additives Manufacturing
- (ix) F121010 Wholesale of food additives
- (x) F221010 Retail of food additives
- (xi) C109010 Seasoning Manufacturing
- (xii) F501030 Coffee/Tea Shops and Bars
- (xiii) C802041 Drugs and Medicines Manufacturing
- (xiv) F108021 Wholesale of Drugs and Medicines
- (xv) F208021 Retail Sale of Drugs and Medicines
- (xvi) F208050 Retail Sale of the Second Type Patent Medicine
- (xvii) F108031 Wholesale of Drugs, Medical Goods
- (xviii) F208031 Retail sale of Medical Equipment's
- (xix) C802100 Cosmetics Manufacturing
- (xx) F108040 Wholesale of Cosmetics
- (xxi) F208040 Retail Sale of Cosmetics
- (xxii) C802090 Cleaning Products Manufacturing
- (xxiii) F207030 Retail Sale of Cleaning Preparations
- (xxiv) F107030 Wholesale of Cleaning Preparation
- (xxv) C105010 Edible Oil Manufacturing
- (xxvi) C102010 Dairy Products Manufacturing
- (xxvii) F206020 Retail Sale of Articles for Daily Use
- (xxviii) F106020 Wholesale of Articles for Daily Use
- (xxix) F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
- (xxx) F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
- (xxxi) F401010 International Trade
- (xxxii) H201010 Investment
- (xxxiii) H701010 Residence and Buildings Lease Construction and Development
- (xxxiv) C110010 Beverage Manufacturing
- (xxxv) C199990 Other Food Manufacturing Not Elsewhere Classified
- (xxxvi) F102030 Wholesale of Tobacco Products and Alcoholic Beverages
- (xxxvii) F203020 Retail Sale of Tobacco and Alcoholic Beverages
- (xxxviii) I401010 General Advertising Services
- (xxxix) JE01010 Rental and Leasing Business
- (xl) IZ12010 Manpower Services
- (xli) A101040 Edible Fungus and Algae
- (xlii) A101030 Special Crops
- (xliii) A101050 Flower Gardening
- (xliv) IG01010 Biotechnology Services

- (xiv) F401171 Alcohol Drink Import
- (xlv) F107080 Wholesale of Environment Medicines
- (xlvii) F207080 Retail Sale of Environment Medicine
- (xlviii) C802080 Pesticides Manufacturing
- (xlix) H703100 Real Estate Rental and Leasing
- (l) F601010 Intellectual Property
- (li) I101090 Food Consultancy
- (lii) C201020 Pet food processing
- (liii) F106060 Wholesale of pet food and appliances
- (liv) F206050 Retail of pet food and appliances
- (lv) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

ii. Business weighting:

Unit: NT\$ thousand; %

Product Type	Amount	Percentage
Health food	7,653,183	84
OEM	916,891	10
Beverage	211,868	2
Others(Note)	386,253	4
Total	9,168,195	100

Note: Others refer to cosmetics, general food, pet food, etc.

iii. The Company's current products:

The manufacturing and trading of health care products, beverages, etc.

iv. Development plan for new products in 2021:

Grape King plan to launch 17 products under its own brand this year including upgrading popular products, a range of convenience products, and products related to current market trends, e.g. drinks for boosting metabolism, controlling blood sugar, aiding sleeping, beauty maintenance, aid digestion, beauty and male health. This year, we will continue to conduct further research on probiotics and expand product development and utilization. Pro-Partner is planning to launch a variety of products this year, including health food for vegetarians, and liquid organic drinks in foil packs and enhance the commercial appeal of its everyday products that have undergone research and development using Grape King's raw materials and provide nourishment for the whole family.

(2) Industry overview

i. Industry status and development

Countries worldwide are actively promoting the development of the biotechnology industry to seize business and market opportunities. With the global trend of commercialization of biotechnology, Taiwan has included biotechnology in its key development programs for emerging technologies. At present, pharmaceuticals, medical equipment, health and well-being are the mainstream targets for the development of the biotechnology industry, which maximizes various investment incentives and information to commercialize development achievements, promotes industry-academic-research cooperation, organizes alliances for the export of medical products, strengthens connections with advanced countries regarding technology, accelerates internationalization, and improves the competitiveness of Taiwan's biotechnology industry.

With the efforts of the Government and the private sector over the years, Taiwan's biotechnology industry scale continues to expand. In 2019, the turnover of the biotechnology

industry reached NT\$559.7 billion, up 8.7% from 2018 and the private sector's investment in biotechnology was more than NT\$55.1 billion. The sales volume of health and well-being was NT\$194.4 billion; NT\$169.2 billion for medical equipment, NT\$110.6 billion for the biotech applications, and NT\$85.5 billion for pharmaceuticals.

As the world prepares for a super-aged society, every country is facing increasing medical costs and is seeking cost-effective solutions. Dealing with the issues of ageing, essential items and new industries that target health and wellbeing will be the main growth driver of the biotechnology market. The "Biotechnology Industry Innovation Plan" introduced by the Ministry of Administration in 2016 aims to establish Taiwan as the R&D industry center for biotechnology in the Asia-Pacific region by means of 4 action plans; creating complete ecosystems, integrating a tribal approach for innovation, connecting with international market resources, and introducing emerging industries to promote the development of the biotechnology industry as well as the health and well-being of citizens. There are three emerging industries; namely, precision medicine market niches, international medical care, and health & wellness. In the health and wellness industry, there is a need to adjust regulations, unify the medical system through commercial services, developing products and services using ICT techniques and cross-industry integration in order to achieve a smart, healthy life and innovative service for sustainable development in domestic and international markets. The health and wellness industry is new in Taiwan, backed a by quality medical system and extensive ICT/IoT, an integration platform for smart health service is utilized through the calculation and analysis of cloud data. Furthermore, a multi-level innovative service is being developed through a combination of mobile software and smart applications. It is also important to create a brand extension to accelerate the development and facilitate international expansion and marketing, as well as establish Taiwan as the Silicon Valley of biotechnology in the Asia-Pacific region.

Higher wages and living standards depend on a country's economic growth. Changing one's dietary habit could cause imbalanced nutrition. The rapid development of technology has led to faster communication, making life changes and work more stressful which are the factors that can be harmful people's health. Although seeking medical care is convenient in Taiwan, taking nutritional supplements has become widely accepted by many people. In recent years, the demand for nutritional supplements has been growing with various types and sources of nutritional supplements now available. Health requirements have accelerated the expansion of local nutritional supplements, which in turn attracted suppliers in the same industry and other industries, utilizing their core advantages as product focus, e.g. raw materials, production techniques, branding for the development of nutritional supplements.

As health care products have high added values, and different health care products can be offered to meet the needs of different groups of customers, they can easily form a separate market segment and attract manufacturers in the food, biotechnology and drug industries to invest in the development. Even upstream dealers of food ingredients or direct marketing/marketing companies are optimistic about the rapid growth of the health food market, and are investing in the development of health care products. The value of imports is NT\$12.479 billion in 2019, and the value of exports is NT\$14.140 billion in 2018 to NT\$16.682 billion in 2019, representing a growth of 17.98%. In view of the large volume of foreign health food imports, domestic health food manufacturers have taken a localization strategy to incorporate the resources of research institutions to jointly develop Taiwan's local health care ingredients for their products. This can not only reduce the price fluctuation impact of foreign resources, but because of the use of local health care ingredients, the products are easy to be accepted by the local people, and can form a separate market segment from the international market. In order to expand their businesses more

quickly, manufacturers also actively seek suitable products or partners to penetrate foreign markets. For example: To establish retail channels for its proprietary products in Mainland China, the Company has partnered with All Cosmos Bio-Tech to set up GK BIO INTERNATIONAL SDN. BHD., a joint venture in Malaysia. By combining the advantages of both agencies and distributors, it has tapped the nutrition and health food market in Malaysia.

With the "Health Food Management Law" published, health food is differentiated from general food. In addition, the Department of Health of the Executive Yuan announced the effectiveness assessment of health care products to serve as a basis for manufacturers' application for health food product reviews. At present, the health food safety assessment items announced by the Department of Health of the Executive Yuan include 13 items: the regulation of blood fat, regulation of blood sugar, allergy adjustment, immunity improvement, anti-formation of body fat, fatigue resistance, bone care, aging resistance, gastrointestinal function improvement, liver protection, dental care, and regulation of blood pressure and promotion of iron absorption. The Department has also established health food standards for products such as meniscus and fish oil.

On the direct marketing side, as of the end of 2019, the number of multi-level marketing companies reporting to the Fair Trade Commission was 334, of which local companies accounted for about 81.44%, and foreign companies accounted for only 18.56%. In 2019, the total number of participants in direct marketing in Taiwan was 3,694.6 thousand, and the total turnover of the multi-level marketing industry was NT\$93.541 billion. The main products of the multi-level marketing industry are still nutrition and health care products and beauty care products, followed by cleaning products. This situation has not changed for years. However, with the vigorous development of community media and the popularity of smart phones, the multi-level marketing industry is gradually transitioning from physical sales to virtual network. Products sold through multi-level marketing and direct sales require evaluation to achieve market acceptance and generate sales, whether they are new or existing products. As for multi-level marketing and direct sales operations, social networking is an important channel and the core of their product and industry promotions. Combining the advantages of internet access, social media and mobile payment is beneficial to platform integration between direct selling within the organization and direct sellers, as well as between external customers and the direct selling industry.

ii. Relationship among the industry's up, mid and down streams

Upstream: material development, formula development and upgrading.

Midstream: manufacturing.

Downstream: distribution channels, including the traditional physical stores (such as discount stores, beauty shops and supermarket chains), virtual channels such as online shopping malls or TV shopping, and direct marketing channels.

The Company has a complete industry chain. The upstream is the core manufacturing technology of microbial fermentation which is used to develop key ingredients such as lactic acid bacteria, *Ganoderma lucidum* and *Antrodia mycelium*. The midstream is the preparation and packaging capability and the downstream is the Company's own distribution channels and brands. Therefore, the Company can make a flexible response to the overall industry change and continue to win consumer favor and trust.

iii. Product development trends

- (i) Immunoregulation is the focus of the Company's development of health care products, and *Ganoderma lucidum* related products have obtained the health food certification of the

Department of Health.

- (ii) Lactic acid bacteria products have become one of the most popular intestinal health products in recent years. The lactic acid bacteria products of the Company are not only rich in bacteria, but are very popular with consumers. They also obtained health food certification numbers, and have the two functions of gastrointestinal function improvement and allergy adjustment.
- (iii) For Taiwan's common liver diseases, the Company developed health care products such as Antrodia King and Antrodia Aqua has obtained a health food certification number from the Department of Health for liver protection and blood pressure regulation functions).
- (iv) For the aging society, the Company developed health care products for the silver-haired group for delay of aging and prevention of Alzheimer's disease.
- (v) The Company developed ergot sulfide beauty drinks and facial masks with a strong anti-oxidative ability.
- (vi) For the different health needs of men and women, the Company developed energy drinks for men and beauty drinks for women.
- (vii) Develop and add precious plant extracts that protect the eyes and provide essential healthcare foods for 3C users.
- (viii) Develop a series of unique "Grape King" style snack and beverages to be sold exclusively at the Company's tourist factory.

#### iv. Competition

##### (i) Product competition:

- A. With the expansion of the domestic health food market, domestic Chinese and western pharmaceutical manufacturers and biotech companies have also stepped into the health food market, and grown quickly with their name recognition and existing technology in the pharmaceutical industry.
- B. With their policy changes, some foreign governments have allowed the sales of health care products in foreign countries which were originally for domestic sales only. Because of the citizens' infatuation with overseas brands, the participation of overseas health care brands will make the competition keener.
- C. On the direct marketing side, the increasing output value of the multi-level marketing industry year after year reflects the high potential of the direct marketing channel. However, the greater the output value, the higher the attractiveness for more enterprises to transform into multi-level marketing companies, and the more foreign multi-level marketing companies will enter the Taiwan market for market shares. The degree of competition is therefore increasing every year.

##### (ii) Channel competition:

With the change of market demand and consumption habits, health care products and beauty care products can be seen not only in the roadside open-shelf drug stores, suburban discount stores and existing multi-level marketing channels, but also in convenience stores around the corner. This accessibility has offered more options to consumers. Various industry groups have increased their investments in health food products and actively promote them through online media and physical channels, enabling customers to enjoy the most convenient way to purchase. Therefore, how to enhance product uniqueness, attract the attention of consumers and provide better after-sales service are the matters which require careful consideration.

#### (3) Overview of Technology and R&D

- i. *Hericium mycelium* fermentation technology: The 40 ton-liquid fermentation technology is now in production.

- ii. Lactic acid bacteria recovery technology: The continuous centrifugal technology in the recovery of lactic acid bacteria was developed, and the first domestic liquid nitrogen process was completed.
- iii. The anti-aging Hericium health care product was developed and launched.
- iv. Longtan Science Park Branch expanded the fermentation capacity to 100 metric tons in the first stage. An automatic freeze-drying process was introduced and in official operation from the 1<sup>st</sup> quarter of 2020.
- v. Awards won
  - (i) "Uses of treating, preventing or improving bone diseases with Probiotics, Pharmaceutical composition and edible composition thereof" was awarded a Gold medal at Malaysia MTE 2020.
  - (ii) "Compositions comprising an active compound for treating dementia and methods of use thereof" were highly praised with a Gold medal and a Special Prize at Malaysia MTE 2020.
  - (iii) "An active substance of Bifidobacterium lactis GKK2, a composition comprising thereof and its use for promoting longevity" won a Gold Medal at 2020 World Genius Convention & Education Expo.
  - (iv) "Antrodia Cinnamomea Mycelia as adjuvant treatment to chemotherapy" was awarded a Gold Medal at 2020 Russian Archimedes International Invention Exhibition.
  - (v) "Antrodia Cinnamomea mycelium for improving nonalcoholic steatohepatitis (NASH)" was awarded 1 Gold Medal at 20th European Exhibition of Creativity and Innovation.
  - (vi) "Use of Cordyceps Cicadae Mycelium Suppresses Allergy" was highly praised with 1 Gold and 1 Special Prize at 20th European Exhibition of Creativity and Innovation.
  - (vii) "An active substance for preventing hearing loss, a method for preparing thereof, a pharmaceutical composition comprising the active substance and a method for preparing thereof" won a Gold Medal at 2020 World Genius Convention & Education Expo.
  - (viii) "An active substance of Bifidobacterium lactis GKK2, a composition comprising thereof and its use for promoting longevity" won a Gold Medal at 2020 World Genius Convention & Education Expo.
  - (ix) "The use of Cordyceps Cicadae active substances for inhibiting and /or reducing allergic responses" won a Gold Medal at the 2020 Korea World Invention Contest (WiC).
  - (x) "LACTOBACILLUS FERMENTUM GKF3, Composition Comprising the Strain and Method for improving psychataxia using the same" was awarded a Gold medal at the 2020 Korea World Invention Contest (WiC).
  - (xi) "An active substance of Bifidobacterium lactis GKK2, a composition comprising thereof and its use for promoting longevity" were praised with a Gold medal and a Special Poland award at iCAN 2020.
  - (xii) "Method of Manufacturing and the Use of Cordyceps Cicadae Mycelia Active Substance for Preventing and/or Improving Acute lung Injury" and has won the Gold Medal at the iCAN 2020.
  - (xiii) "Use of Lignosus Rhinocerus Mycelia active substance for manufacturing and antiviral composition" won a Gold Medal and a Special Prize at International Invention and Trade Expo London (IITE).
  - (xiv) "LACTOBACILLUS FERMENTUM GKF3, Composition Comprising the Strain and method for improving Psychataxia using the same" won a Gold Medal and a Special Prize at International Invention and Trade Expo London (IITE).
  - (xv) "An active substance for preventing hearing loss, a method for preparing thereof, a pharmaceutical composition comprising the active substance and a method for preparing thereof" was awarded a Gold Medal at Ukraine Innovation Awards 2020.

- (xvi) "Multilayer Antioxidant Coating Lactic Acid Bacteria (MAOC-LAB) Microencapsule and Method of Producing the same" was awarded a Gold Medal at Ukraine Innovation Awards 2020.
- (xvii) "Use of Water Extract or Ethanol Extract of Cordyceps Cicadae for preventing, Delaying or Treating Cataract" won a Gold Medal at the 2020 Taiwan Innotech Expo.
- (xviii) "Uses of Treating, Preventing or Improving Bone Diseases by Lactobacillus Bacteria, Pharmaceutical Composition and Edible Composition Thereof" won a Gold Medal at the 2020 Taiwan Innotech Expo.
- (xix) "Use of Antrodia Cinnamomea Mycelia Active Substance for Ameliorating Chronic Obstructive Pulmonary Disease" won a Bronze Medal at the 2020 Taiwan Innotech Expo.
- (xx) Hericium mycelium acquired health food permit - DOH Health Food No. A00399.
- (xxi) CHANG,QIE-LI, TANGLIJIA, and QI-RUI Probiotics Powder won Symbol of National Quality (SNQ)
- (xxii) Happy Probiotics and QI-RUI Probiotics Powder acquired won the Innovation Product Award at the Taiwan Association for Lactic Acid Bacteria (TALAB).

vi. Patents obtained in the past three years:

Approving Country	Patent Name	Date	Patent No.
ROC	Purification of 4-Acetyl anthraquinone B component x from Antrodia Camphorate Mycelium using high performance centrifugal chromatography	Feb. 21, 2018	I615387
Japan	Chocolate products containing probiotics	Apr. 4, 2018	3215992
ROC	Anthraquinone mycelium fermented product for improving nonalcoholic steatosis hepatitis	Apr. 11, 2018	I620815
ROC	Chocolate products containing probiotics	May. 1, 2018	M559069
ROC	The utility model relates to a germinal lactobacillus, its composition, culture method and usage for reducing uric acid, improving allergy and/or lowering blood glucose	Sep. 1, 2018	I634207
ROC	The utility of the invention related to a lactobacillus germ, its composition, culture method for the elimination of body fat and the reduction of hepatomegaly and/or inflammation	Sep. 21, 2018	I636133
ROC	The invention related to a germ lactobacillus, its composition, its culture method and usage for lowering blood lipid, lowering liver function index, lowering uric acid and/or anti-inflammatory function	Sep. 21, 2018	I636134
Canada	The active substance of Cicada, its preparation method, pharmaceutical composition including the active substance and its use	Oct. 9, 2018	2912599
ROC	Feed additives and their applications	Dec. 11, 2018	I643559
ROC	Preparation and application of lilac mushroom mycelium composition inhibiting melanin production	Jan. 21, 2019	I648055
ROC	Novel Lactobacillus paracasei GKS6 used for improving metabolic syndrome, including its culture medium, cultivation method, applications, pharmaceutical compositions and edible compositions	Feb. 21, 2019	I651412
China	Chocolate products containing probiotics	Apr. 30, 2019	8788235
ROC	Active substance of morel used for improving reproductive function, including its applications and compositions	Jun. 11, 2019	I661830
Japan	Active substance for preventing hearing degradation, including its compositions and preparation method	May. 31, 2019	6533834
America	Active substance of Cicada and its application for prevention, delay or treatment of cataract	Jul. 9, 2019	10342833

ROC	Active substance of Cicada applied to inhibit and / or reduce allergic reactions.	Jul. 1, 2019	I663980
ROC	Antrodia Cinnamomea mycelium fermentation agent and its application for heavy metal balance	Jul. 11, 2019	I664972
ROC	Use of Lactobacillus, its pharmaceutical compositions and edible compositions applied for the treatment, prevention or improvement of bone diseases (M3 S6)	Jul. 11, 2019	I664910
ROC	Cicada active substance and its application of relieving intraocular pressure	Jul. 21, 2019	I666324
America	Active substance for preventing hearing degradation, including its compositions and preparation method	Sep. 10, 2019	10405504
ROC	Pharmaceutical compositions for prevention and / or treatment of metabolic diseases and their applications	Sep. 21, 2019	I672145
ROC	Cicada mycelium active substance applied for preparation of compositions for preventing, delaying or treating anterior and posterior chamber expansion, vitreous fluid expansion and / or retinal detachment	Oct. 11, 2019	I674102
ROC	Cicada extracted using water or alcohol for preventing, delaying or treating cataract	Dec. 1, 2019	I678210
China	Cicada mycelia active essence and neuron-cell protective compounds	Apr. 10, 2020	ZL 2014 1 0738259.6
China	Antrodia Cinnamomea mycelium for reducing cancer cells, with active essence and compounds	Apr. 14, 2020	ZL 2015 1 0212041.1
China	Hericium Erinaceus for relieving pain, Hericium Erinaceus mycelium active essence; production methods, and medical compounds	May 15, 2020	ZL 2015 8 0000569.0
Japan	Cicada mycelium active essence for preventing, delaying or treating anterior and posterior chamber expansion, as well as vitreous humor expansion of the eyes and/or detachment of the retina	May 7, 2020	6700374
ROC	Antrodia Cinnamomea mycelium active essence for treating chronic lung disease	Jul. 11, 2020	I698243
ROC	Cicada mycelia active essence for preventing or treating acute lung injury; production methods and uses	Aug. 11, 2020	I701335
ROC	Antioxidant multi-layer embedded probiotic particles	Oct. 1, 2020	M602044
America	Cicada mycelium active essence for preventing, delaying or treating anterior and posterior chamber expansion, as well as vitreous humor expansion of the eyes and/or detachment of the retina	Nov. 17, 2020	US 10835563 B2
China	Antrodia Cinnamomea mycelium active essence and neuron-protective compounds	Oct. 13, 2020	ZL 2014 1 0735439.9
ROC	Bifidobacterium lactis GKK2, compounds and methods to relieve asthma	Nov. 11, 2020	I709408
Japan	Cicada mycelia active essence for preventing or treating acute lung injury; production methods and uses	Nov. 5, 2020	6789339
America	Cicada active essence for preventing or treating acute lung injury; production methods and uses	Dec. 15, 2020	US 10865377 B2

vii. New products developed in the past five years:

Tian Qi Ling Zhi Essential Drink, Tian Qi Maca Essential Drink, Snow Brightening Essential Drink, Ling Zhi Anti-allergy, GoldCombest Energy Drink, Slim Turmeric Complex, Marigold Lutein QQ for Kids, Probiotic King Powder, Bone and Joint King, Sliim Probiotics King, Hericium Erinaceus King, Marigold Lutein Complex, Women's Probiotics, Cranberry Q10 Queen, Gold Maca King, Probiotics flavor cream roll, Blaze mushroom cookies, Versicolor health snack, Combest ice cream, Hot Grass Jelly, Antrodia Drip Coffee, Fu Ba Xin Capsule, Super 13 Pro&Prebiotics, Daily Light, Agaricus Blazei Murill Noodle, Agaricus Blazei Murill Capsule, LGG Probiotics, Pro-Partner



Neuro-trition, Probiotics King, Super 13 Pro & Prebiotics(N), TANGLIJIA, CHANG,QIE-LI, Coriolus versicolor Noodle, Happy Probiotics, Night Sliim Turmeric Complex.

viii. R&D Expenses in the past three years

Unit: NT\$ thousand			
Year	2018	2019	2020
Amount	184,569	190,091	252,857

(4) Long-term and Short-term Development

With the continuous stimulation of market sales incentives, consumer spending habits change year by year, and the existing distribution channels are bound to face difficulties and the development is limited. For the sustainable development of the business, the short and long-term business directions are mainly on new channels and the development of new products to meet consumer demands better and expand the consumer base for performance growth. The product and channel planning is as follows:

i. Short-term business development

(i) Short-term product planning

(ii) In 2020, new products, i.e., turmeric series (Slim Turmeric Complex, Night Sliim Turmeric Complex) continued to be our hot items, driving year-round growth. Looking forward to the new year, we will stay committed to our mission "Live Healthy, Think Grape King" while achieving our product objectives and meeting the health needs of the whole family. Besides maintaining our best-selling products, we expect to launch a variety of health products with anti-aging and rejuvenating benefits, as well as beauty care and cardiovascular support. By combining Grape King's excellent research and development strategies with high-quality functional raw materials and long-term health benefits, we have successfully launched various functional foods and snacks for people who want a healthy daily diet.

Short-term channel planning

Big data operation in digital marketing is introduced for the strategic planning of the distribution channel. It allows the Company to accurately determine potential customers with a positive business flow, to drive the membership growth, and to diligently improve the quality of customer service. We also strengthen our analysis of the member database, through which consumers are segmented accordingly with different schemes of promotion to increase the buyback. Through this improvement in both the quality of our members and of our services, an overall performance growth is expected. In addition, Pro-Partner will continuously develop new products to diversify their product line, meeting the various needs of Pro-Partner members, and further expand the sales performance of Pro-Partner brand operators / supporters, as well as intensify market expansion.

ii. Long-term business development

(i) Long-term product plan :

In response to the diversity of consumer health care requirements, we have planned the implementation, application and development of health food certification to comply with the regulatory requirements on the sales of products. In addition to the existing gastrointestinal, immunoregulatory, liver protecting, blood glucose regulating, blood pressure reducing, anti-fatigue and anti-allergy products, we will add weight management, age-delaying and other functional products to expand our product function range as the long-term product plan to expand the consumer base.

Through its powerful research and development process, the Company combines high-quality functional raw materials with commonly consumed food to launch a variety of health functional foods that can help people attain health in what they eat and drink every day.

(ii) Long-term channel plan :

In terms of channel expansion, virtual e-commerce channels are currently the largest. In addition to economic and business opportunities through zero-touch e-commerce and online home purchases during the pandemic, long-term membership sales will be the main growth driver in the future. Grape King's in-house membership platform-e-Shop has gained more than 120,000 members. In the future, we will get more involved with Omni-media management to further increase the number of new members, and broaden the scope of new member management. It is expected that the number of new members will exceed 200,000 in the next five years. Backed by our high-quality R&D personnel and nutrition support team, we will continue to provide complete health advice from a professional perspective, gradually manage the depth of membership, and become a comprehensive health expert. In terms of physical consumption channel operations, we will look to our new strategic partnership we formed with the Uni-President Group who has a vast amount of experience and is good at operating in the fast-moving consumer goods (FMCG) category. We aim to officially introduce recreational health foods to the consumer market too.

Due to the strong demand for healthcare and disease prevention in China driven by its economic growth, the health industry has continued to flourish in recent years. The Company has also proactively deployed in the mainland healthcare product market. In addition, the ODM advantages of Shanghai Grape King Enterprise Co., Ltd. are consolidated with our R&D base in Taiwan. With its continual provision of competitive dietary supplement tailored for China's marketing groups, we are confident that we'll be experiencing a steady expansion of our operational scale.

In addition, Pro-Partner's multi-level marketing (MLM) business has reached stability in Taiwan, with the gradual improvement of its expertise and technology. In order to meet the growth of its MLM business at home and abroad, it initially found its footing in Taiwan before expanding to regions/countries with large Chinese population, such as China or Southeast Asia. This is considered an important milestone to the Company in the medium-long term.

## 2. Market and Sales Overview

### (1) Market analysis

- i. Main product sales area: Metropolitan areas of Taiwan Island.
- ii. Market share:

The Company's *Ganoderma lucidum* and *Antrodia camphorate* products have been the leading brands over the years with a market share of more than 50% respectively. While there are other competing products, with our brand name recognition we are able to maintain a substantial market share. On the direct marketing side, the sales volume of the Company's direct marketing affiliates reached NT\$7.791 billion in 2019, accounting for 8.33% of the total multi-level marketing market's NT\$93.541 billion.

- iii. Future market supply and demand and growth:

The Company spares no effort in the development of new products to meet the health needs of the people. We apply accurate marketing strategies, supplemented by distribution channels which are familiar with the market, to introduce a variety of new products to continue the growth of our business. In the multi-level marketing industry, Pro-Partner Ltd. currently has around 34

products and competes with various companies. In the future, we intend to expand the product range both horizontally and vertically, and continue to develop various products in different categories, such as beauty care, daily-life, etc., so as to improve sales performance and gain market share.

iv. Favorable and unfavorable factors for development and countermeasures

(i) Favorable and unfavorable factors for development:

Favorable Factors	Unfavorable Factors
<p><u>Health food industry:</u></p> <ol style="list-style-type: none"> <li>1. Because of an aging population, the demand for health care products will increase year by year, and is not affected by the financial turmoil.</li> <li>2. The Company set up its biological center in 1991 and had an early start. As the hardware and software have matured, the Company is stepping into the development of key components to improve profitability and raise the entry barrier.</li> <li>3. The Company's products such as Ganoderma lucidum and Antrodia camphorate have been selected as those with high entry barriers for world-class manufacturers, etc. The Company therefore has an advantage in international competition.</li> <li>4. The Government provides NT\$10 billion per year to support the biotechnology industry, and the industry outlook is promising.</li> </ol>	<p><u>Health food industry:</u></p> <ol style="list-style-type: none"> <li>1. The implementation of the Health Food Law raises the cost of product research and development and increases operational difficulties. However, in the long run this can phase out the weak and only the strong will stay, and professional manufacturers will be protected as a result.</li> <li>2. With the continuing economic downturn, non-daily necessities such as health food have been bearing the brunt, and people's willingness to purchase has declined. This has impacted sales.</li> </ol>
<p><u>Food and beverage industry:</u></p> <ol style="list-style-type: none"> <li>1. Taiwan has a warm weather, and the demand for beverage is strong.</li> <li>2. With the development of the economy, the national income level is improving, and people are paying more attention to the quality of life and leisure activities. With the expansion of consumption, beverage demand has improved, and there is a great potential in the development of the beverage market.</li> </ol>	<p><u>Food and beverage industry:</u></p> <ol style="list-style-type: none"> <li>1. Government will significantly reduce import tariffs in order to join the WTO, and there will be more imported goods. In the future, the competition in the beverage market will be high.</li> <li>2. Beverage manufacturers like to swarm into a particular type of beverage, and the price competition will lower the profit.</li> <li>3. The product homogeneity of beverages is high, and the market competition is keen. In order to maintain the consumer's recognition of the brand and purchase intent, advertising expenses have to increase significantly.</li> </ol>
<p><u>Pharmaceutical Industry:</u></p> <ol style="list-style-type: none"> <li>1. The pharmaceutical industry is one of the top ten emerging industries of the country, and a key industry promoted and supported by the Government.</li> <li>2. As the population is aging and the living standards are improving, health issues are attracting more attention and the demand for drugs is increasing. Therefore, the size of the drug market is expanding.</li> <li>3. With the rise of health awareness, consumers are more attracted to health and health care related products.</li> <li>4. The Company was certified by the Department of Health as a "Pharmaceutical Manufacturer Implementing G.M.P" in 1987. The plant management and product quality are affirmed by the industry.</li> </ol>	<p><u>Pharmaceutical Industry:</u></p> <ol style="list-style-type: none"> <li>1. Most consumers prefer foreign original drugs. Though domestic GMP manufacturers produce drugs with the same effect, due to people's medication habits, domestic GMP manufacturers have long been in an inferior competitive position which is disadvantageous to the development of domestic pharmaceutical manufacturers.</li> <li>2. Large foreign pharmaceutical companies have come to Taiwan to erode the domestic drug market. This is disadvantageous to the development of domestic pharmaceutical manufacturers.</li> <li>3. At present, there are more than 100 domestic GMP pharmaceutical manufacturers and numerous small manufacturers. There is a</li> </ol>

Favorable Factors	Unfavorable Factors
	fear of vicious competition.

(ii) Countermeasures

The Company adopts a self-sufficient development model in the short run to reduce costs, create differentiation and increase profitability, and a central concept of "continuous R&D" to constantly upgrade the manufacturing process, introduce academic resources, and apply for government subsidies to ensure a leading position in the industry. The Company also increases its R&D expenses year by year, uses technology transfer and industry-academia cooperation to actively develop new products and new effects, and enhances the added value of the products by obtaining patents and health food certifications. The R&D focus is "going clinical and international", that means working with foreign scholars to publish journals and complete clinical trials to prove to foreign buyers the effectiveness of the Company's products or raw materials and raise their interest, so as to enter the international market.

(2) Important usage of the main products and production process

i. Important usage of the main products

- (i) Probiotics & Prebiotics: The product can change the body's bacterial plexus ecology, maintain the digestive function and adjust the physiological function.
- (ii) Bio Aid 995: The product can provide the necessary nutrients for a balanced body to help maintain good health.
- (iii) Antrodia Aqua: The health drink can balance the body's constitution, and has no side effects on the human body.
- (iv) Meal Supplement: The product can promote the body's metabolism, provide balanced nutrition for growth and help the body regain strength.
- (v) Li Sheng: The product can adjust the body's constitution and promote metabolism.
- (vi) Bai Ke Sz capsule: The product can nourish the body and adjust the body's constitution.

ii. The production process of the main products

(i) Super 13 Pro & Prebiotics

Material collecting	Cultivating	Blending	Capsule sorting	Filling	Packaging	Quality control	Awaiting testing	Warehousing
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(ii) Bio Aid 995 and Antrodia Aqua

Material collecting	Cultivating	Blending	Sterilizing	Flavoring	Filling	Sealing	Spray printing
Sterilizing	Packaging	Labeling	Packaging	Quality control	Awaiting testing	Warehousing	

(iii) Meal Supplement, Li Sheng and Bai Ke Sz capsule

Material collecting	Blending	Testing	Filling	Testing	Packaging	Warehousing
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(3) Supply of major raw materials

Main Materials		
Raw Material	Main Source	Status of Supply
Capsule	Domestic manufacturer	Normal
Granulated sugar	Domestic manufacturer	Normal

Vitamins and food additives	Domestic manufacturer	Normal
Alcohol	Domestic manufacturer	Normal
Chinese medicine	Domestic manufacturer	Normal
Lactic acid bacteria	Domestic manufacturer	Normal
Ganoderma lucidum	Domestic manufacturer	Normal
Antrodia camphorate	Domestic manufacturer	Normal
Aluminum foil carton	Foreign manufacturer	Normal
Carton	Domestic manufacturer	Normal
Carton box	Domestic manufacturer	Normal
Glass bottle	Domestic manufacturer	Normal

(4) Names of customers who accounted for more than 10% of the total amount of goods purchased/sold in the past two years, the amounts and percentages of the goods purchased/sold and the reasons for the increase or decrease.

- i. Major Suppliers in the past two years: The Company did not have any supplier who accounted for more than 10% of the total goods purchased in the past two years.
- ii. Major Customers in the past two years: The Company did not have any customer who accounted for more than 10% of the total goods sold in the past two years.

(5) Production in the last two years

Unit: NT\$ thousand

Major product (or department)	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Health food	Note	Note	706,379	Note	Note	789,189
Beverage - General Liquid (L)	Note	Note	98,120	Note	Note	91,701
Other (ODM, cosmetics, etc.)	Note	Note	725,719	Note	Note	682,680
Total			1,530,217			1,563,570

Note : Due to inconsistent product measurement units, the quantity is not aggregated.

Reason for change: There is no significant change in sales compared to the previous year.

(6) Shipments and sales in the last two years

Unit: NT\$ thousand

Major product	2019				2020			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Health food	Note	7,717,633			Note	7,654,335		
Beverage - General Liquid (L)	Note	206,692			Note	229,595		
Other (ODM, cosmetics, etc.)	Note	1,287,646	Note	27,099	Note	1,239,404	Note	44,861
Total		9,211,971		27,099		9,123,334		44,861

Note : Due to inconsistent product measurement units, the quantity is not aggregated.

Reason for change: There is no significant change in sales compared to the previous year.

### 3. Employee Information for the Past Two Years and as of the Publication of the Annual Report:

Unit: person; %

Year		2019	2020	2021 as of the date of publication of the Annual Report (March 30, 2021)
Number of employees	Staff	500	479	496
	Technician	100	144	126
	Operator	116	130	133
	Total	716	753	755
Average age		36.17	37.37	37.28
Average service year		5.17	5.65	5.77
Academic distribution	Ph.D.	1.26	1.33	1.32
	Master's degree	13.83	15.14	14.83
	College	57.68	59.10	57.10
	High school	18.85	15.80	17.88
	Below high school	8.38	8.63	8.87

Note: The number of employees is the total number of employees of the Company and its subsidiaries (including contracted and expatriate employees).

### 4. Environmental Expenditure Information:

- (1) Environmental expenditure items are mainly divided into water pollution prevention and control management, air pollution prevention and control management, waste management, and other related expenses.
- (2) Various environmental management expenses are as follows:  
Environmental administrative fees, environmental facilities maintenance costs, environmental treatment costs, environmental testing costs and environmental improvement costs.
- (3) The overall environmental protection investment planning and cost in 2020 are as follows:

Unit: NT\$ thousand

Environmental management	Zhongli plant	Pingzhen plant	Longtan branch	Total
Wastewater management	48,887	2,135	6,637	57,659
Waste management	5,083	818	4,243	10,144
Air pollution management	90	-	123	213
Total	54,060	2,953	11,003	68,016

- (4) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: As of the date of publication of the 2020 Annual Report, the total fine is NT\$ 12,000.

#### 1. Zhongli Plant

(1)The Environmental Protection Agency conducted an audit of the waste disposal plan (Environmental Protection Department Supervisory Letter No. 1091187173 on November 3, 2020, Project number: EP1090304), and found that the amount of organic sludge in May, October and November of 2019 was larger than 10% (16.95 metric tons) of the maximum monthly output set forth in the waste disposal plan, violating the provisions of Subparagraph 1, Paragraph 1, Article 31 of the Waste Disposal Act, which is subject to a fine of NT\$ 6,000.

(2)Future countermeasures: The Zhongli Plant has completed the revision of its waste disposal plan, and the maximum monthly output of organic sludge is 81.48 metric tons per month.

## 2. Longtan Plant

(1)The Environmental Protection Bureau of Taoyuan City Government sent a letter on November 26, 2020 (Tao-Huan-Shi-Tzu No. 1090107979). It was found that in the waste online report from June to December 2019, there was an abnormal presence of organic sludge (D-0901) in the quality balance of output, storage and cleaning, which violated the provisions of Subparagraph 2, Paragraph 1, Article 31 of the Waste Disposal Act. Hence, the company shall be imposed a fine of NT\$ 6,000.

(2)Future countermeasures: The following improvement measures have been implemented.

a. Increase the number of review supervisors for waste declaration.

b. Increase the frequency of waste removal and reduce the amount of storage in the current month.

## 5. Labor Relations:

### (1) Employee welfare:

The Company adopts a dual welfare system (dual welfare from the Company itself and the Welfare Committee).In order to ensure the Company's compensation and welfare system is advantageously above the industry level, we actively introduced various management system, such as the performance and target management system to effectively distinguish between the superior and inferior employees, so as to make the performance assessment fair and transparent. The Company also set up a merit and demerit bonus weighting system to effectively encourage employees to set high standards for themselves and exceed the goals set for them. The Company also introduced a reward and punishment system and a model employee system to create a positive influence through excellent employees and create a sense of honor. The welfare items are summarized as follows:

List of Welfare Items			
Year-end bonus	Festival gifts	Uniform and free cleaning	Salary account remittance fee discount
Employee compensation	Wedding cash gift	Shopping privilege	Parking facilities
Group insurance	Funeral support	Scholarship	Health center, breast feeding room
Employee dependency Insurance	Child birth cash gift	Scholarship for children	Employee travel
Travel insurance	Hospital support	Designated store discount	Retirement program
New staff health check	Birthday cash gift	Model employee selection	Meal subsidies
Regular staff health check	Year-end activity or cash gift	Dragon Boat Festival Cash gift	Mid-Autumn Festival Cash gift

### (2) Staff advanced study and training:

In order to implement the Company's training policy of "adhering to quality system training and developing not just the business but the careers of the employees as well", the Company continues to cultivate talents, actively introduced the TTQS system (a quality management system for talent development), and encourages employees to participate in various learning opportunities to form a good learning atmosphere within the organization.

i. Training performance over the years:

- (i) The employees are encouraged to participate in relevant training courses organized by domestic and foreign government agencies and civil organizations to acquire the latest information and market trends.
- (ii) The Company combined government resources to develop training courses, and actively cultivated the employees for diversified talent development.
- (iii) The Company conducted orientation training to newcomers, and the training content included a description of the Company's business philosophy, operations, organizational structure, products and services, code of conduct, business confidentiality, personal data protection, internal rules and regulations, as well as an introduction to the information environment, labor safety, food safety, work content and work environment.
- (iv) Through regular access to the "GPS Navigation - Seeing the Technology of Grape King" each quarter, the staff will be able to understand more about the Company's operations and related hardware and software equipment and environment, so as to build staff loyalty.
- (v) The Company actively invited professional lecturers from domestic and foreign academic or educational institutions to make thematic speeches. Through a variety of interactive activities, the employees could absorb new knowledge and exchange technical know-how.

ii. Analysis of training performance over the years:

Item \ Year	2019	2020	2021 as of the date of publication of the Annual Report (March 30, 2021)
Average no. of external training hours per month	379.00	263.58	190.17
Average no. of internal training hours per month	532.80	567.29	230.50
Average no. of employees receiving external training per month	35.25	29.92	20.67
Average no. of employees receiving internal training per month	229.50	230.08	124.00
Total annual training hours	10,942	9,971	1,262
Total no. of employees receiving training during the year	3,195	3,120	434
Annual training penetration rate (%)	99%	92%	42%

(3) Retirement system and its implementation:

The Company has formulated a staff retirement scheme in accordance with the Employee Retirement Measures of the Labor Law, and will fund a dedicated account on a monthly basis for such use in accordance with the provisions of the Employee Retirement Fund Provision and Management Measures. Employees who have served the Company for more than 15 years and are 55 years of age or older, or who have served the Company for more than 25 years, or who have served the Company for more than 10 years and are 60 years of age or older are entitled to old retirement applications. The Company will give a multiplier of 2 for every year of service, but for a service of more than 15 years, after the 15th year a multiplier of 1 will be given for every year of service, with the highest total of 45. A service of less than half a year will be calculated as half a year, and more than half a year will be calculated as a year. With the new employee pension scheme, the monthly allocation covered by the Company should not be lower than 6% of the employee's monthly salary.

- (4) In order to promote the harmonious relationship between the employees and the Company, we actively promote various measures to safeguard the rights and interests of all employees to ensure that the Company's corporate governance conforms to the relevant laws and regulations. The relevant safeguarding measures are as follows:



- i. Regularly holding labor meetings to ensure a smooth communication channel between the employees and the Company.
  - ii. Providing multiple complaint and report channels (such as an opinion box and a report and complaint telephone line and email address).
  - iii. Implementing satisfaction surveys to listen to the employees' voices.
  - iv. The old and new employees meet from time to time to provide assistance or advice regarding the work of other employees.
  - v. Implementing internal and external audit systems to strengthen the Company's operations.
  - vi. Increasing policy advocacy methods (such as internal sites, email address, bulletin boards, meetings, briefings and written tests) to enhance the employees' understanding and participation.
- (5) Working environment and employee personal safety protection measures:

The Company has long been committed to staff care, and looks forward to its growth as well as fulfilling its social responsibility in order to achieve sustainable development. The specific measures are as follows:

- i. Company structure:
  - (i) Establishment of a level-one unit: Work Safety Department and Environmental Protection Department.
  - (ii) Establishment of a cross-department disaster prevention unit: the Occupational Safety and Health Committee.
  - (iii) Establishment of the Employee Health Management Center: Employed full-time Registered Nurses and Occupational Physician (concurrent)
- ii. Management policy:
  - (i) Following the strategy, "Perform compliance obligation, reduce risk of danger, implement environmental protection policy, friendly environment for workplace, promote participation of all and cycle improvement for sustainability" to promote occupational safety, healthcare and management solution.
  - (ii) Establishing occupational safety norms for employees to comply with: The Company has compiled a total of 36 procedures (i.e., occupational safety and health manuals, management of environmental safety and health risks and opportunities) and a total of 38 SOPs (i.e., code of conduct for occupational safety and health), that serve as operating guidelines to employees.
  - (iii) Fire prevention and public safety: The Company annually reports the fire equipment maintenance status and conducts public building safety inspections, and regularly holds fire and emergency evacuation drills for the employees' prevention awareness.
  - (iv) Education and training: Orientation training for new staff, fire prevention training (twice a year), vocational license annual re-training (for hazardous operation executives, stacker operators, crane operators, pressure vessel operators, etc.).
  - (v) Health protection related operating rules: The Company has formulated the "Working Rules for the Protection of Maternal Labor's Health", "Operating Procedures for Prevention of Abnormal Workloads Which Trigger Diseases", "Management Procedures for Prevention of Hazards Due to Human Factors", "Operating Procedures for Prevention of Unlawful Infringement in the Execution of Duties", "Operating Procedures for Worker Selection and Assessment", "Operating Procedures for Work Resumption Assessment", "Operating Procedures for Worker Dispatch Assessment" and "Health Management Procedures", and has arranged regular health checks, special operation-related health checks, influenza vaccinations, etc. for the staff health protection.

iii. Implementation status:

- (i) Confined space: For the cleaning and maintenance of fermentation tanks and other confined spaces, the Company has established the "Management Approach for Confined Space Operation" and requires the operator to wear oxygen detection equipment, anti-fall equipment, a helmet and other personal safety equipment before the work.
- (ii) Chemicals and toxicants: The Company manages chemicals and toxicants for R&D and commodity inspection purposes in accordance with the requirements of the Occupational Safety and Health Ordinance and the Environmental Protection Regulations (on the storage of liquid ingredients and waste liquids, entry and exit registration, periodic filing and regular SDS updates).
- (iii) Health management: According to the "Employee Health Check Practices" and related regulations, the Company annually offers special-operation health checks to employees who are exposed to noises or chemicals or in contact with the products, and offers a general health check for employees over a certain age every 3 to 5 years. In both 2018 and 2020, the Company followed and excelled the statutory requirement of providing free health checks for all employees. In the future, the Company will strive for the goal of annual health checks to all employees.

Year	Number of Health Checks Performed
2018	345
2019	389
2020	444

For the prevention and handling of accidents in the plant, the plant is currently equipped with qualified nursing staff, nursing carts and the Health Management Center, and each production unit (at the entrance) is equipped with a first-aid box and AED equipment for emergency use.

- (iv) Occupational hazards: The Company did not have any major occupational hazards from 2018 to 2020.

iv. Relevant Certification :

- (i) Application of "Taoyuan City's Excellent Breastfeeding Room Certification" in 2018 (Pingzhen Plant, Tourist Factory, Zhongli Plant).
- (ii) Application of "Work Life Balance Award" 2018.
- (iii) AED Secure Places Certification from Taoyuan City Government in 2019.
- (iv) Sports Enterprise (Taiwan i Sports) certification from Sports Administration in 2019(Pingzhen Plant, Zhongli Plant).
- (v) Won "Outstanding Healthy Workplace Award" from Ministry of Health and Welfare in 2019.
- (vi) The Company obtained ISO/CNS 45001(Occupational health and safety management systems) transitional certification in 2019.
- (vii) Sports Enterprise (Taiwan i Sports) certification from Sports Administration in 2020(Longtan Plant).
- (viii) The Company obtained Smoke free & health promotion from Badge of Accredited Healthy Workplace -.

(6) Other important agreements: Nil. The Company regularly holds labor meetings to facilitate communication between the employees and the Company.

(7) Any loss due to labor disputes in the past year and as of the date of publication of the annual report:

In 2020 and as of the Date of Publication of the Annual Report, the Ministry of Labor has imposed penalties which are listed below. The Company has since set up complete and efficient labor-management communication channels, and has provided employees with a good working environment and comprehensive welfare program. There have been no major labor disputes or incidents that caused major losses. The Company will continue to safeguard labor rights and interests, and strive to maintain a harmonious labor-management relationship.

Penalty date	Penalty No.	Breach of law	Breach of provisions	Penalty
2020/01/02	No. 1080332393 of Labor Inspection in 2020	Article 32-2 of Labor Standards Act	Extended working hours beyond the legal limit	Fine NT\$150,000

## 6. Important Contracts:

In addition to regular supply and sales contracts with its distributors and agents throughout the province, the Company has the following contracts in place:

No.	Contract Type	Counterparty	Contract Start and Ending Dates	Contents
1	Contract for real estate sale	Onano Industrial Corp.	February 4, 2020 – June 16, 2020	Transaction for real estate of Pingzhen new plant
2	Construction and service contract	Wei-Mao Environmental Technology	Party B (Wei-Mao) officially informed Party A (Grape King) in written form that the contract is valid for ten (10) years from the official operation date of the treatment equipment	Construction of the wastewater treatment expansion project phase II of Zhongli Plant and wastewater treatment service of Zhongli Plant





# VI

## Financial Profile



1. Condensed Balance Sheet and Income Statement in the Past Five Years
2. Financial Analysis in the Past Five Years
3. Supervisors' Review Report of the Latest Financial Report
4. Latest Consolidated Financial Statements of the Parent Company and Subsidiaries Audited and Certified by CPAs
5. Latest Individual Financial Statements Audited and Certified by CPAs
6. If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed

## 1. Condensed Balance Sheet and Consolidated Income statement for the Past Five Years

(1) Concise Consolidated Balance Sheet – Adopting International Reporting Standards.

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years				
		2016	2017	2018	2019	2020
Current assets		2,970,564	2,890,021	2,892,983	3,066,333	3,971,424
Property, plant and equipment		6,084,377	6,355,416	5,926,655	6,453,533	7,307,695
Intangible assets		26,635	22,442	20,141	34,786	38,341
Other assets		468,180	623,777	1,808,270	1,804,419	1,786,661
Total assets		9,549,756	9,891,656	10,648,049	11,359,071	13,104,121
Current liabilities	Before distribution	2,473,150	2,879,037	3,270,009	2,810,317	3,500,574
	After distribution	3,760,151	4,306,627	4,687,740	4,260,989	Not yet distributed
Non-current liabilities		1,293,657	684,647	444,770	1,077,902	1,625,093
Total liabilities	Before distribution	3,766,807	3,563,684	3,714,779	3,888,219	5,125,667
	After distribution	5,053,808	4,991,274	5,132,510	5,338,891	Not yet distributed
Interests attributable to parent company owner		4,808,012	5,195,246	5,730,295	6,173,421	6,624,474
Capital stock		1,352,142	1,352,211	1,362,864	1,362,864	1,362,864
Capital reserve		799,221	800,246	965,244	968,724	971,717
Retained earnings	Before distribution	2,682,853	3,168,454	3,561,343	3,988,115	4,376,358
	After distribution	1,820,733	2,265,255	2,678,784	3,103,905	Not yet distributed
Other interests		(26,204)	(34,603)	(68,094)	(100,752)	(86,465)
Treasury stock		-	(91,062)	(91,062)	(45,530)	-
Non-controlling interests	Before distribution	974,937	1,132,726	1,202,975	1,297,431	1,353,980
	After distribution	550,056	608,335	667,803	730,969	Not yet distributed
Total equity	Before distribution	5,782,949	6,327,972	6,933,270	7,470,852	7,978,454
	After distribution	4,495,948	4,900,382	5,515,539	6,020,180	Not yet distributed

Note: The information above was certified by the CPAs.

## (2) Concise Individual Balance Sheet - Adopting International Financial Reporting Standards

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years				
		2016	2017	2018	2019	2020
Current assets		1,257,523	939,927	969,355	1,129,566	1,305,798
Property, plant and equipment		2,278,534	2,565,903	3,088,696	3,622,360	4,481,146
Intangible assets		26,278	21,885	16,362	10,902	19,019
Other assets		2,371,639	2,828,394	3,100,454	3,292,978	3,441,022
Total assets		5,933,974	6,356,109	7,174,867	8,055,806	9,246,985
Current liabilities	Before distribution	860,470	1,075,882	1,364,218	1,019,453	1,222,269
	After distribution	1,722,590	1,979,081	2,246,777	1,903,663	Not yet distributed
Non-current liabilities		265,492	84,981	80,354	862,932	1,400,242
Total liabilities	Before distribution	1,125,962	1,160,863	1,444,572	1,882,385	2,622,511
	After distribution	1,988,082	2,064,062	2,327,131	2,766,595	Not yet distributed
Interests attributable to parent company owner		4,808,012	5,195,246	5,730,295	6,173,421	6,624,474
Capital stock		1,352,142	1,352,211	1,362,864	1,362,864	1,362,864
Capital reserve		799,221	800,246	965,244	968,724	971,717
Retained earnings	Before distribution	2,682,853	3,168,454	3,561,343	3,988,115	4,376,358
	After distribution	1,820,733	2,265,255	2,678,784	3,103,905	Not yet distributed
Other interests		(26,204)	(34,603)	(68,094)	(100,752)	(86,465)
Treasury stock		-	(91,062)	(91,062)	(45,530)	-
Non-controlling interests	Before distribution	-	-	-	-	-
	After distribution	-	-	-	-	-
Total equity	Before distribution	4,808,012	5,195,246	5,730,295	6,173,421	6,624,474
	After distribution	3,945,892	4,292,047	4,847,736	5,289,211	Not yet distributed

Note: The information above was certified by the CPAs.



## (3) Concise Consolidated Income Statement - Adopting International Financial Reporting Standards

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years				
		2016	2017	2018	2019	2020
Operating revenue		9,185,021	9,388,128	9,183,321	9,239,070	9,168,195
Gross profit		7,919,032	7,864,684	7,329,264	7,565,888	7,536,791
Operating income		2,234,022	2,254,295	2,349,837	2,335,001	2,304,782
Non-operating income and expenses		78,477	151,175	76,827	105,105	73,408
Income from continuing operations before income tax		2,312,499	2,405,470	2,426,664	2,440,106	2,378,190
Net income of continuing business units		1,886,920	1,934,732	1,890,072	1,938,566	1,895,095
Loss of suspended business unit		-	-	-	-	-
Net income		1,886,920	1,934,732	1,890,072	1,938,566	1,895,095
Other comprehensive income, net of tax		(26,114)	(12,740)	(23,194)	(32,265)	14,656
Total comprehensive income		1,860,806	1,921,992	1,866,878	1,906,301	1,909,751
Net income attributable to stockholders of the parent		1,296,769	1,351,941	1,295,394	1,309,020	1,272,025
Net income attributable to non-controlling interests		590,151	582,791	594,678	629,546	623,070
Total comprehensive income attributable to stockholders of the parent		1,270,689	1,339,322	1,272,238	1,276,673	1,286,740
Total comprehensive income attributable to non-controlling interests		590,117	582,670	594,640	629,628	623,011
Earnings per share		9.82	10.03	9.57	9.63	9.34

Note: The information above was certified by the CPAs.

## (4) Concise Individual Income Statement - Adopting International Financial Reporting Standards

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years				
		2016	2017	2018	2019	2020
Operating revenue		1,828,031	1,770,158	1,821,840	2,015,823	2,175,969
Gross profit		962,265	875,726	928,884	1,043,901	1,116,988
Operating income		321,370	272,045	193,808	248,406	234,316
Non-operating income and expenses		1,066,006	1,161,992	1,185,196	1,134,944	1,099,173
Income from continuing operations before income tax		1,387,376	1,434,037	1,379,004	1,383,350	1,333,489
Net income of continuing business units		1,296,769	1,351,941	1,295,394	1,309,020	1,272,025
Loss of suspended business unit		-	-	-	-	-
Net income		1,296,769	1,351,941	1,295,394	1,309,020	1,272,025
Other comprehensive income, net of tax		(26,080)	(12,619)	(23,156)	(32,347)	14,715
Total comprehensive income		1,270,689	1,339,322	1,272,238	1,276,673	1,286,740
Net income attributable to stockholders of the parent		1,296,769	1,351,941	1,295,394	1,309,020	1,272,025
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent		1,270,689	1,339,322	1,272,238	1,276,673	1,286,740
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		9.82	10.03	9.57	9.63	9.34

Note: The information above was certified by the CPAs.

## (5) Auditing CPAs and audit opinions in the past five years

Year	Accounting firm	Auditing CPAs	Audit opinion
2016	Ernst & Young Certified Public Accountants	Mars Hung, James Wang	Unqualified opinion with emphasized paragraphs or other paragraphs
2017	Ernst & Young Certified Public Accountants	Mars Hung, Julia Lo	Unqualified opinion with emphasized paragraphs or other paragraphs
2018	Ernst & Young Certified Public Accountants	Mars Hung, Julia Lo	Unqualified opinion with emphasized paragraphs or other paragraphs
2019	Deloitte & Touche Certified Public Accountants	Yu Feng Huang, Ming Yuan Chung	Unqualified opinion with other paragraphs
2020	Deloitte & Touche Certified Public Accountants	Yu Feng Huang, Ming Yuan Chung	Unqualified opinion

## 2. Financial Analysis

### (1) Consolidated Financial Analysis

Item (Note 2) \ Year (Note 1)		Financial analysis for the past five years					Rate of change from 2019 to 2020
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt to asset ratio	39.44	36.03	34.89	34.23	39.11	14%
	Long term capital to property, plant and equipment ratio	116.31	110.34	124.49	132.47	131.42	-1%
Solvency (%)	Current ratio	120.11	100.38	88.47	109.11	113.45	4%
	Quick ratio	101.20	81.59	69.36	86.89	91.87	6%
	Interest coverage ratio	73.93	137.84	172.95	138.94	166.83	20%
Operating capacity	Receivable turnover rate (times)	59.69	50.52	54.28	48.63	44.69	-8%
	Average cash recovery day	6.11	7.22	6.72	7.50	8.16	9%
	Inventory turnover rate (times)	2.93	3.13	3.37	2.91	2.57	-12%
	Payable turnover rate (times)	7.22	5.84	6.33	6.90	6.83	-1%
	Days sales outstanding	124.57	116.61	108.30	125.42	142.02	13%
	Property, plant and equipment turnover rate (times)	1.57	1.51	1.50	1.49	1.33	-11%
	Total asset turnover rate (times)	1.01	0.97	0.89	0.84	0.75	-11%
Profitability	Return on assets (%)	21.07	20.05	18.51	17.75	15.59	-12%
	Return on equity (%)	37.73	31.95	28.51	26.92	24.53	-9%
	Pre-tax net profit to paid-in capital ratio (%)	174.19	177.90	178.75	179.04	174.50	-3%
	Net profit rate (%)	20.54	20.61	20.58	20.98	20.67	-1%
	Earnings per share (NT\$)	9.82	10.03	9.57	9.63	9.34	-3%
Cash flow	Cash flow ratio (%)	113.34	86.68	73.93	77.27	77.68	1%
	Cash flow adequacy ratio (%)	88.10	91.67	90.83	89.90	110.15	23%
	Cash reinvestment ratio (%)	19.78	13.81	10.28	7.10	10.59	49%
Leverage	Operating leverage	1.71	1.73	1.85	1.89	1.89	0%
	Financial leverage	1.01	1.01	1.01	1.01	1.01	0%
<p>Reasons for changes of over 20% in financial ratios over the past two years:</p> <ol style="list-style-type: none"> <li>1. Interest coverage ratio: The main reason is that the interest is capitalized during from the constructing of Pingzhen new plant. Therefore interest expense decreased.</li> <li>2. Cash flow adequacy ratio and Cash reinvestment ratio: Mainly due to increase in cash inflow from operating activities.</li> </ol>							

Note 1: The information above was certified by the accountants.

Note 2: The financial ratios are calculated as follows:

1. Financial structure

- (1) Debt to asset ratio = total liabilities / total assets
- (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
- (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.

3. Operating capacity

- (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
- (2) Average cash recovery day = 365 / receivables turnover rate
- (3) Inventory turnover rate = sales cost / average inventory
- (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
- (5) Days sales outstanding = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / net average property, plant and equipment value
- (7) Total asset turnover rate = net sales / average total assets

4. Profitability

- (1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets
- (2) Return on equity = after tax profit and loss / average equity
- (3) Net profit rate = after tax profit and loss / net sales
- (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)

6. Leverage

- (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit
- (2) Financial leverage = operating profit / (operating profit - interest expense)

## (2) Individual Financial Analysis

Item (Note 2)		Year (Note 1)		Financial analysis for the past five years					Rate of change from 2019 to 2020
		2016	2017	2018	2019	2020			
Financial structure (%)	Debt to asset ratio	18.97	18.26	20.13	23.37	28.36	21%		
	Long term capital to property, plant and equipment ratio	222.67	205.78	188.13	194.25	179.08	-8%		
Solvency (%)	Current ratio	146.14	87.36	71.06	110.80	106.83	-4%		
	Quick ratio	106.36	56.06	45.24	65.66	58.42	-11%		
	Interest coverage ratio	103.74	284.57	216.47	119.88	122.99	3%		
Operating capacity	Receivable turnover rate (times)	8.01	7.53	7.56	7.04	7.29	4%		
	Average cash recovery day	45.57	48.47	48.28	51.85	50.07	-3%		
	Inventory turnover rate (times)	2.63	2.66	2.71	2.62	2.19	-16%		
	Payable turnover rate (times)	7.71	8.66	7.67	6.76	6.28	-7%		
	Days sales outstanding	138.78	137.22	134.69	139.31	166.67	20%		
	Property, plant and equipment turnover rate (times)	0.91	0.73	0.64	0.60	0.54	-10%		
	Total asset turnover rate (times)	0.33	0.29	0.27	0.26	0.25	-4%		
Profitability	Return on assets (%)	23.80	22.07	19.22	17.31	14.80	-15%		
	Return on equity (%)	31.30	27.03	23.71	21.99	19.88	-10%		
	Pre-tax net profit to paid-in capital ratio (%)	104.50	106.05	101.58	101.50	97.84	-4%		
	Net profit rate (%)	70.94	76.37	71.10	64.94	58.46	-10%		
	Earnings per share (NT\$)	9.82	10.03	9.57	9.63	9.34	-3%		
Cash flow	Cash flow ratio (%)	112.55	67.61	24.07	35.60	36.14	2%		
	Cash flow adequacy ratio (%)	44.84	42.32	35.00	31.44	33.82	8%		
	Cash reinvestment ratio (%)	3.87	(2.06)	(7.58)	(6.07)	(4.53)	-25%		
Leverage	Operating leverage	3.22	4.07	5.54	4.67	5.39	16%		
	Financial leverage	1.04	1.02	1.03	1.05	1.05	0%		
<p>Reasons for changes of over 20% in financial ratios over the past two years:</p> <ol style="list-style-type: none"> <li>1. Debt to asset ratio: Mainly due to increase in long-term and short-term borrowings.</li> <li>2. Days sales outstanding: The main reason is that for the year ended, the inventory is increased, resulting in increase of selling day.</li> <li>3. Cash reinvestment ratio: Mainly due to increase in plant equipment investment and long-term investment.</li> </ol>									

Note 1: The information above was certified by accountants.

Note 2: The financial ratios are calculated as follows:

1. Financial structure

- (1) Debt to asset ratio = total liabilities / total assets
- (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
- (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period

3. Operating capacity

- (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
- (2) Average cash recovery day = 365 / receivables turnover rate
- (3) Inventory turnover rate = sales cost / average inventory
- (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
- (5) Days sales outstanding = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover = net sales / net average property, plant and equipment value
- (7) Total asset turnover rate = net sales / average total assets

4. Profitability

- (1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets
- (2) Return on equity = after tax profit and loss / average equity
- (3) Net profit rate = after tax profit and loss / net sales
- (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)

6. Leverage

- (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit.
- (2) Financial leverage = operating profit / (operating profit - interest expense)

### 3. Supervisors' Review Report of the Latest Financial Report

#### Supervisors' Review Report

The Board of Directors has prepared the financial statements, the individual and consolidated financial statements, the business report and the earnings distribution table of the Company for the year of 2020. After the Supervisors' verification of the books and investigation of the facts, we are of the opinion that the above-mentioned documents correspond to the facts, and hereby issue this report according to the law for your future reference.

To

2021 General Shareholders' Meeting of Grape King Bio Ltd.

Supervisors

Chih-Shen Chang  
Hsing Chun Chen

Feb 25, 2021

**4. Latest Consolidated Financial Statements of the Parent Company and Subsidiaries Audited and Certified by CPAs:**

Please refer to Appendix I.

**5. Latest Individual Financial Statements Audited and Certified by CPAs:**

Please refer to Appendix II.

**6. If the Company and its affiliates encountered any financial difficulties in the most recent year and as of the date of publication of the annual report, please describe their impact on the financial status of the Company: Nil.**



The background features a light blue color scheme with various financial data visualizations. On the left, a vertical axis shows values from 0 to 10,000 in increments of 2,000. A dashed line graph trends upwards from the top left towards the right. A solid line graph with circular markers fluctuates across the lower half of the page. A blue semi-transparent rectangular box is positioned on the right side, containing the text for this section.

# VII

## Review and Analysis of Financial Status and Business Results and Risk Issues



1. Financial Status
2. Financial Performance
3. Cash Flow
4. Impact of Major Capital Expenditure in the Past Year on the Financial Status
5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year
6. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report
7. Other Important Matters

## 1. Financial Status

Main reasons for significant changes in assets, liabilities and equity in the last two years and their impact:

Unit: NT\$ thousand; %

Item Year	December 31, 2020	December 31, 2019	Difference	% of change
Current assets	3,971,424	3,066,333	905,091	29.52%
Property, plant and equipment	7,307,695	6,453,533	854,162	13.24%
Intangible assets	38,341	34,786	3,555	10.22%
Other assets	1,786,661	1,804,419	(17,758)	(0.98%)
Total assets	13,104,121	11,359,071	1,745,050	15.36%
Current liabilities	3,500,574	2,810,317	690,257	24.56%
Long-term liabilities	1,372,150	819,241	552,909	67.49%
Other liabilities	252,943	258,661	(5,718)	(2.21%)
Total liabilities	5,125,667	3,888,219	1,237,448	31.83%
Common stock	1,362,864	1,362,864	-	0.00%
Additional paid-in capital	971,717	968,724	2,993	0.31%
Retained earnings	4,376,358	3,988,115	388,243	9.74%
Other components of equity	(86,465)	(100,752)	14,287	(14.18%)
Treasury stock	-	(45,530)	45,530	(100.00%)
Non-controlling interests	1,353,980	1,297,431	56,549	4.36%
Total equity	7,978,454	7,470,852	507,602	6.79%

Analysis and description (for the changes of 20% or more, and the changes with an amount of NT\$10 million or more):

- i. Current assets: Mainly due to an increase in Cash and cash equivalents.
- ii. Current liabilities: Mainly due to installments for payment of 2019 income tax, tax liabilities increased in 2020.
- iii. Long liabilities: Mainly due to purchase land for building factory to expand production of demand, resulting in increase in long-term borrowings.
- iv. Total liabilities: The main reasons are that purchase land for building factory to expand production of demand, resulting in increase in long-term borrowings and installments for payment of 2019 Business Income Tax.
- v. Treasury stock: The main reason is that the treasury stock was transferred to the employees in 2020.

## 2. Financial Performance

Main reasons for significant changes in operating income, net operating profit and pre-tax net profit in the last two years, sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan:

Unit: NT\$ thousand; %

Item Year	2020	2019	Difference	% of change
Operating revenues	9,168,195	9,239,070	(70,875)	(0.77%)
Operating costs	(1,631,404)	(1,673,182)	41,778	(2.50%)
Gross profit	7,536,791	7,565,888	(29,097)	(0.38%)
Operating expenses	(5,232,009)	(5,230,887)	(1,122)	0.02%
Operating income	2,304,782	2,335,001	(30,219)	(1.29%)
Non-operating income and expenses	73,408	105,105	(31,697)	(30.16%)
Income from continuing operations before income tax	2,378,190	2,440,106	(61,916)	(2.54%)
Income tax expense	(483,095)	(501,540)	18,445	(3.68%)
Net income	1,895,095	1,938,566	(43,471)	(2.24%)
Other comprehensive income	14,656	(32,265)	46,921	(145.42%)
Total comprehensive income	1,909,751	1,906,301	3,450	0.18%
Net profit attributable to the Stockholders of the parent	1,272,025	1,309,020	(36,995)	(2.83%)
Net profit attributable to non-controlling interests	623,070	629,546	(6,476)	(1.03%)
Total comprehensive income (loss) attributable to the Stockholders of the parent	1,286,740	1,276,673	10,067	0.79%

Total comprehensive income (loss) attributable to non-controlling interests	623,011	629,628	(6,617)	(1.05%)
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Analysis and description (for the change of 20% or more, and the amount of change of NT\$10 million or more):

- i. Non-operating income and expenses: Mainly due to a decrease in other income in 2020.
- ii. Other comprehensive income: It was mainly due to exchange differences of translating the financial statements of foreign operations of foreign investments accounted for using the equity methods.

### 3. Cash Flow

(1) Cash flow analysis for the current year:

Unit: NT\$ thousand

Beginning cash balance (1)	Net cash flow from operating activities throughout the year (2)	Net cash flow from investment and financing activities throughout the year (3)	Cash surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment plan	Financing plan
2,146,207	2,719,190	(1,938,368)	2,927,029	-	-

i. Analysis of changes in cash flow:

- (i) Operating activities: Operational source reflected as the source of net cash flow driven by continued operating growth and steady earnings.
- (ii) Investment activities: Purchased land in Pingzhen Industrial Park-NT\$890 million was the major investments that led to an outflow of cash.
- (iii) Financing activities: The net cash outflow from financing activities mainly due to cash dividends paid in 2020.

ii. Remedy for a lack of liquidity: NA

(2) Analysis of cash flow in the coming year

Unit: NT\$ thousand

Beginning cash balance (1)	Net cash flow from operating activities throughout the year (2)	Net cash flow forecast for the year (3)	Cash surplus (Deficit) forecast (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment plan	Financing plan
2,927,029	1,503,750	(2,302,050)	2,128,729	-	-

i. Analysis of changes in cash flow:

- (i) The forecasted net cash inflow from operating activities is mainly due to the continued business growth and an increase in revenue.
- (ii) The forecasted net cash outflow for the whole year is mainly due to the capital expenditure and the payment of cash dividend.

ii. Remedy for a lack of liquidity: NA.

### 4. Impact of Major Capital Expenditure in the Past Year on the Financial Status

For the purpose of capacity expansion to meet market demand, the Company procured a land in Pingzhen Industrial Park in 2020 for NT\$890 million and the source of funds was mainly its own funds and bank borrowings. This has no significant impact on the Company's financial operations.

### 5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year

(1) Reinvestment policy in the past year: Vigilantly evaluate investment plans that are in line with the long-term development strategy.

(2) Main reasons for profit or loss and improvement plan:

The Company's main reinvestment businesses are as follows:

i. Pro-Partner Ltd.

- (i) The net income was NT\$1,556,783 thousand in 2020, and the Company holds 60% of its shares. The profit recognized was NT\$934,798 thousand.
- (ii) Pro-Partner Ltd. mainly sells health food products of the Company. In recent years, the concept of health care has become popular, and the related products of the Company are effective and widely recognized by consumers, thus generating a good business performance.

- ii. Shanghai Grape King Enterprise Co., Ltd. (100% owned by BVI GRAPE KING INTERNATIONAL INVESTMENT INC)
    - (i) The net income was NT\$93,199 thousand in 2020.
    - (ii) Shanghai Grape King Enterprise Co., Ltd. mainly focuses on ODM and OEM orders. As the health food demand increases in various sales channels such as direct sales and e-commerce, it is actively soliciting OEM orders, and in the future it will continue cooperating with its parent company in Taiwan to increase the business volume.
  - iii. Rivershine Ltd.
    - (i) The net income was NT\$5,457 thousand in 2020.
    - (ii) Rivershine Ltd. mainly sells the beverage and health care products of the Company. It is actively expanding its physical channels and through marketing partners to increase the sales amount.
  - iv. Shanghai Rivershine Ltd. (100% owned by BVI GRAPE KING INTERNATIONAL INVESTMENT INC)
    - (i) The net income was NT\$461 thousand in 2020.
    - (ii) Shanghai Rivershine Ltd. mainly sells the health care products of the Company. It will continue expanding its physical channels and increase marketing partners.
  - v. Dongpu Biotech Corporation
    - (i) The net income was NT\$1,908 thousand in 2020.
    - (ii) Dongpu Biotech Corporation sold the health food produced by the Company. It is actively expanding its physical channels and increase marketing partners.
  - vi. GK BIO INTERNATIONAL SDN. BHD.
    - (i) The net loss was NT\$5,645 thousand in 2020, and the Company holds 30% of its shares. The loss recognized was NT\$1,681 thousand.
    - (ii) GK BIO INTERNATIONAL SDN. BHD. is a major sales partner of the Company in the Southeast Asia. It will keep expanding its sales channels in the future in hopes of further penetrating into the ASEAN and Muslim markets.
  - vii. Shanghai Changhong Biotechnology Co., Ltd.
    - (i) The prepayment for investment was NT\$7,273 thousand (US\$246 thousand). It was approved and registered with Investment Review Committee on December 17, 2020.
    - (ii) Shanghai Changhong Biotechnology Co., Ltd. is a joint venture between the Company and Shanghai Daerwei Trading Co., Ltd. in hopes of creating mutual advantages for the TST brand (TIN' SECRET) and the Company's R&D and health food production, so as to develop the sales market in China.
- (3) Investment plan in the coming year:

The Company remains long-term and strategic investment as a principle and continuously evaluates its re-investment plans.

## 6. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report

- (1) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future counter measures:
  - i. Interest rate changes: The interest rate risk of the Company and its subsidiaries mainly comes from bank loans. The interest expense of bank loans in 2020 was 0.73% of the pre-tax net profit. Therefore, interest rate changes have little effect on the profit and loss of the Company. In the future the Company will adjust its use of funds in response to interest rate changes.
  - ii. Exchange rate changes: The business of the Company and its subsidiaries mainly depends on the local market and raw materials, and less on imported raw materials and exports. Therefore, the ratios of foreign currency assets to total assets and foreign currency liabilities to total liabilities are small, and the impact of exchange rate changes on the Company is limited.
  - iii. Inflation: The price indices of the places where the Company and its subsidiaries operate are stable, and there has been no significant inflation. The Company will keep paying attention to the fluctuation of prices in various places and take timely measures to minimize the impact.

- (2) Policies of engagement in high-risk and highly leveraged investments, loans to others, endorsements and guarantees and derivative trading, main reasons for profit or loss and future counter measures: Nil.
- (3) Future R&D projects and estimated R&D expenses:  
In response to the COVID-19 pandemic, there has been a focus on global health foods related to the strengthening the immune system hence we have seen an increase in the sales of Ganoderma lucidum, Antrodia Cinnamomea, and Probiotics. We are currently researching raw materials that will assist with lung care, and help reduce lung inflammation. For elders, we are focusing on the improvement of sleep quality and prevention of neurodegenerative diseases, such as Alzheimer's disease and Parkinson's disease, as well as developing products to help those who suffer with Sarcopenia. Sports and fitness have also become a popular trend in recently years therefore health products related to the increase of muscle mass and fatigue are more in demand. Mushrooms and probiotics work can help limit the loss of muscle and assist with recovery. Probiotic products appeal to a large consumer group which is why we continue to do in-depth R&D into various strains which can be consumed by humans and even their pets. Human clinical research cases include lactic acid bacteria for reducing body fat and prevention of Parkinson's disease, probiotics for improvement of depression, gastrointestinal tract, as well as prevention of skin aging and sensitivity. We have expanded our research to include the research and develop of external materials that would be helpful to wound healing, skin allergy prevention, oil-control tests, environmental pollution resistance, skin moisturizing and promoting hair growth. The estimated investment amount in 2021 is NT\$78,115 thousand.
- (4) The impact of important domestic and overseas policy and regulation changes on the financial status of the Company and counter measures:  
All businesses of the Company shall be handled in accordance with the regulations of the competent authority, and shall stay vigilant to any revisions made by the competent authority at all times. As of the date of publication of the annual report, the Company has not been affected by any important domestic or international policy or law changes.
- (5) The impact of technological and industrial changes on the financial status of the Company and counter measures: Nil.
- (6) The impact of corporate image change on the Company's crisis management and counter measures: Nil.
- (7) Expected benefits and possible risks of plant expansion: Nil.
- (8) Expected benefits and possible risks of plant expansion:  
In response to the increasing demand for health foods at home and abroad, as well as for multi-dose products in the market, and the increase in existing PKL production lines, the Company plans to develop new production lines as part of its capacity expansion in the future. Moreover, it will construct a new plant in Pingzhen Industrial Park, which will commence operations in 2023. The capacity expansion will increase capital expenditure at the initial stage and the operating cost in subsequent stages. Hence, the Company will evaluate industry changes to reduce operating risks.
- (9) The impact of concentration of purchase or sales and counter measures:  
The risk is not significant due to a lack of concentration of the Company's purchase and sales.
- (10) The impact of mass share transfer of or change of Directors, Supervisors or shareholders holding more than 10% of the Company's shares, the risks and counter measures: Nil.
- (11) The impact of the change of management on the Company, the risks and counter measures: Nil.
- (12) If there is any litigation or non-litigation, please list the significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's Directors, Supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates. If the result may have a significant impact on the shareholders' equity or the price of the Company's shares, please disclose the fact of the dispute, the claim amount, the date of commencement of the litigation, the principal litigants and the handling of the situation as of the date of publication of the annual report:

Litigation start date	Party	Amount involved	Fact	Current status
April 2, 2018	The Company	NT\$ 255,428,880	The Agent (the Company) brought suit against the defendants (Sheng-Yang Tseng, Yi-Tien Hsieh, Biotechnology International Development Co., Ltd., Ching-Yu Chen, Chuai-Song Lin) for reproducing and disclosing the Company's "Technical Standards for Campbell (N) Lactic Acid Bacteria Granules" beyond the scope of authorization. Hence a criminal complaint for infringement of trade secrets is filed against the defendants', as well as a contingent civil complaint, claiming for liability against the defendants as compensation for damages.	After the defendant was ruled innocent in this case by the Taoyuan District Court on April 28, 2020, the Company filed an appeal and the Intellectual Property Court rejected it on January 7, 2021. The Company submitted a complaint to the prosecutor on February 5, 2021 and the prosecutor made an appeal to the Third Trial Court on February 17, 2021.
March 5, 2019	Chairman Shenglin Andrew Tseng and CLO Chih-Lin Hung		The Agent (Ching-Yu Chen) filed a defamation suit against the Chairman, Shenglin Andrew Tseng and the CLO, Chih-Lin Hung for an alleged defamatory statement issued by the Company	A non-prosecution decision on the case was made by the Prosecutors Office, Taipei District Court on January 4, 2021.
March 20, 2020	The Company	NT\$ 104,408,826	The Plaintiff (Fu Tsu Construction Co., Ltd.) demanded the return of payment reserve and warranty security certificate from the Company.	The case is on trial.
June 12, 2020	The Company and Chairman Shenglin Andrew Tseng	Claimed payment of NT\$1.00 from each plaintiff (Sheng-Yang Tseng, Yi-Tien Hsieh and Ching-Yu Chen) and issued an Apology Statement	The Plaintiff (Sheng-Yang Tseng, Yi-Tien Hsieh and Ching-Yu Chen) filed a complaint against the Company and the Chairman, Shenglin Andrew Tseng for causing reputational damage and for violation of the Trade Secrets Act.	The case is on trial.
July 17, 2020	Chairman Shenglin Andrew Tseng, etc.		The Agent (Ching-Yu Cheng) filed a criminal complaint with the Prosecutors Office, Taoyuan District Court against the Company for trade secret infringement and against the Chairman, Shenglin Andrew Tseng for false accusation.	This case is under investigation by the Prosecutors Office, Taipei District Court.

(13) Other important risks and counter measures: Nil.

#### 7. Other important matters: Nil







# VIII

## Special Notes

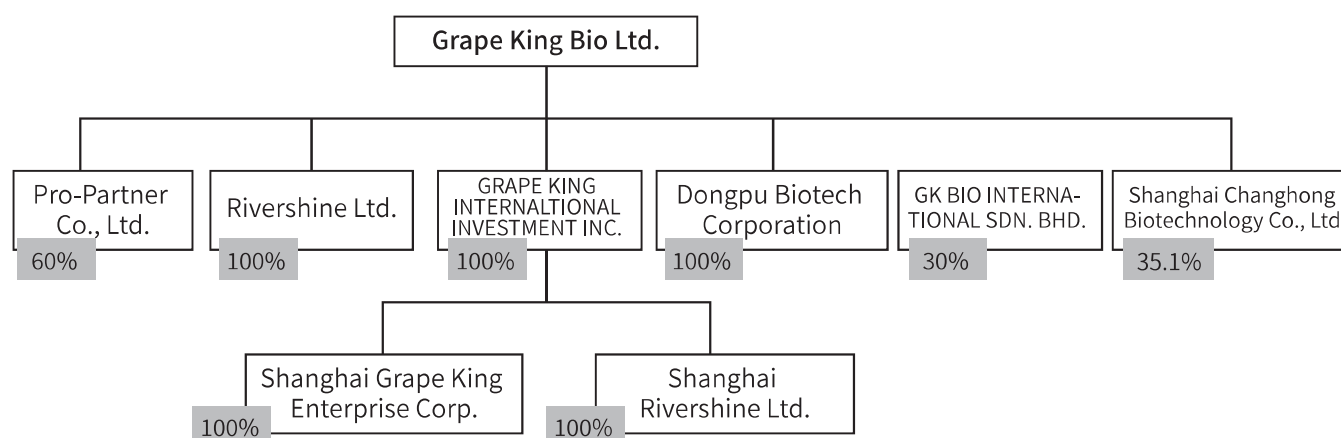




1. Information about the Company's Affiliates
2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report
3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report
4. Other Necessary Supplementary Notes
5. Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Law

## 1. Information about the Company's Affiliates

### (1) Organization chart



### (2) Basic data of affiliates

Affiliate	Date of establishment	Address	Paid-in capital	Major business or products
Pro-Partner Ltd.	Oct 22, 1993	1F, No. 1, Section 3 Longgang Road, Zhongli District, Taoyuan City	NT\$176,000 thousand	Food, beverage and cosmetics
GRAPE KING INTERNATIONAL INVESTMENT INC.	Nov 30, 1993	Wickhams Cay II Road Town, Tortola, VG1110, B. V. I	USD 24,890 thousand	Investment
Shanghai Grape King Enterprise Co., Ltd.	Apr 29, 1994	No. 518 Che Xin Road, Songjiang District, Shanghai, China	RMB 216,775 thousand	Health food, biotechnical products and related glass containers
Rivershine Ltd.	Jun 23, 2015	5F., No. 402, Section 2 Jinling Road, Pingzhen District, Taoyuan City	NT\$30,000 thousand	Wholesale and retail of food, beverage and daily necessities
Shanghai Rivershine Ltd.	Nov 1, 2016	Build 4, No. 518, Che-Xin Road, Songjiang, Shanghai, China	RMB1,022 thousand	Wholesale and retail of food, beverage and daily necessities
Dongpu Biotech Corporation	Jun 28, 2018	Room 204 &205, Building 9, Kejiyuan, Innovation, Dongwan Songshanhu New & Hi-Tech Industry Development Area, China	RMB 5,000 thousand	Wholesale and retail of biological products, food, beverage and daily necessities
GK BIO INTERNATIONAL SDN. BHD.	Oct. 11, 2019	12A, JALAN DEDAP 17, TAMAN JOHOR JAYA, 81100, JOHOR BAHRU JOHOR, MALAYSIA	MYD 3,000 thousand	Wholesale and sales of health food
Shanghai Changhong Biotechnology Co., Ltd.	Jun. 8, 2020	Room 265, X District, Floor 2, Shunpu Building, No. 99, Gongyuan Road, Qingpu District, Shanghai City, China	USD 700 thousand	Biotechnology consultation, biotechnology R&D and transfer,

### (3) Information about common shareholders of entities presumed to have a controlling and subordinate relationship: Nil.

## (4) Overview of the operations of the affiliates (in 2020 and as of December 31, 2020)

Unit: NT\$ thousand

Affiliate	Capital	Total asset	Total liabilities	Total equity	Operating income	Gross profit	Net income	Earnings (loss) per share (NT\$(after tax))
Pro-Partner Ltd.	176,000	5,863,097	2,478,146	3,384,951	7,718,865	1,876,336	1,556,783	88.45
GRAPE KING INTERNATIONAL INVESTMENT INC.	791,983	988,999	-	988,999	-	(91)	90,463	
Shanghai Grape King Enterprise Co., Ltd.	1,026,886	1,197,007	260,401	936,606	780,130	113,634	93,199	
Rivershine Ltd.	30,000	114,155	75,727	38,428	212,743	6,674	5,457	1.82
Shanghai Rivershine Ltd.	4,560	4,911	608	4,303	142	(178)	(461)	
Dongpu Biotech Corporation	23,200	28,704	201	28,503	889	(2,097)	(1,908)	
GK BIO INTERNATIONAL SDN.BHD.	22,700	27,965	4,381	23,584	29,609	7,088	5,645	2.46
Shanghai Changhong Biotechnology Co., Ltd.	19,915	-	-	-	-	-	-	-

Note : The exchange rate on December 31, 2020: RMB/NTD=4.377 ; USD/NTD=28.480 ; MYD/NTD=6.790

The average exchange rate in 2020: RMB/NTD=4.282 ; USD/NTD=29.549 ; MYD/NTD=6.735

Note 1 : The Company prepayment for investment of NT\$7,273 thousand (USD246 thousand) to Shanghai Changhong Biotechnology Co., Ltd., which was approved and registered with the Ministry of Economic Affairs' Investment Board on December 17, 2020.

## (5) Information about the directors, supervisors and general managers of the affiliates

December 31, 2020 Unit: thousand shares, %

Affiliate	Title	Name or representative	Shareholding	
			Share	%
Pro-Partner Ltd.	Director	Grape King Bio Ltd. Representative: Chang-Yeh Tseng Representative: Shenglin Andrew Tseng Representative: Jin-Chu Chen Representative: Jue-Jia Chang	10,560	60
	Director	Pu Hsing Enterprise Co., Ltd. Representative: Mei-Ching Tseng	880	5
	Supervisor	Gongju Co., Ltd Representative: Ming-Shan Xu	880	5
GRAPE KING INTERNATIONAL INVESTMENT INC.	Chairman Director Director	Shenglin Andrew Tseng Mei-Ching Tseng Jue-Jia Chang	-	100
Shanghai Grape King Enterprise Co., Ltd.	Chairman Director Director Supervisor	Chang-Yeh Tseng Shenglin Andrew Tseng Yuan-Tsung Lin Yen-Sheng Huang	-	100
Rivershine Ltd.	Chairman Director Director	Grape King Bio Ltd. Representative: Shenglin Andrew Tseng Representative: Mei-Ching Tseng Representative: Jue-Jia Chang	3,000	100
	Supervisor	Grape King Bio Ltd. Representative: Chang-Yeh Tseng		
Shanghai Rivershine Ltd	Executive Director Supervisor	Chang-Yeh Tseng Mei-Ching Tseng	-	100
Dongpu Biotech Corporation	Executive Director Supervisor	Shenglin Andrew Tseng Jue-Jia Chang	-	100
GK BIO INTERNATIONAL SDN. BHD.	Director	Grape King Bio Ltd. Representative: Nick Hung Representative: Sheng-Chieh Hsu	900	30
Shanghai Changhong Biotechnology Co., Ltd	Director Supervisor	Grape King Bio Ltd. Representative: Yuan-Tsung Lin Representative: Tien-Yueh Lin		35.1

## (6) Statement on the consolidated financial statements with the affiliates

The entities that are required to be included in the combined financial statements of Grape King Bio Ltd. as of December 31, 2020 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard(s) No.10, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Grape King Bio Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Grape King Bio Ltd.

By  
Shenglin Andrew Tseng  
Chairman

Feb 25, 2021

## 2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report:

Item	2021 1 <sup>st</sup> private placement Offering date(Stock issue date): March 5, 2021
The types of securities privately placed	Common Shares
The date and the quantity of the Shareholders' Meeting resolution	January 14, 2021, within the limit of 11,851,000 common shares.
The basis and reasonableness of the private placement price	<p>1. Pricing basis of private placement :</p> <p>(1)The issue price of the Private Placement Shares is accordance with the Security and Exchange Act and regulations governing public companies issuing securities in private placement. Reference price is accordance the simple average closing price of the Company's common shares for either 1, 3, or 5 trading days prior to the pricing date and the simple average closing price of the Company's common shares for 30 trading days prior to the pricing date, after adjustment for shares issued as stock reduction and the cash dividends. The higher price of the above two pricing is the reference price.</p> <p>(2)Amount of issuance is no less than 80% of the reference price.</p> <p>2. Reasonableness of private placement :</p> <p>The price determination date of the Private Placement Shares is January 14, 2021.The issue price of the Private Placement Shares is referred to the closing price NT\$180.5 of the Company's common</p>

	shares for 1 trading day prior to the pricing date. Subscription price of the Private Placement Shares is NT\$170, 94.2% of reference price, no less than 80% of the reference price approved by 2021 1 <sup>st</sup> Special Shareholders' Meeting. The price determination for the subject private placement shall be reasonable.				
The method for selecting the specific persons	The investor(s) to subscribe to the Private Placement Shares shall meet the qualification listed in Article 43-6 of the Security and Exchange Act, and Article reference number 0910003455 of the Securities and Futures Bureau under the Financial Supervisory R.O.C. (Taiwan). The Company proposes to introduce Uni-President Enterprises Corporation ("UPEC") as the strategic investor(s) of the private placement.				
The reasons for the necessity of conducting the private placement	The use of funds raised in the private placement will invest in capital expenditures, enrich working capital, and strengthen financial structure and/or support the Company's funding for long-term development. Meanwhile, compared to a public-offering, an investor(s) subscribed to the private placement is subject to a lock-up period of 3 years which would ensure a closer strategic collaboration with the investor(s). Issuance of the Private Placement Shares is also considered to be more efficient and suitable to accommodate the Company's development planning.				
The date of subscription has been paid up in full	January 18, 2021. The total amount of the private placement is NT\$2,014,670,000.				
Information for placees	The places of the private placement	Qualification requirements	Subscription quantities	Relationship to the Company	involvement in company operations
	Uni-President Enterprises Corporation ("UPEC")	Article 43-6 (1)-2 of the Security and Exchange Act	11,851,000 shares	Non-related	Anticipated to acquire one seat of directors at the general shareholder's meeting in 2021
Actual subscription price	NT\$ 170				
The discrepancy between the actual subscription price and the reference price	Actual subscription price is NT\$170, 94.2% of reference price NT\$180.5, no less than 80% of the reference price approved by 1 <sup>st</sup> Special Shareholders' Meeting.				
Any effect of the private placement on shareholder equity	The ratio of the private placement amount to the paid-in capital is 8%.				
The status of utilization of funds and plan implementation progress	Planned uses	The total amount required: NT\$	The actual amount spent (As of February 24, 2021)	implementation progress	
	Repay bank loans	1,701,461,112	1,701,461,112	100.00%	
	Enrich working capital	313,208,888	313,208,888	100.00%	
	Total	2,014,670,000	2,014,670,000	100.00%	

The status of realization of plan benefits	Use of the funds raised in this private placement is to repay bank loans and to enrich working capital to strength financial structure and benefit for shareholder equity.
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3. **Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report:** Nil.
4. **Other Necessary Supplementary Notes:** Nil.
5. **Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity or Share Price as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Law:** Nil.



A hand holding a silver pen is pointing at a calendar grid. The pen is positioned over a date, which is circled. The calendar grid shows dates from 1 to 31, with some dates circled. The background is a blurred image of a calendar page.

# Appendix I

Consolidated Financial Statements  
with Report of Independent  
Accountants for the Year  
Ended Dec 31, 2020 and 2019



**Grape King Bio Ltd. and Subsidiaries**  
**Consolidated Financial Statements for the**  
**Years Ended December 31, 2020 and 2019 and**  
**Independent Auditors' Report**

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Grape King Bio Ltd. as of and for the year ended December 31, 2020 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 the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Grape King Bio Ltd. and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

GRAPE KING BIO LTD.

By

\_\_\_\_\_  
Sheng-Lin Tseng  
Chairman

February 25, 2021



**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Grape King Bio Ltd.

**Opinion**

We have audited the accompanying consolidated financial statements of Grape King Bio Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 auditing standards generally accepted in 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 Accountant of the 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 consolidated financial statements for the year ended December 31, 2020. 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.

Key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

**Valuation of Inventory**

The products of the Group mainly include health foods and beverages. Such products have shelf-lives and are sold in a highly competitive consumer market, resulting in greater exposure to risk of loss on inventory due to damage or expiration. The estimation for loss on inventory is based on market conditions, historical sales experience of similar products, and the net realizable value of inventory. Refer to Notes 4, 5, and 10 to the

consolidated financial statements for the details on the valuation of inventory. The net carrying value of inventory as of December 31, 2020 for the Group amounted to NT\$689,464 thousand, which was significant to the consolidated financial statements, and the criteria to determine loss on inventory vary according to different categories of inventories which require critical accounting estimates. Consequently, the valuation of inventory was identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. We understood and tested the design and operating effectiveness of key controls over the valuation of inventory;
2. We understood and assessed the reasonableness of inventory valuation policy and estimates used by the management;
3. We performed an observation on the Group's annual physical count of inventory to assess for any indications of damaged or expired inventories not listed in the allowances for inventory loss;
4. We sampled and recalculated the accuracy of net realizable value of inventory as well as performed calculation of validity period from the year-end subsidiary ledgers and aging report of inventories, to verify that the allowance for inventory loss was appropriately recognized based on the audit policy.

**Other Matter**

We have also audited the parent company only financial statements of Grape King Bio Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect 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 supervisors, 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 auditors' 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 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 for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' 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 Yu Feng Huang and Ming Yuan Chung.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021



#### Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 2,927,029	22	\$ 2,146,207	19
Financial assets at amortized cost (Note 8)	77,662	1	85,818	1
Notes and accounts receivable, net (Notes 9 and 23)	199,448	1	199,453	2
Accounts receivable from related parties (Notes 23 and 31)	2,248	-	2,603	-
Other receivables	3,533	-	2,141	-
Other receivables from related parties (Note 31)	12	-	-	-
Inventories (Note 10)	689,464	5	546,444	5
Other current assets (Note 17)	72,028	1	83,667	-
Total current assets	3,971,424	30	3,066,333	27
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Note 7)	9,338	-	11,782	-
Financial assets at amortized cost (Notes 8 and 32)	13,320	-	11,460	-
Investments accounted for using the equity method (Note 12)	7,115	-	5,591	-
Property, plant and equipment (Notes 13, 32 and 33)	7,307,695	56	6,453,533	57
Right-of-use assets (Note 14)	202,113	2	207,298	2
Investment properties (Note 15)	1,467,018	11	1,475,868	13
Intangible assets (Note 16)	38,341	-	34,786	-
Defered tax assets (Note 25)	10,872	-	9,337	-
Other non-current assets (Notes 17, 21 and 31)	76,885	1	83,083	1
Total non-current assets	9,132,697	70	8,292,738	73
<b>TOTAL</b>	<b>\$ 13,104,121</b>	<b>100</b>	<b>\$ 11,359,071</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 32)	\$ 500,000	4	\$ 350,000	3
Contract liabilities (Note 23)	96,240	1	65,014	1
Notes and accounts payable	1,755,884	14	1,745,424	15
Other payables to related parties (Note 31)	37,641	-	38,130	-
Current tax liabilities (Note 25)	723,261	6	277,737	3
Lease liabilities (Notes 14 and 31)	41,796	-	43,636	-
Other current liabilities (Notes 19 and 31)	43,323	-	60,446	-
Current portion of long-term borrowings (Notes 18 and 32)	49,111	-	7,304	-
Total current liabilities	3,500,574	27	2,810,317	25
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 32)	1,372,150	10	819,241	7
Provisions (Note 20)	7,322	-	5,317	-
Defered tax liabilities (Note 25)	68,804	1	68,675	1
Lease liabilities (Notes 14 and 31)	120,933	1	122,034	1
Other non-current liabilities (Notes 19, 21 and 31)	55,884	-	62,635	-
Total non-current liabilities	1,625,093	12	1,077,902	9
Total liabilities	5,125,667	39	3,888,219	34
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>				
Share capital	1,362,864	11	1,362,864	12
Capital surplus	971,717	8	968,724	8
Retained earnings	1,070,880	8	939,947	8
Legal reserve	100,752	1	74,671	1
Special reserve	3,204,726	24	2,973,497	26
Unappropriated earnings	4,376,338	33	3,988,115	35
Total retained earnings	(86,465)	(1)	(100,752)	(1)
Other equity	-	-	(45,530)	-
Treasury stock	-	-	-	-
Total equity attributable to owners of the Company	6,624,474	51	6,173,421	54
<b>NON-CONTROLLING INTERESTS (Notes 11 and 22)</b>				
Total equity	1,353,980	10	1,297,431	12
Total equity	7,978,454	61	7,470,852	66
<b>TOTAL</b>	<b>\$ 13,104,121</b>	<b>100</b>	<b>\$ 11,359,071</b>	<b>100</b>

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

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020	2019	2020	2019
	Amount	Amount	Amount	Amount
NET REVENUE (Notes 23 and 31)	\$ 9,168,195	\$ 9,239,070	100	100
COST OF GOODS SOLD (Notes 10 and 24)	(1,631,457)	(1,673,182)	(18)	(18)
GROSS PROFIT	7,536,738	7,565,888	82	82
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATE	53	-	-	-
ADJUSTED GROSS PROFIT	7,536,791	7,565,888	82	82
OPERATING EXPENSES (Notes 21, 24, 27 and 31)	(4,424,840)	(4,505,253)	(48)	(49)
Selling and marketing	(554,312)	(535,543)	(6)	(6)
General and administrative	(252,857)	(190,091)	(3)	(2)
Research and development	-	-	-	-
Total operating expenses	(5,232,009)	(5,230,887)	(57)	(57)
INCOME FROM OPERATIONS	2,304,782	2,335,001	25	25
NON-OPERATING INCOME AND EXPENSES (Notes 12, 24 and 31)	-	-	-	-
Interest income	4,633	5,039	-	-
Other income	88,365	124,378	1	1
Other gains and losses	(6,930)	(5,873)	-	-
Finance costs	(14,341)	(17,690)	-	-
Share of profit or loss of associate	1,681	(749)	-	-
Total non-operating income	73,408	105,105	1	1
PROFIT BEFORE INCOME TAX	2,378,190	2,440,106	26	26
INCOME TAX EXPENSE (Note 25)	(483,095)	(501,540)	(5)	(5)
NET PROFIT FOR THE YEAR	1,895,095	1,938,566	21	21
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 22)	-	-	-	-
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	462	491	-	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(2,444)	890	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(93)	(98)	-	-

(Continued)

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020	2019	2020	2019
	Amount	Amount	Amount	Amount
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 16,941	\$ (33,078)	-	-
Exchange differences on translating the financial statements of foreign operations of associate	(210)	(470)	-	-
Other comprehensive income (loss) for the year, net of income tax	14,656	(32,265)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,909,751	\$ 1,906,301	21	21
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,272,025	\$ 1,309,020	14	14
Non-controlling interests	623,070	629,546	7	7
	\$ 1,895,095	\$ 1,938,566	21	21
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,286,740	\$ 1,276,673	14	14
Non-controlling interests	623,011	629,628	7	7
	\$ 1,909,751	\$ 1,906,301	21	21
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	\$ 9.34	\$ 9.63		
Diluted earnings per share	\$ 9.29	\$ 9.58		

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

(Concluded)

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital - Ordinary Shares					Retained Earnings			Others		Total
	Share (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock	Non-controlling Interests	
BALANCE AT JANUARY 1, 2019	136,286	\$ 1,362,864	\$ 965,244	\$ 810,407	\$ 74,671	\$ 2,676,265	\$ (50,958)	\$ (17,136)	\$ (91,062)	\$ 1,202,975	\$ 6,933,270
Appropriation of 2018 earnings	-	-	-	129,540	-	(129,540)	-	-	-	-	-
Legal reserve	-	-	-	129,540	-	(129,540)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(882,559)	-	-	-	-	(882,559)
Share-based payment arrangements	-	-	3,480	-	-	-	-	-	45,532	-	49,012
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(535,172)	(535,172)
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,309,020	-	-	-	629,546	1,938,566
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(33,548)	890	-	82	(32,265)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,309,331	(33,548)	890	-	629,628	1,906,301
BALANCE AT DECEMBER 31, 2019	136,286	1,362,864	968,724	939,947	74,671	2,973,497	(84,506)	(16,246)	(45,530)	1,297,431	7,470,832
Appropriation of 2019 earnings	-	-	-	130,933	-	(130,933)	-	-	-	-	-
Legal reserve	-	-	-	130,933	-	(130,933)	-	-	-	-	-
Special reserve	-	-	-	-	26,081	(26,081)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(884,210)	-	-	-	-	(884,210)
Share-based payment arrangements	-	-	1,578	-	-	-	-	-	45,530	-	47,108
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(566,462)	(566,462)
Change in other capital surplus	-	-	1,415	-	-	-	-	-	-	-	1,415
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,272,025	-	-	-	623,070	1,895,095
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	16,731	(2,444)	-	(59)	(14,656)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,272,453	16,731	(2,444)	-	623,011	1,909,751
BALANCE AT DECEMBER 31, 2020	136,286	\$ 1,362,864	\$ 971,717	\$ 1,070,880	\$ 100,752	\$ 3,204,726	\$ (67,775)	\$ (18,690)	\$ -	\$ 1,353,980	\$ 7,978,454

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



**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,378,190	\$ 2,440,106
Adjustments for:		
Depreciation expenses	403,854	308,790
Amortization expenses	11,151	10,299
Expected credit loss recognized	4,841	2,845
Finance costs	14,341	17,690
Interest income	(4,633)	(5,039)
Dividend income	(2)	(2)
Compensation costs of share-based payment agreements	2,489	4,394
Share of profit (loss) of associate	(1,681)	749
Loss on disposal of property, plant and equipment, net	484	6,597
Realized gain on transactions with associate	(53)	-
Reversal of provisions	(267)	-
Loss arising from lease modifications	-	444
Changes in operating assets and liabilities	14	(28,208)
Notes and accounts receivable, net	355	(2,603)
Accounts receivable from related parties	(1,254)	(1,320)
Other receivables	(12)	-
Other receivable from related parties	(143,020)	16,387
Inventories	11,639	(17,616)
Other current assets	31,226	(41,303)
Contract liabilities	32,692	(39,609)
Notes and accounts payable	38,124	35,253
Other payables	(489)	2,508
Other payables to related parties	(490)	-
Provisions	(6,753)	2,878
Other current liabilities	(5,209)	(2,732)
Net defined benefit liabilities	2,765,537	2,710,508
Cash generated from operations	4,495	5,191
Interest received	(11,736)	(15,308)
Income tax paid	(39,106)	(528,952)
Net cash generated from operating activities	<u>2,719,190</u>	<u>2,171,439</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	(3,720)	(56,908)
Proceeds from sale of financial assets at amortized cost	5,900	-
Repayment of financial assets at amortized cost	1,860	8,970
Acquisition of investments accounted for using the equity method	-	(6,810)
Acquisition of property, plant and equipment	(1,213,735)	(630,310)
Proceeds from disposal of property, plant and equipment	964	594
Increase in refundable deposits	(9,476)	(10,998)
Decrease in refundable deposits	10,287	11,554
		(Continued)

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**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	2020	2019
Acquisition of intangible assets	\$ (12,382)	\$ (25,006)
(Increase) decrease in other non-current assets	(7,067)	19,397
Dividends received	<u>2</u>	<u>2</u>
Net cash used in investing activities	<u>(1,227,367)</u>	<u>(689,515)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,350,000	3,450,000
Repayments of short-term borrowings	(2,200,000)	(3,900,000)
Proceeds from long-term borrowings	873,000	1,150,000
Repayments of long-term borrowings	(278,284)	(642,262)
Proceeds from guarantee deposits received	5,890	2,645
Refund of guarantee deposits received	(19,810)	(14,905)
Repayment of the principal portion of lease liabilities	(48,957)	(40,972)
Dividends paid to owners of the Company	(884,210)	(882,559)
Proceeds from reissuance of treasury stock	44,619	44,618
Dividends paid to non-controlling interests	(566,462)	(535,172)
Other financing activities	<u>1,415</u>	<u>-</u>
Net cash used in financing activities	<u>(722,799)</u>	<u>(1,368,607)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>11,798</u>	<u>(17,334)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>780,822</u>	<u>95,983</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,146,207</u>	<u>2,050,224</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,927,029</u>	<u>\$ 2,146,207</u>

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

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**GRAPE KING BIO LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)****1. GENERAL INFORMATION**

Grape King Bio Ltd. (the "Company") was incorporated as a listed company limited by shares under the provisions of Company Act, the Securities and Exchange Act and other related regulations of the Republic of China ("ROC"). In April 1971, the Company was officially registered as Grape King Food Limited and started its operation. In 1979, the Company merged with China Fuso Seiko Pharmaceutical Industries Ltd. and was renamed as Grape King Inc. In 1981, the Company further merged with Head Fancy Cosmetics Co. Ltd. The Company's shares are listed and publicly traded on the Taiwan Stock Exchange (TWSE) since December 1982. In the annual shareholders' meeting held on June 12, 2002, the Company resolved to change its name to Grape King Bio Ltd. The Company is engaged in the production and sales of pharmaceutical preparation, patent medicine, liquid tonic, drink, healthy food, etc. The Company's registered office and main business location is at No. 402, Sec. 2, Jimling Rd., Pingzhen Dist., Taoyuan City 324, Taiwan, Republic of China.

**2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company's Board of Directors and issued on February 25, 2021.

**3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company and its subsidiaries' (collectively referred to as the "Group") accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to "could reasonably be expected to influence". Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	June 1, 2020
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

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

Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- the Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- 1) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- 2) the Group chose the accounting policy from options permitted by the standards;
- 3) the accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;
- 4) the accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- 5) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets (liabilities) which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

##### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

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

All intra-company transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11, Table 6 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

##### e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting the consolidated financial statements, the functional currencies of its foreign operations are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, semi-finished goods and work in progress, finished goods and merchandises, and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

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

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## 1. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### 1) Financial assets

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

#### a) Measurement categories

Financial assets are classified into the following categories: financial assets at amortized cost and investments in equity instruments at FVTOCI.

##### i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable (net) and other receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

##### ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

##### b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that internal or external information which shows that the debtor is unlikely to pay its creditors would indicate that a financial asset is in default (without taking into account any collateral held by the Group).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

- c) Derecognition of financial assets
- The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.
- On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.
- 2) Equity instruments
- Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.
- Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.
- The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.
- 3) Financial liabilities
- a) Subsequent measurement
- All financial liabilities are measured at amortized cost using the effective interest method.
- b) Derecognition of financial liabilities
- The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.
- m. Provisions
- Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- n. Revenue recognition
- The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.
- 1) Revenue from the sale of goods
- Revenue from the sale of goods comes from sales of health food and beverages. Sales of health food and beverages are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. For sales of health food and beverages through its own retail outlets, revenue is recognized when the customer purchases the goods at the retail outlet. For internet sales of health food and beverages, revenue is recognized when the goods are delivered to the customer's specific location. When the customer initially purchases the goods online, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.
- 2) Revenue from the rendering of services
- Revenue from the rendering of services comes from ODM/OEM (Original Design Manufacturer/Original Equipment Manufacturer).
- As the Group provides ODM/OEM, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered.
- o. Leases
- At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.
- 1) The Group as lessor
- Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
- Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.
- 2) The Group as lessee
- The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.
- Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.
- Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.
- Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.
- Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as

separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

p. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Share-based payment arrangements - employee share options

Employee share options granted

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the board of directors approves the transaction.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes

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

#### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

##### Critical Accounting Judgements

###### a. Lease terms

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occurs.

##### Key Sources of Estimation Uncertainty

###### a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

###### b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

###### c. Recognition and measurement of defined benefit plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities.

###### d. Lessee's incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

#### 6. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash on hand	\$ 1,887	\$ 2,888
Checking accounts and demand deposits	1,595,306	1,581,990
Cash equivalents (investments with original maturities of less than 3 months)		
Repurchase agreements collateralized by commercial paper	1,167,799	203,967
Repurchase agreements collateralized by bonds	<u>162,037</u>	<u>357,362</u>
	<u>\$ 2,927,029</u>	<u>\$ 2,146,207</u>

#### 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2020	December 31, 2019
<u>Non-current - investments in equity instruments at FVTOCI</u>		
Unlisted shares		
FU-Sheng International Inc. (Samoa)	\$ 9,330	\$ 11,748
Hsin Tung Yang Co., Ltd.	<u>8</u>	<u>34</u>
	<u>\$ 9,338</u>	<u>\$ 11,782</u>

The Company acquired ordinary shares of FU-Sheng International Inc. (Samoa) and Hsin Tung Yang Co., Ltd. for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

Financial assets at fair value through other comprehensive income were not pledged.

#### 8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2020	December 31, 2019
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 77,662</u>	<u>\$ 85,818</u>
<u>Non-current</u>		
Pledged time deposits	<u>\$ 13,320</u>	<u>\$ 11,460</u>



Refer to Note 30 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.

#### 9. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2020	2019
<u>Notes receivable</u>		
Notes receivable - operating	\$ 17,732	\$ 5,482
<u>Accounts receivable</u>		
At amortized cost	184,895	197,302
Gross carrying amount	<u>(3,179)</u>	<u>(3,331)</u>
Less: Loss allowance	<u>181,716</u>	<u>193,971</u>
	<u>\$ 199,448</u>	<u>\$ 199,453</u>

The average credit period of sales of goods was 30-135 days. The Group adopted a policy of only dealing with entities that have passed internal credit assessment and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The movements of the loss allowance of notes and accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 3,331	\$ 3,331
Less: Netremeasurement of loss allowance	(9)	-
Less: Amount written off	<u>(143)</u>	<u>-</u>
Balance at December 31	<u>\$ 3,179</u>	<u>\$ 3,331</u>

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Aging analysis of notes and accounts receivable (net) held by the Group was as follows:

	Neither Past Due nor Impaired	Past Due but not Impaired			Total
		Within 90 Days	91 to 180 Days	Over 180 Days	
December 31, 2020	\$ 189,899	\$ 9,074	\$ 475	\$ -	\$ 199,448
December 31, 2019	189,587	9,838	28	-	199,453

Notes and accounts receivable were not pledged.

#### 10. INVENTORIES

	<u>December 31</u>	
	2020	2019
Finished goods	\$ 206,040	\$ 183,461
Semi-finished goods and work in progress	276,903	182,574
Raw materials	162,529	152,038
Supplies	43,865	27,800
Merchandise	<u>127</u>	<u>571</u>
	<u>\$ 689,464</u>	<u>\$ 546,444</u>

The nature of the cost of goods sold is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Cost of inventories sold	\$ 1,631,457	\$ 1,673,182
Loss on retirement	<u>10,342</u>	<u>17,028</u>
Gain from physical counts	<u>(2,543)</u>	<u>(1,501)</u>

Inventories were not pledged.

#### 11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	<u>Proportion of Ownership</u>	
			2020	December 31, 2019
The Company	Pro-partner Inc. (Pro-partner)	Sales	60%	60%
The Company	GRAPE KING INTERNATIONAL INVESTMENT INC. (BKVI) (GKBYI)	Investment	100%	100%
The Company	Rivershine Ltd. (Rivershine)	Sales	100%	100%
The Company	Dongshu Brooch Corporation	Sales	100%	100%
GKBYI	Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Manufacturing and Sales	100%	100%
GKBYI	Shanghai Rivershine Ltd. (Shanghai Rivershine)	Sales	100%	100%

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b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business		Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	2020	2019	2020	2019
Pro-partner	Taiwan, Republic of China		40%	40%
	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended		Accumulated Non-controlling Interests	
	December 31	December 31	December 31	December 31
	2020	2019	2020	2019
Pro-partner	\$ 623,070	\$ 629,546	\$ 1,353,980	\$ 1,297,431

Summarized financial information of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended		Accumulated Non-controlling Interests	
	2020	2019	2020	2019
Pro-partner	\$ 623,070	\$ 629,546	\$ 1,353,980	\$ 1,297,431

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended		Accumulated Non-controlling Interests	
	2020	2019	2020	2019
Pro-partner	\$ 623,070	\$ 629,546	\$ 1,353,980	\$ 1,297,431

	For the Year Ended December 31	
	2020	2019
Total comprehensive income attributable to:		
Owners of the Company	\$ 933,625	\$ 943,853
Non-controlling interests of Pro-partner	623,011	629,628
	\$ 1,556,636	\$ 1,573,481
Net cash inflow (outflow) from:		
Operating activities	\$ 2,141,579	\$ 1,725,150
Investing activities	(48,952)	(16,177)
Financing activities	(1,469,948)	(1,567,651)
Net cash inflow	\$ 622,679	\$ 141,322
Dividends paid to non-controlling interests of:		
Pro-partner	\$ 566,462	\$ 535,172
		(Concluded)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Associate that is not individually material		
GK BIO INTERNATIONAL SDN. BHD.	\$ 7,115	\$ 5,591

In January 2019, the Company invested NT\$6,810 thousand in GK BIO INTERNATIONAL SDN. BHD. and acquired 30% ownership of the aforementioned company.

Aggregate information of associates that are not individually material.

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Net income (loss)	\$ 1,694	\$ (749)
Other comprehensive loss	(210)	(470)
Total comprehensive income (loss)	\$ 1,484	\$ (1,219)

The Company had neither contingent liabilities nor capital commitments to the associate as of December 31, 2020 and 2019.

Associate was not pledged.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Assets used by the Group	\$ 7,307,695	\$ 6,453,533
a. Assets used by the Group		
	2020	2019
Land	\$ 2,067,958	\$ 1,870,773
Land improvements	3,264	3,264
Buildings	3,179,557	3,149,933
Machinery equipment	1,284,693	1,284,693
Transportation equipment	18,714	18,714
Leasehold improvements	48,277	48,277
Other equipment	424,351	424,351
Construction in progress	1,486,235	1,486,235
Total	\$ 7,307,695	\$ 6,453,533
Accumulated depreciation		
Balance at January 1, 2020	\$ 2,067,958	\$ 1,870,773
Depreciation expense	896,655	896,655
Disposals	(1,897,659)	(1,897,659)
Reclassified	(1,129,567)	(1,129,567)
Effects of foreign currency exchange differences	7,023	3,272
Balance at December 31, 2020	\$ 4,321,322	\$ 4,321,322
Balance at January 1, 2020	1,340	1,166
Depreciation expense	168,592	13,742
Disposals	(18,990)	(272)
Effects of foreign currency exchange differences	2,227	36
Balance at December 31, 2020	\$ 1,659	\$ 1,622
Balance at January 1, 2020	\$ 3,378,412	\$ 3,378,412
Depreciation expense	1,974	1,974
Disposals	(1,289)	(1,289)
Reclassified	157,990	157,990
Effects of foreign currency exchange differences	(14,812)	(7,202)
Balance at December 31, 2020	\$ 3,179,557	\$ 3,179,557
Balance at January 1, 2020	\$ 1,254,331	\$ 1,254,331
Depreciation expense	494,146	494,146
Disposals	(47,820)	(47,820)
Reclassified	316,536	316,536
Effects of foreign currency exchange differences	(7,202)	(7,202)
Balance at December 31, 2020	\$ 1,739,991	\$ 1,739,991
Balance at January 1, 2020	\$ 1,870,773	\$ 1,870,773
Depreciation expense	132,467	132,467
Disposals	(41,339)	(41,339)
Reclassified	(4,823)	(4,823)
Effects of foreign currency exchange differences	(929,987)	(929,987)
Balance at December 31, 2020	\$ 1,528,886	\$ 1,528,886

The significant parts of the Group's buildings include main plants, air conditioning, electrical and waste water treatment equipment and decoration, and the related depreciation is calculated based on the economic lives as below:

Significant Part of Buildings

	Estimated Economic Lives
Main plant	30 to 60 years
Air conditioning and electrical	5 to 22 years
Waste water treatment equipment	10 to 15 years
Decoration	15 years

No impairment assessment was performed for the years ended December 31, 2020 and 2019 as there was no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 32.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	\$ 84,382	\$ 100,226
Buildings	107,418	99,060
Transportation equipment	8,008	7,359
Other equipment	2,305	653
	\$ 202,113	\$ 207,298
For the Year Ended December 31		
	2020	2019
Additions to right-of-use assets	\$ 59,796	\$ 5,318
Depreciation charge for right-of-use assets	3,239	3,631
Land	42,138	34,911
Buildings	6,256	4,308
Transportation equipment	606	130
Other equipment	52,239	42,980

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	\$ 41,796	\$ 43,636
Non-current	120,933	122,034

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.02% to 4.75%	1.00% to 4.75%
Buildings	1.00% to 4.75%	1.00% to 4.75%
Transportation equipment	1.00% to 1.35%	1.00% to 4.75%
Other equipment	1.00%	1.00%

c. Material lease-in activities and terms

The Group leases certain land, buildings and transportation equipment with lease terms of 3 to 50 years. Lease payments for the lease contract of land will be adjusted on the basis of changes in announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Subleases

In addition to the sublease transactions described in Note 15, other sublease transactions are set out below.

Sublease of right-of-use assets

Shanghai Grape King entered into an operating lease agreement for a term from June 2014 to May 2034 with a non-related party. As of December 31, 2020 and 2019, Shanghai Grape King had received prepaid rents, recorded under the advances received for the period of nine years and one month and ten years and one month. The movement schedule of prepaid rents is listed as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance of prepaid rent	\$ 45,423	\$ 51,865
Rental income recognized in the current year	(4,480)	(4,679)
Effects of foreign currency exchange differences	660	(1,763)
Ending balance of prepaid rent	<u>\$ 41,603</u>	<u>\$ 45,423</u>

Advances received for operating leases are as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Other current liabilities	\$ 4,580	\$ 4,505
Other non-current liabilities	<u>37,023</u>	<u>40,918</u>
Ending balance of prepaid rent	<u>\$ 41,603</u>	<u>\$ 45,423</u>

e. Other lease information

Expenses relating to short-term and low-value asset leases	<u>\$ 14,258</u>	<u>\$ 22,099</u>
Total cash outflow for leases	<u>\$(63,215)</u>	<u>\$(63,071)</u>

The Group leases certain land, transportation equipment and other equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1 and December 31, 2020	<u>\$ 1,173,942</u>	<u>\$ 394,499</u>	<u>\$ 1,568,441</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 92,573	\$ 92,573
Depreciation expense	<u>-</u>	<u>8,850</u>	<u>8,850</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 101,423</u>	<u>\$ 101,423</u>
Carrying amount at December 31, 2020	<u>\$ 1,173,942</u>	<u>\$ 293,076</u>	<u>\$ 1,467,018</u>
<u>Cost</u>			
Balance at January 1 and December 31, 2019	<u>\$ 1,173,942</u>	<u>\$ 394,499</u>	<u>\$ 1,568,441</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 82,513	\$ 82,513
Depreciation expense	<u>-</u>	<u>10,060</u>	<u>10,060</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 92,573</u>	<u>\$ 92,573</u>
Carrying amount at December 31, 2019	<u>\$ 1,173,942</u>	<u>\$ 301,926</u>	<u>\$ 1,475,868</u>

The investment properties are leased out for 3 to 10 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 and 2019 is as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Year 1	\$ 13,921	\$ 17,116
Year 2	13,253	16,421
Year 3	9,966	15,635
Year 4	108	12,348
Year 5	108	2,490
Later than 5 years	<u>-</u>	<u>13,724</u>
	<u>\$ 37,356</u>	<u>\$ 77,734</u>

Except for depreciation recognized, the Group did not have significant addition, disposal, or impairment of investment properties during the years ended December 31, 2020 and 2019. Investment properties are depreciated using the straight-line method over their estimated useful lives of 5 to 50 years.

Investment properties held by the Group are not measured at fair value while its fair value is disclosed. The determination of fair value was not performed by independent qualified professional valuers. The valuation was arrived at by reference to announced land value prices and market evidence of transaction prices for similar properties.

Except for the aforementioned addition and recognized amortization, the Group did not have disposal or impairment of other intangible assets during the year ended December 31, 2020 and 2019. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3-10 years
Trademark	4-5 years

**For the Year Ended December 31**

	2020	2019
An analysis of depreciation by function		
Selling and marketing expenses	\$ 5,243	\$ 2,595
General and administrative expenses	5,908	7,704
	<u>\$ 11,151</u>	<u>\$ 10,299</u>

**17. OTHER ASSETS**

	December 31	2019
	2020	2019
<u>Current assets</u>		
Prepayments for purchases	\$ 30,314	\$ 43,334
Office supplies	1,274	2,572
Other prepaid expenses	34,270	32,180
Other current assets	6,170	5,581
	<u>\$ 72,028</u>	<u>\$ 83,667</u>
<u>Non-current assets</u>		
Prepayments for equipment	\$ 22,044	\$ 39,207
Refundable deposits	25,050	26,808
Net defined benefit assets	12,160	6,504
Overdue receivables	2,244	2,267
Less: loss allowance	(2,244)	(2,267)
Other non-current assets	17,631	10,564
	<u>\$ 76,885</u>	<u>\$ 83,083</u>

Overdue receivables were those expected not to be collected within a year and the Group has provided a full allowance for doubtful debts to cover them. The Group holds collateral for other receivables in the amount of NT\$ 2,244 thousand.

**December 31**

Fair value	2020	2019
	\$ 1,686,593	\$ 1,747,009

The investment property - land listed above includes a piece of agricultural land in the amount of NT\$5,600 thousand, which has been acquired due to a settlement of doubtful accounts by the Company but registered under the name of the Company's chairman, Mr. Tseng. The Company has obtained a guarantee note amounting to NT\$5,600 thousand from Mr. Tseng for security purpose.

Investment properties were not pledged.

**16. INTANGIBLE ASSETS**

	Computer Software	Trademark	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 49,002	\$ 15,049	\$ 64,051
Additions	11,361	1,021	12,382
Reclassified	2,990	-	2,990
Effects of foreign currency exchange differences	45	-	45
Balance at December 31, 2020	<u>\$ 62,698</u>	<u>\$ 16,070</u>	<u>\$ 78,768</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 15,197	\$ 14,068	\$ 29,265
Amortization expenses	10,003	1,148	11,151
Effects of foreign currency exchange differences	11	-	11
Balance at December 31, 2020	<u>\$ 25,211</u>	<u>\$ 15,216</u>	<u>\$ 40,427</u>
Carrying amounts at December 31, 2020	<u>\$ 37,487</u>	<u>\$ 854</u>	<u>\$ 38,341</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 24,070	\$ 15,049	\$ 39,119
Additions	25,006	-	25,006
Effects of foreign currency exchange differences	(74)	-	(74)
Balance at December 31, 2019	<u>\$ 49,002</u>	<u>\$ 15,049</u>	<u>\$ 64,051</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 8,836	\$ 10,142	\$ 18,978
Amortization expenses	6,373	3,926	10,299
Effects of foreign currency exchange differences	(12)	-	(12)
Balance at December 31, 2019	<u>\$ 15,197</u>	<u>\$ 14,068</u>	<u>\$ 29,265</u>
Carrying amounts at December 31, 2019	<u>\$ 33,805</u>	<u>\$ 981</u>	<u>\$ 34,786</u>

**18. BORROWINGS**

a. Short-term borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,00-1.04	\$ 150,000
<u>Secured borrowings</u>		
Bank loans	1.00-1.02	<u>200,000</u>
	\$ 500,000	\$ 350,000

Refer to Note 32 for property, plant and equipment pledged as collateral for short-term borrowings.

b. Long-term borrowings

Details of long-term borrowings are as follows:

Lenders	December 31, 2020	Interest rates (%)	Maturity and terms
<u>Unsecured borrowings</u>			
Credit loans from Hua Nan Commercial Bank	\$ 250,000	1.12	Effective from July 27, 2020 to July 27, 2023. Interest is repayable monthly; principal is repayable at maturity.
<u>Secured borrowings</u>			
Secured Long-Term Loan from Hua Nan Commercial Bank	602,233	1.02	Effective from June 8, 2020 to June 8, 2035. Principal is repaid with interest payments due on a monthly basis.
Secured Long-Term Loan from Hua Nan Commercial Bank	350,000	1.02	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
Secured Long-Term Loan from Taiwan Cooperative Bank	119,028	1.19	Effective from May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due on a monthly basis.
Secured Long-Term Loan from Hua Nan Commercial Bank	<u>100,000</u>	1.02	Effective from May 10, 2019 to May 10, 2022. Interest is repayable monthly; principal is repayable at maturity.
Less: Current portion	1,421,261 <u>(49,111)</u>		
	<u>\$ 1,372,150</u>		

Lender	December 31, 2019	Interest Rates (%)	Maturity and Terms
<u>Unsecured borrowings</u>			
Credit loans from Hua Nan Commercial Bank	\$ 250,000	1.40	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
<u>Secured borrowings</u>			
Secured Long-Term Loan from Hua Nan Commercial Bank	350,000	1.30	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
Secured Long-Term Loan from Taiwan Cooperative Bank	126,545	1.44	Effective from May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due on a monthly basis.
Secured Long-Term Loan from Hua Nan Commercial Bank	<u>100,000</u>	1.30	Effective from May 10, 2019 to May 10, 2022. Interest is repayable monthly; principal is repayable at maturity.
Less: Current portions	826,545 <u>(7,304)</u>		
	<u>\$ 819,241</u>		

Certain land and buildings were pledged as collateral for secured bank loans. Refer to Note 32 for the details.

**19. OTHER LIABILITIES**

	December 31, 2020	December 31, 2019
<u>Current</u>		
Other payables		
Bonus to direct sellers	\$ 1,043,099	\$ 1,003,837
Bonus to employees	204,120	209,680
Salaries and incentive bonus	140,903	157,976
Accrued VAT payable	82,255	72,051
Bonus to directors and supervisors	29,633	30,741
Payables for purchases of equipment	18,426	48,336
Other accrued expenses	232,284	220,379
Others	<u>3,164</u>	<u>2,424</u>
	<u>\$ 1,753,884</u>	<u>\$ 1,745,474</u>
Other liabilities		
Unearned rent	\$ 6,006	\$ 5,708
Guarantee deposits received	1,743	12,858
Other current liabilities	<u>35,574</u>	<u>41,880</u>
	<u>\$ 43,323</u>	<u>\$ 60,446</u>

(Continued)

b. Defined benefit plans

The defined benefit plans adopted by the Company and its domestic subsidiaries in accordance with the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and its domestic subsidiaries contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	December 31
	2020	2019
Present value of defined benefit obligation	\$ 23,635	\$ 27,751
Fair value of plan assets	<u>(34,217)</u>	<u>(32,626)</u>
Net defined benefit liabilities (assets)	\$ (10,582)	\$ (4,875)

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	\$ 27,751	\$ (32,626)	\$ (4,875)
Service cost	233	-	233
Current service cost	1,061	-	1,061
Past service cost	231	(277)	(46)
Net interest expense (income)	<u>1,525</u>	<u>(277)</u>	<u>1,248</u>
Recognized in profit or loss	-	-	-
Remeasurement	-	-	-
Return on plan assets (excluding amounts included in net interest)	-	(719)	(719)
Actuarial (gain) loss	830	-	830
Changes in financial assumptions	(573)	-	(573)
Experience adjustments	257	(719)	(462)
Recognized in other comprehensive income	-	(2,907)	(2,907)
Contributions from the employer	(4,837)	2,312	(2,525)
Benefits paid	(1,061)	-	(1,061)
Curtailement	-	-	-
Balance at December 31, 2020	\$ 23,635	\$ (34,217)	\$ (10,582)

(Continued)

	December 31	December 31
	2020	2019
Guarantee deposits received	\$ 17,283	\$ 20,088
Net defined benefit liabilities	1,578	1,629
Other non-current liabilities - others	<u>37,023</u>	<u>40,918</u>
	\$ 55,884	\$ 62,635

(Concluded)

20. PROVISIONS

	December 31	December 31
	2020	2019
Decommissioning, restoration and rehabilitation	\$ 7,322	\$ 5,317

The movements of the provision for decommissioning, restoration and rehabilitation activities were as follows:

	For the Year Ended December 31	For the Year Ended December 31
	2020	2019
Balance at January 1	\$ 5,317	\$ -
Adjustments on initial application of IFRS 16	-	4,571
Balance at January 1 (adjusted)	5,317	4,571
Additional provisions recognized	2,660	670
Amount used	(490)	-
Reversal of unused balance	-	-
Discount rate adjustment and unwinding of discount from the passage of time	102	76
Balance at December 31	\$ 7,322	\$ 5,317

The Group recognized provision for decommissioning of a factory site according to a contract.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT\$21,519 thousand and NT\$32,830 thousand, respectively.

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate	\$ (676)	\$ (782)
0.25% increase	\$ 706	\$ 821
0.25% decrease		
Expected rate of salary increase	\$ 1,302	\$ 1,411
0.25%-1.00% increase	\$ (1,188)	\$ (1,289)
0.25%-1.00% decrease		

The sensitivity analysis previously presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 2,972	\$ 3,314
Average duration of the defined benefit obligation	14 years-14.8 years	13 years-14.1 years

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate; expenses under the defined benefit plan for the years ended December 31, 2020 and 2019 were NT\$1,248 thousand and NT\$553 thousand, respectively.

## 22. EQUITY

- a. Share capital
- 1) Ordinary shares

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	180,000	180,000
Shares authorized, par value \$10 (in thousands of dollars)	\$ 1,800,000	\$ 1,800,000
Shares issued and fully paid (in thousands of shares)	136,286	136,286
Shares issued and fully paid (in thousands of dollars)	\$ 1,362,864	\$ 1,362,864

Each share possesses one voting right and a right to receive dividends.

On January 14, 2021, the Company held the first extraordinary shareholders' meeting and a resolution was passed to increase cash capital by issuing ordinary shares through private placement with Uni-President Enterprise Co., Ltd., a strategic investor, as the subscriber. The purpose of the capital increase is to raise funds for capital expenditures, to enrich working capital and help strengthen the capital structure. On January 14, 2021, the Company's s resolved to offer for subscription and issued 11,851 thousand ordinary shares of the Company. The subscription price was \$170 per share, and a total of \$2,014,670 thousand in cash was received. The record date of cash capital increase was January 19, 2021. The rights and obligations of the shareholders of the

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	\$ 28,122	\$ (29,825)	\$ (1,703)
Service cost			
Current service cost	307	-	307
Past service cost	278	-	278
Net interest expense (income)	291	323	(32)
Recognized in profit or loss	876	(323)	553
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,095)	(1,095)
Actuarial (gain) loss			
Changes in demographic assumptions	4	-	4
Changes in financial assumptions	681	-	681
Experience adjustments	(80)	-	(80)
Recognized in other comprehensive income	605	(1,095)	(490)
Contributions from the employer	-	(2,941)	(2,941)
Benefits paid	(1,404)	1,404	-
Curtailment	(448)	154	(294)
Balance at December 31, 2019	\$ 27,751	\$ (32,626)	\$ (4,875)

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2020	2019
Discount rate	0.40%-0.80%	0.75%-1.00%
Expected rate of salary increase	1.50%-2.00%	1.50%-2.00%



ordinary shares issued through this private placement are the same as those of the shareholders of the Company's issued ordinary shares. However, in accordance with Article 43-8 of the Securities and Exchange Act, the ordinary shares of this private placement shall not be freely transferred within three years from the date of subscription.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Additional paid-in capital	\$ 954,280	\$ 954,280
Treasury share transactions	2,672	3,583
<u>May only be used to offset a deficit</u>		
Convertible bonds - expired share options	150	150
Treasury share transactions - share options	6,749	4,260
Others (2)	<u>7,866</u>	<u>6,451</u>
	<u>\$ 971,717</u>	<u>\$ 968,724</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Others are unclaimed dividend.

c. Retained earnings and dividends policy

According to the Company's Articles of Incorporation, both the Company and Pro-partner Inc. shall distribute their annual earnings, if any, in the sequence listed below.

- 1) Paying taxes;
- 2) Offsetting losses of previous years;
- 3) Setting aside as legal reserve 10% of the remaining profit;
- 4) Setting aside or reversing a special reserve in accordance with the laws and regulations; and
- 5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 24-h.

The Company's dividend policy shall be determined pursuant to the factors, such as the investment environment, capital requirement, domestic and overseas competition environment, current and future business development plan, as well as shareholders' interests. The distribution of shareholder dividends shall not be lower than 60% of the unappropriated earnings of the current year. However, the shareholders may resolve not to distribute dividends if the accumulated earnings were lower than 10%

of the paid-in capital. Dividends can be distributed in the form of cash or stock or a combination of both cash and stock, out of which at least 10% of the total dividends distributed shall be in cash.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to the special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside a supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meetings on May 28, 2020 and May 29, 2019 were as follows:

	For the Year Ended December 31 2019	2018
Legal reserve	\$ 130,933	\$ 129,540
Special reserve	<u>\$ 26,081</u>	<u>\$</u>
Cash dividends	\$ 884,210	\$ 882,559
Cash dividends per share (NT\$)	6.5	6.5

The appropriation of earnings for 2020 that had been proposed by the Company's Board of Directors on February 25, 2021, was as follows:

	For the Year Ended December 31, 2020
Legal reserve	\$ 127,245
Special reserve	<u>\$ (14,287)</u>
Cash dividends	<u>\$ 948,079</u>
Cash dividends per share (NT\$)	\$ 6.4

The appropriation of earnings for 2020 will be resolved by the shareholders in their meeting to be held on May 28, 2021.

Pro-Partner's appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meetings on April 14, 2020 and April 25, 2019, respectively, were as follows:

	For the Year Ended December 31	2018
Legal reserve	\$ 157,328	\$ 148,670
Cash dividends	\$ 1,416,153	\$ 1,337,931
Cash dividends per share (NT\$)	\$ 80.463	\$ 76.02

Pro-partner's appropriation of earnings for 2020 that had been proposed by the Pro-partner's Board of Directors on February 18, 2021, was as follows:

	For the Year Ended December 31,
Legal reserve	\$ 155,664
Cash dividends	\$ 1,400,972
Cash dividends per share (NT\$)	\$ 79.60

The appropriation of earnings for 2020 will be resolved by the shareholders in their meeting to be held on April 20, 2021.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	2019
Balance at beginning of year	\$ (84,506)	\$ (50,958)
Recognized for the year	16,731	(33,548)
Exchange differences on translating the financial statements of foreign operations	\$ (67,775)	\$ (84,506)
Balance at end of year		

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	2019
Balance at beginning of year	\$ (16,246)	\$ (17,136)
Recognized for the year	(2,444)	890
Unrealized gain (loss) - equity instruments	\$ (18,690)	\$ (16,246)
Balance at end of year		

e. Non-controlling interests

	For the Year Ended December 31	2019
Balance at beginning of year	\$ 1,297,431	\$ 1,202,975
Profit for the year	623,070	629,546
Comprehensive income (loss) for the year	(566,462)	(535,172)
Dividends paid to non-controlling interests	(59)	82
Remeasurement of defined benefit plans	\$ 1,353,980	\$ 1,297,431
Balance at end of year		

f. Treasury shares

On January 3, 2017, the Company's Board of Directors resolved to buy its own shares as treasury shares for transferring to its employee. The repurchase period was from January 4, 2017 to March 3, 2017 and the number of shares to be brought back was 3,000,000 shares with the unit price interval of \$118 to \$349.5. As of the end of the repurchase period, the number of shares repurchased was 508,000 shares with the average repurchase unit price of \$179.26. The carrying value of treasury shares as of December 31, 2020 and 2019 was \$0 and \$45,530 thousand, respectively.

Shares Transferred to Employees

Number of shares at January 1, 2020	254,000
Transferred during the year	(254,000)
Number of shares at December 31, 2020	-
Number of shares at January 1, 2019	508,000
Transferred during the year	(254,000)
Number of shares at December 31, 2019	254,000

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

23. REVENUE

	For the Year Ended December 31	2019
Revenue from contracts with customers	\$ 8,388,148	\$ 8,329,563
Revenue from the sale of goods	780,047	909,507
Revenue from the rendering of services	\$ 9,168,195	\$ 9,239,070

a. Disaggregation of revenue

1) Type of goods or services and timing of revenue recognition:

Type of goods or services	For the year ended December 31, 2020			For the year ended December 31, 2019				
	MLM	Reportable Segments Distribution	ODM/OEM	Total	MLM	Reportable Segments Distribution	ODM/OEM	Total
Satisfied at a point in time	\$ 7,718,865	\$ 532,439	\$ 136,844	\$ 8,388,148	\$ 7,718,865	\$ 532,439	\$ 916,891	\$ 9,168,195
Rendering of services	-	-	780,047	780,047	-	-	-	-
<b>Total</b>	<b>\$ 7,718,865</b>	<b>\$ 532,439</b>	<b>\$ 916,891</b>	<b>\$ 9,168,195</b>	<b>\$ 7,718,865</b>	<b>\$ 532,439</b>	<b>\$ 916,891</b>	<b>\$ 9,168,195</b>

Timing of revenue recognition

Type of goods or services	MLM	Reportable Segments Distribution	ODM/OEM	Total
Satisfied at a point in time	\$ 7,791,039	\$ 412,980	\$ 125,444	\$ 8,329,563
Rendering of services	-	-	909,507	909,507
<b>Total</b>	<b>\$ 7,791,039</b>	<b>\$ 421,980</b>	<b>\$ 1,035,051</b>	<b>\$ 9,239,070</b>

2) Type of goods

Type of goods	For the year ended December 31, 2020		For the year ended December 31, 2019	
	MLM	Reportable Segments Distribution	ODM/OEM	Total
Health food	\$ 7,653,183	\$ 7,717,633	\$ 7,653,183	\$ 7,717,633
ODM/OEM	916,891	930,391	916,891	930,391
Beverage	211,868	206,692	211,868	206,692
Others (Note)	386,253	384,354	386,253	384,354
<b>Total</b>	<b>\$ 9,168,195</b>	<b>\$ 9,239,070</b>	<b>\$ 9,168,195</b>	<b>\$ 9,239,070</b>

Note: Others include cosmetics, general food and pet food.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable, net	\$ 199,448	\$ 199,453	\$ 171,245
Accounts receivable from related parties	\$ 2,248	\$ 2,603	\$ -
Contract liabilities - current	\$ 4,801	\$ 9,503	\$ 48,238
Sale of goods	91,439	55,511	58,079
Rendering of services	\$ 96,240	\$ 65,014	\$ 106,317

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's performance and the respective customer's payment.

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
a. Interest income		\$ 4,633		\$ 5,039
Financial assets at amortized cost				
b. Other income				
Rental income		\$ 29,895		\$ 32,093
Others		58,470		92,285
		\$ 88,365		\$ 124,378
c. Other gains and losses				
Net foreign exchange loss		\$ (6,166)		\$ (357)
Loss on disposal of property, plant and equipment		(455)		(966)
Loss arising from lease modifications		-		(444)
Others		(309)		(4,106)
		\$ (6,930)		\$ (5,873)

## d. Finance costs

	For the Year Ended December 31	2019
	2020	
Interest on bank loans	\$ 17,454	\$ 15,022
Interest on lease liabilities	2,257	2,320
Imputed interest on deposits	141	272
Unwinding of discount on provisions	102	76
Less: Amounts included in the cost of qualifying assets	<u>(5,613)</u>	<u>-</u>
	<u>\$ 14,341</u>	<u>\$ 17,690</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	2019
	2020	
Capitalized interest amount	\$ 5,613	\$ -
Capitalization rate	1.06%	-

## e. Depreciation and amortization

	For the Year Ended December 31	2019
	2020	
An analysis of depreciation by function		
Operating costs	\$ 200,140	\$ 137,629
Operating expenses	<u>203,714</u>	<u>171,161</u>
	\$ 403,854	\$ 308,790
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>11,151</u>	<u>10,299</u>
	\$ 11,151	\$ 10,299

## f. Operating expenses directly related to investment properties

	For the Year Ended December 31	2019
	2020	
Direct operating expenses from investment properties generating rental income	\$ 4,249	\$ 5,725
Direct operating expenses from investment properties not generating rental income	<u>4,600</u>	<u>4,336</u>
	<u>\$ 8,849</u>	<u>\$ 10,061</u>

## g. Employee benefits expense

	For the Year Ended December 31	2019
	2020	
Short-term benefits	\$ 1,023,991	\$ 1,006,405
Post-employment benefits (Note 21)	21,519	32,830
Defined contribution plan	1,248	553
Defined benefit plans	<u>22,767</u>	<u>33,383</u>
Share-based payments	2,489	4,394
Equity-settled	<u>17,256</u>	<u>17,599</u>
Other employee benefits		
Total employee benefits expense	<u>\$ 1,066,503</u>	<u>\$ 1,061,781</u>

An analysis of employee benefits expense by function

Operating costs	\$ 251,519	\$ 261,595
Operating expenses	<u>814,984</u>	<u>800,186</u>
	<u>\$ 1,066,503</u>	<u>\$ 1,061,781</u>

## h. Compensation of employees and remuneration of directors and supervisors

According to the resolution of the board of directors, 6%-8% of profit of the current year is distributable as compensation of employees and no higher than 2% of profit of the current year is distributable as remuneration of directors and supervisors. However, the Company has to first offset accumulated losses, if any. For the years ended December 31, 2020 and 2019, the compensation of employees and the remuneration of directors and supervisors are as follows:

	For the Year Ended December 31	2019
	2020	
Accrual rate		
Compensation of employees	8%	8%
Remuneration of directors and supervisors	2%	2%
Amount		
Compensation of employees	\$ 118,532	\$ 122,964
Remuneration of directors and supervisors	<u>29,633</u>	<u>30,741</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of earnings for the compensation of employees and remuneration of directors and supervisors for 2020 and 2019 that were resolved by the Company's Board of Directors on February 25, 2021 and February 24, 2020, respectively, are as shown below:

	For the Year Ended December 31	2019
	2020	
Cash	\$ 118,532	\$ 122,964
	<u>29,633</u>	<u>30,741</u>
Compensation of employees	\$ 118,532	\$ 122,964
Remuneration of directors and supervisors	<u>29,633</u>	<u>30,741</u>

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 484,735	\$ 493,667
Income tax on unappropriated earnings	13,405	14,199
Adjustments for prior years	<u>(13,546)</u>	<u>(5,515)</u>
	484,594	502,351
Deferred tax		
In respect of the current year	<u>(1,499)</u>	<u>(811)</u>
Income tax expense recognized in profit or loss	\$ 483,095	\$ 501,540

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Profit before tax from continuing operations	\$ 2,378,190	\$ 2,440,106
Income tax expense calculated at the statutory rate	\$ 687,200	\$ 706,759
Income tax on unappropriated earnings	13,405	14,199
Others	<u>(203,964)</u>	<u>(213,903)</u>
Adjustments for prior years' tax	<u>(13,546)</u>	<u>(5,515)</u>
Income tax expense recognized in profit or loss	\$ 483,095	\$ 501,540

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

### b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Deferred tax		
In respect of the current year	\$ 93	\$ 98
Remeasurement of defined benefit plans	<u>93</u>	<u>98</u>
Total income tax recognized in other comprehensive income	\$ 93	\$ 98

### c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences	\$ 284	-	-	\$ 284
Employee benefits payable	482	19	-	501
Allowance for uncollectible accounts	383	(141)	-	242
Employee benefits	4	1	-	5
Unrealized scrap value of inventory	600	139	-	739
Right-of-use assets	320	(47)	36	309
Defined benefit liabilities (assets) - subsidiary	7,264	1,528	-	8,792
Unrealized intragroup profits and losses	<u>9,337</u>	<u>1,499</u>	<u>36</u>	<u>10,872</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences	\$ (68,463)	-	-	\$ (68,463)
Unrealized revaluation	-	-	(129)	(341)
Defined benefit liabilities (assets) - the Company	<u>(212)</u>	<u>-</u>	<u>(129)</u>	<u>(68,804)</u>

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences	\$ 284	-	-	\$ 284
Employee benefits payable	566	(84)	-	482
Allowance for uncollectible accounts	524	(141)	-	383
Employee benefits	10	(6)	-	4
Unrealized scrap value of inventory	-	600	-	600
Right-of-use assets	399	(28)	(51)	320
Defined benefit liabilities (assets) - subsidiary	6,249	1,015	-	7,264
Unrealized intragroup profits and losses	<u>8,032</u>	<u>1,356</u>	<u>(51)</u>	<u>9,337</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

**27. SHARE-BASED PAYMENT ARRANGEMENTS**

**Employee share option plan**

Qualified employees of the Group were granted 254 options and 254 options in August 2020 and July 2019, respectively. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The options are granted to the specific employees of the Group that meet the vesting conditions.

Information on employee share options is as follows:

	For the Year Ended December 31		Weighted -average Exercise Price (Share/\$)	Number of Options	Weighted -average Exercise Price (Share/\$)
	2020	2019			
<b>Employee share options</b>					
Balance at January 1	-	-	\$ -	-	\$ -
Options granted	254	254	176.19	254	176.19
Options exercised	(254)	(254)	176.19	(254)	176.19
Balance at December 31	-	-	-	-	-
Options exercisable, end of year	-	-	-	-	-
Weighted-average fair value of options granted (share/\$)	\$ 9.8	\$ 17.3			

Options granted in August 2020 and July 2019 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	August 2020	July 2019
Grant-date share price	\$ 186.00	\$ 193.50
Exercise price per share	\$ 176.19	\$ 176.19
Expected volatility	2.14%	22.71%
Expected life (in years)	0.0384 year	0.0356 year
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	0.2679%	0.7080%

The amounts of compensation cost recognized were NT\$2,489 thousand and NT\$4,394 thousand for the years ended December 31, 2020 and 2019, respectively.

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<b>Deferred Tax Liabilities</b>				
Temporary differences	\$ (68,463)	\$ -	\$ -	\$ (68,463)
Unrealized revaluation				
Defined benefit liabilities (assets) - the Company	(165)		(47)	(212)
	\$ (68,628)	\$ -	\$ (47)	\$ (68,675)

d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$40,517 thousand and \$19,121 thousand, respectively.

e. Income tax assessments

The tax authorities have assessed the income tax returns of the Company through 2018.

**26. EARNINGS PER SHARE**

	For the Year Ended December 31	Unit: NTS Per Share
	2020	2019
Basic earnings per share	\$ 9.34	\$ 9.63
Diluted earnings per share	\$ 9.29	\$ 9.58

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

	For the Year Ended December 31
	2020
<b>Net profit for the year</b>	\$ 1,272,025
Earnings used in the computation of basic earnings and diluted earnings per share	\$ 1,309,020

	For the Year Ended December 31
	2020
<b>Weighted average number of ordinary shares outstanding</b>	136,132
Earnings used in the computation of basic earnings and diluted earnings per share	755
Effect of potentially dilutive ordinary shares	136,887
Compensation of employees	722
	136,598

Weighted average number of ordinary shares used in the computation of basic earnings per share

Weighted average number of ordinary shares used in the computation of diluted earnings per share

## 28. CASH FLOW INFORMATION

- a. Non-cash transactions

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2020 and 2019:

	For the Year Ended December 31, 2020	2019
Additions of property, plant and equipment	\$ (1,096,234)	\$ (635,795)
Changes in prepayments for purchases	(88,551)	(18,235)
Changes in payables for purchases of equipment	(29,910)	23,720
Changes in other financial assets	960	-
Payments for acquisition of property, plant and equipment	<u>\$ (1,213,735)</u>	<u>\$ (630,310)</u>

- b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

	January 1, 2020	Non-cash Changes		December 31, 2020
		Lease Change	Finance Costs	Exchange Rate Impact
Short-term borrowings	\$ 350,000	-	-	-
Long-term borrowings	826,545	-	-	-
Guarantee deposits received	(13,920)	-	-	-
Lease liabilities	<u>165,670</u>	<u>43,755</u>	<u>2,257</u>	<u>4</u>
	<u>\$ 1,375,161</u>	<u>\$ 43,755</u>	<u>\$ 2,257</u>	<u>\$ 2,103,016</u>

For the year ended December 31, 2019

	January 1, 2019	Non-cash Changes		December 31, 2019
		Lease Change	Finance Costs	Exchange Rate Impact
Short-term borrowings	\$ 800,000	-	-	-
Long-term borrowings	318,807	-	-	-
Guarantee deposits received	45,206	-	-	-
Lease liabilities	<u>205,070</u>	<u>(569)</u>	<u>2,320</u>	<u>(179)</u>
	<u>\$ 1,369,083</u>	<u>\$ (569)</u>	<u>\$ 2,320</u>	<u>\$ 1,375,161</u>

## 29. CAPITAL MANAGEMENT

The objective of the Group's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Group's capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Group plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. The Group then calculates the required working capital and cash based on industry characteristics, and estimates the possible product margins, operating margin and cash flow. In order to determine the most appropriate capital structure, the Group takes into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

## 30. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments not measured at fair value

The Group's management considers the book value of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair value.

- b. Fair value of financial instruments measured at fair value on a recurring basis

- 1) Fair value hierarchy

December 31, 2020

Level 1      Level 2      Level 3      Total

Financial assets at FVTOCI

Investments in equity instruments  
- unlisted shares      \$ -      \$ -      \$ 9,338      \$ 9,338

December 31, 2019

Level 1      Level 2      Level 3      Total

Financial assets at FVTOCI

Investments in equity instruments  
- unlisted shares      \$ -      \$ -      \$ 11,782      \$ 11,782

There were no transfers between Levels 1 and 2 in the current and prior years.

- 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Financial Assets  
Balance at beginning of year      \$ 11,782  
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)      (2,444)  
Balance at end of year      \$ 9,338

### Financial Assets

For the year ended December 31, 2019

Financial Assets  
Balance at beginning of year      \$ 10,892  
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)      890  
Balance at end of year      \$ 11,782

### Financial Assets

For the year ended December 31, 2019

Financial Assets  
Balance at beginning of year      \$ 10,892  
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)      890  
Balance at end of year      \$ 11,782

d. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, approval process by the board of directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies.

1) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk (see (a) below) and interest rate risk (see (b) below).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries. The purpose of the Group's management of the exchange rate risk is for the purpose of hedging and not for profit.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is applied. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 34.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 10% change in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a change in pre-tax profit associated with the functional currency strengthening 10% against the relevant currency.

	<u>2020</u>	<u>2019</u>
Profit or loss	\$ 13,702	\$ 11,090

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the market approach. The market approach is used to arrive at their fair values, for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered. The significant unobservable inputs are as follows. The lower the discount for lack of marketability, the higher the fair value of the shares.

	<u>December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Discount for lack of marketability	30%	30%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	<u>December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Discount for lack of marketability		
1% increase	\$ (133)	\$ (168)
1% decrease	\$ 133	\$ 168

c. Categories of financial instruments

Financial assets

Financial assets at amortized cost	\$ 2,927,029	\$ 2,146,207
Cash and cash equivalents	90,982	97,278
Financial assets at amortized cost	199,448	199,453
Notes and accounts receivable, net	2,248	2,603
Accounts receivable from related parties	3,533	2,141
Other receivables	12	-
Other receivables from related parties	-	-
Financial assets at FVTOCI	9,338	11,782
Equity instruments	<u>\$ 3,232,590</u>	<u>\$ 2,459,464</u>

Financial liabilities

Financial liabilities at amortized cost	\$ 500,000	\$ 350,000
Short-term borrowings	255,318	222,626
Notes and accounts payable	1,753,884	1,745,424
Other payables	37,641	38,130
Other payables to related parties	<u>1,421,261</u>	<u>826,545</u>
Long-term borrowings (current portion included)	<u>\$ 3,968,104</u>	<u>\$ 3,182,725</u>



b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The Group is also exposed to interest rate risk related to its investments in floating rate debt instruments. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	2020	December 31 2019
Fair value interest rate risk		
Financial assets	\$ 90,982	\$ 97,278
Financial liabilities	2,083,989	1,342,215
Cash flow interest rate risk		
Financial assets	2,921,465	2,139,988

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been changed by 10 basis points and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would change by NT\$2,921 thousand and NT\$2,140 thousand, respectively, which was mainly due to fluctuations in the net asset's variable interest rate.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial

institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

3) Liquidity risk

The Group's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents and highly liquid equity investments. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2020

	On Demand or Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
Short-term borrowings	\$ 300,356	-	-	-	-	\$ 300,356
Notes and accounts payable	253,318	-	-	-	-	253,318
Other payables (related parties included)	1,591,625	199,900	-	-	-	1,791,525
Long-term borrowings (current portion included)	28,326	28,267	513,155	423,303	500,089	1,493,140
Lease liabilities	25,700	17,780	29,702	45,576	54,761	173,519
	<u>\$ 2,401,325</u>	<u>\$ 245,947</u>	<u>\$ 548,857</u>	<u>\$ 468,879</u>	<u>\$ 554,850</u>	<u>\$ 4,213,858</u>

Additional information about the maturity analysis for lease liabilities:

Lease liabilities	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
	\$ 43,480	\$ 75,278	\$ 18,966	\$ 8,802	\$ 8,802	\$ 18,191

December 31, 2019

	On Demand or Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
Short-term borrowings	\$ 350,483	-	-	-	-	\$ 350,483
Notes and accounts payable	222,626	-	-	-	-	222,626
Other payables (related parties included)	1,578,199	205,355	-	-	-	1,783,554
Long-term borrowings (current portion included)	4,576	4,656	9,345	751,700	97,341	867,618
Lease liabilities	21,176	19,467	30,603	34,073	73,513	178,832
	<u>\$ 2,177,060</u>	<u>\$ 229,478</u>	<u>\$ 39,948</u>	<u>\$ 785,773</u>	<u>\$ 170,854</u>	<u>\$ 3,403,113</u>

Additional information about the maturity analysis for lease liabilities:

Lease liabilities	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
	\$ 40,643	\$ 64,676	\$ 25,590	\$ 11,232	\$ 11,232	\$ 25,459

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Accounts receivable from related parties	GK BIO INTERNATIONAL SDN. BHD.	\$ 2,248	\$ 2,603
Other receivables from related parties	Xinlin Investment	\$ 12	\$ -

d. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Other payables to related parties	Pu Hsing Gongju	\$ 17,848	\$ 18,041
		<u>19,793</u>	<u>20,089</u>
		\$ 37,641	\$ 38,130

e. Lease arrangements

Line Item	Related Party Category/Name	December 31	
		2020	2019
Lease liabilities	Pu-Lin	\$ 29,466	\$ 33,206

f. Other transactions with related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Refundable deposits	Other related party	\$ 1,068	\$ 1,068
Guarantee deposits received	Other related party	\$ 2	\$ 2
Temporary credits (classified as other current liabilities)	Associate	\$ -	\$ 11
Advance receipts (classified as other current liabilities)	Other related party	\$ 29	\$ 10

b) Financing facilities

	December 31	
	2020	2019
Short-term borrowings amount unused	\$ 1,188,000	\$ 1,300,000

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category	Relationship with the Group
Pu Hsing Enterprise Co., Ltd. (Pu Hsing)	Other Related Party	A director of Pro-partner
Taipei City Pro-partner Technology and Human Development Foundation (Pro-partner Foundation)	Other Related Party	Pro-partner is its sole founder
Gongju Co., Ltd. (Gongju)	Other Related Party	Supervisor of Pro-partner (from June 3, 2018 to June 2, 2021)
Pu-Lin Ltd. (Pu-Lin)	Other Related Party	Related party in substance of Pro-partner
Xinlin Enterprise Co., Ltd. (Xinlin)	Other Related Party	Related party in substance of Pro-partner
Xinlin Investment Co., Ltd. (Xinlin Investment)	Other Related Party	Related party in substance of Pro-partner
GK BIO INTERNATIONAL SDN. BHD.	Associate	Investee of the Company accounted for using the equity method

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Sales	Other related party	\$ 1,503	\$ 1,538
	Associate	<u>11,877</u>	<u>3,257</u>
		\$ 13,380	\$ 4,795

The sales price for the related parties and the price for the third-party MLM member customers were determined based on mutual consent. There is no significant difference regarding the terms and conditions for the related parties and for the third parties.

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Selling and marketing expenses - commissions expense	Other related party	\$ 5,595	\$ 6,010
General and administrative expenses - donations	Other related party	\$ 650	\$ 600
Rental income	Other related party	\$ 17	\$ 32
Other income	Other related party	\$ 31	\$ 34

Pu Hsing and Gongju are MLM members of subsidiary. The calculation and payment terms are the same as the general membership in accordance with the regulations of Business Manual.

The rental from the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

g. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 228,883	\$ 234,622
Post-employment benefits	363	380
	\$ 229,246	\$ 235,002

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for long-term and short-term secured loans, Chinese Petroleum Corporation natural gas, leasing land and operating center from science-based parks:

	December 31	
	2020	2019
Property, plant and equipment - land	\$ 3,004,629	\$ 2,107,974
Property, plant and equipment - buildings	1,050,018	1,077,499
Pledged time deposits (classified as financial assets at amortized cost - non-current)	13,320	11,460
	\$ 4,067,967	\$ 3,196,933

Secured bank facilities used in response to operating funds by the Group's property, plant and equipment - land/building as of December 31, 2020 and 2019 are as follows:

	December 31	
	2020	2019
Short-term financing facilities	\$ 1,238,000	\$ 1,200,000
Medium and long-term financing facilities	1,219,028	576,545
	\$ 2,457,028	\$ 1,776,545

### 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Group are as follows:

- The Company's guarantee notes issued to banks for credit lines amounted to NT\$400,000 thousand as of December 31, 2020.
- Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2020 were as follows:

Nature of Contract	Contract Amount	Amount Paid	Outstanding Balance
Plant and machinery	\$ 1,067,616	\$ 984,559	\$ 83,057

- For operational needs, Pro-partner established operational bases in Taoyuan, Hsinchu, Fengyuan, Taichung, Hualien, Tainan and Kaohsiung. The information concerning the operating leases as of December 31, 2020 is listed below:

Operating Location	Lessor	Lease Periods	Monthly Rental
Taoyuan City	Taoyuan Irrigation Association	2020.02.01-2025.01.31	\$ 360
Taoyuan City	Passion Technology Co., Ltd.	2020.05.01-2025.04.30	280
Hsinchu City	Lin, Zhuang-Long, Wu, Yi-Wan	2016.11.01-2021.10.31	335
Fengyuan Dist.	Lin, Fen-Ling	2020.06.01-2023.05.31	70
Taichung City	Pu-Lin Ltd.	2007.11.01-2027.11.01	220
Taichung City	Pu-Lin Ltd.	2010.04.01-2030.03.31	129
Hualien City	Liou, Chuen-Hou, Liou, Chuen-Lung	2019.09.01-2021.08.31	130
Tainan City	Cathay Life Insurance Co., Ltd.	2016.03.21-2021.07.31	873
Kaohsiung City	Global Intelligence Network Co., Ltd.	2020.03.01-2025.03.31	71

**34. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Monetary items			
USD	\$ 3,276	28.48 (USD:NTD)	\$ 93,300
USD	1,896	6.525 (USD:CNY)	\$ 53,998

Financial liabilities

Monetary items			
USD	361	6.525 (USD:CNY)	\$ 10,281

December 31, 2019

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Monetary items			
USD	\$ 1,958	29.98 (USD:NTD)	\$ 58,701
USD	1,741	6.964 (USD:CNY)	\$ 52,195

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were NT\$(6,166) thousand and NT\$(357) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

**35. SEPARATELY DISCLOSED ITEMS**

- Information about significant transactions:
  - Financing provided to others: None;
  - Endorsements/guarantees provided: None;
- Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 1;
- Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;

- Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 2;
- Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3;
- Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4;
- Trading in derivative instruments: None;
- Intercompany relationships and significant intercompany transactions: Table 5;
- Information on investees: Table 6;
- Information on investments in mainland China
  - The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 7.
  - Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None;
- Information on major shareholders:
  - List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8;

**36. SEGMENTS INFORMATION**

The Group determined its operating segments based on business activities with discrete financial information regularly reported through the Group's internal reporting protocols to the Group's chief operating decision maker. The Group is organized into several business units based on its marketing channels and services. As of December 31, 2020 and 2019, the Group had the following segments: MLM (Multi-Level Marketing), Distributors, and ODM/OEM (Original Design Manufacturer/Original Equipment Manufacturer).

Management monitors the operating results of its business units separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, non-operating income and expenses and income taxes are managed on a company basis and are not allocated to operating segments.

Transfer prices between operating segments are determined at arm's length basis in a manner similar to transactions with third parties.

Segment's description: MLM is a direct seller of Pro-partner Inc., including the Company's development and manufacturing products for Pro-partner Inc. Distributors include GRAPE KING BIO's self-owned brand products and ODM/OEM includes ODM/OEM in Taiwan and Shanghai.

Inter-segment revenues refer to transactions between segments that have been eliminated in the consolidated financial statements.

Segment profit (loss) is profit from operations, segment gross margin, segment operating revenue minus segment operating costs, minus directly attributable segment operating expense and distributable common expenses of the Group.

Adjustment/elimination: Inter-segment revenues are eliminated on consolidation and recorded under the "adjustment and elimination" column. Other adjustments and eliminations which have no significant influence, are not disclosed.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended December 31, 2020

	MLM	Distribution	ODM/OEM	Adjustment/ Elimination	Total
Revenue from external customers	\$ 7,718,865	\$ 532,439	\$ 916,891	\$ -	\$ 9,168,195
Inter-segment revenue	<u>1,510,101</u>	<u>169,956</u>	<u>152,200</u>	<u>(1,832,257)</u>	<u>-</u>
Segment revenue	\$ 9,228,966	\$ 702,395	\$ 1,069,091	\$ (1,832,257)	\$ 9,168,195
Segment income	\$ 1,981,961	\$ 75,625	\$ 171,006	\$ 76,190	\$ 2,304,782

Note: ODM/OEM revenues come from external customers in Taiwan and Shanghai amounted to NT\$136,844 thousand and NT\$780,047 thousand, respectively.

For the year ended December 31, 2019

	MLM	Distribution	ODM/OEM	Adjustment/ Elimination	Total
Revenue from external customers	\$ 7,791,039	\$ 412,980	\$ 1,035,051	\$ -	\$ 9,239,070
Inter-segment revenue	<u>1,515,466</u>	<u>194,148</u>	<u>21,119</u>	<u>(1,730,733)</u>	<u>-</u>
Segment revenue	\$ 9,306,505	\$ 607,128	\$ 1,056,170	\$ (1,730,733)	\$ 9,239,070
Segment income	\$ 2,016,778	\$ 74,458	\$ 166,652	\$ 77,113	\$ 2,335,001

Note: ODM/OEM revenues come from external customers in Taiwan and Shanghai amounted to NT\$125,544 thousand and NT\$909,507 thousand, respectively.

b. Total segment assets and liabilities

December 31, 2020

	MLM	Distribution	ODM/OEM	Adjustment/ Elimination	Total
Segment assets	\$ 14,372,269	\$ 734,726	\$ 2,336,862	\$ (4,339,736)	\$ 13,104,121
Segment liabilities	<u>4,891,408</u>	<u>243,001</u>	<u>303,185</u>	<u>(3,119,927)</u>	<u>5,125,667</u>

December 31, 2019

	MLM	Distribution	ODM/OEM	Adjustment/ Elimination	Total
Segment assets	\$ 12,932,772	\$ 510,523	\$ 1,998,196	\$ (4,082,420)	\$ 11,359,071
Segment liabilities	<u>3,824,445</u>	<u>181,361</u>	<u>222,677</u>	<u>(340,264)</u>	<u>3,888,219</u>

c. Other segment information

Other information reviewed by the chief operating decision maker or regularly provided to the chief operating decision maker was as following:

For the year ended December 31, 2020

	MLM	Distribution	ODM/OEM	Adjustment/ Elimination	Total
Depreciation and amortization	\$ 363,411	\$ 17,214	\$ 36,907	\$ (2,527)	\$ 415,005
Interest expense	\$ 13,297	\$ 796	\$ 267	\$ (19)	\$ 14,341
Amounts of additions to non-current assets (Note)	\$ 1,102,967	\$ 72,606	\$ 56,647	\$ -	\$ 1,232,220

For the year ended December 31, 2019

	MLM	Distribution	ODM/OEM	Adjustment/ Elimination	Total
Depreciation and amortization	\$ 282,744	\$ 7,733	\$ 31,405	\$ (2,793)	\$ 319,089
Interest expense	\$ 16,828	\$ 705	\$ 216	\$ (59)	\$ 17,690
Amounts of additions to non-current assets (Note)	\$ 549,270	\$ 22,510	\$ 63,545	\$ -	\$ 635,325

Note: Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

For the Year Ended December 31

	2020	2019
Health food	\$ 7,653,183	\$ 7,717,633
ODM/OEM	916,891	930,391
Beverage	211,868	206,692
Others (Note)	<u>386,253</u>	<u>384,354</u>
	\$ 9,168,195	\$ 9,239,070

Note: Others include cosmetics, general food and pet food.

## e. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and Others.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31, 2020	2019	2020	December 31, 2019
Taiwan	\$ 8,335,001	\$ 8,303,071	\$ 8,572,421	\$ 7,749,263
China	821,317	932,742	507,471	498,801
Others	<u>11,877</u>	<u>3,257</u>	<u>-</u>	<u>-</u>
	\$ <u>9,168,195</u>	\$ <u>9,239,070</u>	\$ <u>9,079,892</u>	\$ <u>8,248,064</u>

Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

## f. Information about major customers

There were no individual customer whose sales accounted for at least 10% of the Group's revenue for the year ended December 31, 2020.

TABLE 1

## GRAPE KING BIO LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type And Name	Relationship with the Company	Financial Statement Account	December 31, 2020			Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Grape King Bio Ltd.	Stock FU-Sheng International Inc. (SAMOA)	-	Financial assets at fair value through other comprehensive income - non-current	917,700	\$ 9,330	18.77	\$ 9,330
	Hsin Tung Yang Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	8	-	8

TABLE 2

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
Grape King Bio Ltd.	Land	2020.2.24	\$890,000	Pay according to the contract.	Onano Industrial Corp.	-	Not applicable	Not applicable	Not applicable	The price based on valuation report issued by an external independent professional valuation company is estimated to be higher than the transaction price.	In order to provide more stable production capacity to meet market demand.	None



**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction Unit Price	Payment Terms	Notes/Accounts Payable or Receivable Ending Balance	% to Total	Note
			Purchases/Sales	Amount					
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	\$ 1,510,097	69.40	30 days after monthly closing	\$ 188,165	65.69	Note 2
Grape King Bio Ltd.	Rivershine Ltd.	Subsidiary	Sales	169,780	7.80	60 days after monthly closing	44,776	15.63	Note 2
Pro-partner Inc.	Grape King Bio Ltd.	Parent company	Purchases	1,510,097	100.00	30 days after monthly closing	(188,165)	96.25	Note 2
Rivershine Ltd.	Grape King Bio Ltd.	Parent company	Purchases	169,780	100.00	60 days after monthly closing	(44,776)	100.00	Note 2

Note 1: If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.

Note 2: The transactions have been eliminated in the consolidated financial statements.

**TABLE 4**

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	\$ 188,165	8.01	\$ -	-	\$ 188,165	\$ -

Note: The transactions have been eliminated in the consolidated financial statements.

**TABLE 5**

**GRAPE KING BIO LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
0	Grape King Bio Ltd.	Pro-partner Inc.	1	Net revenue from sale of goods	\$ 1,510,097	By contract	16.47%
0	Grape King Bio Ltd.	Pro-partner Inc.	1	Accounts receivable	188,165	By contract	1.44%
0	Grape King Bio Ltd.	Rivershine Ltd.	1	Net revenue from sale of goods	169,780	By contract	1.85%
0	Grape King Bio Ltd.	Rivershine Ltd.	1	Accounts receivable	44,766	By contract	0.34%

Note 1: 0 is for the parent company. Subsidiaries are numbered from Arabic numerals 1.

Note 2: There are three types of relations between the parent company and the subsidiaries. Only categories should be identified (there is no need to declare the same interaction between the parent company and the subsidiary, or the same transaction among subsidiaries repeatedly. For example, if the parent company has declared the transaction from parent company to subsidiary, the subsidiary does not need to repeatedly declare the same transaction. If the transaction is between subsidiaries, when one subsidiary has declared the transaction, the other subsidiary does not need to declare the same transaction)

- 1) Represents the transactions from parent company to subsidiary.
- 2) Represents the transactions from subsidiary company to parent.
- 3) Represents the transactions between subsidiaries.

Note 3: When calculating the amount of transaction as a proportion of the consolidated revenue or assets, if it is recognized as items of assets or liabilities, the ending balance should be divided by the consolidated assets; if it is recognized as income or loss, the midterm accumulated amount should be divided by the consolidated assets.

Note 4: The so-called significant transaction refers to those amount reaching NT\$100 million or over 20% of the paid-in capital of the parent company.

**TABLE 6**

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**INFORMATIONS ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020		Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership (%)			
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI) Pro-partner Inc.	BVI	Investment activities	\$ 1,198,018	\$ 1,198,018	24,890,000	100	\$ 90,463	\$ 91,165	Notes 1, 2 and 3
		Taoyuan, Taiwan	Import and selling of health food, drinks, cosmetics, sports apparatus, cleaning products, etc.	15,000	15,000	10,560,000	60	1,556,783	934,798	Notes 1 and 2
	Rivershine Ltd.	Taoyuan, Taiwan	Import and selling of health food, drinks, daily cosmetics, appliances, etc.	30,000	30,000	3,000,000	100	5,457	5,457	Note 2
	GK BIO INTERNATIONAL SDN. BHD.	Malaysia	Import and selling of health products	6,810	6,810	900,000	30	5,645	1,681	Note 1

Note 1: The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$1,794 thousand has been adjusted.

Note 2: The book value at the end of the period and the current investment gain (loss) recognized have been eliminated in the consolidated financial statements.

Note 3: The current investment gain (loss) recognized by BVI includes the current profit of Shanghai Grape King and Shanghai Rivershine.

TABLE 7

## GRAPE KING BIO LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Investment Income (Losses) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Shanghai Grape King Enterprise Co., Ltd	Manufacturing and selling capsule, tablet, related products and services.	USD 27,900	Note 1(2) Note 3	\$ 847,672 (USD 27,350)	\$ -	\$ -	\$ 847,672 (USD 27,350)	\$ 93,199 Note 2(2)B	100%	\$ 93,901 Note 2(2)B	\$ 936,605	\$ -
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	USD 4,890	Note 1(2) Note 4	26,794 (USD 878)	-	-	26,794 (USD 878)	- Note 2(3)	18.77%	- Note 2(3)	9,330 Note 2(3)	-
Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	USD 150	Note 1(2) Note 5	4,060 (USD 150)	-	-	4,060 (USD 150)	(461) Note 2(2)B	100%	(461) Note 2(2)B	4,303	-
Dongpu Biotech Corporation	Biotechnology R&D and transfer; sales of biological products, special foods (health foods), food materials, food packaging materials, cosmetics, daily necessities; commission agents (excluding auctions); import and export of goods.	RMB 5,000	Note 1(1) Note 6	23,200 (RMB 5,000)	-	-	23,200 (RMB 5,000)	(1,908) Note 2(2)B	100%	(2,187) Note 2(2)B	28,503	-
Shanghai Changhong Biotechnology Co., Ltd.	Biotechnology R&D and transfer, import and export of goods or transfers of technology, brand planning, corporate image and marketing planning, conference services, social and economic consulting services, business information consulting, self-owned equipment leasing, domestic cargo transportation agent, sales and online retail of knitted textiles, etc.	USD 700 Note 7	Note 1(1) Note 7	-	7,273	-	7,273 (USD 246)	Note 7	35.1%	Note 7	Note 7	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 908,999	\$ 908,999	\$ 4,787,072

Note 1: The methods for engaging in investment in mainland China include the following:

- 1) Direct investment in mainland China.
- 2) Indirect investment in mainland China through companies registered in a third region (specify the name of the company in third region).
- 3) Other methods.

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:

- (A) The financial report was audited and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
- (B) The financial statements were audited by the parent company's auditors.
- (C) Others.

3. Recorded as financial assets at fair value through other comprehensive income.

Note 3: The Company invested in Shanghai Grape King Enterprise Co., Ltd. through subsidiary GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 4: The Company invested in Shanghai Yusong Co., Ltd. through Fu-Sheng International Inc. (SAMOA).

Note 5: The Company indirectly invested in Shanghai Rivershine Ltd. through its subsidiary, GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 6: The Company directly invested in Dongpu Biotech Corporation.

Note 7: The Company prepaid NTS7,273 thousand (US\$246 thousand) to invest in Shanghai Changhong Biotechnology Co., Ltd., which has been approved by the Investment Commission, Ministry of Economic Affairs on December 17, 2020.

(Concluded)

**TABLE 8**

**GRAPE KING BIO LTD.**

**INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares		Percentage of Ownership (%)
	Number of Shares		
Fubon Life Assurance Co., Ltd.	9,939,000		7.29
Nan Shan Life Insurance Company, Ltd.	7,468,000		5.47

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.





A hand holding a silver pen is pointing at a calendar grid. The calendar shows dates from 1 to 31. The number 24 is circled in the grid. The background is a blurred image of a calendar page.

# Appendix II

Parent Company Only  
Financial Statements  
with Report of Independent  
Accountants for the Year  
Ended Dec 31, 2020 and 2019



## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Grape King Bio Ltd.

### Opinion

We have audited the accompanying parent company only financial statements of Grape King Bio Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We 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 for the year ended December 31, 2020. 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.

Key audit matter of the Company's parent company only financial statements for the year ended December 31, 2020 is stated as follows:

#### Valuation of Inventory

The products of the Company mainly include health foods and beverages. Such products have shelf-lives and are sold in a highly competitive consumer market, resulting in greater exposure to risk of loss on inventory due to damage or expiration. The estimation for loss on inventory is based on market conditions, historical sales experience of similar products, and the net realizable value of

## Grape King Bio Ltd.

Parent Company Only Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report

inventory. Refer to Notes 4, 5, and 10 to the parent company only financial statements for the details on the valuation of inventory. The net carrying value of inventory as of December 31, 2020 for the Company amounted to NT\$545,301 thousand, which was significant to the parent company only financial statements, and the criteria to determine loss on inventory vary according to different categories of inventories which require critical accounting estimates. Consequently, the valuation of inventory was identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. We understood and tested the design and operating effectiveness of key controls over the valuation of inventory;
2. We understood and assessed the reasonableness of inventory valuation policy and estimates used by the management;
3. We performed an observation on the Company's annual physical count of inventory to assess for any indications of damaged or expired inventories not listed in the allowance for inventory loss;
4. We sampled and recalculated the accuracy of net realizable value of inventory as well as performed calculation of validity period from the year-end subsidiary ledgers and aging report of inventories, to verify that the allowance for inventory loss was appropriately recognized based on the about policy.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

Those charged with governance, including supervisors, 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 auditors' 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' 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 Yu Feng Huang and Ming Yuan Chung.

*Yu Feng Huang*      *Ming-Yuan Chung*

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

**GRAPE KING BIO LTD.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
**(In Thousands of New Taiwan Dollars)**

	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and cash equivalents (Note 6)	\$ 341,406	4	\$ 276,731	3	\$ 500,000	5	\$ 350,000	4
Financial assets at amortized cost (Note 8)	8,940	-	8,940	-	-	-	323	-
Notes and accounts receivable, net (Notes 9 and 21)	46,816	-	41,889	1	175,949	2	159,278	2
Accounts receivable from related parties (Notes 21 and 29)	2,39,622	3	2,61,891	3	362,380	4	412,253	5
Other receivables	1,073	-	672	-	1,322	-	1,387	-
Other receivables from related parties (Note 29)	72,185	1	75,697	1	-	-	56,599	1
Inventories (Note 10)	545,301	6	404,182	5	110,639	1	15,319	1
Other current assets (Note 16)	50,455	-	59,564	1	13,695	-	24,294	-
Total current assets	1,305,798	14	1,129,566	14	41,533	1	1,019,453	12
<b>NON-CURRENT ASSETS</b>								
Financial assets at fair value through other comprehensive income (Note 7)	9,338	-	11,782	-	1,222,269	13	700,000	9
Financial assets at amortized cost (Notes 8 and 30)	9,600	-	9,600	-	1,260,700	13	68,675	1
Investments accounted for using the equity method (Note 11)	3,062,199	33	2,889,928	36	68,804	1	82,855	1
Property, plant and equipment (Note 11)	4,481,146	48	3,622,360	45	61,521	1	11,402	-
Right-of-use assets (Note 13)	73,571	1	96,656	1	9,217	-	-	-
Investment properties (Note 14)	234,556	3	234,822	3	1,400,242	15	862,932	11
Intangible assets (Note 15)	19,019	-	10,902	-	2,622,511	28	1,882,385	23
Deferred tax assets (Note 23)	1,027	-	1,129	-	-	-	-	-
Other non-current assets (Notes 16 and 19)	50,731	1	49,061	1	-	-	-	-
Total non-current assets	7,941,187	86	6,926,240	86	1,362,864	15	1,362,864	17
<b>TOTAL</b>	\$ 9,246,985	100	\$ 8,055,806	100	\$ 9,246,985	100	\$ 8,055,806	100
<b>LIABILITIES AND EQUITY</b>								
<b>CURRENT LIABILITIES</b>								
Short-term borrowings (Notes 17 and 30)	-	-	-	-	-	-	-	-
Contact liabilities (Note 21)	-	-	-	-	-	-	-	-
Accounts payable	175,949	2	41,889	1	175,949	2	159,278	2
Other payables (Note 18)	362,380	4	2,61,891	3	362,380	4	412,253	5
Other payables to related parties (Note 29)	1,322	-	672	-	1,322	-	1,387	-
Current tax liabilities (Note 23)	110,639	1	75,697	1	-	-	56,599	1
Lease liabilities (Note 13)	15,319	1	404,182	5	110,639	1	15,319	1
Other current liabilities (Note 18)	16,751	-	59,564	1	16,751	-	24,294	-
Current portion of long-term borrowings (Notes 17 and 30)	41,533	1	1,129,566	14	41,533	1	1,019,453	12
Total current liabilities	1,222,269	13	1,129,566	14	1,222,269	13	1,019,453	12
<b>NON-CURRENT LIABILITIES</b>								
Long-term borrowings (Notes 17 and 30)	1,260,700	13	2,889,928	36	1,260,700	13	68,675	1
Deferred tax liabilities (Note 23)	68,804	1	3,622,360	45	68,804	1	82,855	1
Lease liabilities (Note 13)	61,521	1	96,656	1	61,521	1	11,402	-
Other non-current liabilities (Notes 18 and 29)	9,217	-	234,822	3	9,217	-	-	-
Total non-current liabilities	1,400,242	15	10,902	-	1,400,242	15	862,932	11
Total liabilities	2,622,511	28	49,061	1	2,622,511	28	1,882,385	23
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>								
Share capital	1,362,864	15	6,926,240	86	1,362,864	15	1,362,864	17
Ordinary shares	-	-	-	-	971,717	11	968,724	12
Capital surplus	-	-	-	-	-	-	-	-
Retained earnings	1,070,880	11	234,822	3	1,070,880	11	939,947	12
Legal reserve	100,752	1	10,902	-	100,752	1	74,671	1
Special reserve	3,204,726	35	3,622,360	45	3,204,726	35	2,973,497	37
Unappropriated earnings	4,376,358	47	10,902	-	4,376,358	47	3,988,115	50
Total retained earnings	(86,465)	(1)	49,061	1	(86,465)	(1)	(45,530)	(1)
Other equity	-	-	-	-	-	-	-	-
Treasury stock	-	-	-	-	-	-	-	-
Total equity	6,624,474	72	8,055,806	100	6,624,474	72	6,173,421	77
<b>TOTAL</b>	\$ 9,246,985	100	\$ 8,055,806	100	\$ 9,246,985	100	\$ 8,055,806	100

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

**GRAPE KING BIO LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020	2019	
	Amount	Amount	%
NET REVENUE (Notes 21 and 29)	\$ 2,175,969	\$ 2,015,823	100
COST OF GOODS SOLD (Notes 10 and 22)	(1,051,819)	(968,370)	(48)
GROSS PROFIT	1,124,150	1,047,453	52
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(7,162)	(3,552)	-
ADJUSTED GROSS PROFIT	1,116,988	1,043,901	52
OPERATING EXPENSES (Notes 19, 22, 25 and 29)	(374,549)	(361,420)	(18)
Selling and marketing	(290,508)	(268,835)	(13)
General and administrative	(217,615)	(165,240)	(8)
Research and development	(882,672)	(795,495)	(39)
Total operating expenses	234,316	248,406	13
INCOME FROM OPERATIONS	882,672	795,495	39
NON-OPERATING INCOME AND EXPENSES (Notes 11, 22 and 29)	279	424	-
Interest income	79,857	84,967	4
Other income	(947)	(78)	-
Other gains and losses	(10,931)	(11,637)	(1)
Finance costs	1,030,915	1,061,268	53
Share of profit or loss of subsidiaries and associates	1,099,173	1,134,944	56
Total non-operating income	1,333,489	1,383,350	69
PROFIT BEFORE INCOME TAX	(61,464)	(74,330)	(4)
INCOME TAX EXPENSE (Note 23)	1,272,025	1,309,020	65
NET PROFIT FOR THE YEAR	1,210,561	1,309,020	65
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20)	-	-	-
Items that will not be reclassified subsequently to profit or loss:	-	-	-
Remeasurement of defined benefit plans	646	236	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(2,444)	890	-
Remeasurement of defined benefit plans for subsidiaries recognized using the equity method	(111)	153	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(107)	(78)	-

(Continued)

**GRAPE KING BIO LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020	2019	
	Amount	Amount	%
Items that may be reclassified subsequently to profit or loss:	-	-	-
Exchange differences on translating the financial statements of foreign operations	\$ 16,941	\$ (33,078)	(2)
Exchange differences on translating the financial statements of foreign operations of associate	(210)	(470)	-
Other comprehensive income (loss) for the year, net of income tax	14,715	(32,347)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,225,276	\$ 1,276,673	63
EARNINGS PER SHARE (Note 24)	-	-	-
Basic earnings per share	\$ 9.34	\$ 9.63	-
Diluted earnings per share	\$ 9.29	\$ 9.58	-

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

(Concluded)

**GRAPE KING BIO LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Share Capital - Ordinary Shares		Retained Earnings			Unappropriated Earnings			Others				Total Equity
	Share (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock				
BALANCE AT JANUARY 1, 2019	136,286	\$ 1,362,864	\$ 965,244	\$ 810,407	\$ 74,671	\$ 2,676,265	\$ (50,958)	\$ (17,136)	\$ (91,062)	\$ 5,730,295			
Appropriation of 2018 earnings	-	-	-	129,540	-	(129,540)	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(882,559)	-	-	-	-	(882,559)	-	
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	
Share-based payment arrangements	-	-	3,480	-	-	-	-	-	45,532	49,012	-	-	
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,309,020	-	-	-	1,309,020	-	-	
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	311	(33,548)	890	-	(32,347)	-	-	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,309,331	(33,548)	890	-	1,276,673	-	-	
BALANCE AT DECEMBER 31, 2019	136,286	1,362,864	968,724	939,947	74,671	2,973,497	(84,506)	(16,246)	(45,530)	6,173,421			
Appropriation of 2019 earnings	-	-	-	130,933	-	(130,933)	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(26,081)	-	-	-	-	-	-	
Special reserve	-	-	-	26,081	-	(884,210)	-	-	-	(884,210)	-	-	
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	
Share-based payment arrangements	-	-	1,578	-	-	-	-	-	45,530	47,108	-	-	
Change in other capital surplus	-	-	1,415	-	-	-	-	-	-	1,415	-	-	
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,272,025	-	-	-	1,272,025	-	-	
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	428	16,731	(2,444)	-	14,715	-	-	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,272,453	16,731	(2,444)	-	1,286,740	-	-	
BALANCE AT DECEMBER 31, 2020	136,286	\$ 1,362,864	\$ 971,717	\$ 1,070,880	\$ 100,752	\$ 3,204,726	\$ (67,775)	\$ (18,690)	\$ -	\$ 6,624,474			

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



**GRAPE KING BIO LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,333,489	\$ 1,383,350
Adjustments for:		
Depreciation expenses	257,572	176,267
Amortization expenses	5,422	6,855
Expected credit loss recognized	4,841	-
Finance costs	10,931	11,637
Interest income	(279)	(424)
Dividend income	(2)	(2)
Compensation costs of share-based payment agreements	1,597	3,806
Share of profit of subsidiaries and associates	(1,030,915)	(1,061,268)
Loss on disposal of property, plant and equipment, net	29	5,723
Unrealized gain on transactions with subsidiaries and associates	7,162	3,552
Changes in operating assets and liabilities		
Notes and accounts receivable, net	(4,918)	(12,649)
Accounts receivable from related parties	22,269	(28,557)
Other receivables	(401)	530
Other receivables from related parties	3,512	(5,851)
Inventories	(141,119)	(83,620)
Other current assets	9,109	(23,987)
Contract liabilities	(323)	(2,650)
Accounts payable	16,671	32,086
Other payables	(26,613)	32,382
Other payables to related parties	(65)	1,315
Other current liabilities	(4,393)	12,288
Net defined benefit liabilities	(5,010)	(2,538)
Cash generated from operations	458,566	448,245
Interest received	279	424
Interest paid	(9,828)	(10,587)
Income tax paid	(7,322)	(75,123)
Net cash generated from operating activities	<u>441,695</u>	<u>362,959</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	-	(8,940)
Repayment of financial assets at amortized cost	-	8,970
Acquisition of investments accounted for using the equity method	-	(6,810)
Acquisition of property, plant and equipment	(1,125,349)	(561,436)
Proceeds from disposal of property, plant and equipment	18	92
Increase in refundable deposits	(407)	(3,748)
Decrease in refundable deposits	1,001	6,907
Acquisition of intangible assets	(11,249)	(1,395)
Increase in other non-current assets	(7,272)	-
Interest received	869,018	810,174
Net cash (used in) generated from investing activities	<u>(274,240)</u>	<u>243,814</u>
		(Continued)

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**GRAPE KING BIO LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	\$ 2,350,000	\$ 3,450,000
Repayments of short-term borrowings	(2,200,000)	(3,900,000)
Proceeds from long-term borrowings	873,000	1,150,000
Repayments of long-term borrowings	(270,767)	(450,000)
Refund of guarantee deposits received	(2,185)	-
Repayment of the principal portion of lease liabilities	(14,652)	(12,725)
Dividends paid	(884,210)	(882,559)
Proceeds from reissuance of treasury stock	44,619	44,618
Other financing activities	1,415	-
Net cash used in financing activities	<u>(102,780)</u>	<u>(600,666)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	64,675	6,107
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>276,731</u>	<u>270,624</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 341,406</u>	<u>\$ 276,731</u>

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

(Concluded)

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**GRAPE KING BIO LTD.**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**1. GENERAL INFORMATION**

Grape King Bio Ltd. (the "Company") was incorporated as a listed company limited by shares under the provisions of Company Act, the Securities and Exchange Act and other related regulations of the Republic of China ("ROC"). In April 1971, the Company was officially registered as Grape King Food Limited and started its operation. In 1979, the Company merged with China Fuso Seiko Pharmaceutical Industries Ltd. and was renamed as Grape King Inc. In 1981, the Company further merged with Head Fancy Cosmetics Co. Ltd. The Company's shares are listed and publicly traded on the Taiwan Stock Exchange (TWSE) since December 1982. In the annual shareholders' meeting held on June 12, 2002, the Company resolved to change its name to Grape King Bio Ltd. The Company is engaged in the production and sales of pharmaceutical preparation, patent medicine, liquid tonic, drink, healthy food, etc. The Company's registered office and main business location is at No. 402, Sec. 2, Jinfeng Rd., Pingzhen Dist., Taoyuan City 324, Taiwan, Republic of China.

**2. APPROVAL OF FINANCIAL STATEMENTS**

The parent company only financial statements were approved by the Company's Board of Directors and issued on February 25, 2021.

**3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company's accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Material"

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to "could reasonably be expected to influence". Accordingly, disclosures in the parent company only financial statements do not include immaterial information that may obscure material information.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	June 1, 2020
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

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

Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- the Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- 1) the Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- 2) the Company chose the accounting policy from options permitted by the standards;
- 3) the accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;
- 4) the accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- 5) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Accounting Standards Used in Preparation of the Parent Company Only Financial Statements").

##### b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets (liabilities) which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, remeasurement of defined benefit plans for subsidiaries recognized using the equity method and the related equity items, as appropriate, in these parent company only financial statements.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

##### d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

e. Inventories

Inventories consist of raw materials, supplies, semi-finished goods and work in progress, finished goods and merchandises, and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

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

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable (net) and other receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that internal or external information which shows that the debtor is unlikely to pay its creditors would indicate that a financial asset is in default (without taking into account any collateral held by the Company).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of health food and beverages. Sales of health food and beverages are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. For sales of health food and beverages through its own retail outlets, revenue is recognized when the customer purchases the goods at the retail outlet. For internet sales of health food and beverages, revenue is recognized when the goods are delivered to the customer's specific location. When the customer initially purchases the goods online, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from ODM/OEM (Original Design Manufacturer/Original Equipment Manufacturer).

As the Company provides ODM/OEM, customers simultaneously receive and consume the benefits provided by the Company's performance. Consequently, the related revenue is recognized when services are rendered.

o. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

p. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Share-based payment arrangement - employee share options

Employee share options granted

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the board of directors approves the transaction.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the Income Tax Law in the ROC.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes

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

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

**Critical Accounting Judgements**

a. Lease terms

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Company occurs.

**Key Sources of Estimation Uncertainty**

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

c. Recognition and measurement of defined benefit plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities.

d. Lessee's incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.



**6. CASH AND CASH EQUIVALENTS**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 234	\$ 380
Deposits in banks		
Demand deposits	341,164	276,343
Checking accounts	<u>8</u>	<u>8</u>
	<u>\$ 341,406</u>	<u>\$ 276,731</u>

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current - investments in equity instruments at FVTOCI</u>		
Unlisted shares		
FU-Sheng International Inc. (Samoa)	\$ 9,330	\$ 11,748
Hsin Tung Yang Co., Ltd.	<u>8</u>	<u>34</u>
	<u>\$ 9,338</u>	<u>\$ 11,782</u>

The Company acquired ordinary shares of FU-Sheng International Inc. (Samoa) and Hsin Tung Yang Co., Ltd. for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

Financial assets at fair value through other comprehensive income were not pledged.

**8. FINANCIAL ASSETS AT AMORTIZED COST**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 8,940	\$ 8,940
<u>Non-current</u>		
Pledged time deposits	<u>\$ 9,600</u>	<u>\$ 9,600</u>

Refer to Note 28 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

**9. NOTES AND ACCOUNTS RECEIVABLE, NET**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 1,405	\$ 1,599
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	48,590	43,556
Less: Loss allowance	<u>(3,179)</u>	<u>(3,266)</u>
	<u>45,411</u>	<u>40,290</u>
	<u>\$ 46,816</u>	<u>\$ 41,889</u>

The average credit period of sales of goods was 30-135 days. The Company adopted a policy of only dealing with entities that have passed internal credit assessment and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The movements of the loss allowance of notes and accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 3,266	\$ 3,266
Less: Net remeasurement of loss allowance	(9)	-
Less: Amount written off	<u>(78)</u>	<u>-</u>
	<u>\$ 3,179</u>	<u>\$ 3,266</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
Pro-partner Inc. (Pro-partner)	\$ 2,009,206	\$ 1,928,819
GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI) (GKBVI)	978,947	874,130
Rivershine Ltd. (Rivershine)	38,428	52,295
Dongpu Biotech Corporation (Dongpu)	28,503	29,093
	<u>\$ 3,055,084</u>	<u>\$ 2,884,337</u>

Name of subsidiaries	December 31	
	2020	2019
Pro-partner	60%	60%
GKBVI	100%	100%
Rivershine	100%	100%
Dongpu	100%	100%

Investments accounted for using the equity method were not pledged.

b. Investments in associates

	December 31	
	2020	2019
Associate that is not individually material		
GK BIO INTERNATIONAL SDN. BHD.	\$ 7,115	\$ 5,591

In January 2019, the Company invested NT\$6,810 thousand in GK BIO INTERNATIONAL SDN. BHD. and acquired 30% ownership of the aforementioned company.

Aggregate information of associates that are not individually material.

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Net income (loss)	\$ 1,694	\$ (749)
Other comprehensive loss	(210)	(470)
Total comprehensive income (loss)	<u>\$ 1,484</u>	<u>\$ (1,219)</u>

The Company had neither contingent liabilities nor capital commitments to the associate as of December 31, 2020 and 2019.

Associate was not pledged.

Aging analysis of notes and accounts receivable (net) held by the Company was as follows:

	Neither Past Due nor Impaired	Past Due but not Impaired			Total
		Within 90 Days	91 to 180 Days	Over 180 Days	
		\$	\$	\$	
December 31, 2020	\$ 44,068	\$ 2,748	-	-	\$ 46,816
December 31, 2019	35,508	6,381	-	-	41,889

Notes and accounts receivable were not pledged.

10. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 150,741	\$ 114,797
Semi-finished goods and work in progress	260,034	181,144
Raw materials	90,546	79,882
Supplies	43,853	27,788
Merchandise	<u>127</u>	<u>571</u>
	<u>\$ 545,301</u>	<u>\$ 404,182</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 1,051,819	\$ 968,370
Loss on retirement	6,275	14,449
Gain from physical counts	<u>(2,540)</u>	<u>(1,499)</u>

Inventories were not pledged.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 3,055,084	\$ 2,884,337
Investments in associates	<u>7,115</u>	<u>5,591</u>
	<u>\$ 3,062,199</u>	<u>\$ 2,889,928</u>

**12. PROPERTY, PLANT AND EQUIPMENT**

**13. LEASE ARRANGEMENTS**

Assets used by the Company

a. Assets used by the Company

	December 31	
	2020	2019
	\$ 4,481,146	\$ 3,622,360

	Land	Land Improvements	Buildings	Machinery Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
<b>Carrying amount</b>									
Balance at January 1, 2020	\$ 625,935	\$ 3,264	\$ 1,729,002	\$ 1,048,238	\$ 14,204	\$ 17,998	\$ 229,453	\$ 1,481,414	\$ 5,149,508
Additions	896,655	-	6,115	11,087	507	-	18,412	66,686	999,462
Disposals	(1,000)	(1,000)	(18,980)	(31,656)	(1,175)	-	(8,576)	(1,488,110)	(42,274)
Reclassified	-	-	(1,129,568)	371,249	-	-	-	-	102,290
Balance at December 31, 2020	\$ 1,521,590	\$ 3,264	\$ 2,845,667	\$ 1,492,713	\$ 15,886	\$ 17,998	\$ 295,429	\$ 99,920	\$ 6,226,527
<b>Accumulated depreciation</b>									
Balance at January 1, 2020	-	1,140	\$ 416,649	\$ 809,837	9,250	4,683	161,409	-	1,527,148
Depreciation expense	-	345	1,766	1,766	574	574	(1,312)	-	2,412
Disposals	-	-	(18,980)	(44,853)	-	-	-	-	(23,143)
Reclassified	-	-	(632,429)	302,289	10,826	8,424	(18,589)	-	(1,245,381)
Balance at December 31, 2020	-	1,695	\$ 69,926	\$ 902,289	\$ 10,826	\$ 8,424	\$ 18,589	-	\$ 1,245,381
Carrying amount at December 31, 2020	\$ 1,521,590	\$ 1,569	\$ 2,213,108	\$ 522,624	\$ 4,950	\$ 9,574	\$ 106,440	\$ 99,920	\$ 4,481,146
<b>Cost</b>									
Balance at January 1, 2019	\$ 625,935	\$ 1,974	\$ 1,710,193	\$ 1,052,757	\$ 14,204	\$ 17,699	\$ 227,234	\$ 841,069	\$ 4,491,065
Additions	-	1,299	3,690	14,875	-	299	(5,381)	522,600	547,312
Disposals	-	-	(18,980)	(38,470)	-	-	(2,975)	(117,235)	(43,821)
Reclassified	-	-	(151,119)	316,586	-	-	2,975	-	167,475
Balance at December 31, 2019	\$ 625,935	\$ 3,264	\$ 1,729,002	\$ 1,088,238	\$ 14,204	\$ 17,998	\$ 229,453	\$ 1,481,414	\$ 4,149,508
<b>Accumulated depreciation</b>									
Balance at January 1, 2019	-	973	\$ 465,281	\$ 781,913	7,308	969	145,925	-	1,402,369
Depreciation expense	-	367	753,688	607,989	1,922	3,714	(20,625)	-	1,622,765
Disposals	-	-	(18,980)	(44,853)	-	-	(8,576)	-	(38,006)
Reclassified	-	-	(632,429)	302,289	10,826	8,424	(18,589)	-	(1,245,381)
Balance at December 31, 2019	-	1,340	\$ 480,649	\$ 889,837	\$ 9,230	\$ 4,683	\$ 161,409	-	\$ 1,527,148
Carrying amount at December 31, 2019	\$ 625,935	\$ 1,924	\$ 1,188,353	\$ 238,401	\$ 4,974	\$ 13,315	\$ 68,044	\$ 1,481,414	\$ 3,622,360

The significant parts of the Company's buildings include main plants, air conditioning, electrical and waste water treatment equipment and decoration, and the related depreciation is calculated based on the economic lives as below:

**Significant Part of Buildings**

	Estimated Useful Lives
Main plant	30 to 60 years
Air conditioning and electrical	5 to 22 years
Waste water treatment equipment	10 to 15 years
Decoration	15 years

No impairment assessment was performed for the years ended December 31, 2020 and 2019 as there was no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

a. Right-of-use assets

	December 31	2019
<b>Carrying amount</b>		
Land	\$ 45,281	\$ 60,120
Buildings	22,452	31,743
Transportation equipment	3,533	4,140
Other equipment	2,305	653
	\$ 73,571	\$ 96,656
<b>For the Year Ended December 31</b>		
<b>2020</b>	\$ 4,225	\$ 1,560
<b>2019</b>	\$ 1,599	\$ 1,919
	9,291	9,145
	2,433	2,022
	605	130
	\$ 13,928	\$ 13,216

b. Lease liabilities

	December 31	2019
<b>Carrying amount</b>		
Current	\$ 13,695	\$ 15,319
Non-current	\$ 61,521	\$ 82,855
Range of discount rates for lease liabilities was as follows:		
	<b>December 31</b>	<b>2019</b>
	<b>2020</b>	<b>2019</b>
Land	1.02%	1.00%
Buildings	1.00%	1.00%
Transportation equipment	1.00% to 1.02%	1.00%
Other equipment	1.00%	1.00%

c. Material lease-in activities and terms

The Company leases certain land, buildings and transportation equipment with lease terms of 3 to 35 years. Lease payments for the lease contract of land will be adjusted on the basis of changes in announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 14.

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term and low-value asset leases	\$ 502	\$ 1,495
Total cash outflow for leases	<u>\$ (15,154)</u>	<u>\$ (14,220)</u>

The Company leases certain land, transportation equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

**14. INVESTMENT PROPERTIES**

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1 and December 31, 2020	\$ 225,109	\$ 12,250	\$ 237,359
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 2,537	\$ 2,537
Depreciation expense	-	266	266
Balance at December 31, 2020	\$ -	\$ 2,803	\$ 2,803
Carrying amount at December 31, 2020	<u>\$ 225,109</u>	<u>\$ 9,447</u>	<u>\$ 234,556</u>

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Total</u>
Balance at January 1 and December 31, 2019	\$ 225,109	\$ 12,250	\$ 237,359
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 2,271	\$ 2,271
Depreciation expense	-	266	266
Balance at December 31, 2019	\$ -	\$ 2,537	\$ 2,537
Carrying amount at December 31, 2019	<u>\$ 225,109</u>	<u>\$ 9,713</u>	<u>\$ 234,822</u>

The investment properties are leased out for 5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 and 2019 is as follows:

	<u>December 31</u>	<u>2020</u>	<u>2019</u>
Year 1		\$ 2,832	\$ 2,832
Year 2		2,832	-
Year 3		2,832	-
Year 4		2,832	-
Year 5		<u>2,832</u>	<u>-</u>
		<u>\$ 14,160</u>	<u>\$ 2,832</u>

Except for depreciation recognized, the Company did not have significant addition, disposal, or impairment of investment properties during the years ended December 31, 2020 and 2019. Investment properties are depreciated using the straight-line method over their estimated useful lives of 35 to 50 years.

Investment properties held by the Company are not measured at fair value; the fair value information below is for reference only. The determination of fair value was not performed by independent qualified professional valuers. The valuation was arrived at by reference to announced land value prices and market evidence of transaction prices for similar properties.

	<u>2020</u>	<u>2019</u>
Fair value	<u>\$ 307,227</u>	<u>\$ 301,418</u>

The investment property - land listed above includes a piece of agricultural land in the amount of NT\$5,600 thousand, which has been acquired due to a settlement of doubtful accounts by the Company but registered under the name of the Company's chairman, Mr. Tseng. The Company has obtained a guarantee note amounting to NT\$5,600 thousand from Mr. Tseng for security purpose.

Investment properties were not pledged.

**15. INTANGIBLE ASSETS**

	<u>Computer Software</u>	<u>Trademarks</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 20,675	\$ 15,049	\$ 35,724
Additions	10,228	1,021	11,249
Reclassified	<u>2,290</u>	<u>-</u>	<u>2,290</u>
Balance at December 31, 2020	<u>\$ 33,193</u>	<u>\$ 16,070</u>	<u>\$ 49,263</u>

(Continued)

16. OTHER ASSETS

	December 31	December 31
	2020	2019
<u>Current assets</u>		
Prepayments for purchases	\$ 19,840	\$ 31,579
Other prepaid expenses	26,659	24,411
Other current assets	<u>3,956</u>	<u>3,574</u>
	\$ 50,455	\$ 59,564
<u>Non-current assets</u>		
Prepayments for equipment	\$ 20,509	\$ 31,173
Net defined benefit assets	12,160	6,504
Refundable deposits	10,790	11,384
Overdue receivable	2,244	2,244
Less: Loss allowance	<u>(2,244)</u>	<u>(2,244)</u>
Other	<u>7,272</u>	<u>-</u>
	\$ 50,731	\$ 49,061

Overdue receivables were those expected not to be collected within a year and the Company has provided a full allowance for doubtful debts to cover them. The Company holds collateral for other receivables in the amount of NT\$ 2,244 thousand.

17. BORROWINGS

a. Short-term borrowings

	December 31	December 31	Interest rates (%)
	2020	2019	
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ 262,000	\$ 150,000	1.00-1.04
<u>Secured borrowings</u>			
Bank loans	<u>238,000</u>	<u>200,000</u>	1.00-1.02
	\$ 500,000	\$ 350,000	

Refer to Note 30 for property, plant and equipment pledged as collateral for short-term borrowings.

	Computer Software	Trademarks	Total
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 10,755	\$ 14,067	\$ 24,822
Amortization expenses	<u>4,273</u>	<u>1,149</u>	<u>5,422</u>
Balance at December 31, 2020	\$ 15,028	\$ 15,216	\$ 30,244
Carrying amount at December 31, 2020	<u>\$ 18,165</u>	<u>\$ 854</u>	<u>\$ 19,019</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 19,280	\$ 15,049	\$ 34,329
Additions	<u>1,395</u>	<u>-</u>	<u>1,395</u>
Balance at December 31, 2019	\$ 20,675	\$ 15,049	\$ 35,724
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 7,826	\$ 10,141	\$ 17,967
Amortization expenses	<u>2,929</u>	<u>3,926</u>	<u>6,855</u>
Balance at December 31, 2019	\$ 10,755	\$ 14,067	\$ 24,822
Carrying amount at December 31, 2019	<u>\$ 9,920</u>	<u>\$ 982</u>	<u>\$ 10,902</u>
			(Concluded)

Except for the aforementioned addition and recognized amortization, the Company did not have disposal or impairment of other intangible assets during the years ended December 31, 2020 and 2019. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

	3-8 years	4-5 years
Computer software		
Trademarks		
	For the Year Ended December 31	2019
	2020	
An analysis of depreciation by function	\$ 695	\$ 234
Selling and marketing expenses	<u>4,727</u>	<u>6,621</u>
General and administrative expenses	<u>5,422</u>	<u>6,855</u>

b. Long-term borrowings

Details of long-term borrowings are as follows:

Lenders	December 31, 2020	Interest rates (%)	Maturity and terms
<u>Unsecured borrowings</u>			
Credit loans from Hua Nan Commercial Bank	\$ 250,000	1.12	Effective from July 27, 2020 to July 27, 2023. Interest is repayable monthly; principal is repayable at maturity.
<u>Secured borrowings</u>			
Secured Long-Term Loan from Hua Nan Commercial Bank	602,233	1.02	Effective from June 8, 2020 to June 8, 2035. Principal is repaid with interest payments due on a monthly basis.
Secured Long-Term Loan from Hua Nan Commercial Bank	350,000	1.02	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
Secured Long-Term Loan from Hua Nan Commercial Bank	<u>100,000</u>	1.02	Effective from May 10, 2019 to May 10, 2022. Interest is repayable monthly; principal is repayable at maturity.
Less: Current portion	1,302,233		
	<u>\$(41,533)</u>		
	<u>\$ 1,260,700</u>		

Lenders	December 31, 2019	Interest rates (%)	Maturity and terms
<u>Unsecured borrowings</u>			
Credit loans from Hua Nan Commercial Bank	\$ 250,000	1.40	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
<u>Secured borrowings</u>			
Secured Long-Term Loan from Hua Nan Commercial Bank	350,000	1.30	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
Secured Long-Term Loan from Hua Nan Commercial Bank	<u>100,000</u>	1.30	Effective from May 10, 2019 to May 10, 2022. Interest is repayable monthly; principal is repayable at maturity.
	<u>\$ 700,000</u>		

Certain land and buildings were pledged as collateral for secured bank loans. Refer to Note 30 for the details.

18. OTHER LIABILITIES

	December 31 2020	2019
<u>Current</u>		
Other payables		
Bonus to employees	\$ 118,532	\$ 122,964
Salaries and incentive bonus	85,872	87,630
Bonus to directors and supervisors	29,633	30,741
Accrued VAT payable	13,610	9,895
Payables for purchases of equipment	9,196	32,708
Other accrued expenses	103,341	125,923
Others	<u>2,196</u>	<u>2,392</u>
	<u>\$ 362,380</u>	<u>\$ 412,253</u>
Other liabilities		
Other current liabilities	<u>\$ 16,751</u>	<u>\$ 24,294</u>
<u>Non-current</u>		
Guarantee deposits received	<u>\$ 9,217</u>	<u>\$ 11,402</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT\$12,351 thousand and NT\$11,421 thousand, respectively.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans are as follows:

	December 31	2019
Present value of defined benefit obligation	\$ 13,760	\$ 18,238
Fair value of plan assets	<u>(25,920)</u>	<u>(24,742)</u>
Net defined benefit liabilities (assets)	<u>\$ (12,160)</u>	<u>\$ (6,504)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	\$ 18,238	\$ (24,742)	\$ (6,504)
Service cost			
Current service cost	108	-	108
Past service cost	1,061	-	1,061
Net interest expense (income)	136	(196)	(60)
Recognized in profit or loss	<u>1,305</u>	<u>(196)</u>	<u>1,109</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(761)	(761)
Actuarial (gain) loss			
Changes in financial assumptions	681	-	681
Experience adjustments	(566)	-	(566)
Recognized in other comprehensive income	115	(761)	(646)
Contributions from the employer	-	(2,533)	(2,533)
Benefits paid	(4,837)	2,312	(2,525)
Curtailed	(1,061)	-	(1,061)
Balance at December 31, 2020	<u>\$ 13,760</u>	<u>\$ (25,920)</u>	<u>\$ (12,160)</u>
Balance at January 1, 2019	\$ 18,482	\$ (22,212)	\$ (3,730)
Service cost			
Current service cost	104	-	104
Past service cost	278	-	278
Net interest expense (income)	184	(237)	(53)
Recognized in profit or loss	<u>566</u>	<u>(237)</u>	<u>329</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(816)	(816)
Actuarial (gain) loss			
Changes in demographic assumptions	4	-	4
Changes in financial assumptions	610	-	610
Experience adjustments	(34)	-	(34)
Recognized in other comprehensive income	<u>580</u>	<u>(816)</u>	<u>(236)</u>
Contributions from the employer	-	(2,573)	(2,573)
Benefits paid	(942)	942	-
Curtailed	(448)	154	(294)
Balance at December 31, 2019	<u>\$ 18,238</u>	<u>\$ (24,742)</u>	<u>\$ (6,504)</u>

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Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	2019
Discount rate	0.40%	0.75%
Expected rate of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	2019
Discount rate	\$ (491)	\$ (609)
0.25% increase	<u>\$ 514</u>	<u>\$ 637</u>
0.25% decrease	\$ 504	\$ 627
Expected rate of salary increase	<u>\$ (484)</u>	<u>\$ (603)</u>
0.25% increase		
0.25% decrease		

The sensitivity analysis previously presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	2019
Expected contributions to the plans for the next year	\$ 2,598	\$ 2,939
Average duration of the defined benefit obligation	14 years	13 years

Employee benefit expenses in respect of the Company's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate; expenses under the defined benefit plan for the years ended December 31, 2020 and 2019 were NT\$1,109 thousand and NT\$329 thousand, respectively.

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**20. EQUITY**

a. Ordinary shares

1) Common stock

	<u>December 31</u>	<u>December 31</u>
	<u>2020</u>	<u>2019</u>
Shares authorized (in thousands of shares)	<u>180,000</u>	<u>180,000</u>
Shares authorized, par value \$10 (in thousands of dollars)	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Shares issued and fully paid (in thousands of shares)	<u>136,286</u>	<u>136,286</u>
Shares issued and fully paid (in thousands of dollars)	<u>\$ 1,362,864</u>	<u>\$ 1,362,864</u>

Each share possesses one voting right and a right to receive dividends.

On January 14, 2021, the Company held the first extraordinary shareholders' meeting and a resolution was passed to increase cash capital by issuing ordinary shares through private placement with Uni-President Enterprise Co., Ltd., a strategic investor, as the subscriber. The purpose of the capital increase is to raise funds for capital expenditures, to enrich working capital and help strengthen the capital structure. On January 14, 2021, the Company's s resolved to offer for subscription and issued 11,851 thousand ordinary shares of the Company. The subscription price was \$170 per share, and a total of \$2,014,670 thousand in cash was received. The record date of cash capital increase was January 19, 2021. The rights and obligations of the shareholders of the ordinary shares issued through this private placement are the same as those of the shareholders of the Company's issued ordinary shares. However, in accordance with Article 43-8 of the Securities and Exchange Act, the ordinary shares of this private placement shall not be freely transferred within three years from the date of subscription.

b. Capital surplus

May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)

	<u>December 31</u>	<u>December 31</u>
	<u>2020</u>	<u>2019</u>
Additional paid-in capital	\$ 954,280	\$ 954,280
Treasury share transactions	<u>2,672</u>	<u>3,583</u>

May only be used to offset a deficit

Convertible bonds - expired share options	150	150
Treasury share transactions - share options	<u>6,749</u>	<u>4,260</u>
Others (2)	<u>7,866</u>	<u>6,451</u>
	<u>\$ 971,717</u>	<u>\$ 968,724</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Others are unclaimed dividends.

c. Retained earnings and dividends policy

According to the Company's Articles of Incorporation, the Company shall distribute their annual earnings, if any, in the sequence listed below.

- 1) Paying taxes;
- 2) Offsetting losses of previous years;
- 3) Setting aside as legal reserve 10% of the remaining profit;
- 4) Setting aside or reversing a special reserve in accordance with the laws and regulations; and
- 5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 22-g.

The Company's dividend policy shall be determined pursuant to the factors, such as the investment environment, capital requirement, domestic and overseas competition environment, current and future business development plan, as well as shareholders' interests. The distribution of shareholders dividend shall not be lower than 60% of the unappropriated earnings of the current year. However, the shareholders may resolve not to distribute dividends if the accumulated earnings were lower than 10% of the paid-in capital. Dividends can be distributed in the form of cash or stock or a combination of both cash and stock, out of which at least 10% of the total dividends distributed shall be in cash.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside the special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.



The appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meetings on May 28, 2020 and May 29, 2019 were as follows:

	<u>For the Year Ended December 31</u>	<u>2018</u>
Legal reserve	\$ 130,933	\$ 129,540
Special reserve	\$ 26,081	-
Cash dividends	\$ 884,210	\$ 882,559
Cash dividends per share (NT\$)	\$ 6.5	\$ 6.5

The appropriation of earnings for 2020 that had been proposed by the Company's Board of Directors on February 25, 2021 was as follows:

	<u>2020</u>
Legal reserve	\$ 127,245
Special reserve	\$ (14,287)
Cash dividends	\$ 948,079
Cash dividends per share (NT\$)	\$ 6.4

The appropriation of earnings for 2020 will be resolved by the shareholders in their meeting to be held on May 28, 2021.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ (84,506)	\$ (50,958)	
Recognized for the year	-	-	-
Exchange differences on translating the financial statements of foreign operations	16,731	(33,548)	-
Balance at end of year	\$ (67,775)	\$ (84,506)	

2) Unrealized gain (loss) on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ (16,246)	\$ (17,136)	
Recognized for the year	(2,444)	890	-
Unrealized gain (loss) - equity instruments	-	-	-
Balance at end of year	\$ (18,690)	\$ (16,246)	

e. Treasury shares

On January 3, 2017, the Company's Board of Directors resolved to buy its own shares as treasury shares for transferring to its employee. The repurchase period was from January 4, 2017 to March 3, 2017 and the number of shares to be brought back was 3,000,000 shares with the unit price interval of \$118 to \$349.5. As of the end of the repurchase period, the number of shares repurchased was 508,000 shares with the average repurchase unit price of \$179.26. The carrying value of treasury shares as of December 31, 2020 and 2019 was \$0 and \$45,530 thousand, respectively.

	<u>Shares Transferred to Employees</u>
Number of shares at January 1, 2020	254,000
Transferred during the year	<u>(254,000)</u>
Number of shares at December 31, 2020	-
Number of shares at January 1, 2019	508,000
Transferred during the year	<u>(254,000)</u>
Number of shares at December 31, 2019	<u>254,000</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

21. REVENUE

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers	\$ 2,175,969	\$ 2,015,823	
Revenue from the sale of goods	-	-	-

a. Disaggregation of revenue

1) Type of goods or services and timing of revenue recognition:

	<u>For the year ended December 31, 2020</u>		
	<u>MLM</u>	<u>Reportable Segments Distribution</u>	<u>ODM/OEM</u>
	<u>MLM</u>	<u>Distribution</u>	<u>ODM/OEM</u>
<u>Type of goods or services</u>			<u>Total</u>
Sale of goods	\$ 1,510,097	\$ 488,626	\$ 1,772,446
Timing of revenue recognition			
Satisfied at a point in time	\$ 1,510,097	\$ 488,626	\$ 1,772,446

For the year ended December 31, 2019

	MLM	Reportable Segments Distribution	ODM/OEM	Total
Type of goods or services				
Sale of goods	\$ 1,515,466	\$ 354,082	\$ 146,275	\$ 2,015,823
Timing of revenue recognition				
Satisfied at a point in time	\$ 1,515,466	\$ 354,082	\$ 146,275	\$ 2,015,823

2) Type of goods

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Type of goods		
Health food	\$ 1,834,498	\$ 1,709,951
Beverage	136,721	123,532
ODM/OEM	177,246	146,275
Others (Note)	27,504	36,065
	\$ 2,175,969	\$ 2,015,823

Note: Others include cosmetics, general food and pet food.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable, net	\$ 46,816	\$ 41,889	\$ 29,240
Accounts receivable from related parties	\$ 239,622	\$ 261,891	\$ 233,334
Contract liabilities - current	\$ -	\$ 323	\$ 2,973
Sale of goods			

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Company's performance and the respective customer's payment.

**22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS**

a. Interest income

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Financial assets at amortized cost	\$ 279	\$ 424

b. Other income

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Board compensation income	\$ 71,266	\$ 72,037
Rental income	3,644	3,834
Dividend income	2	2
Others	4,945	9,094
	\$ 79,857	\$ 84,967

c. Other gains and losses

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Net foreign exchange (loss) gain	\$ (658)	\$ 285
Loss on disposal of property, plant and equipment	-	(90)
Others	(289)	(273)
	\$ (947)	\$ (78)

d. Finance costs

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Interest on bank loans	\$ 15,660	\$ 10,577
Interest on lease liabilities	851	1,027
Imputed interest on deposits	33	33
Less: Amounts included in the cost of qualifying assets	(5,613)	-
	\$ 10,931	\$ 11,637

Information about capitalized interest is as follows:

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Capitalized interest amount	\$ 5,613	\$ -
Capitalization rate	1.06%	-

e. Depreciation and amortization

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
An analysis of depreciation by function		
Operating costs	\$ 177,459	\$ 115,565
Operating expenses (Note)	80,113	60,702
	\$ 257,572	\$ 176,267

(Continued)

	For the Year Ended December 31	
	2020	2019
Amount		
Compensation of employees	\$ 118,532	\$ 122,964
Remuneration of directors and supervisors	29,633	30,741

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of earnings for the compensation of employees and remuneration of directors and supervisors for 2020 and 2019 that were resolved by the Company's Board of Directors on February 25, 2021 and February 24, 2020, respectively, are as shown below:

	For the Year Ended December 31	
	2020	2019
Cash		
Compensation of employees	\$ 118,532	\$ 122,964
Remuneration of directors and supervisors	29,633	30,741

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 23. INCOME TAXES

- a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 62,046	\$ 65,024
Income tax on unappropriated earnings	13,405	14,199
Adjustments for prior years	(14,089)	(5,098)
	61,362	74,125
Deferred tax		
In respect of the current year	102	205
Income tax expense recognized in profit or loss	\$ 61,464	\$ 74,330

	For the Year Ended December 31	
	2020	2019
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	5,422	6,855
	\$ 5,422	\$ 6,855
		(Concluded)

Note: The aforementioned depreciation included the depreciation of investment properties, which was recognized by the Company in other gains and losses of NT\$266 thousand and NT\$266 thousand, for the years ended December 31, 2020 and 2019, respectively.

- f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	\$ 475,668	\$ 447,349
Post-employment benefits (Note 19)	12,351	11,421
Defined contribution plan	1,109	329
Defined benefit plans	13,460	11,750
Share-based payments	1,597	3,806
Equity-settled	8,783	8,311
Other employee benefits		
Total employee benefits expense	\$ 499,508	\$ 471,216

- g. Compensation of employees and remuneration of directors and supervisors

An analysis of employee benefits expense by function		
Operating costs	\$ 202,388	\$ 190,647
Operating expenses	297,120	280,569
	\$ 499,508	\$ 471,216

- g. Compensation of employees and remuneration of directors and supervisors

According to the resolution of the Board of Directors, 6%-8% of profit of the current year is distributable as compensation of employees and no higher than 2% of profit of the current year is distributable as remuneration of directors and supervisors. However, the Company has to first offset accumulated losses, if any. For the years ended December 31, 2020 and 2019, the compensation of employees and the remuneration of directors and supervisors are as follows:

	For the Year Ended December 31	
	2020	2019
Accrual rate		
Compensation of employees	8%	8%
Remuneration of directors and supervisors	2%	2%

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	<u>2019</u>
Profit before tax from continuing operations	\$ 1,333,489	\$ 1,383,350
Income tax expense calculated at the statutory rate	\$ 266,698	\$ 276,670
Income tax on unappropriated earnings	13,405	14,199
Others	(204,550)	(211,441)
Adjustments for prior years' tax	(14,089)	(5,098)
Income tax expense recognized in profit or loss	<u>\$ 61,464</u>	<u>\$ 74,330</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
<u>Deferred tax</u>			
In respect of the current year			
Remeasurement of defined benefit plans for subsidiaries	\$ (22)	\$ 31	
recognized using the equity method	<u>129</u>	<u>47</u>	
Remeasurement of defined benefit plans			
Total income tax recognized in other comprehensive income	<u>\$ 107</u>	<u>\$ 78</u>	

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

	<u>For the year ended December 31, 2020</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<b>Deferred Tax Assets</b>			
Opening Balance	\$ 284	-	\$ 284
Employee benefits payable	482	19	501
Allowance for uncollectible accounts	<u>363</u>	<u>(121)</u>	<u>242</u>
Employee benefits			
	<u>\$ 1,129</u>	<u>\$ (102)</u>	<u>\$ 1,027</u>

	<u>For the year ended December 31, 2019</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<b>Deferred Tax Liabilities</b>				
Opening Balance	\$ (68,463)	-	-	\$ (68,463)
Temporary differences	Unrealized revaluation	-	-	-
Defined benefit liabilities (assets) - non-current	<u>(212)</u>	<u>-</u>	<u>(129)</u>	<u>(341)</u>
	<u>\$ (68,675)</u>	<u>\$ -</u>	<u>\$ (129)</u>	<u>\$ (68,804)</u>

	<u>For the year ended December 31, 2019</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<b>Deferred Tax Assets</b>				
Opening Balance	\$ 284	-	-	\$ 284
Temporary differences	Employee benefits payable	-	-	-
Allowance for uncollectible accounts	<u>566</u>	<u>(84)</u>	<u>-</u>	<u>482</u>
Employee benefits	<u>484</u>	<u>(121)</u>	<u>-</u>	<u>363</u>
	<u>\$ 1,334</u>	<u>\$ (205)</u>	<u>\$ -</u>	<u>\$ 1,129</u>

	<u>For the year ended December 31, 2020</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<b>Deferred Tax Liabilities</b>				
Opening Balance	\$ (68,463)	-	-	\$ (68,463)
Temporary differences	Unrealized revaluation	-	-	-
Defined benefit liabilities (assets) - non-current	<u>(165)</u>	<u>-</u>	<u>(47)</u>	<u>(212)</u>
	<u>\$ (68,628)</u>	<u>\$ -</u>	<u>\$ (47)</u>	<u>\$ (68,675)</u>

d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were NT\$40,517 thousand and NT\$19,121 thousand, respectively.

e. Income tax assessments

The tax authorities have assessed the income tax returns of the Company through 2018.

## 24. EARNINGS PER SHARE

Unit: NT\$ per share

	For the Year Ended December 31, 2020	2019
Basic earnings per share	\$ 9.34	\$ 9.63
Diluted earnings per share	\$ 9.29	\$ 9.58

Basic earnings per share  
Diluted earnings per share

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the year

	For the Year Ended December 31, 2020	2019
	\$ 1,272,025	\$ 1,309,020

Earnings used in the computation of basic and diluted earnings per share

Weighted average number of ordinary shares outstanding

	For the Year Ended December 31, 2020	2019
	136,132	135,876
	755	722
	136,887	136,598

Weighted average number of ordinary shares used in the computation of basic earnings per share  
Effect of potentially dilutive ordinary shares  
Compensation of employees

Weighted average number of ordinary shares used in the computation of diluted earnings per share

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan

Qualified employees of the Company were granted 254 options and 254 options in August 2020 and July 2019, respectively. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The options are granted to specific employees of the Company that meet the vesting conditions.

Information on employee share options is as follows:

Employee share options	For the Year Ended December 31		Weighted -average Exercise Price (Share/\$)	Number of Options	Weighted -average Exercise Price (Share/\$)
	2020	2019			
Balance at January 1	-	-	\$ -	-	\$ -
Options granted	254	-	176.19	254	176.19
Options exercised	(254)	-	176.19	(254)	176.19
Balance at December 31	-	-	-	-	-
Options exercisable, end of year	-	-	-	-	-
Weighted-average fair value of options granted (share/\$)	\$ 9.8	-	-	\$ 17.3	-

Options granted in August 2020 and July 2019 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	August 2020	July 2019
Grant-date share price	\$ 186.00	\$ 193.50
Exercise price per share	\$ 176.19	\$ 176.19
Expected volatility	2.14%	22.71%
Expected life (in years)	0.0384 year	0.0356 year
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	0.2679%	0.7080%

The amounts of compensation cost recognized were NT\$1,597 thousand and NT\$3,806 thousand for the years ended December 31, 2020 and 2019, respectively.

## 26. CASH FLOW INFORMATION

a. Non-cash transactions

The Company entered into the following non-cash investing and financing activities which were not reflected in the financial statements of cash flows for the years ended December 31, 2020 and 2019:

	For the Year Ended December 31, 2020	2019
Additions of property, plant and equipment	\$ (999,462)	\$ (534,789)
Changes in prepayments for purchases	(102,375)	(41,793)
Changes in payables for purchases of equipment	(23,512)	15,146
Payments for acquisition of property, plant and equipment	\$ (1,125,349)	\$ (561,436)

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

	January 1, 2020	Cash Flows	Non-cash Changes Lease Change	Finance Costs	December 31, 2020
Short-term borrowings	\$ 350,000	\$ 150,000	\$ -	\$ -	\$ 500,000
Long-term borrowings	700,000	602,233	-	-	1,302,233
Guarantee deposits received	11,402	(2,185)	-	-	9,217
Lease liabilities	98,174	(14,652)	(9,157)	851	75,216
	\$ 1,159,576	\$ 735,596	\$ (9,157)	\$ 851	\$ 1,886,666

For the year ended December 31, 2019

	January 1, 2019	Cash Flows	Non-cash Changes Lease Change	Finance Costs	December 31, 2019
Short-term borrowings	\$ 800,000	\$ (450,000)	\$ -	\$ -	\$ 350,000
Long-term borrowings	-	700,000	-	-	700,000
Guarantee deposits received	11,402	-	-	-	11,402
Lease liabilities	107,924	(12,725)	1,948	1,027	98,174
	\$ 919,326	\$ 237,275	\$ 1,948	\$ 1,027	\$ 1,159,576

27. CAPITAL MANAGEMENT

The objective of the Company's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Company's capital structure management strategies were based on the industry size of the Company, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Company plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. The Company then calculates the required working capital and cash based on industry characteristics, and estimates the possible product margins, operating margin and cash flow. In order to determine the most appropriate capital structure, the Company takes into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Company's management considers the book value of financial instruments that are not measured at fair value in the financial statements approximate the fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

Financial assets at FVTOCI	Level 1	Level 2	Level 3	Total
Investments in equity instruments - unlisted shares	\$ -	\$ -	\$ 9,338	\$ 9,338

December 31, 2019

Financial assets at FVTOCI	Level 1	Level 2	Level 3	Total
Investments in equity instruments - unlisted shares	\$ -	\$ -	\$ 11,782	\$ 11,782

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

	Financial Assets at FVTOCI	Equity Instruments	Total
Balance at beginning of year	\$ 11,782	-	\$ 11,782
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	(2,444)	(2,444)
Balance at end of year	\$ 9,338	-	\$ 9,338

For the year ended December 31, 2019

	Financial Assets at FVTOCI	Equity Instruments	Total
Balance at beginning of year	\$ 10,892	890	\$ 11,782
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	-	-
Balance at end of year	\$ 10,892	890	\$ 11,782

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the market approach. The market approach is used to arrive at their fair values, for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered. The significant unobservable inputs are as follows. The lower the discount for lack of marketability, the higher the fair value of the shares.

	December 31, 2020	December 31, 2019
Discount for lack of marketability	30%	30%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	<u>December 31</u>	<u>2019</u>
	\$ (133)	\$ (168)
	<u>\$ 133</u>	<u>\$ 168</u>

Discount for lack of marketability  
 1% increase  
 1% decrease

c. Categories of financial instruments

	<u>December 31</u>	<u>2019</u>
	\$ 341,406	\$ 276,731
	18,540	18,540
	46,816	41,889
	239,622	261,891
	1,073	672
	72,185	75,697
	<u>9,338</u>	<u>11,782</u>
	<u>\$ 728,980</u>	<u>\$ 687,202</u>

Financial assets

Financial assets at amortized cost  
 Cash and cash equivalents  
 Financial assets at amortized cost  
 Notes and accounts receivable, net  
 Accounts receivable from related parties  
 Other receivables  
 Other receivables from related parties  
 Financial assets at FVTOCI  
 Equity instruments

Financial liabilities

Financial liabilities at amortized cost  
 Short-term borrowings  
 Accounts payable  
 Other payables  
 Other payables to related parties  
 Long-term borrowings (current portion included)  
 \$ 2,341,884  
 \$ 1,622,918

d. Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies.

1) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk (see (a) below) and interest rate risk (see (b) below).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries. The purpose of the Company's management of the exchange rate risk is for the purpose of hedging and not for profit.

The Company has certain foreign currency receivables to be denominated in the same foreign currency as certain foreign currency payables, therefore natural hedging is applied. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 32.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 10% change in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a change in pre-tax profit associated with the functional currency strengthening 10% against the relevant currency.

	<u>Currency USD Impact</u>	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit or loss	\$ 4,517	\$ 833

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The Company is also exposed to interest rate risk related to its investments in floating rate debt instruments. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 18,540	\$ 18,540
Financial liabilities	1,877,449	1,148,174
Cash flow interest rate risk		
Financial assets	341,164	276,343

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been changed by 10 basis points and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would change by NT\$341 thousand and NT\$276 thousand, respectively, which was mainly due to fluctuations in the net asset's variable interest rate.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment

The Company transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

3) Liquidity risk

The Company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents and highly liquid equity investments. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2020

	On Demand or Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
Short-term borrowings	\$ 500,356	-	-	-	-	\$ 500,356
Accounts payable (related parties included)	175,949	-	-	-	-	175,949
Other payables (related parties included)	215,537	148,165	-	-	-	363,702
Long-term borrowings (current portion included)	23,794	23,688	503,977	395,829	413,851	1,361,159
Lease liabilities	7,324	7,059	13,206	10,868	44,592	83,054
	<u>\$ 922,960</u>	<u>\$ 178,912</u>	<u>\$ 517,203</u>	<u>\$ 406,697</u>	<u>\$ 458,448</u>	<u>\$ 2,484,220</u>

Additional information about the maturity analysis for lease liabilities:

Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 14,382</u>	<u>\$ 24,074</u>	<u>\$ 8,802</u>	<u>\$ 8,802</u>	<u>\$ 18,191</u>

December 31, 2019

	On Demand or Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
Short-term borrowings	\$ 350,483	-	-	-	-	\$ 350,483
Accounts payable (related parties included)	159,278	-	-	-	-	159,278
Other payables (related parties included)	259,934	153,706	-	-	-	413,640
Long-term borrowings	7,180	7,114	13,825	21,493	59,155	108,767
Lease liabilities	<u>\$ 776,875</u>	<u>\$ 160,820</u>	<u>\$ 13,825</u>	<u>\$ 745,159</u>	<u>\$ 59,155</u>	<u>\$ 1,755,834</u>

Additional information about the maturity analysis for lease liabilities:

Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 14,294</u>	<u>\$ 35,318</u>	<u>\$ 11,232</u>	<u>\$ 11,232</u>	<u>\$ 25,459</u>



b) Financing facilities

	December 31	2020	2019
Short-term borrowings amount		\$ 188,000	\$ 300,000
Amount unused			

29. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and related parties are disclosed as follows:

a. Related party name and category

Related Party Name	Related Party Category	Relationship with the Company
Pro-partner	Subsidiary	The Company's subsidiary
GRAPE KING INTERNATIONAL INVESTMENT INC (BVI)	Subsidiary	The Company's subsidiary
Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Subsidiary	The Company's subsidiary
Shanghai Rivershine Ltd.	Subsidiary	The Company's subsidiary
Rivershine Ltd. (Rivershine)	Subsidiary	The Company's subsidiary
Dongpu Biotech Corporation (Dongpu)	Subsidiary	The Company's subsidiary
Pu Hsing Enterprise Co., Ltd. (Pu Hsing)	Other Related Party	A director of Pro-partner
GK BIO INTERNATIONAL SDN. BHD.	Associate	Investee of the Company accounted for using the equity method

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Sales	Pro-partner	\$ 1,510,097	\$ 1,515,466
	Other subsidiaries	210,208	172,939
	Associate	<u>11,877</u>	<u>3,257</u>
		<u>\$ 1,732,182</u>	<u>\$ 1,691,662</u>

The aforementioned parties are the exclusive distributors for beverages and health food products of the Company and its subsidiaries. The sales price for other related parties was determined based on mutual consent. The collection period of other related parties is 30-60 days, and the general customer's collection period is 30-135 days.

The sales price for the related parties and the price for the third-party MLM member customers were determined based on mutual consent. There is no significant difference regarding the terms and conditions for the related parties and the third parties.

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Accounts receivable from related parties	Pro-partner	\$ 188,165	\$ 189,099
	Rivershine	44,776	70,189
	Other subsidiaries	4,433	-
	Associate	<u>2,248</u>	<u>2,603</u>
		<u>\$ 239,622</u>	<u>\$ 261,891</u>
Other receivables from related parties (including bonus to directors)	Pro-partner	\$ 72,173	\$ 75,678
	Other subsidiaries	<u>12</u>	<u>19</u>
		<u>\$ 72,185</u>	<u>\$ 75,697</u>

d. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Other payables to related parties	Rivershine	\$ 1,322	\$ 1,387

e. Other transactions with related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Guarantee deposits received	Subsidiary	\$ 472	\$ 472

For the Year Ended December 31

Line Item	Related Party Category/Name	2020		2019	
Rental income	Pro-partner	\$ 3,232	\$ 3,423		
	Rivershine	400	400		
	Other related party	<u>11</u>	<u>11</u>		
		<u>\$ 3,643</u>	<u>\$ 3,834</u>		
Other income	Pro-partner	<u>\$ 72,826</u>	<u>\$ 73,597</u>		

The rental paid to the above related parties and normal rental prices were similar and comparable. The term of payment was either in full or monthly installments at the beginning of each year.

The rental collected from the above related parties and normal rental prices were similar and comparable. The term of collection was either in full or monthly installments at the beginning of each year.

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 57,252	\$ 59,923
Post-employment benefits	<u>223</u>	<u>269</u>
	\$ 57,475	\$ 60,192

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for long-term and short-term secured loans, Chinese Petroleum Corporation natural gas, leasing land and operating center from science-based parks:

	December 31	
	2020	2019
Property, plant and equipment - land	\$ 1,249,710	\$ 353,055
Property, plant and equipment - buildings	272,782	283,118
Pledged time deposits (classified as financial assets at amortized cost - non-current)	<u>9,600</u>	<u>9,600</u>
	\$ 1,532,092	\$ 645,773

Secured bank facilities used in response to operating funds by the Company's property, plant and equipment - land/building as of December 31, 2020 and 2019 are as follows:

	December 31	
	2020	2019
Short-term financing facilities	\$ 238,000	\$ 200,000
Medium and long-term financing facilities	<u>1,100,000</u>	<u>450,000</u>
	\$ 1,338,000	\$ 650,000

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Company are as follows:

- a. The Company's guarantee notes issued to banks for credit lines amounted to NT\$400,000 thousand as of December 31, 2020.
- b. Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2020 were as follows:

Nature of Contract	Contract Amount	Amount Paid	Outstanding Balance
Plant and machinery	\$ 1,067,616	\$ 984,559	\$ 83,057

### 32. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items	\$ 1,586	28.48 (USD:NTD)	\$ 45,169
USD			

December 31, 2019

December 31, 2019	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items	\$ 278	29.98 (USD:NTD)	\$ 8,334
USD			

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange (losses) gains were NT\$(658) thousand and NT\$285 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Company.

### 33. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions:
  - 1) Financings provided to others: None;
  - 2) Endorsements/guarantees provided: None;
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 1;
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 2;
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 3;

8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4;

9) Trading in the derivative instruments: None;

b. Information on investees: Table 5;

c. Information on investment in mainland China

1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 6

2) Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None

d. Information on major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7

#### 34. SEGMENTS INFORMATION

The Company has disclosed its operating segments in the consolidated financial statements.

TABLE 1

## GRAPE KING BIO LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type And Name	Relationship with the Company	Financial Statement Account	December 31, 2020			Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Grape King Bio Ltd.	Stock FU-Sheng International Inc. (SAMOA)	-	Financial assets at fair value through other comprehensive income - non-current	917,700	\$ 9,330	18.77	\$ 9,330
	Hsim Tung Yang Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	8	-	8

## GRAPE KING BIO LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Related Party	Transaction Date			
Grape King Bio Ltd.	Land	2020.2.24	\$ 890,000	Pay according to the contract	Onano Industrial Corp.	-	Not applicable	Not applicable	Not applicable	Not applicable	The price based on valuation report issued by an external independent professional valuation company is estimated to be higher than the transaction price.	In order to provide more stable production capacity to meet market demand	None

TABLE 3

## GRAPE KING BIO LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction Unit Price	Payment Terms	Notes/Accounts Payable or Receivable Ending Balance	% to Total	Note
			Purchases/Sales	Amount					
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	\$ 1,510,097	69.40	30 days after monthly closing	\$ 188,165	65.69	-
Grape King Bio Ltd.	Rivershine Ltd.	Subsidiary	Sales	169,780	7.80	60 days after monthly closing	44,776	15.63	-
Pro-partner Inc.	Grape King Bio Ltd.	Parent company	Purchases	1,510,097	100.00	30 days after monthly closing	(188,165)	96.25	-
Rivershine Ltd.	Grape King Bio Ltd.	Parent company	Purchases	169,780	100.00	60 days after monthly closing	(44,776)	100.00	-

Note: If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.

**TABLE 4**

**GRAPE KING BIO LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	\$ 188,165	8.01	\$ -	-	\$ 188,165	\$ -

TABLE 3

## GRAPE KING BIO LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction Unit Price	Payment Terms	Notes/Accounts Payable or Receivable Ending Balance	% to Total	Note
			Purchases/Sales	Amount					
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	\$ 1,510,097	By contract	30 days after monthly closing	\$ 188,165	65.69	-
Grape King Bio Ltd.	Rivershine Ltd.	Subsidiary	Sales	169,780	By contract	60 days after monthly closing	44,776	15.63	-
Pro-partner Inc.	Grape King Bio Ltd.	Parent company	Purchases	1,510,097	By contract	30 days after monthly closing	(188,165)	96.25	-
Rivershine Ltd.	Grape King Bio Ltd.	Parent company	Purchases	169,780	By contract	60 days after monthly closing	(44,776)	100.00	-

Note: If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.



**TABLE 4**

**GRAPE KING BIO LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	\$ 188,165	8.01	\$ -	-	\$ 188,165	\$ -

TABLE 5

## GRAPE KING BIO LTD.

INFORMATIONS ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020		Carrying Amount	Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2020	December 31, 2019	Share	Percentage of Ownership (%)				
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI) Pro-partner Inc.	BVI	Investment activities	\$ 1,198,018	\$ 1,198,018	24,890,000	100	\$ 978,947	\$ 90,463	\$ 91,165	Notes 1, 2
		Taoyuan, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	10,560,000	60	2,009,206	1,556,783	934,798	Note 1
	Rivershine Ltd.	Taoyuan, Taiwan	Import and selling of health food, drink, daily cosmetics, appliances, etc.	30,000	30,000	3,000,000	100	38,428	5,457	5,457	-
	GK BIO INTERNATIONAL SDN. BHD.	Malaysia	Import and selling of health products	6,810	6,810	900,000	30	7,115	5,645	1,681	Note 1

Note 1: The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$1,794 thousand has been adjusted.

Note 2: The current investment gain (loss) recognized by BVI includes the current profit of Shanghai Grape King and Shanghai Rivershine.

TABLE 6

## GRAPE KING BIO LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Investment Income (Losses) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Shanghai Grape King Enterprise Co., Ltd	Manufacturing and selling capsule, tablet, related products and services.	USD 27,900	Note 1(2) Note 3	\$ 847,672 (USD 27,350)	\$ -	\$ -	\$ 847,672 (USD 27,350)	\$ 93,199 Note 2 (2)B	100%	\$ 93,901 Note 2 (2)B	\$ 936,605	\$ -
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	USD 4,890	Note 1(2) Note 4	26,794 (USD 878)	-	-	26,794 (USD 878)	- Note 2 (3)	18.77%	- Note 2 (3)	9,330 Note 2 (3)	-
Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	USD 150	Note 1(2) Note 5	4,060 (USD 150)	-	-	4,060 (USD 150)	(461) Note 2 (2)B	100%	(461) Note 2 (2)B	4,303	-
Dongpu Biotech Corporation	Biotechnology R&D and transfer; Sales; biological products, special foods (health foods), food materials, food packaging materials, cosmetics, daily necessities; commission agents (excluding auctions); import and export of goods.	RMB 5,000	Note 1(1) Note 6	23,200 (RMB 5,000)	-	-	23,200 (RMB 5,000)	(1,908) Note 2 (2)B	100%	(2,187) Note 2 (2)B	28,503	-
Shanghai Changhong Biotechnology Co., Ltd.	Biotechnology consultation, transfer, import and export of goods or transfers of technology, brand planning, corporate image and marketing planning, conference services, social and economic consulting services, business information consulting, self-owned equipment leasing, domestic cargo transportation agent, sales and online retail of knitted textiles, etc.	USD 700 Note 7	Note 1(1) Note 7	-	7,273	-	7,273 (USD 246)	Note 7	35.1%	Note 7	Note 7	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 908,999	\$ 908,999	\$ 4,787,072

Note 1: The methods for engaging in investment in mainland China include the following:

- 1) Direct investment in mainland China.
- 2) Indirect investment in mainland China through companies registered in a third region (specify the name of the company in third region).
- 3) Other methods.

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
  - (A) The financial report was audited and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
  - (B) The financial statements was audited by the parent company's auditors.
  - (C) Others.

3. Recorded as financial assets at fair value through other comprehensive income.

Note 3: The Company invested in Shanghai Grape King Enterprise Co., Ltd. through subsidiary GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 4: The Company invested in Shanghai Yusong Co., Ltd. through Fu-Sheng International Inc. (SAMOA).

Note 5: The Company indirectly invested in Shanghai Rivershine Ltd. through its subsidiary, GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 6: The Company directly invested in Dongpu Biotech Corporation.

Note 7: The Company prepaid NT\$7,273 thousand (US\$246 thousand) to invest in Shanghai Changhong Biotechnology Co., Ltd., which has been approved by the Investment Commission, Ministry of Economic Affairs on December 17, 2020.

(Concluded)

**TABLE 7**

**GRAPE KING BIO LTD.  
INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Fubon Life Assurance Co., Ltd.	9,939,000	7.29
Nan Shan Life Insurance Company, Ltd.	7,468,000	5.47

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.

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STATEMENT 1

**GRAPE KING BIO LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Cash on hand		\$ 234
Deposits in banks		
Demand deposits		300,253
Foreign currency deposits	Including USD\$1,125 thousand @28.48, RMB1,537 thousand @4.377 and JPY1,925 thousand @0.276	40,911
Checking deposits		<u>8</u>
Total		<u>\$ 341,406</u>

Note: Cash and cash equivalents were not pledged.

STATEMENT 2

**GRAPE KING BIO LTD.**

**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET (RELATED PARTIES INCLUDED)  
DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Client Name	Amount
Related Parties	
Pro-partner Inc.	\$ 188,165
Rivershine Ltd.	44,776
Shanghai Grape King Enterprise Co., Ltd.	4,433
GK BIO INTERNATIONAL SDN. BHD.	<u>2,248</u>
Total	<u>239,622</u>
Non-related parties	
110008	14,751
310276	7,904
171127	5,927
320231	3,189
11A664	2,922
11A903	2,880
Others (Note 1)	<u>12,422</u>
Total	<u>49,995</u>
Less: loss allowance	<u>3,179</u>
Net	<u>46,816</u>
Total	<u>\$ 286,438</u>

Note 1: The amount of individual client included in others does not exceed 5% of the account balance.

Note 2: The accounts receivable incurred from operating activities were not pledged.

STATEMENT 3

**GRAPE KING BIO LTD.**

**STATEMENT OF INVENTORIES, NET**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 90,629	\$ 90,546
Supplies	45,076	43,853
Semi-finished goods and work in progress	260,034	260,034
Finished goods	156,062	389,996
Merchandises	<u>127</u>	<u>127</u>
Total	551,928	<u>\$ 784,556</u>
Less: Allowance for inventory valuation losses	<u>(6,627)</u>	
Net		<u>\$ 545,301</u>

Note 1: Inventories are valued at lower of cost or net realizable value on an item-by-item basis.

Note 2: The insurance coverage for inventories was NT\$546,717 thousand as of December 31, 2020.

Note 3: Inventories were not pledged.

## GRAPE KING BIO LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee companies	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Balance, December 31, 2020		Net Assets Value	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
GRAPE KING INTERNATIONAL INVESTMENT INC.	24,890,000	\$ 874,130	-	\$ -	-	\$ -	24,890,000	\$ 978,947	\$ 988,999	None
Pro-partner Inc.	10,560,000	1,928,819	-	-	-	-	10,560,000	2,009,206	2,030,971	None
Rivershine Ltd.	3,000,000	52,295	-	-	-	(13,867)	3,000,000	38,428	38,428	None
Dongpu Biotech Corporation	-	29,093	-	-	-	(590)	-	28,503	28,503	None
GK BIO INTERNATIONAL SDN. BHD.	900,000	5,591	-	-	-	1,524	900,000	7,115	7,075	None
Total		\$ 2,889,928		\$ -		\$ 172,271		\$ 3,062,199	\$ 3,093,976	

Note: Mainly including share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates, cash dividends received from subsidiaries and associates, etc.



STATEMENT 5

**GRAPE KING BIO LTD.**

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS AND CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Land	Buildings	Transportation Equipment	Other Equipment	Total
<b>Cost</b>					
Balance at January 1, 2020	\$ 62,039	\$ 40,888	\$ 6,162	\$ 783	\$ 109,872
Additions	-	-	1,968	2,257	4,225
Disposals	-	-	(585)	-	(585)
Lease modification	(13,240)	-	-	-	(13,240)
Balance at December 31, 2020	\$ 48,799	\$ 40,888	\$ 7,545	\$ 3,040	\$ 100,272
<b>Accumulated depreciation</b>					
Balance at January 1, 2020	\$ 1,919	\$ 9,145	\$ 2,022	\$ 130	\$ 13,216
Depreciation	1,599	9,291	2,433	605	13,928
Disposals	-	-	(443)	-	(443)
Balance at December 31, 2020	\$ 3,518	\$ 18,436	\$ 4,012	\$ 735	\$ 26,701
Carrying amount at December 31, 2020	\$ 45,281	\$ 22,452	\$ 3,533	\$ 2,305	\$ 73,571

## GRAPE KING BIO LTD.

STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Description	Type	December 31, 2020	Contract Period	Interest Rates	Credits amount	Collateral	Note
CHANG HWA BANK - Yongchun Branch	Secured borrowings	\$ 238,000	2020.10.27-2021.1.27	1.00%	\$ 238,000	Land and Building	-
CHANG HWA BANK - Yongchun Branch	Unsecured borrowings	162,000	2020.10.27-2021.1.27	1.00%	300,000		-
LAND BANK OF TAIWAN - Zhongji Branch	Unsecured borrowings	<u>100,000</u>	2020.12.16-2021.1.22	1.00%	150,000		-
		<u>\$ 500,000</u>					

STATEMENT 7

**GRAPE KING BIO LTD.**

**STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name	Amount
55823351	\$ 10,166
Others	<u>165,783</u>
Total	<u>\$ 175,949</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

## GRAPE KING BIO LTD.

STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Description	Type	December 31, 2020	Contract Period	Interest Rates	Credits Amount	Collateral	Note
HUA NAN BANK - Zhongli Branch	Secured borrowings	\$ 602,233	2020.6.8-2035.6.8	1.02%	\$ 650,000	Land and Building	Note
HUA NAN BANK - Zhongli Branch	Secured borrowings	350,000	2019.7.22-2022.7.22	1.02%	450,000	Land and Building	Note
HUA NAN BANK - Zhongli Branch	Secured borrowings	100,000	2019.5.10-2022.5.10	1.02%	450,000	Land and Building	Note
HUA NAN BANK - Zhongli Branch	Unsecured borrowings	<u>250,000</u>	2020.7.27-2023.7.27	1.02%	600,000	-	-
Total		1,302,233					
Less: Current portions		<u>(41,533)</u>					
		<u>\$ 1,260,700</u>					

Note: Secured bank's financing facilities in HUA NAN BANK amounted to NT\$450,000 thousand.

## STATEMENT 9

## GRAPE KING BIO LTD.

STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Description	Lease Period	Discount Rate	December 31, 2020
Land	2016.4.15-2051.4.14	1.00%	\$ 45,911
Buildings	2018.6.1-2023.5.31	1.00%	23,416
Transportation equipment	2018.5.28-2023.7.14	1.00%-1.02%	3,571
Other equipment	2019.3.1-2024.12.31	1.00%	<u>2,318</u>
Total			75,216
Less: Current portion			<u>(13,695)</u>
Noncurrent portion			\$ <u>61,521</u>

## STATEMENT 10

## GRAPE KING BIO LTD.

STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Quantity (In Thousands)	Amount
Sales revenue		
Health food	5,043	\$ 1,834,498
Beverage	1,181	136,721
ODM/OEM	905	177,246
Others		<u>27,504</u>
Total net revenue		\$ <u>2,175,969</u>

**GRAPE KING BIO LTD.**

STATEMENT OF COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount
Raw materials used	
Beginning balance	\$ 79,898
Add: Raw materials purchased	407,914
Gain from raw material physical counts	793
Other operating costs	30
Less: Ending balance	(90,629)
Raw materials scrapped	(722)
Raw materials sold directly	(1,182)
Transferred to other accounts	(3,931)
Direct materials used	<u>382,171</u>
Supplies used	
Beginning balance	28,661
Add: Supplies purchased	210,949
Gain from supplies physical counts	944
Transferred from other accounts	5,583
Less: Ending balance	(45,076)
Supplies sold directly	(226)
Supplies scrapped	(1,475)
Transferred to other accounts	(535)
Other operating costs	(222)
Supplies used	<u>198,603</u>
Direct labor	104,883
Manufacturing overhead	484,479
Manufacturing cost	<u>1,170,136</u>
Semi-finished goods and work in process	
Beginning balance	181,144
Add: Semi-finished goods and work in process purchased	44,976
Gain from semi-finished goods physical counts	805
Transferred from other accounts	44
Less: Ending balance	(260,034)
Semi-finished goods and work in process scrapped	(2,746)
Transferred to other accounts	(48,778)
Semi-finished goods sold directly	(146,895)
Other operating costs	(1,736)
Cost of finished goods	<u>936,916</u>
Add: Beginning balance	120,535
Finished goods purchased	5,899
Other operating costs	5
Less: Ending balance	40
Transferred from other accounts	(156,062)
Finished goods scrapped	(1,331)
Less from cost of finished goods physical counts	(17,212)
Transferred to other accounts	<u>888,282</u>
Cost of goods sold at normal production level	571
Merchandise Cost	18
Beginning balance	(127)
Add: Merchandise purchased	(1)
Less: Ending balance	(29)
Merchandise scrapped	432
Transferred to other accounts	11,182
Cost of merchandise sold	<u>226</u>
Cost of raw materials sold directly	146,895
Cost of supplies sold directly	(1,066)
Cost of semi-finished goods sold directly	<u>5,365</u>
Transferred to other accounts	5,365
Other operating costs	5,365
Total	<u>\$ 1,051,819</u>

**GRAPE KING BIO LTD.**

STATEMENT OF SELLING AND MARKETING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount
Advertising	\$ 216,040
Salaries and wages	58,667
Depreciation	25,059
Others (Note)	<u>74,783</u>
Total	<u>\$ 374,549</u>

Note: Expenses included in others do not exceed 5% of the account balance.

STATEMENT 13

**GRAPE KING BIO LTD.**

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount
Salaries and wages	\$ 140,250
Depreciation	27,939
Labor costs	25,644
Insurance	14,802
Others (Note)	<u>81,873</u>
Total	<u>\$ 290,508</u>

Note: Expenses included in others do not exceed 5% of the account balance.

STATEMENT 14

**GRAPE KING BIO LTD.**

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount
Salaries and wages	\$ 75,265
Research experiment fee	50,666
Depreciation	26,849
Commissioned research fee	21,987
Others (Note)	<u>42,848</u>
Total	<u>\$ 217,615</u>

Note: Expenses included in others do not exceed 5% of the account balance.

**STATEMENT 15****GRAPE KING BIO LTD.****STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	For the Year Ended December 31		
	2020	2019	
	Cost of Goods Sold	Operating Expenses	Total
Employee benefits expense			
Salaries and wages	\$ 181,348	\$ 239,222	\$ 420,570
Labor and health insurance	11,859	17,169	29,028
Pension	6,167	7,293	13,460
Share-based payments	-	1,597	1,597
Other employee benefits	3,014	5,769	8,783
Board compensation		26,070	26,070
	\$ 202,388	\$ 297,120	\$ 499,508
			\$ 190,647
Depreciation (Note 2)	\$ 177,459	\$ 80,113	\$ 257,572
Amortization		\$ 5,422	\$ 5,422
			\$ 60,702
			\$ 6,855
			\$ 6,855
			\$ 27,097
			\$ 471,216
			\$ 176,267
			\$ 6,855

Note 1: For the years of 2020 and 2019, the Company had an average of 455 and 426 employees, respectively, which included 8 non-employee directors in both years.

- 1) Average labor costs for the years ended December 31, 2020 and 2019 were NT\$1,059 thousand and NT\$1,062 thousand, respectively.
- 2) Average salaries and bonuses for the years ended December 31, 2020 and 2019 were NT\$944 thousand and NT\$940 thousand, respectively.
- 3) The average salary and bonus decreased by 0.43% year over year.
- 4) Compensation to the supervisors for the years ended December 31, 2020 and 2019 were NT\$6,215 thousand and NT\$6,474 thousand, respectively.
- 5) Compensation policies
  - A. Directors and Managers

The remuneration shall be paid to directors who manage the Company's business. The amount is determined based on the directors' participation in the Company operations and value of contribution. In accordance with the Articles of Incorporation, the Board of Directors is authorized to provide compensation based on industry standards. In case of profit generated for the year, it shall set aside no more than 2% for the remuneration of directors as stipulated in the Articles of Incorporation. The actual appropriation ratio and amount shall be proposed by the Remuneration Committee based on operational performance and submitted to the Board of Directors for resolution. As for independent directors not included in the Company's profit distribution, the executive compensation shall be paid based on a fixed amount and requires a Board of Directors resolution.

(Continued)

The remuneration of managers is determined based on individual performance, contribution to the Company's overall operations and market standards. In addition, if there is profit generated for the year, 6%-8% shall be set aside for employee compensation, which also includes managerial remuneration as stipulated in the Articles of Incorporation, and shall be proposed by the Remuneration Committee based on operational performance and submitted to the Board of Directors for approval.

The proposed remuneration of directors not included Independent Directors and managers shall be submitted to the Remuneration Committee for approval in accordance with the Articles of Incorporation and related regulations (as for the remuneration of independent directors, to avoid a conflict of interest, it is paid by the Board of Directors as stipulated in the Articles of Incorporation and according to industry standards, and is not determined by the Remuneration Committee).

**B. Supervisors**

The remuneration standard for the Company's supervisors is determined by referring to the usual level of payment in the same industry, and taking into account individual performance and supervisory performance; in addition, if there is profit generated for the year, the provision shall not exceed 2% according to the company's Articles of Incorporation. For the remuneration of supervisors, the actual allocation rate and amount will be reviewed by the Remuneration Committee and will be submitted to the Board of Directors for resolution.

**C. Employees**

The Company's assessment of salaries is determined based on the interview evaluation results at each stage, based on the rank of the employee. The compensation and bonus system is handled in accordance with the "Performance Appraisal Management Measures", which includes: performance bonuses, year-end bonuses, and mid-year bonuses (compensation of employees). The performance bonus of the sales team is handled in accordance with the "performance bonus distribution method", and monthly bonuses and quarterly bonuses are issued based on the performance goals; employee year-end bonuses and mid-year bonuses (compensation of employees) are issued based on the Company's previous year's profit status. The number of employees and the results of the annual appraisal will be considered and distributed after being reviewed by the Remuneration Committee.

Note 2: The aforementioned depreciation included the depreciation of investment properties, which was recognized by the Company in other gains and losses of NT\$266 thousand and NT\$266 thousand, for the years ended December 31, 2020 and 2019, respectively.

(Concluded)







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