

I. Company Spokesperson and Acting Spokesperson

Company

Spokesperson

Name: Chen, Tel: 02-7721-2726

Sheng-Chung

Title: Vice President Public Relations Office E mail: affairs@yummy-town.com

Acting Spokesperson

Name: Tsai, Cheng-Ju Tel: 02-2790-0689

Title: Manager Investor Relations Email: affairs@yummy-town.com

II. Address and Telephone Number of Company Headquarters, Subsidiaries and Factories

(I) Parent Company

Name: Yummy Town (Cayman) Holdings Corporation

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road,  
P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands

Website: www.yummy-town.tw

Tel: +86-21-5216-3499

(II) Subsidiaries and Factories:

Name: Yummy Town (Cayman) Holdings Corporation Taiwan Branch

Branch Address: 6F., No.77, Xinhua 1st Rd., Neihu Dist., Taipei

Tel: (02) 2790-0689

(III) Main Operating Locations

Taiwan

Name: Yen Mei Enterprise Limited

Address: 6F., No.77, Xinhua 1st Rd., Neihu Dist., Taipei

Tel: (02) 2790-0689

Hong Kong

Name: RBT Holdings Limited

Address: Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong,  
Kowloon, Hong Kong

Tel: +852-2372-7051

United States of America

Name: Yummy-town USA LLC

Address: 1013 Centre Road, Suite 403S, Wilmington, DE 19805, County of New  
Castle Delaware

Tel: (02) 2790-0689

Shanghai

Name: Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.

Address: 4F., Building 3, No.199 Jintong Rd, Taopu Town, Putuo District,  
Shanghai

Tel: +86-21-5216-3499

Beijing

Name: Jia Qun Food & Beverage Management (Beijing) Co., Ltd.  
Address: Room M17, 4F., No.17, Dongsanhuan N. Rd., Chaoyang Dist., Beijing  
Tel: +86-10-8521-6060

III. Name, Address, Website and Telephone Number of Stock Transfer Agent:

Name: CTBC Bank Co., Ltd. Website: [www.chinatrust.com.tw](http://www.chinatrust.com.tw)  
Address: 3F, No. 83, Sec.1, Chongqing S. Rd., Taipei Tel: (02)2311-1838

IV. Name of Certified Public Accountants (CPAs) for the Financial Statements in the Most Recent Year and Name, Address, Website and Telephone Number of Accounting Firm:

Name of CPAs: Harrison Wu and Ian Huang

Name of Accounting Firm: Deloitte Taiwan Website: [www.deloitte.com.tw](http://www.deloitte.com.tw)  
Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City Tel: (02) 2725-9988

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

VI. Company Website: [www.yummy-town.tw](http://www.yummy-town.tw)

VII. List of Members of Board of Directors

| Name                                 | Title                | Nationality or Place of Registration | Academic Qualifications and Experience  |
|--------------------------------------|----------------------|--------------------------------------|---|
| Wu, Po-Chao                          | Chairman             | R.O.C.                               | Retired Air Force Captain<br>Chairman, Committee of Catering, China Chain Store & Franchise Association(CCFA)<br>Vice Chairman, Chain Store Committee, Shanghai Association of Taiwan<br>Vice Chairman, Huangpu District, Shanghai Association of Taiwan  |
| Chen, Yu-Chen                        | Director             | R.O.C.                               | Bachelor of Business Administration, Chihlee University of Technology<br>Coordinator, New Card Review Department, American Express<br>Senior Coordinator, Risk Management Department, Citibank  |
| Wu, Hua-Chao                         | Director             | R.O.C.                               | Yu Da High School of Commerce and Home Economics<br>Purchasing and Sales Director, Purchasing and Marketing Department, Yummy Town (Cayman) Holdings Corporation  |
| YUMMY TOWN INTERNATIONAL LTD.(Samoa) | Director             | Samoa/R.O.C.                         | Bachelor of Electronics Engineering, Chien Hsin University of Science and Technology<br>Director, The Fifth Credit Cooperation Of Hsinchu<br>Chairman, Eowg Kuang Soap Co., Ltd.  |
| Representative:<br>Yen, Hsien-Ming   |                      |                                      |   |
| Lin, Tzu-Kuan                        | Independent director | R.O.C.                               | Department of Tourism Business, Chinese Culture University<br>President, Spring City Resort<br>General Manager, Grand Hi-Lai Hotel Business Group<br>Kaohsiung Tourist Hotel Association<br>Chairman, Kuo Yang Construction Co., Ltd.<br>Chairman<br>General Manager, Grand Hi Lai Hotel, Kaohsiung |
| Tu, Chi-Yao                          | Independent director | R.O.C.                               | Ph.D. in Economic Law, China University of Political Science and Law<br>CPA, Deloitte Taiwan<br>CPA, Chi Yao CPAs Firm<br>Financial and Legal Advisor for Taiwanese Companies of the Straits Exchange Foundation  |
| Chia-Heng Seetoo                     | Independent director | R.O.C.                               | J.D., University of Illinois<br>Internet Marketing Specialist and Internet Editor, Fulai Information Co., Ltd.<br>Advisor, Jones Day International Law Firm<br>Executive Director, Innovatus International Law Firm<br>Chairman, Innovatus Consulting Inc.  |

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

Agent

Name: Chen, Yu-Chen      Tel: (02)2790-0689

Title: Director      carrie\_chen@yummy-town.com

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## Chapter 1. Letter to Shareholders

Dear shareholders,

In recent years, our business in mainland China has been severely impacted by the COVID-19 pandemic. The "zero-COVID" policy and lockdowns, along with intense competition and difficulties in expanding stores, have caused a significant decline in our operating performance and profitability. This has severely affected the company's operating profits, resulting in three consecutive years of significant losses that have impacted shareholder equity and enterprise value. Currently, we have conducted a one-time impairment, and after the adjustment, our mainland business will move towards light asset operation while investing resources into overseas markets to continue expanding our operations in the United States. Happy Lemon has become one of the leading brands in the tea beverage market in the United States. We currently operate over 100 stores in the US and have orders for approximately 30 new store openings, with plans to expand to 200 stores by 2024.

### I. Implementation Results and Budget Execution of the 2022 Business Plan

Unit: Thousands of NT Dollars

| ITEM                                     | 2022     | 2021      | Difference |
|--|----------|-----------|------------|
| Consolidated Revenue                     | 801,129  | 1,458,788 | -657,659   |
| Consolidated Net Profit (Loss)<br>(Note) | -279,866 | -94,106   | -185,760   |
| Earnings (Loss) per share (after<br>Tax) | -7.92    | -2.65     | -5.27      |

Note: Refers to the consolidated net profit attributable to the owners of the Company

Consolidated revenue in 2022 declined by 45%, mainly due to the spread of the Omicron variant. Many of the Company's stores around the world have been unable to operate normally since the second quarter of 2022. In addition, the sales of tea and beverage brands in mainland China continued to decline, the survival rate of new stores decreased, and the percentage of store closures increased over the past year, resulting in a decrease in the Company's overall revenue and profit.

According to current regulations, the Company did not prepare a public financial forecast budget for the year 2022.

## **II. Overview of the 2023 Business Plan and Profitability Analysis**

### **1. Transformation of Mainland China Business to Brand Licensing Model**

Our Mainland China business will undergo transformation, adopting a brand licensing model where the operations and business expansion of the Happy Lemon brand will be handled by local agents in the Chinese market. This transformation will significantly reduce the Group's operating costs in mainland China while maintaining brand awareness and generating revenue through brand licensing fees, thereby improving overall operational efficiency.

### **2. Increased Focus on US Market and Expansion into New Overseas Markets**

The Company will concentrate resources on developing and expanding operations in the US and other overseas markets. In addition to tea beverages, we will increase investment or alliances in the catering market and introduce well-known restaurant brands to develop together in the US market. Through the Yummy Town US operation platform, we will work together to strengthen and expand our presence in the US market. In addition to the Happy Lemon brand, we will add another new growth engine to the US market.

## **III. Future Development Strategies**

### **1. Gradually Shifting Focus to Overseas Markets**

The US is the main target for developing new markets, and in recent years, the Company has actively established a presence in the country and has gained a foothold. Currently, Happy Lemon has 100 stores in the US with approximately 30 store openings planned. The goal is to expand to 200 stores by 2024, which is expected to be achievable. Since last year, the revenue from the US market has accounted for over 35% of the Group's total revenue. Happy Lemon has also become one of the leading brands in the US tea market, with at least 25% of its stores averaging monthly revenue of over \$70,000. The brand's awareness, store size, and individual store performance all rank among the top tier of the US tea beverage market.

### **2. Continuously Building a Global Supply Chain Platform to Stabilize Operations**

Given the early establishment of our US presence and robust supply chain management, during the past two years of COVID-19 pandemic, the number of US stores has doubled, with an impressive double-digit growth rate in average same-store sales growth (SSSG). To accelerate expansion in the US and overseas markets, we will invest more resources in developing stronger operational management systems, supply chain systems, digital information systems, and customer membership systems to quickly boost Happy Lemon's brand value and competitive advantage.

#### **IV. Research and Development Status and Important Production and Sales Policies**

1. In the future, our efforts in product research and development will be focused more on the product categories that young consumers prefer to create hot topics, while expanding the application of brand intellectual property (IP), enabling Happy Lemons to become consumers' social currency. Online beverage delivery is another focus of business development in 2023. Due to the fierce competition in the tea and beverage industry, delivery performance has also become one of the business performance indicators for prospective franchisees to evaluate a brand.
2. At present, Happy Lemon's delivery performance accounts for roughly 30% of the overall revenue. As there is still room for growth, the Company will continue to seek an online business development model suitable for the brand, increase sales by combining systems and marketing approaches to connect online and physical stores, improve customer retention and repurchase rates, and enhance performance through complementarity and mutual assistance between online and physical stores.

#### **V. External Competition and Overall Operating Environment**

1. In recent years, the catering market in Mainland China has faced excessive competition. The outbreak of the COVID-19 pandemic in 2020 had a significant impact on the consumer market, exacerbating the effects of excessive industry competition and leading to increased operating costs and declining profitability. This has resulted in financial losses for both our mainland business and the Company as a whole for three consecutive years. After adjustments, the revenue contribution from mainland China has decreased to 45%. Therefore, the Company hopes to improve its financial performance and get rid of the burden of negative assets and negative performance by selling and restructuring.
2. The transformation of our mainland business will make our company more agile, and we expect a rebound in operating performance. In the future, we will continue to expand our presence in the US and other overseas markets, accelerate store expansion, maintain excellent store operating performance to create "growth cornerstone"; Additionally, we will continue to build a global supply chain platform to strengthen our "operational cornerstone"; Furthermore, we will establish a catering alliance platform through cooperation or investment in mergers and acquisitions to assist in the development of our overseas business and expand our "alliance cornerstone". With these three cornerstones supporting us, we hope to return to positive operating performance in the future.

Chairman: Wu, Po-Chao

President: Wu, Po-Chao



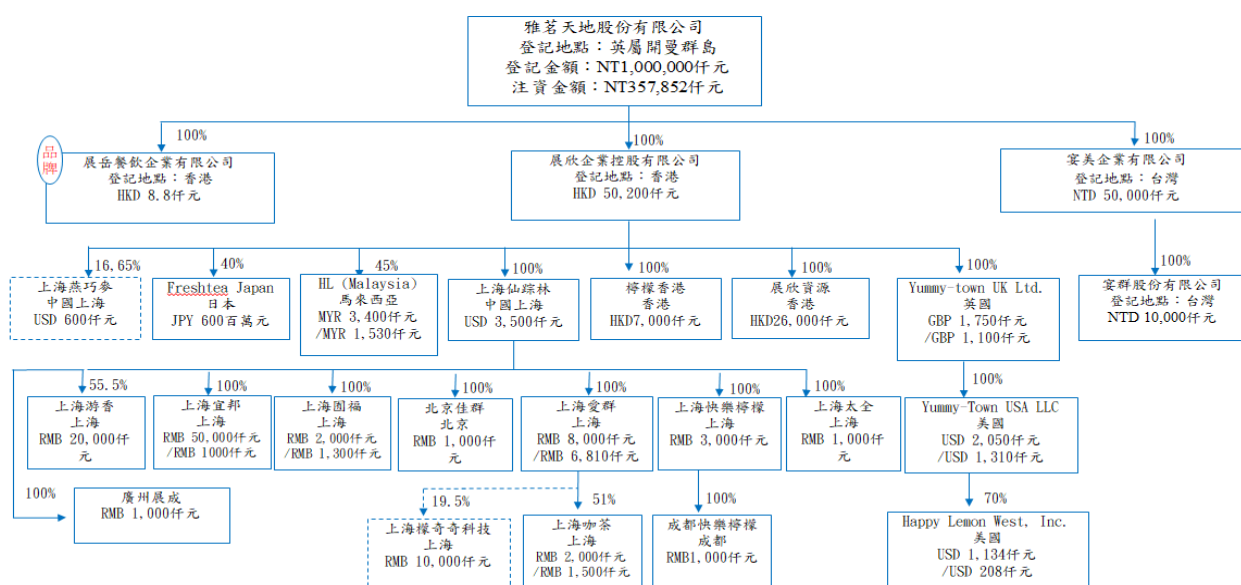
## Chapter 2. Company Profile

### I. Introduction to the Company and the Group

#### (I) Date of Establishment and Company Profile

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

#### (II) Structure of the Group



\*\*公司若額定資本額不等於實收資本額，分兩列顯示；若相等，只顯示一列。

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

## II. Company History

- 1996 ● The brand "Real Brew Tea" (RBT) was established in Hong Kong.
- 1998 ● The Hong Kong Special Administrative Region Government awarded the inaugural Newly Established Small and Medium-Sized Enterprise Award jointly organized by the Hong Kong Productivity Council and the Hong Kong General Chamber of Commerce to RBT.
- 1999 ● Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. was established.
- 2000 ● RBT was given the "Outstanding Enterprise Award" by Standard Chartered Bank during the Standard Chartered Startup Award.
- 2002 ● Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. successfully passed the ISO 9001 quality control verification.
- 2003 ● The Guangzhou Management Team was set up and actively developed markets in South China.
- 2005 ● RBT won the "Shanghai Most Influential Franchise Brand" award.
- 2006 ● The brand "Happy Lemon" was created and Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd. was established, with the first regular chain store (Tianyaoqiao Store) set up in Shanghai.
  - Happy Lemon International Ltd. was established and entered the Hong Kong market.
  - RBT won the "Shanghai Most Influential Franchise Brand" award.
- 2008 ● Shanghai Tai Quan Trading Co., Ltd. was established.
  - Happy Lemon established Jia Qun Food & Beverage Management (Beijing) Co., Ltd. to expand its business to East China and North China. Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd. was established to expand its business in South China.
- 2009 ● Yummy Town (Cayman) Holdings Corporation was established.
  - RBT won the "Shanghai Most Influential Franchise Brand" award.
- 2010 ● RBT and Happy Lemon were the food and beverage service providers at the Expo 2010 Shanghai China.
  - Happy Lemon entered overseas markets by setting up franchise stores in Singapore, Sydney in Australia, and Manila in the Philippines.
- 2012 ● Happy Lemon expanded its business to Southwest China and established Chengdu Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.
  - Happy Lemon actively expanded its business to Southeast Asia by setting up franchise stores in Bangkok, Thailand.
- 2013 ● Happy Lemon set up its first regular chain (Yanji Store) in Taipei, Taiwan.
  - Happy Lemon launched its first franchise store in Seoul, South Korea.
  - Happy Lemon was awarded the "Shanghai Fresh Beverage Model Brand" in 2013 by Shanghai Beverage Association.
- 2014 ● Happy Lemon launched its franchise store in New York City, USA.
  - Happy Lemon was awarded the "Shanghai Fresh Beverage Model Brand" in 2014 by Shanghai Beverage Association.
  - Yummy Town's shares were publicly listed on Taipei Exchange on December 24, 2014.
- 2015 ● You Xiang Food & Beverage Management (Shanghai) Co, Ltd., a joint venture in collaboration with Keio Group from Japan, was established to expand the curry brand business.
  - Freshtea Japan Co., Ltd., a joint venture in collaboration with Keio Group from Japan, was established to formally enter the Japanese market
  - Happy Lemon in Europe opened its first franchise store in London.

- 2016
- Happy Lemon California, Inc., a joint venture in collaboration with Sunmerry Foods Ltd., was established to expand into the European market.
  - Happy Lemon Trading UK Ltd., a joint venture in collaboration with Happy Lemon Holdings UK Ltd., was established.
  - The brand "Tea Opal" was established, with its first regular chain (Meiluocheng Store) set up in Shanghai.
  - The Spanish snack brand named "Alma" was established, with its first regular chain (Shanghai Joy City Store) set up in Shanghai. The brand was awarded the Most Affordable Cuisine recommended by Bib Gourmand.
- 2017
- The brand "Hippo Bobatea" was established, with its first regular chain (Zhengtong Road Store) set up in Shanghai.
  - Tea Opal won the "Champion Award in the Beverage Category Selected by Shanghai's Most Unique Restaurants" and the Top 10 Internet Celebrity Store for Trendy Beverages, as well as the "Most Popular Trendy Beverage Award", the "Annual Top Selling Single Product Award", and the "Trendy Beverage Gold Quality Award".
  - Happy Lemon was awarded the "Most Influential Franchise Brand" and "China's Outstanding Franchise Brand".
  - RBT was awarded "China's Outstanding Franchise Brand".
  - The Spanish snack brand named "Alma" was once again awarded the Most Affordable Cuisine recommended by Bib Gourmand since 2016.
  - Yummy Town Group was awarded the inaugural "4A Franchise Enterprise".
- 2018
- Tea Opal was once again awarded the Top 10 Internet Celebrity Store for Trendy Beverages and won the Best Quality Award.
  - RBT was awarded "China's Outstanding Franchise Brand".
  - Happy Lemon was awarded the "Best Brand Partner" by Koubei New Catering.
  - Happy Lemon won the "2018 China Chain Store & Franchise Association (CCFA) Chain Food & Beverage Best Practice and Innovation Awards".
  - Happy Lemon was awarded "China's Outstanding Franchise Brand" and won the "Digital Innovation Award" in the chain food and beverage industry.
  - The Spanish snack brand named "Alma" was once again awarded the Most Affordable Cuisine of 2018 recommended by Bib Gourmand, gaining recognition from Shanghai Michelin Guide for three consecutive years.
  - Hippo Bobatea won the 2018 Popular Beverage Award selected by Shanghai BANG Media.
  - Hippo Bobatea and its brown sugar bubble tea with stir-fried tapioca pearls celebrated its first anniversary. As the brand's series of beverages with stir-fried tapioca pearls gain wide recognition from consumers and the media in Shanghai, the brand was given by the 2018 Popular Beverage Award as selected by Shanghai BANG Media in December 2018.
- 2019
- Happy Lemon won the "2019 CCFA Chain Food & Beverage Innovation Award".
  - Happy Lemon was awarded "China's Outstanding Franchise Brand".
  - Tea Opal's Changning Laifu Store won the first prize in the food and beverage category in the Asia Pacific Space Design Award (APSDA).
  - Tea Opal ranked No. 1 in Funai Soken's Regional Product of the Year.
  - CNBC, CBS, and Food NetWork in USA conducted exclusive interviews with Happy Lemon on its expansion in the US market.
  - Happy Lemon was awarded the "2019 Shanghai Fresh Beverage Gold Product Brand".
  - Happy Lemon was awarded the "2019 Best Popular Brand" by the 2019 China Beverage Innovation Top 50.

2020

- Tea Opal's Changning Laifu Store won the first prize in the food and beverage category in the Asia Pacific Space Design Award (APSDA)
- Tea Opal ranked No. 1 in Funai Soken's Regional Product of the Year
- Tea Opal was awarded the Shanghai champion in the 7th Shanghai International Fashion Drinks Competition.
- Tea Opal was awarded the Best 100 selected by Shanghai's popular restaurants.
- Entering its second year, Hippo Bobatea expanded its stores to third- and fourth-tier cities in Mainland China, and opened new franchise stores in Daqing and Mudanjiang, Heilongjiang; Zibo, Shandong; and Changchun, Jilin.
- The Spiceland was given the honor to become the food and beverage partner of the Kidswear supermodel event during the Shanghai Fashion Week.
- Happy Lemon was awarded the Certificate of Appreciation by the Shanghai Association of Taiwan for its charitable effort during the COVID-19 outbreak.
- Happy Lemon was named in "China's Top 100 Food and Beverage Franchises in 2020".
- Happy Lemon was named in "China's Top 50 Trendy Food and Beverage Brands in 2020".
- Happy Lemon won the "Content Marketing Award" for the excellent "Happy Lemon x Tibet 5100 Natural Glacial Mineral Water" effort.
- Xian Zong Lin was named in the "China's Top 100 Food and Beverage Franchises in 2020".
- Happy Lemon's Information Center won the "Outstanding Information Team Award in the Consumer Goods Industry" in the 2020 Zhihong Cup.
- Happy Lemon won the "2019-2020 Smart Food and Beverage Digital Operation Innovation Practice Award".
- Happy Lemon won the "Best Retail Digital Transformation and Innovation Award" at the 6th World Retail Elite (WRE) Digital Transformation Summit.
- Happy Lemon, along with Keio Corporation, participated in the capital increase plan for Freshtea Japan Co., Ltd. to continuously expand Happy Lemon stores along the Keio Railway routes.
- The Company invested in Kebuke Tea Company, a famous beverage brand in Taiwan, to compete in the "International Cup" together.
- Yummy-town USA LLC established a joint venture named Happy Lemon West Inc. with local agents in North America to strengthen business development in North America.
- In response to continuous growth in the Asia Pacific region, the Company established a joint venture in Malaysia to not only expand into the ASEAN market, but also take a major step into Muslim countries.
- The Company established Meng Qi Qi Food & Beverage Management (Shanghai) Co., Ltd. to penetrate into the campus market in China.
- Happy Lemon was awarded the GoGo Shanghai 2021 Popular Creative Summer Drink.
- Happy Lemon was named in "China's Food and Beverage Franchise List in 2020" by the China Chain Store & Franchise Association and Meituan Dianping.
- Xian Zong Lin was named in "China's Food and Beverage Franchise List in 2020" by the China Chain Store & Franchise Association and Meituan Dianping.
- Li, Yang became an official member of the SME CIO Alliance as the China Association of Small and Medium Enterprises awarded the Certificate of Alliance Membership to him.
- Tea Opal was named the "High-Quality Tea and Beverage Outlet Recommended

- by Millions of Fans”.
- 2021
- Tea Opal was named the "High-Quality Tea and Beverage Outlet Recommended by Millions of Fans”.
  - Happy Lemon was named in "China's Food and Beverage Franchise List in 2021" by the China Chain Store & Franchise Association.
  - Happy Lemon was named in "China's Food and Beverage Franchises in 2021" by Meituan.
  - Happy Lemon was awarded the "CCFA Restaurant Chain Innovation Case - Recommended Application Award" and "CCFA Restaurant Chain Innovation Case - Recommended Popularization Award" by the China Chain Store & Franchise Association.
  - Tea Opal was awarded "CCFA Gold Store Manager" by the China Chain Store & Franchise Association.
  - Happy Lemon won the "10th China Smart Food & Beverage Innovation Summit Smart Innovation Award" at the Smart Food & Beverage Summit”.
  - Happy Lemon won the "Summer Marketing - Appearance Display Award at the 2021 Beverage and Cold Drink Carnival".
  - Happy Lemon won the "Top 10 Brand of Zhenghe Island Popular Product Collection" by Zhenghe Island.
  - Happy Lemon's new image in Taiwan was upgraded and its global flagship store was opened in Taipei.
  - Happy Lemon became the leading brand in the U.S. market, made its debut on the billboard of Times Square in New York, and entered the Texas market.
  - Happy Lemon was awarded the "2021 Digital Transformation Innovation Award" by the China Digital Innovation Association”.
- 2022
- The store opened in Orlando, USA
  - The US store in Hawaii opened
  - Kaohsiung store opened
  - The total number of stores in the United States exceeded 100
-



## 2. Duties and Responsibilities of Major Departments

| Department                                   | Duties and Responsibilities   |
|--|---|
| Chairman's Office                            | Set the Company's strategic policies for overall corporation operations, evaluate legal risks, implement CSR, and make important operating decisions.   |
| Auditing Office                              | Assess deficiencies in the Company's internal control system and measure operating efficiency, submit audit reports, put forward suggestions for improvement in a timely manner to reasonably ensure the continuous and effective implementation of the internal control system persistently, and assist the management in fulfilling its responsibilities. |
| Legal Office                                 | Conduct legal risk assessments with respect to various decisions made by the Company.   |
| Food Safety Committee                        | Establish the Group's food product policies, enhance product and brand value, provide consumers with healthier, better-quality, and safe products, and create a food culture with honesty and integrity in the society.   |
| Investment Center                            | Assist the Group in collaboration, alliance, investment, and mergers and acquisitions with external parties to expand the operations of the Group, create shareholder wealth, and protect shareholders' rights and interests.   |
| Public Relations/Government Relations Office | Responsible for building good relations with the government and related parties to enhance the popularity and reputation of the Company.  |
| Taipei International Headquarters            | Serve as the Group's overseas operation center, which is responsible for global expansion, operations, store expansion, training, and supply chain management mainly in three markets, namely North America, Asia Pacific, and Europe and Australia.  |
| Finance Headquarters                         | Responsible for capital movement and accounting work to ensure the financial stability and security of the Company, improve the quality of decision-making with correct and objective financial data and management information, and strictly control all data.   |
| Marketing Center                             | Responsible for the promotion of various brand products and formulate various marketing programs to create, discover and meet consumer needs.   |
| Brand Incubation Center                      | Responsible for the establishment of the Company's new brand.   |
| East China Operations Center                 | Formulate business models for each brand framework and brand in East China as the basis for meeting the needs of customers and consumers according to the brand development goals and business strategies set by the Company, in order to achieve the business goals of each brand.   |
| North China Operations Center                | Formulate business models for each brand framework and brand in North China as the basis for meeting the needs of customers and consumers according to the brand development goals and business strategies set by the Company, in order to achieve the business goals of each brand.  |
| South China Operations Center                | Formulate business models for each brand framework and brand in South China as the basis for meeting the needs of customers and consumers according to the brand development goals and business strategies set by the Company, in order to achieve the business goals of  |

| Department          | Duties and Responsibilities   |
|---------------------|---|
|                     | each brand.   |
| Management Center   | <p>Optimize the business model and organizational and operational framework of each brand in accordance with the product and business policies formulated by the Company, in order to assist each brand in achieving company-wide business goals.</p> <p>Organize and formulate the Group's human resources plan, as well as guide and coordinate human resources management in each subsidiary of the Group, in order to meet each subsidiary's needs for talents and ensure that the Company's overall strategic goals are achieved. Formulate sound company regulations and systems, as well as handle and respond to emergencies.</p> |
| Information Center  | Responsible for building, managing, and maintaining the image of brands under the Company as well as public relations, system technical support, and digital tools for these brands.  |
| Supply Chain Center | Responsible for the overall planning of customers' needs for raw materials and delivery.  |
| R&D Center          | Design, research, and develop various types of food and beverage under the Company's various brands.  |



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

### (I) Information on Directors and Supervisors

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

| Title                    | Nationality or Place of Registration | Name                            | Gender and Age | Date Elected (Appointed) | Term    | Date First Elected | Shares Held When Elected |                         | Shares Currently Held |                         | Shares Held by Spouse or Minors |                         | Shares Held in the Name of Others |                         | Academic Qualifications and Experience   | Positions Currently Held in the Company and Other Companies | Executives, Directors or Supervisors who are Spouses or within the Second Degree of Kinship |               |           | Remark |
|--------------------------|--------------------------------------|---------------------------------|----------------|--------------------------|---------|--------------------|--------------------------|-------------------------|-----------------------|-------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------|--|---|---|---------------|-----------|--------|
|                          |                                      |                                 |                |                          |         |                    | Number of Shares         | Shareholding Percentage | Number of Shares      | Shareholding Percentage | Number of Shares                | Shareholding Percentage | Number of Shares                  | Shareholding Percentage |  |   | Title   | Name          | Relations |        |
|                          |                                      |                                 |                |                          |         |                    |                          |                         |                       |                         |                                 |                         |                                   |                         |  |   |   |               |           |        |
| Chairman                 | R.O.C.                               | Wu, Po-Chao                     | Male<br>61     | 2021.07.08               | 3 years | 2009.12.22         | 5,316,930                | 14.56%                  | 5,316,930             | 14.86%                  | 18,902                          | 0.05%                   | —                                 | —                       | Retired Air Force Captain<br>Chairman, Committee of Catering, China Chain Store & Franchise Association(CCFA)/Vice Chairman, Chain Store Committee, Shanghai Association of Taiwan/Vice Chairman, Huangpu District, Shanghai Association of Taiwan | Note 1  | Director  | Chen, Yu-Chen | Spouse    | —      |
| Director                 | R.O.C.                               | Chen, Yu-Chen                   | Female<br>56   | 2021.07.08               | 3 years | 2009.12.22         | 18,902                   | 0.05%                   | 18,902                | 0.05%                   | 5,316,930                       | 14.86%                  | —                                 | —                       | Bachelor of Business Administration, Chihlee University of Technology<br>Coordinator, New Card Review Department, American Express / Senior Coordinator, Risk Control Department, Citibank   | Note 2  | Chairman  | Wu, Po-Chao   | Spouse    | —      |
| Juristic-Person Director | Samoa                                | YUMMY TOWN INTERNATIONAL LTD.   |                | 2021.07.08               | 3 years | 2020.01.16         | 6,878,683                | 18.84%                  | 6,878,683             | 19.22%                  | —                               | —                       | —                                 | —                       | —  | —   | —   | —             | —         | —      |
|                          | R.O.C.                               | Representative: Yen, Hsien-Ming | Male<br>57     |                          |         |                    | 630                      | 0.002%                  | 630                   | 0.002%                  | 799,046                         | 2.23%                   | —                                 | —                       | Director of the Fifth Credit Cooperation of Hsinchu/Director and Supervisor of CERMAX CO., LTD.  | Note 3  | —   | —             | —         | —      |
| Director                 | R.O.C.                               | Wu, Hua-Chao                    | Female<br>63   | 2021.07.08               | 3 years | 2020.06.23         | 460,659                  | 1.26%                   | 285,659               | 0.80%                   | —                               | —                       | —                                 | —                       | Purchasing and Sales Director, Purchasing and Marketing Department, Yummy Town (Cayman) Holdings Corporation   | Note 4  | Chairman  | Wu, Po-Chao   | Sister    | —      |

April 14, 2023

Unit: shares; %

| Title                | Nationality or Place of Registration | Name             | Gender and Age | Date Elected (Appointed) | Term    | Date First Elected | Shares Held When Elected |                         | Shares Currently Held |                         | Shares Held by Spouse or Minors |                         | Shares Held in the Name of Others |                         | Academic Qualifications and Experience   | Positions Currently Held in the Company and Other Companies | Executives, Directors or Supervisors who are Spouses or within the Second Degree of Kinship |      |           | Remark |
|----------------------|--------------------------------------|------------------|----------------|--------------------------|---------|--------------------|--------------------------|-------------------------|-----------------------|-------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------|--|---|---|------|-----------|--------|
|                      |                                      |                  |                |                          |         |                    | Number of Shares         | Shareholding Percentage | Number of Shares      | Shareholding Percentage | Number of Shares                | Shareholding Percentage | Number of Shares                  | Shareholding Percentage |  |   | Title   | Name | Relations |        |
| Independent director | R.O.C.                               | Lin, Tzu-Kuan    | Male 67        | 2021.07.08               | 3 years | 2021.07.08         | —                        | —                       | —                     | —                       | —                               | —                       | —                                 | —                       | Department of Tourism Business, Chinese Culture University President, Spring City Resort/President of Business Group, Grand Hi-Lai Hotel/Chairman, Kaohsiung Tourist Hotel Association Kuo Yang Construction Co., Ltd./President, Kaohsiung Grand Hi-Lai Hotel | Note 5  | —   | —    | —         | —      |
| Independent Director | R.O.C.                               | Tu, Chi-Yao      | Male 65        | 2021.07.08               | 3 years | 2021.07.08         | —                        | —                       | —                     | —                       | —                               | —                       | —                                 | —                       | Ph.D. in Economic Law, China University of Political Science and Law CPA, Deloitte Taiwan/CPA, Chi Yao CPAs Firm/Financial and Legal Advisor for Taiwanese Companies of the Straits Exchange Foundation  | Note 6  | —   | —    | —         | —      |
| Independent director | R.O.C.                               | Chia-Heng Seetoo | Male 46        | 2021.07.08               | 3 years | 2021.07.08         | —                        | —                       | —                     | —                       | —                               | —                       | —                                 | —                       | J.D., University of Illinois Internet Marketing Specialist and Internet Editor, Fulai Information Co., Ltd./Advisor, Jones Day International Law Firm/Executive Director, Innovatus International Law Firm/Chairman, Innovatus Consulting Inc.                 | Note 7  | —   | —    | —         | —      |

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

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

Non-Litigation Agent, Yummy Town International Ltd.

Note 3: Positions held concurrently in the Company and other companies at present: Chairman, Eowg Kuang Soap Co., Ltd.

Note 4: Positions held concurrently in the Company and other companies at present: Director, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. and Zhan Cheng Food and Beverage Management (Guangzhou) Co., Ltd.; Consultant, Purchasing and Marketing Department, Yummy Town International Ltd.

Note 5: Positions held concurrently in the Company and other companies at present: Chairman, Kuo Yang Construction (Security Code 2505); President, Kaohsiung Grand Hi-Lai Hotel. In addition, the director resigned as a director on March 10, 2023 due to personal planning factors, and take effective on June 11, 2023.

Note 6: Positions held concurrently in the Company and other companies at present: CPA, Chi Yao CPAs Firm, Financial and Legal Advisor for Taiwanese Companies of the Straits Exchange Foundation.

Note 7: Positions held concurrently in the Company and other companies at present: Chairman, Innovatus Consulting Inc.

2. Major shareholders of corporate shareholders

April 30, 2023

| Name of corporate shareholder | Major shareholders of corporate shareholders                |
|-------------------------------|---|
| YUMMY TOWN INTERNATIONAL LTD. | Wu, Po-Chao (50%) (R.O.C.) and Chen, Yu-Chen (50%) (R.O.C.) |

3. Major Shareholders of Institutional Shareholders Which Are Institutions: Not applicable

4. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors:

| Name   | Criteria | Professional Qualifications and Experience  | Independence   | Number of other public companies where the individual is concurrently serving as an independent director |
|--|----------|---|--|--|
| Wu, Po-Chao  |          | Retired Air Force Captain, Founder of Yummy Town.<br>Chairman, Committee of Catering, China Chain Store & Franchise Association(CCFA); Vice Chairman, Chain Store Committee, Shanghai Association of Taiwan; Vice Chairman, Huangpu District, Shanghai Association of Taiwan.<br>There is no incident involving Article 30 of the Company Act.  | Co-founder, spouse of director Chen, Yu-Chen and sister and sibling of director Wu, Hua-Chao.  | 0  |
| Chen, Yu-Chen  |          | Bachelor of Business Administration, Chihlee University of Technology, Founder of Yummy Town. Served as Coordinator, New Card Review Department, American Express and Senior Coordinator, Risk Control Department, Citibank.<br>Serves as special assistant to the Chairman of the Company, with more than 20 years of experience in food and beverage management.<br>There is no incident involving Article 30 of the Company Act. | Co-founder, spouse of director Wu, Po-Chao.  | 0  |
| YUMMY TOWN INTERNATIONAL LTD Representative: Yen, Hsien-Ming |          | Electronics Engineering, Chien Hsin University of Science and Technology Served as Director, The Fifth Credit Cooperation Of Hsinchu; Director and Supervisor of CERMAX CO., LTD. Serves as Chairman, Eowg Kuang Soap Co., Ltd.<br>There is no incident involving Article 30 of the Company Act.  | I, my spouse, my relatives within second degree of kinship do not hold any position in the Company/affiliated companies/specifically related companies, and do not provide business, legal, financial, or accounting services. | 0  |
| Wu, Hua-Chao   |          | Yu Da High School of Commerce and Home Economics, Founder of Yummy Town<br>Serves as the director and consultant of   | Co-founder, sibling of director Wu, Po-Chao  | 0  |

| Name \ Criteria                                  | Professional Qualifications and Experience   | Independence   | Number of other public companies where the individual is concurrently serving as an independent director |
|--|--|--|--|
|  | <p>the Company's procurement and marketing department, with over 30 years of experience in food and beverage management.</p> <p>There is no incident involving Article 30 of the Company Act.</p>  |  |  |
| <p>Independent director<br/>Lin, Tzu-Kuan</p>    | <p>Department of Tourism Business, Chinese Culture University, marketing and planning course for American hotels and resorts, advanced course of food and beverage management in Cornell University.</p> <p>Over 35 years of experience in food and beverage management, served as President, Spring City Resort.</p> <p>General Manager, Grand Hi-Lai Hotel Business Group</p> <p>Kaohsiung Tourist Hotel Association, Serves as Chairman, Kuo Yang Construction Co., Ltd., and President of Business Group, Grand Hi-Lai Hotel.</p> <p>There is no incident involving Article 30 of the Company Act.</p> | <p>I, my spouse, my relatives within second degree of kinship do not hold any position in the Company/affiliated companies/specifically related companies, do not hold shares in the above companies, and do not provide business, legal, financial, or accounting services.</p> | <p>0</p>   |
| <p>Independent director<br/>Tu, Chi-Yao</p>      | <p>Ph.D. in Economic Law, China University of Political Science and Law.</p> <p>CPA in Taiwan, passed the U.S. and China CPA exams.</p> <p>Founded Chi Yao CPAs Firm and serves as a Financial and Legal Advisor for Taiwanese Companies of the Straits Exchange Foundation, after retiring from Deloitte Taiwan.</p> <p>There is no incident involving Article 30 of the Company Act.</p>   | <p>I, my spouse, my relatives within second degree of kinship do not hold any position in the Company/affiliated companies/specifically related companies, do not hold shares in the above companies, and do not provide business, legal, financial, or accounting services.</p> | <p>1</p>   |
| <p>Independent director<br/>Chia-Heng Seetoo</p> | <p>B.S. in Economics, National Taiwan University, M.A in Industrial Economics, National Central University, and J.D., University of Illinois.</p> <p>Qualified lawyer in California, USA.</p> <p>Founded Innovatus International Law Firm, after years of experience as an attorney at Jones Day International Law Firm.</p> <p>There is no incident involving Article 30 of the Company Act.</p>  | <p>I, my spouse, my relatives within second degree of kinship do not hold any position in the Company/affiliated companies/specifically related companies, do not hold shares in the above companies, and do not provide business, legal, financial, or accounting services.</p> | <p>0</p>   |

## 5. Board Diversity and Independence

### (1) Board Diversity

The Company advocates and respects the policy of diversity of directors in order to strengthen corporate governance and to promote the sound development of the composition and structure of the Board of Directors, believing that the diversity approach will help enhance the overall performance of the Company. Board members are selected on the basis of merit and have diverse and complementary abilities across industry sectors, including basic composition (e.g., age, gender, education, cultural background, etc.), as well as industry experience and relevant skills (e.g., catering and hotel operations, public welfare business, accountants, lawyers, etc.). In order to strengthen the functionality of the Board of Directors to achieve the desired goals of corporate governance, the Board of Directors as a whole possess the following competencies: Business judgment, Accounting and financial analysis, Operation and management capability, Crisis management, Industry knowledge, International market perspectives, Leadership, Decision-making ability.

(2) Board Independence

The Company has seven directors, of which three are independent directors, accounting for 43%.

In accordance with the requirements of the TPEX-listed Regulations, the Company has obtained the "Qualification Checklist", "Declaration" and "Consent to Appointment" from the three independent directors at the time of their election to confirm their independence and that of their immediate family members of the Company. The Company has always believed that the independence of directors should be judged on the actual circumstances and is subject to ongoing evaluation, taking into account all relevant factors, including the ability of directors to consistently ask constructive questions for management and other directors, the independence of views expressed from management or other directors, and the appropriateness of their actions and behaviors both inside and outside the Board meetings. The conduct of the Company's independent directors, where appropriate, meets these expectations and demonstrates these attributes. Having considered all of the above, the Company considers that all of the independent directors are professionals independent of the Company.

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

April 14, 2023

Unit: shares; %

| Title   | Nationality | Name                      | Gender | Date Elected (Appointed) | Shareholding     |                         | Shares Held by Spouse or Minors |                         | Shares Held in the Name of Others |                         | Academic Qualifications and Experience  | Positions Currently Held in Other Companies  | Managers who are Spouses or within the Second Degree of Kinship |               |           | Remark |
|---|-------------|---------------------------|--------|--------------------------|------------------|-------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------|---|--|---|---------------|-----------|--------|
|   |             |                           |        |                          | Number of Shares | Shareholding Percentage | Number of Shares                | Shareholding Percentage | Number of Shares                  | Shareholding Percentage |   |  | Title   | Name          | Relations |        |
| President   | R.O.C.      | Wu, Po-Chao (Note 1)      | Male   | 2022.07.18               | 5,316,930        | 14.86%                  | 18,902                          | 0.05%                   | —                                 | —                       | Retired Air Force Captain Chairman, Committee of Catering, China Chain Store & Franchise Association(CCFA)/Vice Chairman, Chain Store Committee, Shanghai Association of Taiwan/Vice Chairman, Huangpu District, Shanghai Association of Taiwan | Director, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd., Shanghai Tai Quan Trading Co., Ltd., Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd., Jia Qun Food & Beverage Management (Beijing) Co., Ltd., RBT Enterprise Limited, RBT Resources Limited, and RBT Holdings Limited; Chairman, You Xiang Food & Beverage Management (Shanghai) Co., Ltd. and Ai Qun Food & Beverage Management (Shanghai) Co., Ltd. | Director  | Chen, Yu-Chen | Spouse    | —      |
| Chief Executive Officer                           | R.O.C.      | Chang, Miao-Ling (Note 1) | Female | 2016.10.11               | 24,783           | 0.07%                   | —                               | —                       | —                                 | —                       | Executive Master of Business Administration, Royal Roads University, Canada Senior Manager, McDonald's Taiwan   | Director and President, Ai Qun Food & Beverage Management (Shanghai) Co., Ltd. Director and President, You Xiang Food & Beverage Management (Shanghai) Co., Ltd. Director, Freshtea Japan Co., Ltd.  | —   | —             | —         | —      |
| Vice President                                    | R.O.C.      | Huang, Hsin-Lin           | Male   | 2012.11.02               | 14,205           | 0.04%                   | —                               | —                       | —                                 | —                       | Diploma in Mechanical Engineering, Kun Shan Industrial Junior College F&B Manager at Headquarters, Cashbox Partyworld Co., Ltd., Taiwan   | —  | —   | —             | —         |        |
| Chief Investment Officer and Company Spokesperson | R.O.C.      | Chen, Sheng-Chung         | Male   | 2019.12.2                | 50,555           | 0.14%                   | —                               | —                       | —                                 | —                       | President, Sino Tactful Co., Ltd. President, Ray Shi Capital Co., Ltd. Vice President, Pao Lai Funds Co., Ltd.  | —  | —   | —             | —         |        |
| Vice President                                    | R.O.C.      | Lin, Wan-Ting (Note 2)    | Female | 2017.06.19               | —                | —                       | —                               | —                       | —                                 | —                       | Master of Arts in Modern British Culture, University of Warwick, UK Senior Financial Reporter/Anchor in Shanghai, TVBS News   | —  | —   | —             | —         |        |
| Vice President and Accounting Supervisor          | R.O.C.      | Lin, Che-Chi (Note 3)     | Male   | 2020.06.23               | —                | —                       | —                               | —                       | —                                 | —                       | Master of Financial Management, Seattle University, USA Bachelor of Accounting, Eastern Washington University, USA Chief Financial Officer, Golden Biotechnology Corp. Chief Financial Officer and Vice   | —  | —   | —             | —         |        |

| Title   | Nationality | Name                     | Gender | Date Elected (Appointed) | Shareholding     |                         | Shares Held by Spouse or Minors |                         | Shares Held in the Name of Others |                         | Academic Qualifications and Experience   | Positions Currently Held in Other Companies | Managers who are Spouses or within the Second Degree of Kinship |      |           | Remark |
|---|-------------|--------------------------|--------|--------------------------|------------------|-------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------|--|---|---|------|-----------|--------|
|   |             |                          |        |                          | Number of Shares | Shareholding Percentage | Number of Shares                | Shareholding Percentage | Number of Shares                  | Shareholding Percentage |  |   | Title   | Name | Relations |        |
|   |             |                          |        |                          |                  |                         |                                 |                         |                                   |                         | President of Operations, Antec Inc.<br>Deputy Head of Finance Division, GIGA-BYTE Technology Co., Ltd.   |   |   |      |           |        |
| Vice President, Accounting and Financial Supervisor | R.O.C.      | Chih, Chia-Ling (Note 4) | Female | 2022.05.11               | —                | —                       | —                               | —                       | —                                 | —                       | Master of EMBA, National Taiwan University<br>Bachelor of Accounting, Soochow University<br>Financial Supervisor, Motorola Electronics Co., Ltd.<br>Financial Supervisor, Chenbro Micom Co., Ltd.  | —   | —   | —    | —         | —      |
| Audit Supervisor                                    | R.O.C.      | Liu, Yu-Chieh (Note 5)   | Male   | 2020.09.30               | —                | —                       | —                               | —                       | —                                 | —                       | Bachelor of Accounting and Information Systems, Chang Jung Christian University<br>Internal Auditor, UltraChip Inc.<br>Audit Manager, Humax East Co., Ltd.<br>Audit Manager, Kuangli Photoelectric Technology Co., Ltd.  | —   | —   | —    | —         | —      |
| Audit Supervisor and Acting Spokesperson            | R.O.C.      | Tsai, Cheng-Ju (Note 5)  | Male   | 2022.05.11               | —                | —                       | —                               | —                       | —                                 | —                       | Bachelor of Accounting and Information Systems, Feng Chia University<br>Auditor, KPMG<br>Audit Specialist, Kuangli Photoelectric Technology Co., Ltd.  | —   | —   | —    | —         | —      |
| Vice President                                      | R.O.C.      | Chen, Po-Sheng (Note 6)  | Male   | 2022.03.24               | —                | —                       | —                               | —                       | —                                 | —                       | MBA in Finance, Golden Gate University, California, US<br>Bachelor of Science in Finance, San Francisco State University<br>President, T Rock Inc.<br>Chief Operating Officer, CoAdna Photonics, Inc.<br>President, Zoom Tech Inc.<br>Senior Manager, Security Pacific Bank  | —   | —   | —    | —         | —      |
| Vice President                                      | Malaysia    | Loke, Yeu-Loong (Note 7) | Male   | 2022.03.24               | —                | —                       | —                               | —                       | —                                 | —                       | Sultan Haji Ahmad Shah Polytechnic<br>Diploma in Business, School of Business Management<br>School of Business Management, University of Wales<br>President, Bio Perak (Malaysia) Sdn Bhd., Bio Secure Farming (Johor) Sdn Bhd.<br>Director, Millennium Impulse Sdn Bhd., Berlian Jayaniaga Sdn Bhd., Fleet Quality Shrimp Farming Sdn | —   | —   | —    | —         | —      |



| Title               | Nationality | Name                  | Gender | Date Elected (Appointed) | Shareholding     |                         | Shares Held by Spouse or Minors |                         | Shares Held in the Name of Others |                         | Academic Qualifications and Experience  | Positions Currently Held in Other Companies | Managers who are Spouses or within the Second Degree of Kinship |      |           | Remark |
|---------------------|-------------|-----------------------|--------|--------------------------|------------------|-------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------|---|---|---|------|-----------|--------|
|                     |             |                       |        |                          | Number of Shares | Shareholding Percentage | Number of Shares                | Shareholding Percentage | Number of Shares                  | Shareholding Percentage |   |   | Title   | Name | Relations |        |
|                     |             |                       |        |                          |                  |                         |                                 |                         |                                   |                         | Bhd., FQ Biotech Sdn Bhd., Global Crystal Aquaculture Sdn Bhd., Fortune Splendid Sdn Bhd., Inbit Walet Sdn Bhd., Stella Wonderful Sdn Bhd., Q Taro Sdn Bhd., Happy Lemon (M) Sdn Bhd. Vice Chairman, One Doc Group Chief Executive Officer, Malaysia Bird's Nest Upstream & Down Stream Association Vice President, Malaysia Modern Beauty Industry Association |   |   |      |           |        |
| Acting Spokesperson | R.O.C.      | Hsu, Mei-Hua (Note 8) | Female | 2019.08.12               | —                | —                       | —                               | —                       | —                                 | —                       | Master of International Business, Tamkang University Supervisor, Financial Planning Section, SinoPac Securities   | —   | —   | —    | —         | —      |

Note 1: Chief Executive Officer Chang, Miao-Ling had expiration of term on July 18, 2022; Chairman Wu, Po-Chao concurrently served as President on July 18,

Note 2: 2022.

Note 3: Vice President Lin, Wan-Ting resigned on April 10, 2023.

Note 4: Vice President Lin, Che-Chi resigned on May 11, 2022.

Note 5: Vice President Chih, Chia-Ling was appointed on May 11, 2022.

Note 6: Director Liu, Yu-Chieh had a position adjustment on April 1, 2022; Audit Manager Tsai, Cheng-Ju was appointed on May 11, 2022.

Note 7: Vice President Chen, Po-Sheng was appointed as the new President of the overseas U.S. subsidiary on March 24, 2022.

Note 8: Vice President Loke, Yeu-Loong was dismissed on April 18, 2023.

Note 9: Acting Spokesperson Hsu, Mei-Hua resigned on December 16, 2022.

### III. The Remuneration Paid to the Directors, Independent Directors, President and Vice President for the Most Recent Year

#### 1. Remuneration Paid to Directors in 2022

Unit: NT\$ thousands; %

| Title   | Name   | Remuneration for Directors |  |                               |  |                      |  |                                      |  | Percentage of the Sum of Four Items Including A, B, C, and D in Terms of Net Profit After Tax |  | Relevant Remuneration Received by Directors Who Concurrently Serve As Employees |  |                    |  |  |  | Percentage of the Sum of Seven Items Including A, B, C, D, E, F, and G in Terms of Net Profit After Tax |  | Whether or Not The Director Receives Remuneration from Reinvested Companies Other Than Subsidiaries of the Company |                   |      |
|---|--|----------------------------|--|-------------------------------|--|----------------------|--|--------------------------------------|--|---|--|---|--|--------------------|--|--|--|---|--|--|-------------------|------|
|   |  | Compensation (A)           |  | Severance Pay and Pension (B) |  | Directors' Bonus (C) |  | Expenses for Performance of Duty (D) |  | Salary, Rewards and Special Allowances (E)  |  | Retirement Pension (F)  |  | Employee Bonus (G) |  | Including A, B, C, D, E, F, and G in Terms of Net Profit After Tax |  |   |  |  |                   |      |
|   |  | Parent Company             | All the Companies Listed in the Financial Statements | Parent Company                | All the Companies Listed in the Financial Statements | Parent Company       | All the Companies Listed in the Financial Statements | Parent Company                       | All the Companies Listed in the Financial Statements | Parent Company  | All the Companies Listed in the Financial Statements | Parent Company  | All the Companies Listed in the Financial Statements | Parent Company     | All the Companies Listed in the Financial Statements | Parent Company   | All the Companies Listed in the Financial Statements | Parent Company  | All the Companies Listed in the Financial Statements |  |                   |      |
| Directors   | Wu, Po-Chao  | -                          | -  | -                             | -  | -                    | -  | -                                    | -  | -   | -  | -   | 3,625  | -                  | 33   | -  | -  | -   | -  | -  | 3,658 ;<br>-1.29% | None |
|   | Chen, Yu-Chen  | -                          | -  | -                             | -  | -                    | -  | -                                    | -  | -   | -  | -   | 2,789  | -                  | -  | -  | -  | -   | -  | -  | 2,789 ;<br>-0.98% | None |
|   | Representative of Yummy Town International Ltd.: Yen, Hsien-Ming | -                          | 360  | -                             | -  | -                    | -  | -                                    | 18   | -   | 378 ;<br>-0.13%                                      | -   | -  | -                  | -  | -  | -  | -   | -  | -  | 378 ;<br>-0.13%   | None |
|   | Wu, Hua-Chao   | -                          | -  | -                             | -  | -                    | -  | -                                    | -  | -   | -  | -   | 480  | -                  | 33   | -  | -  | -   | -  | -  | 513 ;<br>-0.18%   | None |
| Independent director  | Lin, Tzu-Kuan  | -                          | 420  | -                             | -  | -                    | -  | -                                    | 3  | -   | 423 ;<br>-0.15%                                      | -   | -  | -                  | -  | -  | -  | -   | -  | -  | 423 ;<br>-0.15%   | None |
|   | Tu, Chi-Yao  | -                          | 420  | -                             | -  | -                    | -  | -                                    | 21   | -   | 441 ;<br>-0.16%                                      | -   | -  | -                  | -  | -  | -  | -   | -  | -  | 441 ;<br>-0.16%   | None |
|   | Chia-Heng Seetoo   | -                          | 420  | -                             | -  | -                    | -  | -                                    | 21   | -   | 441 ;<br>-0.16%                                      | -   | -  | -                  | -  | -  | -  | -   | -  | -  | 441 ;<br>-0.16%   | None |
| 1. Please indicate the remuneration payment policy, system, criteria, and structure for independent directors, and indicate the correlation between various factors, such as duties and responsibilities, risk, and time invested, and the amount of remuneration paid:<br>Remuneration paid to the Company's independent directors are set in accordance with the Regulations Governing Payment of Compensation and Remuneration to Directors. |  |                            |  |                               |  |                      |  |                                      |  |   |  |   |  |                    |  |  |  |   |  |  |                   |      |
| 2. Remuneration received in the most recent year by the directors of the Company for rendering services (such as serving as a non-employed consultant) to all companies listed in the financial statements: None  |  |                            |  |                               |  |                      |  |                                      |  |   |  |   |  |                    |  |  |  |   |  |  |                   |      |

#### 2. Remuneration Paid to Supervisors in 2022: The Company has not appointed any supervisor. Hence, this section is not applicable.

### 3. Remuneration Paid to President and Vice President in 2022

Unit: NT\$ thousands; %

| Title  | Name                      | Salary (A)     |  | Severance Pay and Pension (B) |  | Rewards and Allowances (C) |  | Employee Bonus (D) |                  |  |                  | Percentage of the Sum of Four Items Including A, B, C, and D in Terms of Net Profit After Tax (%) |  | Whether or Not The Director Receives Remuneration from Reinvested Companies Other Than Subsidiaries of the Company or from the Parent Company |
|--|---------------------------|----------------|--|-------------------------------|--|----------------------------|--|--------------------|------------------|--|------------------|---|--|---|
|  |                           | Parent Company | All the Companies Listed in the Financial Statements | Parent Company                | All the Companies Listed in the Financial Statements | Parent Company             | All the Companies Listed in the Financial Statements | Parent Company     |                  | All the Companies Listed in the Financial Statements |                  | Parent Company  | All the Companies Listed in the Financial Statements |   |
|  |                           |                |  |                               |  |                            |  | Amount of Cash     | Amount of Shares | Amount of Cash                                       | Amount of Shares |   |  |   |
| President  | Wu, Po-Chao (Note 1)      | -              | 16,200   | -                             | 362  | -                          | 720  | -                  | -                | -  | -                | -   | 17,282 ;<br>-6.07%                                   | -   |
| Chief Executive Officer                                      | Chang, Miao-Ling (Note 2) |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |
| Vice President, R&D Headquarters                             | Huang, Hsin-Lin           |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |
| Vice President, Finance Headquarters                         | Lin, Che-Chi (Note 3)     |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |
| Chief Investment Officer                                     | Chen, Sheng-Chung         |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |
| Vice President, Public Relations/Government Relations Office | Lin, Wan-Ting (Note 4)    |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |
| Vice President, Finance Headquarters                         | Chih, Chia-Ling (Note 5)  |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |
| Vice President   | Chen, Po-Sheng (Note 6)   |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |
| Vice President   | Loke, Yeu-Loong (Note 7)  |                |  |                               |  |                            |  |                    |                  |  |                  |   |  |   |

### Range of Remuneration

| Range of Remuneration Paid to President and Vice Presidents of the Company | Name of President and Vice President |  |
|--|--------------------------------------|--|
|  | Parent Company                       | All the Companies Listed in the Financial Statements |
| Less than NT\$1,000,000  | —                                    | Wu, Po-Chao, Lin, Che-Chi, Loke, Yeu-Loong           |
| NT\$1,000,000 (inclusive) to NT\$2,000,000                                 | —                                    | Huang, Hsin-Lin, Lin, Wan-Ting, Chih, Chia-Ling      |
| NT\$2,000,000 (inclusive) to NT\$3,500,000                                 | —                                    | Chang, Miao-Ling, Chen, Sheng-Chung                  |
| NT\$3,500,000 (inclusive) to NT\$5,000,000                                 | —                                    | —  |
| NT\$5,000,000 (inclusive) to NT\$10,000,000                                | —                                    | Chen, Po-Sheng                                       |
| NT\$10,000,000 (inclusive) to NT\$15,000,000                               | —                                    | —  |
| NT\$15,000,000 (inclusive) to NT\$30,000,000                               | —                                    | —  |
| NT\$30,000,000 (inclusive) to NT\$50,000,000                               | —                                    | —  |
| NT\$50,000,000 (inclusive) to NT\$100,000,000                              | —                                    | —  |
| NT\$100,000,000 and above  | —                                    | —  |
| Total  | —                                    | 9  |

Note 1: Chairman Wu, Po-Chao concurrently serves as the President since July 18, 2022.

Note 2: Chief Executive Officer Chang, Miao-Ling had a position adjustment on July 18, 2022.

Note 3: Vice President Lin, Wan-Ting resigned on April 10, 2023.

Note 4: Vice President Lin, Che-Chi resigned on May 11, 2022.

Note 5: Vice President Chih, Chia-Ling was appointed on April 7, 2022.

Note 6: Vice President Chen, Po-Sheng was appointed on March 24, 2022.

Note 7: Vice President Loke, Yeu-Loong was dismissed on April 18, 2023.

4. Managerial Officers with the Top Five Highest Remuneration Amount in the year of 2022

Unit: NT\$ thousands; %

| Title  | Name              | Salary (A)     |  | Severance Pay and Pension (B) |  | Rewards and Allowances (C) |  | Employee Bonus (D) |                  |  |                  | Percentage of the Sum of Four Items Including A, B, C, and D in Terms of Net Profit After Tax (%) |  | Whether or Not The Director Receives Remuneration from Reinvested Companies Other Than Subsidiaries of the Company or from the Parent Company |
|--|-------------------|----------------|--|-------------------------------|--|----------------------------|--|--------------------|------------------|--|------------------|---|--|---|
|  |                   | Parent Company | All the Companies Listed in the Financial Statements | Parent Company                | All the Companies Listed in the Financial Statements | Parent Company             | All the Companies Listed in the Financial Statements | Parent Company     |                  | All the Companies Listed in the Financial Statements |                  | Parent Company  | All the Companies Listed in the Financial Statements |   |
|  |                   |                |  |                               |  |                            |  | Amount of Cash     | Amount of Shares | Amount of Cash                                       | Amount of Shares |   |  |   |
| Vice President   | Chen, Po-Sheng    | -              | 5,502  | -                             | -  | -                          |  | -                  | -                | -  | -                | -   | 5,502 ;<br>-1.93%                                    | -   |
| Chief Investment Officer                                     | Chen, Sheng-Chung |                | 2,161  |                               | 108  |                            | 720  |                    |                  |  |                  |   | 2,989 ;<br>-1.05%                                    |   |
| Chief Executive Officer                                      | Chang, Miao-Ling  |                | 2,984  |                               |  |                            |  |                    |                  |  |                  |   | 2,984 ;<br>-1.05%                                    |   |
| Vice President, R&D Headquarters                             | Huang, Hsin-Lin   |                | 1,932  |                               | 46   |                            |  |                    |                  |  |                  |   | 1,978 ;<br>-0.70%                                    |   |
| Vice President, Public Relations/Government Relations Office | Lin, Wan-Ting     | -              | 1,680  | -                             | 103  | -                          |  | -                  | -                | -  | -                | -   | 1,783 ;<br>-0.63%                                    | -   |

5. Name of Managers to Whom Employee Bonus is Paid and Distribution of Dividends in 2022: None.

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

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

Unit: NT\$ thousands; %

| Title \ Item  | 2022           |                                   | 2021           |                                   |
|---|----------------|-----------------------------------|----------------|-----------------------------------|
|   | Parent Company | Consolidated Financial Statements | Parent Company | Consolidated Financial Statements |
| Amount of Remuneration for Directors  | —              | 1,683                             | —              | 1,947                             |
| Percentage of Total Remuneration for Directors in Terms of Net Profit After Tax       | —              | -0.59%                            | —              | -2.01%                            |
| Total Remuneration for President and Vice Presidents                                  | —              | 17,282                            | —              | 26,450                            |
| Total Remuneration for President and Vice Presidents in Terms of Net Profit After Tax | —              | -6.07%                            | —              | -27.34%                           |

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

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

#### IV. Implementation of Corporate Governance

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

1. The Board of Directors convened 7 meetings (A) in the most recent year (2022), and directors' attendance is listed as follows:

| Title                    | Name                          | Attendance in Person (B) | Attendance by Proxy | Percentage of Attendance in Person (%) (B/A) | Remark |
|--------------------------|-------------------------------|--------------------------|---------------------|--|--------|
| Chairman                 | Wu, Po-Chao                   | 7                        | 0                   | 100%   |        |
| Director                 | Chen, Yu-Chen                 | 6                        | 1                   | 85.71%                                       |        |
| Juristic-Person Director | YUMMY TOWN INTERNATIONAL LTD. | 6                        | 1                   | 85.71%                                       |        |
| Director                 | Wu, Hua-Chao                  | 7                        | 0                   | 100%   |        |
| Independent director     | Lin, Tzu-Kuan                 | 1                        | 6                   | 14.29%                                       |        |
| Independent director     | Tu, Chi-Yao                   | 7                        | 0                   | 100%   |        |
| Independent director     | Chia-Heng Seetoo              | 7                        | 0                   | 100%   |        |

##### Other Matters to be Noted:

- I. If any of the following applies to the operation of the Board of Directors, the date and session of the Board of Directors' meeting, the content of proposals, independent directors' opinions and the Company's actions in response to independent directors' opinions shall be stated:
- (I) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up the Audit Committee. Kindly refer to "Operation of Audit Committee" for more details.
- (II) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an independent director expressed a dissenting or qualified opinion that have been recorded or stated in writing: In 2022, the independent directors made no dissenting or qualified opinion.
- II. For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process:
- (I) During the Board of Directors' meeting on January 24, 2022, Chairman Wu, Po-Chao, Director Chen, Yu-Chen, Director Wu, Hua-Chao and related managers recused themselves from discussions on the 2021 year-end bonus distribution plan for individual managers of the Company and its subsidiaries due to conflict of interest. This plan has been agreed and approved by other directors.
- (II) During the Board of Directors' meeting on January 24, 2022, Director Chen, Yu-Chen recused himself from discussions on establishing the Corporate Governance Supervisor in compliance with the law due to conflict of interest. This plan has been agreed and approved by other directors.
- III. Companies listed on TWSE or TPEX shall disclose information on the self-evaluation (or peer evaluation) of the Board of Directors, such as the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation content. The implementation of Board evaluation is as follows:

| Evaluation Cycle | Evaluation Period                    | Scope of Evaluation           | Evaluation Method           | Evaluation Content                                 |
|------------------|--------------------------------------|-------------------------------|-----------------------------|--|
| Once a year      | Evaluate directors' performance from | Performance evaluation of the | Internal self-evaluation of | Performance evaluation for the Board of Directors: |

|             |  |   |                              |  |
|-------------|--|---|------------------------------|--|
|             | January 1, 2022 to December 31, 2022.                                      | Board of Directors                              | the Board of Directors       | Including level of participation in the Company's operations, quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, appointment of directors and their continuing education, internal control, etc.   |
| Once a year | Evaluate directors' performance from January 1, 2022 to December 31, 2022. | Performance evaluation of individual directors  | Self-evaluation of directors | Performance evaluation for individual directors: Including command of the Company's goals and tasks, understanding of directors' responsibilities, level of participation in the Company's operations, internal relationship management and communication, directors' professional and continuing education, internal control, etc.    |
| Once a year | Evaluate directors' performance from January 1, 2022 to December 31, 2022. | Performance evaluation of functional committees | Self-evaluation of directors | Performance evaluation for functional committees: Including level of participation in the Company's operations, understanding of the responsibilities of functional committees, quality of decision-making by functional committees, composition of functional committees and appointment of committee members, internal control, etc. |

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

1. On February 14, 2012, the Company's Board of Directors has approved the establishment of the Audit Committee and the Remuneration Committee.
2. In order to strengthen operational knowledge and enhance legal knowledge, the Company has arranged relevant training courses for directors and supervisors.
3. Results for the performance evaluation of the Board of Directors in 2022 have been reported to the Board of Directors on January 17, 2023 and used as a reference in the remuneration of individual directors as well as the nomination and election of directors.



2. Training Courses for Directors in 2022

| <b>Director</b>     | <b>Course Title</b>  | <b>Hours</b> | <b>Training Unit</b>  |
|---------------------|--|--------------|---|
| Wu,<br>Po-Chao      | Common Internal Control Management Deficiencies in Enterprises and Practical Case Analysis                           | 6            | Accounting Research and Development Foundation              |
| Chen,<br>Yu-Chen    | Detection of Fraudulent Technologies and Technology Applications in the Digital Age                                  | 6            | Internal Auditing Association, R.O.C                        |
|                     | Audit Practice of Subsidiary Companies   | 6            | Internal Auditing Association, R.O.C                        |
|                     | Self-Assessment Practices  | 6            | Internal Auditing Association, R.O.C                        |
| Yen,<br>Hsien-Ming  | Labor Law Knowledge for Auditors: From Recruitment to Resignation  | 6            | Internal Auditing Association, R.O.C                        |
| Wu,<br>Hua-Chao     | Utilizing Intellectual Property Management to Enhance Corporate Governance and Compliance with Internal Control Laws | 6            | Accounting Research and Development Foundation              |
| Lin,<br>Tzu-Kuan    | Business and M&A Strategies of Taiwanese Companies from the Global Political and Economic Situation                  | 3            | Corporate Operating and Sustainable Development Association |
|                     | The Legal Effectiveness of Transactions Between Directors and Companies  | 3            | Corporate Operating and Sustainable Development Association |
| Tu, Chi-Yao         | Key Amendments and Patterns of Money Laundering Prevention and Counter-Terrorism Financing Laws                      | 3.5          | Taiwan Academy of Banking and Finance                       |
|                     | Risks and Opportunities for Corporate Management in Climate Change and Net-Zero Emissions Policies                   | 3            | Securities and Futures Institute                            |
| Chia-Heng<br>Seetoo | How to Conduct Equity Planning and Organizational Structure Design for a Startup Company                             | 3            | Taiwan Corporate Governance Association                     |
|                     | Tax Regulations and Practices for Controlled Foreign Corporations (CFCs)   | 3            | Accounting Research and Development Foundation              |

(II) Operation of the Audit Committee:

The Audit Committee convened 7 meetings (A) in the most recent year (2022), and directors' attendance is listed as follows:

| Title                | Name             | Attendance in Person (B) | Attendance by Proxy | Percentage of Attendance in Person (%) (B/A) | Remark |
|----------------------|------------------|--------------------------|---------------------|--|--------|
| Independent director | Lin, Tzu-Kuan    | 2                        | 5                   | 28.57%                                       |        |
| Independent director | Tu, Chi-Yao      | 7                        | 0                   | 100%   |        |
| Independent director | Chia-Heng Seetoo | 7                        | 0                   | 100%   |        |

Other Matters to be Noted:

- I. If any of the following applies to the operation of the Audit Committee, the date and session of the Board of Directors' meeting, the content of proposals, resolutions of the Audit Committee and the Company's actions in response to opinions from the Audit Committee shall be stated.
- (I) Items listed in Article 14-5 of the Securities and Exchange Act: The Company shall ensure, in accordance with the regulations, that the proposal is first approved by the Audit Committee before it is submitted to the Board of Directors for discussion.

| Meeting Date and Session                               | Proposal  | Opinions of All Independent Directors and the Company's actions          |
|--|---|--|
| 2022/01/24<br>(5th meeting of the 4th Audit Committee) | <ol style="list-style-type: none"> <li>1. Deliberation on the 2022 Business Plan and Financial Budget</li> <li>2. Evaluation of the independence of CPAs and the appointment and remuneration of CPAs attesting the Company's 2022 financial statements</li> <li>3. Proposed amendments to the Company's "Articles of Incorporation"</li> <li>4. Proposal to amend certain provisions of the Company's "Rules of Procedure for Shareholders' Meetings"</li> <li>5. Proposal to amend the Company's "Corporate Governance Code"</li> <li>6. Proposal to amend certain provisions of the Company's "Procedures for Application for Suspension and Resumption of Trading"</li> <li>7. Proposal to establish a new investment holding company in the US to meet the needs of future operations in the US</li> <li>8. Proposal to establish a new trading company through Yummy-Town Holding Corporation to meet the needs of future operations in the US</li> <li>9. Proposal to increase limit of funds loaned between the Company's reinvested companies based on future operating needs</li> <li>10. Proposal to increase limit of funds loaned to subsidiaries based on future operating needs</li> </ol> | The proposals were unanimously approved by all the independent directors |
| 2022/03/24<br>(6th meeting of the 4th Audit Committee) | <ol style="list-style-type: none"> <li>1. The Company's 2021 "Business Report" and "Consolidated Financial Statements"</li> <li>2. The Company's 2021 loss reversal disposal</li> <li>3. The Company's 2021 Statement on Internal Control System</li> <li>4. Revision of the internal control systems for the "Sales and Collection Cycle" in Mainland China, Hong Kong and Taiwan and "Payroll Cycle" in Taiwan</li> <li>5. Proposal to amend the Company's "Procedures for Acquisition or</li> </ol>  | The proposals were unanimously approved by all the independent directors |

|   |   |  |
|---|---|--|
|   | <p>Disposal of Assets"</p> <p>6. Proposal to acquire 20% equity of "Yong-Chun-Cheng Enterprise Co., Ltd." by the sub-subsidiary "Yen Chun International Co., Ltd."</p> <p>7. The Company intends not to proceed with the private placement of ordinary shares approved at the 2021 Annual General Shareholders' Meeting.</p> <p>8. Proposal to increase limit of funds loaned between the Company's reinvested companies based on future operating needs</p> <p>9. Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs</p> <p>10. Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs</p>   |  |
| 2022/05/11<br>(7th meeting of the 4th Audit Committee)  | <p>1. Proposal regarding the dissolution and liquidation of the Company's indirectly wholly-owned subsidiaries, Zhan Cheng Food &amp; Beverage Management (Guangzhou) Co., Ltd. and Happy Lemon Food &amp; Beverage Management (Chengdu) Co., Ltd.</p> <p>2. Proposal to amend the Company's "Procedures for Acquisition or Disposal of Assets"</p> <p>3. Proposal to apply for renewal of loan commitment to Chang Hwa Bank in consideration of the Group's working capital needs</p> <p>4. Change of Chief Financial Officer and Accounting Supervisor of the Company</p> <p>5. Change of Audit Supervisor of the Company</p>   | The proposals were unanimously approved by all the independent directors                                 |
| 2022/07/18<br>(8th meeting of the 4th Audit Committee)  | <p>1. Proposal to deregister and liquidate the Company's indirectly wholly-owned subsidiaries, Xiamen Choyueh Food &amp; Beverage Management (Shanghai) Co., Ltd. and Yi Cheng Food &amp; Beverage Management (Guangxi) Co., Ltd.</p> <p>2. Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs</p> <p>2. Change of President of the Company</p>  | The proposals were unanimously approved by all the independent directors                                 |
| 2022/08/29<br>(9th meeting of the 4th Audit Committee)  | <p>1. The Company's 2022 Q2 Consolidated Financial Statements</p> <p>2. Proposal to apply for renewal of loan commitment to Chang Hwa Bank in consideration of the Company's operational needs</p> <p>3. Proposal to apply for renewal of 2-year loan commitment to the Bank of East Asia in Hong Kong in consideration of the Company's working capital needs</p> <p>4. Proposal regarding the disposal of 100% equity interest of Shanghai Ipang Health Technology Co., Ltd. by the Company's subsidiary, Xian Zong Lin Food &amp; Beverage Management (Shanghai) Co., Ltd.</p> <p>5. Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs</p>   | The proposals were unanimously approved by all the independent directors                                 |
| 2022/11/10<br>(10th meeting of the 4th Audit Committee) | <p>1. Proposal to formulate the Company's audit plan for 2023</p> <p>2. Amendments to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"</p> <p>3. Amendments to certain provisions of the Company's "Rules of Procedure for Board of Directors' Meetings"</p> <p>4. Amendments to the Company's "Internal Control System of Information System Cycle" in Mainland China</p> <p>5. Proposal to reduce capital through cash reduction and return of capital for the subsidiary, Yen Mei Enterprise Limited, as part of its capital restructuring</p> <p>6. Proposal to reduce capital through cash reduction and return of paid-in capital and capital surplus for the subsidiary, Yen Chun International Co., Ltd., as part of its capital restructuring</p> | Proposal 7 was withdrawn. The proposals were unanimously approved by the remaining independent directors |

|  |  |   |
|--|--|---|
|  | <ol style="list-style-type: none"> <li>7. Proposal to reduce capital through cash reduction and return of paid-in capital for the subsidiary, Happy Lemon HK Limited, as part of its capital restructuring</li> <li>8. Proposal regarding the capital increase in its subsidiaries in mainland China for the Company's subsidiary, Xian Zong Lin Food &amp; Beverage Management (Shanghai) Co., Ltd., to meet operational needs and improve financial structure</li> <li>9. Proposal to increase investment in the Company's subsidiaries in the United States and adjust investment structure to meet the needs of future operations in the United States</li> <li>10. Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs</li> </ol> |   |
| <p>2022/12/16<br/>(11st meeting of the 4th Audit Committee)</p>  | <ol style="list-style-type: none"> <li>1. Proposal to evaluate disposal matters by our indirectly wholly-owned subsidiary, Xian Zong Lin Food &amp; Beverage Management (Shanghai) Co., Ltd., and its affiliated investment companies</li> <li>2. Proposal to cancel the 2-year renewal of loan commitment to the Bank of East Asia in Hong Kong</li> <li>3. Proposal to increase investment in the Company's subsidiaries in the United States and adjust investment structure to meet the needs of future operations in the United States</li> <li>4. Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs</li> </ol>   | <p>The proposals were unanimously approved by all the independent directors</p> |
| <p>(II) Except the aforementioned matters, other resolutions approved by two-thirds or more of all the directors but yet to be approved by the Audit Committee: None</p> <p>II. With regard to the recusal of independent directors from voting due to conflict of interests, the name of independent directors, the content of proposals, reasons for recusal due to conflict of interests and participation in voting shall be stated: None.</p> <p>III. Communication between independent directors and the internal audit supervisor and CPAs (including material issues, audit methods and results relating to the Company's finances and business): The Company has established an internal control system and related regulations that comply with the "Regulation Governing Establishment of Internal Control Systems by Public Companies", and has set up an internal audit unit which is placed directly under the Board of Directors. The Company's internal audit unit prepares the annual internal audit plan in accordance with the regulations set forth by the competent authority, submits the monthly audit reports to the Chairman for approval and delivers them to each independent director, as well as carries out internal audit report on the Board of Directors. Hence, the Chairman, independent directors, and the Board of Directors can understand the implementation of the Company's internal control system. In addition, when regularly reviewing the Company's financial statements, the independent directors will also communicate with CPAs when necessary, and guide the Company's relevant units to conduct reviews and make improvements.</p> |  |   |

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

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

| Item   | Status of Implementation |                     |  | Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |                                   |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |
|--|--------------------------|---------------------|--|---|-----------------------------------|---------------------|----------------------|---------------------------|-----------------------------------|-------------|------|---|---|---|--|---------------|--------|---|---|---|---|--|------|---|---|---|--|---------------------------|
|  | Yes                      | No                  | Summary  |   |                                   |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |
|  |                          |                     | according to the Company's internal control system. Thus, the Company has complied with the risk control mechanism.  |   |                                   |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |
| (IV) Has the Company formulated internal regulations that prohibit insiders of the company from trading securities using undisclosed information in the market?                  | V                        |                     | <p>The Company has established the "Operating Procedures for Preventing Insider Trading", which clearly specifies that insiders are prohibited from using information yet to be published in the market to conduct purchase and sale of securities or providing such information to anyone for stock or equity trading. Thus, the Company has complied with the risk control mechanism.</p> <p>Company website <a href="http://www.yummy-town.tw/">http://www.yummy-town.tw/</a> → Investor Relations → Corporate Governance →</p> <p>(1) Ethical Corporate Management Best Practice Principles stipulates the "Implementation of Prevention of Insider Trading" as follows:<br/>In accordance with the "Regulations Governing the Prevention of Insider Trading", the Company conducts occasional educational presentations for directors, managers and employees of the Company and sends course presentation files to relevant personnel for their reference.</p> <p>(2) The Company's Articles of Association clearly disclose the "Management of the Prevention of Insider Trading", "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct".</p> | No significant difference   |                                   |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |
| <p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors draw up policies on diversity of its members and implemented them?</p> | V                        |                     | <p>1. The Company's directors possess expertise in different areas, and take into account diversity in order to assist in the Company's development and operations.</p> <p>The Company has seven directors (including three independent directors), and their professional skills are listed as follows:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Gender</th> <th>Business Leadership</th> <th>Industrial Knowledge</th> <th>International Perspective</th> <th>Financial and Accounting Analysis</th> </tr> </thead> <tbody> <tr> <td>Wu, Po-Chao</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Chen, Yu-Chen</td> <td>Female</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>MMY TOWN INTERNATIONAL LTD.<br/>Representative: Yen, Hsien-Ming</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> </tbody> </table>   | Name  | Gender                            | Business Leadership | Industrial Knowledge | International Perspective | Financial and Accounting Analysis | Wu, Po-Chao | Male | ✓ | ✓ | ✓ |  | Chen, Yu-Chen | Female | ✓ | ✓ | ✓ | ✓ | MMY TOWN INTERNATIONAL LTD.<br>Representative: Yen, Hsien-Ming | Male | ✓ | ✓ | ✓ |  | No significant difference |
| Name   | Gender                   | Business Leadership | Industrial Knowledge   | International Perspective   | Financial and Accounting Analysis |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |
| Wu, Po-Chao  | Male                     | ✓                   | ✓  | ✓   |                                   |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |
| Chen, Yu-Chen  | Female                   | ✓                   | ✓  | ✓   | ✓                                 |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |
| MMY TOWN INTERNATIONAL LTD.<br>Representative: Yen, Hsien-Ming   | Male                     | ✓                   | ✓  | ✓   |                                   |                     |                      |                           |                                   |             |      |   |   |   |  |               |        |   |   |   |   |  |      |   |   |   |  |                           |

| Item  | Status of Implementation |    |  |              |        | Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |
|---|--------------------------|----|--|--------------|--------|---|---|---|--|---|------|---|---|---|---|-------------------|------|---|---|---|---|---------------------------|------|---|---|---|---|--|--|--|
|   | Yes                      | No | Summary  |              |        |   |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |
|   |                          |    | <table border="1"> <tr> <td>Wu, Hua-Chao</td> <td>Female</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Lin, Tzu-Kuan (Kuo Yang Construction/Security Code 2505 Chairman)</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Tu, Chi-Yao (CPA)</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Chia-heng Seetoo (Lawyer)</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </table>                                      | Wu, Hua-Chao | Female | ✓   | ✓ | ✓ |  | Lin, Tzu-Kuan (Kuo Yang Construction/Security Code 2505 Chairman) | Male | ✓ | ✓ | ✓ | ✓ | Tu, Chi-Yao (CPA) | Male | ✓ | ✓ | ✓ | ✓ | Chia-heng Seetoo (Lawyer) | Male | ✓ | ✓ | ✓ | ✓ |  |  | <p>2. The Company has elected two female directors.</p> <p>3. The Company has established regulations for the election of directors. The Company elects talents with different professional backgrounds as directors and conducts elections in accordance with these regulations.</p> <p>4. Company website <a href="http://www.yummy-town.tw/">http://www.yummy-town.tw/</a> → Investor Relations → Corporate Governance → Board of Directors<br/>Clearly disclose that the selection of independent directors must have business, legal, financial, accounting or industry experience required by law for the company's business. The Company's three independent directors are from the academic and industrial sectors so that the composition of the Board of Directors is in line with the Company's Board diversity policy.</p> |
| Wu, Hua-Chao  | Female                   | ✓  | ✓  | ✓            |        |   |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |
| Lin, Tzu-Kuan (Kuo Yang Construction/Security Code 2505 Chairman)   | Male                     | ✓  | ✓  | ✓            | ✓      |   |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |
| Tu, Chi-Yao (CPA)   | Male                     | ✓  | ✓  | ✓            | ✓      |   |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |
| Chia-heng Seetoo (Lawyer)   | Male                     | ✓  | ✓  | ✓            | ✓      |   |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |
| (II) In addition to the legally required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?   |                          | V  | The Company currently has no plans to set up other functional committees.  |              |        | No significant difference   |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |
| (III) Has the Company established any rules and methods for evaluating the performance of the Board of Directors? Does the Company perform such evaluations every year, submit the results of performance |                          | V  | <p>1. The Company has approved "Regulations Governing the Performance Appraisal of Board of Directors" during the Board of Directors' meeting. Results for the performance evaluation of the Board of Directors have been reported to the Board of Directors on January 17, 2023 and used as a reference in the remuneration of individual directors as well as the nomination and election of directors.</p> <p>2. Company website <a href="http://www.yummy-town.tw/">http://www.yummy-town.tw/</a> → Investor</p> |              |        | No significant difference   |   |   |  |   |      |   |   |   |   |                   |      |   |   |   |   |                           |      |   |   |   |   |  |  |  |

| Item   | Status of Implementation |    |   | Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|--|--------------------------|----|---|---|
|  | Yes                      | No | Summary   |   |
| evaluation to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination for re-election? |                          |    | Relations→Corporate Governance→Board of Directors<br>Clearly disclose the five major average scores of the internal evaluation of the Board of Directors' performance for 2021 and 2022.  |   |
| (IV) Regular Assessment of CPAs' Independence  | V                        |    | <ol style="list-style-type: none"> <li>1. The Company has approved the assessment of CPAs' independence and competence during the Board of Directors' meeting held on January 17, 2023. Besides, the Company has obtained the "Statement on Auditor and CPA Independence", which stipulates that both CPAs and auditors shall comply with the regulations governing their independence, in order to maintain their independence and impartiality during audit and attestation.</li> <li>2. In accordance with Article 29 of the Company's "Corporate Governance Code", the Company shall periodically (at least once a year) evaluate the independence and suitability of the appointed CPAs.</li> <li>3. With reference to Article 47 of the Certified Public Accountant Act and Code of Professional Ethics of CPAs No.10, the 15 items of the 2023 evaluation were formulated as follows:<br/> (1) As of the latest certification, there is no non-replacement incident for the period of seven years (2) No significant financial interests with the principal (3) No improper relationships with the principal (4) CPA's assistants are honest, impartial, and independent (5) No auditing of the financial statements of the service organization within two years of practice (6) No use of the accountant's name by others (7) No ownership of shares of the Company and its affiliates (8) No monetary borrowings with the Company and its affiliates (9) No joint investment or benefit-sharing with the Company or its affiliates (10) Not working as a regular employee of the Company or its affiliates and receiving a fixed salary; (11) Not involved in the management functions of the Company or its affiliates in making decisions; (12) Not engaged in</li> </ol> | No significant difference   |



| Item   | Status of Implementation |    |   | Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|--|--------------------------|----|---|---|
|  | Yes                      | No | Summary   |   |
|  |                          |    | any other business that may lose its independence; (13) Not related to the Company's management by spouse or relative within the second degree of kinship; (14) Not receiving any business-related commissions (15) Not being disciplined or compromising the principle of independence as of the date.   |   |
| IV. Has the TWSE or TPEX listed company appointed the appropriate number of qualified corporate governance personnel and designated the corporate governance supervisor to be in charge of corporate governance affairs (including but not limited to furnishing information required for performance of duties by directors and supervisors, handling matters related to Board of Directors' meetings and shareholders' meetings, handling company registration and change registration, and producing minutes of Board of Directors' meetings and shareholders' meetings)? | V                        |    | The Company's Board of Directors approved the appointment of a new Chief Governance Officer on December 16, 2022, and has designated relevant competent personnel to take charge of matters related to corporate governance; provide directors and members of the Audit Committee with information they need to perform their duties; assist directors and independent directors in legal compliance; engage in matters related to shareholders' meetings, Board of Directors' meetings, Audit Committee meetings, and Remuneration Committee meetings; prepare the minutes of Board of Directors' meetings and shareholders' meetings; regularly arrange continuing education courses for directors; and carry out company registration and approval registration. | No significant difference   |
| V. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on material  | V                        |    | The Company's website <a href="http://www.yummy-town.tw/">http://www.yummy-town.tw/</a> sets up an investor service area, message page, contact email address and telephone number. We assign dedicated staff to handle the relevant matters appropriately and respond quickly. Regular monthly meetings are held to encourage employees to express their opinions and suggestions. Regular labor-management meetings are held for two-way communication. In accordance with the regulations of the competent authorities for TPEX-listed companies, we regularly   | No significant difference   |

| Item   | Status of Implementation |    |  | Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|--|--------------------------|----|--|---|
|  | Yes                      | No | Summary  |   |
| corporate social responsibility issues?  |                          |    | disclose public information on the public information website so that stakeholders can refer to material information, revenue, financial statements, etc. to make judgments and protect their rights and interests.<br>The Company holds corporate meetings regularly or at the invitation of the brokerage firms in accordance with the regulations. On November 26, 2022, the Company was invited to attend a legal conference hosted by Cathay Securities.<br>The Company's customers are the general public. Our marketing staff refer to social media, FB, and IG messages to evaluate consumers' preferences for food, beverages, staff service, and store style as a reference for adjusting marketing strategies.<br>The Company's suppliers are mainly raw material manufacturers, and we have been cooperating with them for many years with stable quality. The supplier's feedback to us is generally communicated on-site in a timely manner. |   |
| VI. Has the Company appointed a professional shareholder service agent to deal with shareholder affairs?   | V                        |    | The Company has appointed CTBC Bank Co., Ltd. as the Company's shareholder service agent.  | No significant difference   |
| VII. Information Disclosure<br>(I) Has the Company set up a website to disclose information on financial operations and corporate governance?  | V                        |    | The Company has appointed dedicated personnel, in accordance with the relevant regulations, to disclose the relevant information on MOPS in accordance with the regulations set forth by the competent authority.  | No significant difference   |
| (II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the | V                        |    | The Company has set up its official website ( <a href="http://yummy-town.tw/">http://yummy-town.tw/</a> ) to disclose information related to financial operations and corporate governance, as well as established a spokesperson system and implemented the system in accordance with the relevant laws and regulations.  | No significant difference   |

| Item  | Status of Implementation |    |   | Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|---|--------------------------|----|---|---|
|   | Yes                      | No | Summary   |   |
| process of investor conferences on the Company's website)?  |                          |    |   |   |
| (III) Does the Company publish and report its annual financial statements within two months after the end of a fiscal year, as well as publish and report its financial statements for the first, second, and third quarters and its operating status for each month before the specified deadline?   |                          | V  | The Company publishes and report its financial statements for the first, second, and third quarters and the whole year as well as its monthly operating situation before the specified deadline.  | No significant difference   |
| VIII. Does the Company provide other important information that can help establish a better understanding of the state of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, continuing education among directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors of the Company)? |                          | V  | <p>(1) The Company implements matters related to employee rights, employee care, investor relations, supplier relations, and stakeholder rights in accordance with its internal control system and management regulations and fulfills its corporate social responsibilities in accordance with the relevant laws and regulations.</p> <p>(2) Directors of the Company are equipped with relevant professional expertise and regularly participate in continuing education courses every year.</p> <p>(3) Upholding a high degree of self-discipline, directors of the Company may not participate in voting if a proposal included in a Board of Directors' meeting is in conflict with their interests.</p> <p>(4) The Company purchases liability insurance for all directors every year. The period of liability insurance for directors in the most recent year is from October 20, 2022 to October 20, 2023. The purchase of liability insurance was reported to the Board of Directors on November 10, 2022.</p> <p>(5) The management of the Company regularly reports the operating condition of the</p> | No significant difference   |

| Item | Status of Implementation |    |  | Deviations from the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|------|--------------------------|----|--|---|
|      | Yes                      | No | Summary  |   |
|      |                          |    | Company. The Board of Directors offers professional advice on the risks faced by the management for reference. As regards internal control, an audit plan is proposed each year according to risk measurement and assessment and submitted to the Board of Directors for approval before it is implemented. Members of the Audit Committee review the actual audit status and report for each quarter and report these matters to the Board of Directors. In addition, the Company's Statement on Internal Control System is approved after the relevant departments of the Company complete the annual self-assessment of internal control. |   |

IX. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center under the Taiwan Stock Exchange Corporation, and prioritized matters and measures to be improved upon for matters that have not been improved. (companies not listed for evaluation do not need to fill in this section):

(I) Improvements made:

| Question | Item  |
|----------|---|
| 2.2      | Has the Company established a policy on diversity of Board members and disclosed the specific management objectives and implementation of the diversity policy on the Company's website and annual report?        |
| 2.21     | Has the Company established a Corporate Governance Officer responsible for corporate governance affairs, and disclosed their scope of authority and training status on the Company's website and annual report?   |
| 2.30     | Do the internal auditors of the Company possess at least one certification such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), or certificate of passing the CPA examination? |
| 4.10     | Does the Company's website and annual report disclose the protection measures for employee personal safety and work environment, as well as their implementation status?  |
| 4.14     | Are the identities of the stakeholders identified, their concerns, communication channels and responses disclosed on the Company's website or in the annual report?   |

(II) Prioritized matters and improvement measures:

The Company is committed to improving the standard of corporate governance and continuously carrying out self-inspection based on the results of corporate governance evaluation, "scoring guidelines", and "reference sample", in order to enhance improvement indicators that can be completed.

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

1. Composition of Remuneration Committee

On July 8, 2021, the Board of Directors passed a resolution that all the three independent directors, namely Lin, Tzu-Kuan, Tu, Chi-Yao and Chia-Heng Seetoo were appointed as the members of the fourth session of the Remuneration Committee, and the convening committee resolved to elect Tu, Chi-Yao as the convener.

Information on the Remuneration Committee Members

| Identity Name                                | Criteria | Professional Qualifications and Experience   | Independence  | Number of other public companies where the individual is concurrently serving as an independent director |
|--|----------|--|---|--|
| Independent director<br>Lin, Tzu-Kuan        |          | Department of Tourism Business, Chinese Culture University, marketing and planning course for American hotels and resorts, advanced course of food and beverage management in Cornell University.<br>Over 35 years of experience in food and beverage management, served as President, Spring City Resort.<br>Serves as Chairman, Kuo Yang Construction Co., Ltd., and President of Business Group, Grand Hi-Lai Hotel.<br>There is no incident involving Article 30 of the Company Act. | I, my spouse, my relatives within second degree of kinship do not hold any position in the Company/affiliated companies/specifically related companies, do not hold shares in the above companies, and do not provide business, legal, financial, or accounting services. | 0  |
| Independent Director/Convener<br>Tu, Chi-Yao |          | Ph.D. in Economic Law, China University of Political Science and Law.<br>CPA in Taiwan, passed the U.S. and China CPA exams.<br>Founded Chi Yao CPAs Firm and serves as a Financial and Legal Advisor for Taiwanese Companies of the Straits Exchange Foundation, after retiring from Deloitte Taiwan.<br>There is no incident involving Article 30 of the Company Act.  | I, my spouse, my relatives within second degree of kinship do not hold any position in the Company/affiliated companies/specifically related companies, do not hold shares in the above companies, and do not provide business, legal, financial, or accounting services. | 1  |
| Independent director<br>Chia-Heng Seetoo     |          | B.S. in Economics, National Taiwan University, M.A in Industrial Economics, National Central University, and J.D., University of Illinois.<br>Qualified lawyer in California, USA.<br>Founded Innovatus International Law Firm, after years of experience as an attorney at Jones Day International Law Firm.<br>There is no incident involving Article 30 of the Company Act.   | I, my spouse, my relatives within second degree of kinship do not hold any position in the Company/affiliated companies/specifically related companies, do not hold shares in the above companies, and do not provide business, legal, financial, or accounting services. | 0  |

2. Responsibilities of Remuneration Committee

The Remuneration Committee shall exercise the care of a good administrator to

faithfully fulfill the following functions and power, and submit the relevant suggestions to the Board of Directors for discussion:

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

3. Meetings of Remuneration Committee

- (1) The Company's Remuneration Committee is composed of three people.
- (2) Term of Office: July 8, 2021 to July 7, 2024. A total of 5 meetings (A) were convened by the Remuneration Committee in 2022. The qualifications and attendance of its members are listed as follows:

| Title    | Name             | Attendance in Person (B) | Attendance by Proxy | Percentage of Attendance in Person (%) (B/A) | Remark |
|----------|------------------|--------------------------|---------------------|--|--------|
| Convener | Tu, Chi-Yao      | 5                        | 0                   | 100%   |        |
| Member   | Lin, Tzu-Kuan    | 2                        | 3                   | 40%  |        |
| Member   | Chia-Heng Seetoo | 4                        | 1                   | 80%  |        |

Other Matters to be Noted:

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

| Meeting Date and Session                                      | Proposal  | Resolution                 | The Company's actions in response to opinions from the Remuneration Committee |
|---|---|----------------------------|---|
| 2022/01/24<br>(3rd meeting of the 4th Remuneration Committee) | 1. 2021 year-end bonus distribution plan for individual managers (including directors who concurrently serve as managers) at the Company and its subsidiaries<br>2. Proposal to set up the position of the Corporate Governance | Approved without objection | Approved by the Board of Directors  |

|   |  |                            |                                    |
|---|--|----------------------------|------------------------------------|
|   | Officer in accordance with the law   |                            |                                    |
| 2022/03/24<br>(4th meeting of the 4th Remuneration Committee) | <ol style="list-style-type: none"> <li>1. 2021 Employee Remuneration and Directors' Remuneration Distribution Plan</li> <li>2. Appointment of President of U.S. Subsidiary and Malaysia Subsidiary</li> </ol>                              | Approved without objection | Approved by the Board of Directors |
| 2022/05/11<br>(5th meeting of the 4th Remuneration Committee) | <ol style="list-style-type: none"> <li>1. Deliberation on the compensation of the Company's Chief Financial Officer and Accounting Supervisor</li> <li>2. Deliberation on the compensation of the Company's Auditing Supervisor</li> </ol> | Approved without objection | Approved by the Board of Directors |
| 2022/07/18<br>(6th meeting of the 4th Remuneration Committee) | Deliberation on the compensation of the Company's President  | Approved without objection | Approved by the Board of Directors |
| 2022/12/16<br>(7th meeting of the 4th Remuneration Committee) | <ol style="list-style-type: none"> <li>1. Deliberation on the compensation of the Company's Corporate Governance Officer</li> <li>2. Deliberation on the compensation of the Company's Spokesperson and Acting Spokesperson</li> </ol>     | Approved without objection | Approved by the Board of Directors |

(V) Implementation of Corporate Social Responsibility

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



| Assessment Item  | Status of Implementation |    |  | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|--|--------------------------|----|--|--|
|  | Yes                      | No | Summary  |  |
| materials with low environmental impact?   |                          |    | Company considers the use of recycled materials so as to minimize the possible impact of the load caused on the environment.   |  |
| (III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?   |                          | V  | This item is currently unavailable   | This item is currently unavailable.  |
| (IV) Has the Company recorded statistics on greenhouse gas emissions, water consumption, and the total weight of waste over the past two years and established policies with regard to greenhouse gas reductions, water consumption, and waste management? | V                        |    | The Company has proposed the "Greenhouse Gas Inventory and Verification Schedule" at the Board Meeting on May 11, 2022 and August 29, 2022, and will complete the inventory by 2026 and the verification by 2028 in accordance with the regulations of the competent authorities. The Company's stores use "biodegradable" packaging made of corn starch instead of plastic to reduce environmental pollution. The Company recommends that customers hold beverages with their hands to reduce the use of plastic bags and lower the amount of waste produced. | No significant difference.   |
| IV. Social Issues<br>(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?   | V                        |    | The Company has established management rules and regulations in accordance with the relevant laws and regulations, which clearly stipulate the protection of human rights and employee rights. Besides, the Company also provides employees with various types of benefits, thus adhering to the concept of "labor and management as one for coexistence and co-prosperity".   | No significant difference.   |
| (II) Has the Company established and offered proper employee benefits (including compensation, leave, and  | V                        |    | The Company collectively considers the current situation of the labor market in various regions as well as its profit data   | No significant difference.   |

| Assessment Item  | Status of Implementation |    |  | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|--|--------------------------|----|--|--|
|  | Yes                      | No | Summary  |  |
| other benefits) and reflected the business performance or results in employee compensation appropriately?                                    |                          |    | <p>and employee needs to establish an overall compensation model which includes basic salary, bonus, and benefits.</p> <ul style="list-style-type: none"> <li>- Basic salary: To meet employees' living needs</li> <li>- Bonus: To motivate employees to progress continuously and improve efficiency</li> <li>- Benefits: To show care and increase employees' sense of belonging and identity</li> </ul> <p>With regard to setting up benefits, the Company has to first meet the requirements of local regulations in its main operating locations. In addition to the requirements of local regulations, the Company has also clearly specified that internal benefits do not differ significantly by gender, race, and age. The Company purchases retirement/endowment insurance for employees in accordance to local laws and regulations.</p> |  |
| (III) Does the Company provide a safe and healthy work environment and regularly offer safety and health training to its employees?          | V                        |    | As the Company attaches great importance to employee safety and health, the Company implements pre-employment on-the-job training and regular and irregular in-plant and off-plant training, organize labor safety and fire disaster relief, regularly subsidize employee health checks, and provide appropriate and sufficient protection equipment.  | No significant difference.   |
| (IV) Has the Company established an effective training program for its employees to cultivate capabilities essential for career development? | V                        |    | The Company sets up an annual training plan every year to provide employees with on-the-job training.  | No significant difference.   |
| (V) Has the Company followed relevant laws, regulations and  | V                        |    | The Company's products are marketed and labeled in   | No significant difference.   |

| Assessment Item  | Status of Implementation |    |   | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|--|--------------------------|----|---|--|
|  | Yes                      | No | Summary   |  |
| international guidelines for the customer health and safety, customer privacy, marketing, labeling, and other issues related to its products and services and established related consumer or customer protection policies and grievance procedures?   |                          |    | accordance with local regulations and international standards. Besides, the Company has set up a dedicated unit to handle customer complaints and the customer complaint process management program.  |  |
| (VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?  | V                        |    | <ol style="list-style-type: none"> <li>1. Before cooperating with a supplier, the Company has assessed whether the qualifications of the supplier meet the Company's requirements.</li> <li>2. The Company does not enter into a mandatory contract with suppliers. If a supplier violates the Company's policies, the Company can suspend the purchase transaction with the supplier at any time.</li> </ol> | No significant difference.   |
| V. Does the Company refer to internationally adopted report preparation standards or guidelines to prepare reports that disclose non financial information such as sustainability reports? Has the Company obtained assurance opinion on the aforesaid reports from third-party accreditation institutions?  |                          | V  | Currently, the Company is not an enterprise that is required by law to prepare a CSR report.  | No significant difference.   |
| <p>VI. If the Company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, please state the deviations between its operation and the established principles: None</p> <p>VII. Other important information to help understand the operation of corporate social responsibility: The identity of stakeholders, issues of concern, communication channels, and response methods are listed as follows:</p> |                          |    |   |  |

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

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

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

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

| Item  | Status of Implementation |    |   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|---|--------------------------|----|---|---|
|   | Yes                      | No | Summary   |   |
| its business dealings, and specify ethical business policies in contracts with counterparties related to its business dealings?   |                          |    | specify that employees shall avoid dealing with people with past records of unethical conduct. Besides, the Company also specifies provisions related to ethical conduct in business contracts where necessary.   |   |
| (II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?  | V                        |    | The Company has established the Auditing Office which is placed under the Board of Directors, and reports to the Board of Directors in a timely manner to ensure that ethical corporate management is implemented. In addition, the Company also clearly specifies that employees shall remain alert to violations of government decrees or code of business ethics, and shall report any violation of government decrees or code of business ethics to independent directors, managers, and internal audit supervisor. | No significant difference.  |
| (III) Has the Company established policies to prevent conflicts of interests, provided an appropriate channel for reporting such conflicts and implemented them?  | V                        |    | The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct", which specify the policy to prevent conflicts of interest. Besides, the Company encourages employees to report any violation of laws and regulations or code of ethics they suspect or discover to independent directors, managers, and internal audit supervisor.   | No significant difference.  |
| (IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit compliance with prevention programs accordingly or entrusted CPAs to conduct the audit? | V                        |    | The Company has established an accounting system and an internal control system. Internal auditors also regularly and irregularly carry out various audits and assessments.   | No significant difference.  |
| (V) Does the Company regularly  | V                        |    | The Company has regularly   | No significant  |

| Item  | Status of Implementation |    |  | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and Related Reasons |
|---|--------------------------|----|--|---|
|   | Yes                      | No | Summary  |   |
| conduct internal and external training related to ethical corporate management?   |                          |    | conducted training related to ethical corporate management.  | difference.   |
| III. Implementation of the Company's Whistleblowing System<br>(I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?  | V                        |    | The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct", which encourage employees to report any violation of laws and regulations or code of ethics they suspect or discover to independent directors, managers, and internal audit supervisor, as well as specify related rewards and punishments, grievance system, and disciplinary actions. | No significant difference.  |
| (II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?   | V                        |    | The Company has set up specific mailboxes for whistleblowers, and has appointed dedicated personnel to handle whistleblowing cases.  | No significant difference.  |
| (III) Does the Company take any measures to protect whistleblowers so that they are safe from improper treatment?   | V                        |    | Whistleblowers can file a report to the whistleblowing mailboxes anonymously to avoid improper treatment.  | No significant difference.  |
| IV. Enhancing Information Disclosure<br>Does the Company disclose its ethical corporate management practices and the effectiveness of its implementation on its official website or MOPS?   | V                        |    | The Company has disclosed our ethical corporate management best practice principles in our annual reports and on our website.  | No significant difference.  |
| V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, please state the deviations between its operation and the established principles.<br>The Company has established the "Ethical Corporate Management Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies", and strictly complies with these principles. |                          |    |  |   |
| VI. Other important information that facilitates the understanding of the implementation of ethical corporate management: (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles): When dealing with suppliers, the Company always adheres to the principles of ethical corporate management. Moreover, the Company has strengthened the promotion of these principles during employee training.  |                          |    |  |   |

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



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

2. Other important information that enhances the understanding of the implementation of corporate governance:

The Board of Directors of the Company has approved the establishment of a Corporate Governance Officer on January 24, 2022.

## (VII) Implementation of Internal Control System

1. Statement on Internal Control
2. Where an accountant is commissioned to review the internal control system, the accountant's review report should be disclosed: None.

### 雅茗天地股份有限公司

#### 內部控制制度聲明書

日期：112年3月20日

本公司民國 111 年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導其可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於111年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司112年3月20日董事會通過，出席董事7人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

雅茗天地股份有限公司



董事長：吳伯超



簽章

總經理：吳伯超



簽章

## (VIII) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff by

the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent year up to the publication date of this annual report: None.

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

1. Major resolutions adopted by the Board of Directors from 2022 to April 30, 2023:

| <b>Date</b>       | <b>Item</b> | <b>No.</b> | <b>Important Resolution</b>  |
|-------------------|-------------|------------|--|
| <b>2022.01.24</b> | Discussions | 1          | Deliberation on the 2022 Business Plan and Financial Budget  |
|                   |             | 2          | Evaluation of the independence of CPAs and the appointment and remuneration of CPAs attesting the Company's 2022 financial statements                      |
|                   |             | 3          | Submission of the Cayman Islands Annual Return and Economic Substance Report   |
|                   |             | 4          | Amendments to the Company's "Articles of Incorporation"  |
|                   |             | 5          | Proposal to amend certain provisions of the Company's "Rules of Procedure for Shareholders' Meetings"  |
|                   |             | 6          | Proposal to amend the Company's "Corporate Governance Code"  |
|                   |             | 7          | Proposal to amend certain provisions of the Company's "Procedures for Application for Suspension and Resumption of Trading"                                |
|                   |             | 8          | Proposal to establish a new investment holding company in the US to meet the needs of future operations in the US  |
|                   |             | 9          | Proposal to establish a new trading company through Yummy-Town Holding Corporation to meet the needs of future operations in the US                        |
|                   |             | 10         | Proposal to increase limit of funds loaned between the Company's reinvested companies based on future operating needs                                      |
|                   |             | 11         | Proposal to increase limit of funds loaned to subsidiaries based on future operating needs   |
|                   |             | 12         | 2021 year-end bonus distribution plan for individual managers (including directors who concurrently serve as managers) at the Company and its subsidiaries |
| <b>2022.03.24</b> | Discussions | 1          | The Company's 2021 "Business Report" and "Consolidated Financial Statements"   |
|                   |             | 2          | The Company's 2021 loss reversal disposal  |
|                   |             | 3          | 2021 Employee Remuneration and Directors' Remuneration Distribution Plan   |
|                   |             | 4          | Appointment of President of U.S. Subsidiary and Malaysia Subsidiary  |
|                   |             | 5          | The Company's 2021 "Statement on Internal Control System"  |
|                   |             | 6          | Revision of the internal control systems for the "Sales and Collection Cycle" in Mainland China, Hong Kong and Taiwan and "Payroll Cycle" in Taiwan        |
|                   |             | 7          | Proposal to amend the Company's "Procedures for Acquisition or Disposal of Assets"   |
|                   |             | 8          | Proposal to acquire 20% equity of "Yong-Chun-Cheng Enterprise Co., Ltd." by the sub-subsidiary "Yen Chun International Co., Ltd."                          |

| Date       | Item        | No. | Important Resolution  |
|------------|-------------|-----|---|
|            |             | 9   | The Company intends not to proceed with the private placement of ordinary shares approved at the 2021 Annual General Shareholders' Meeting.   |
|            |             | 10  | Proposal to increase limit of funds loaned between the Company's reinvested companies based on future operating needs   |
|            |             | 11  | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs   |
|            |             | 12  | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs   |
|            |             | 13  | Determine the time, venue and agenda of the 2022 Annual General Shareholders' Meeting of the Company and to accept proposals from shareholders holding more than one percent of the total number of issued shares and the related matters |
| 2022.05.11 | Discussions | 1   | The Company's 2022 Q1 Consolidated Financial Statements   |
| 2022.05.11 | Discussions | 2   | "Greenhouse Gas Inventory and Verification Schedule Planning" project of Yummy Town (Cayman) Holdings Corporation   |
| 2022.05.11 | Discussions | 3   | Proposal regarding the dissolution and liquidation of the Company's indirectly wholly-owned subsidiaries, Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd. and Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.      |
| 2022.05.11 | Discussions | 4   | Proposal to amend the Company's "Procedures for Acquisition or Disposal of Assets"  |
| 2022.05.11 | Discussions | 5   | Proposal to apply for renewal of loan commitment to Chang Hwa Bank in consideration of the Group's working capital needs  |
| 2022.05.11 | Discussions | 6   | Change of Chief Financial Officer and Accounting Supervisor of the Company  |
| 2022.05.11 | Discussions | 7   | Change of Audit Supervisor of the Company   |
| 2022.07.18 | Discussions | 1   | Proposal to deregister and liquidate the Company's indirectly wholly-owned subsidiaries, Xiamen Choyueh Food & Beverage Management (Shanghai) Co., Ltd. and Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd.                       |
| 2022.07.18 | Discussions | 2   | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs   |
| 2022.07.18 | Discussions | 3   | Change of President of the Company  |
| 2022.08.29 | Discussions | 1   | The Company's 2022 Q2 Consolidated Financial Statements   |
| 2022.08.29 | Discussions | 2   | "Greenhouse Gas Inventory and Verification Schedule Planning" project of the subsidiary company in the consolidated financial statements of Yummy Town Group  |
| 2022.08.29 | Discussions | 3   | Proposal to apply for renewal of loan commitment to Chang Hwa Bank in consideration of the Company's operational needs  |
| 2022.08.29 | Discussions | 4   | Proposal to apply for renewal of 2-year loan commitment to the Bank of East Asia in Hong Kong in consideration of the Company's working capital needs   |
| 2022.08.29 | Discussions | 5   | Proposal regarding the disposal of 100% equity interest of Shanghai Ipang Health Technology Co., Ltd. by the Company's subsidiary, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.  |

| <b>Date</b>       | <b>Item</b> | <b>No.</b> | <b>Important Resolution</b>  |
|-------------------|-------------|------------|--|
|                   |             | 6          | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs  |
| <b>2022.11.10</b> | Discussions | 1          | The Company's 2022 Q3 Consolidated Financial Statements  |
|                   |             | 2          | Proposal to formulate the Company's audit plan for 2023  |
|                   |             | 3          | Amendments to certain provisions of the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees"  |
|                   |             | 4          | Amendments to certain provisions of the Company's "Rules of Procedure for Board of Directors' Meetings"  |
|                   |             | 5          | Amendment to the "Operating Procedures for Processing Material Information and Filing with Public Information Websites".   |
|                   |             | 6          | Amendment to the "Cyber System Cycle Internal Control System" in the Company's mainland China operations   |
|                   |             | 7          | Proposal to reduce capital through cash reduction and return of capital for the subsidiary, Yen Mei Enterprise Limited, as part of its capital restructuring   |
|                   |             | 8          | Proposal to reduce capital through cash reduction and return of paid-in capital and capital surplus for the subsidiary, Yen Chun International Co., Ltd., as part of its capital restructuring                                       |
|                   |             | 9          | Proposal to reduce capital through cash reduction and return of paid-in capital for the subsidiary, Happy Lemon HK Limited, as part of its capital restructuring (The proposal has been withdrawn)                                   |
|                   |             | 10         | Proposal regarding the capital increase in its subsidiaries in mainland China for the Company's subsidiary, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd., to meet operational needs and improve financial structure |
|                   |             | 11         | Proposal to increase investment in the Company's subsidiaries in the United States and adjust investment structure to meet the needs of future operations in the United States   |
|                   |             | 12         | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs  |
| <b>2022.12.16</b> | Discussions | 1          | Proposal to evaluate disposal matters by our indirectly wholly-owned subsidiary, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd., and its affiliated investment companies  |
|                   |             | 2          | Proposal to cancel the 2-year renewal of loan commitment to the Bank of East Asia in Hong Kong   |
|                   |             | 3          | Proposal to increase investment in the Company's subsidiaries in the United States and adjust investment structure to meet the needs of future operations in the United States   |
|                   |             | 4          | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs  |
|                   |             | 5          | Change of Corporate Governance Supervisor of the Company   |
|                   |             | 6          | Change of Spokesperson and Acting Spokesperson of the Company  |
| <b>2023.1.17</b>  | Discussions | 1          | Change of the Company's auditor, evaluation of the independence of CPAs and the appointment and remuneration of CPAs attesting the Company's 2023 financial statements   |
|                   |             | 2          | Submission of the Cayman Islands Annual Return and Economic  |

| Date       | Item        | No. | Important Resolution  |
|------------|-------------|-----|---|
|            |             |     | Substance Report  |
|            |             | 3   | Proposal regarding the capital increase in its subsidiaries in mainland China, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd., to meet operational needs and improve financial structure   |
|            |             | 4   | Proposal regarding the disposal of 100% equity interest of Shanghai Ipang Health Technology Co., Ltd. by the Company's subsidiary, Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.  |
|            |             | 5   | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs   |
|            |             | 6   | 2022 year-end bonus distribution plan for individual managers (including directors who concurrently serve as managers) at the Company and its subsidiaries  |
| 2023.03.20 | Discussions | 1   | Deliberation on the 2023 Business Plan and Financial Budget   |
|            |             | 2   | The Company's 2022 "Business Report" and "Consolidated Financial Statements"  |
|            |             | 3   | Proposal to carry out a capital reduction to cover losses of the Company  |
|            |             | 4   | The Company's 2022 loss reversal disposal   |
|            |             | 5   | 2022 Employee Remuneration and Directors' Remuneration Distribution Plan  |
|            |             | 6   | Proposed amendments to the Company's "Articles of Incorporation"  |
|            |             | 7   | The Company's 2022 Statement on Internal Control System   |
|            |             | 8   | By-election of an independent director of the Company   |
|            |             | 9   | Proposal to apply for renewal of loan commitment to Chang Hwa Bank in consideration of the Company's operational needs  |
|            |             | 10  | Proposal to adjust limit of funds loaned between the Company's reinvested companies based on future operating needs   |
|            |             | 11  | Determine the time, venue and agenda of the 2023 Annual General Shareholders' Meeting of the Company and to accept proposals and nominations from shareholders holding more than one percent of the total number of issued shares and the related matters |
| 2023.04.12 | Discussions | 1   | The Company intends to amend the "2022 loss reversal plan" approved by the 13th Board Meeting of the 4th term on March 20, 2023.  |
|            |             | 2   | The company intends to amend the "Capital Reduction for Loss Recovery plan" approved by the 13th Board Meeting of the 4th term on March 20, 2023.   |
|            |             | 3   | List of candidates for nomination as independent directors to be proposed to the Board of Directors for approval  |
|            |             | 4   | Proposal to the Company's proposed issuance of ordinary shares in private placement for capital increase in cash  |

2. Implementation of resolutions adopted by the 2022 Annual General Shareholders' Meeting (June 15, 2022):

|                              |   |
|------------------------------|---|
| 1. Proposal                  | The Company's 2021 Business Report and Consolidated Financial Statements  |
| Voting (or Election) Results | <ul style="list-style-type: none"> <li>The proposal was approved after voting</li> <li>Approval votes: 20,583,189</li> <li>Disapproval votes: 4,280</li> <li>Invalid votes: 0</li> <li>Abstention votes/no votes: 2,607,692</li> <li>Total votes: 23,195,161</li> </ul> |
| Implementation               | The operating and financial results for 2021 have been submitted to the shareholders' meeting for approval  |
| 2. Proposal                  | The Company's 2021 loss reversal plan   |
| Voting (or Election) Results | <ul style="list-style-type: none"> <li>The proposal was approved after voting</li> <li>Approval votes: 20,588,133</li> <li>Disapproval votes: 5,387</li> <li>Invalid votes: 0</li> <li>Abstention votes/no votes: 2,601,641</li> <li>Total votes: 23,195,161</li> </ul> |
| Implementation               | It was resolved to distribute zero dividends per share (no dividend distribution)   |
| 3. Proposal                  | Amendments to the Company's "Articles of Incorporation"   |
| Voting (or Election) Results | <ul style="list-style-type: none"> <li>The proposal was approved after voting</li> <li>Approval votes: 20,583,189</li> <li>Disapproval votes: 4,280</li> <li>Invalid votes: 0</li> <li>Abstention votes/no votes: 2,607,692</li> <li>Total votes: 23,195,161</li> </ul> |
| Implementation               | Handled in accordance with the Articles of Incorporation approved by the shareholders' meeting  |
| 4. Proposal                  | Amendments to the Company's "Rules of Procedure for Shareholders' Meetings"   |
| Voting (or Election) Results | <ul style="list-style-type: none"> <li>The proposal was approved after voting</li> <li>Approval votes: 20,584,186</li> <li>Disapproval votes: 3,283</li> <li>Invalid votes: 0</li> <li>Abstention votes/no votes: 2,607,692</li> <li>Total votes: 23,195,161</li> </ul> |
| Implementation               | The 2022 Annual General Shareholders' Meeting will be held in accordance with the revised rules   |
| 5. Proposal                  | Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"  |

|                              |   |
|------------------------------|---|
| Voting (or Election) Results | <ul style="list-style-type: none"> <li>● The proposal was approved after voting</li> <li>Approval votes: 20,596,289</li> <li>Disapproval votes: 3,280</li> <li>Invalid votes: 0</li> <li>Abstention votes/no votes: 2,595,592</li> <li>Total votes: 23,195,161</li> </ul> |
| Implementation               | Handled in accordance with the rules approved by the shareholders' meeting  |

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



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

April 30, 2023

| Title   | Name             | Date appointed     | Date discharged   | Reason for resignation or discharge |
|---|------------------|--------------------|-------------------|-------------------------------------|
| Chief Executive Officer                             | Chang, Miao-Ling | October 11, 2016   | July 18, 2022     | expiration of term                  |
| Vice President, Financial and Accounting Supervisor | Lin, Che-Chi     | June 23, 2020      | May 11, 2022      | Resignation                         |
| Audit Supervisor                                    | Liu, Yu-Chieh    | September 30, 2020 | April 1, 2022     | Position adjustment                 |
| Corporate Governance Supervisor                     | Chen, Yu-Chen    | January 24, 2022   | December 16, 2022 | Position adjustment                 |
| Vice President                                      | Lin, Wan-Ting    | June 19, 2017      | April 10, 2023    | Resignation                         |
| Vice President                                      | Loke, Yeu-Loong  | March 24, 2022     | April 18, 2023    | Due to company factors<br>Dismiss   |
| Acting Spokesperson                                 | Hsu, Mei-Hua     | August 12, 2019    | December 16, 2022 | Resignation                         |

## V. CPA Fees

Unit: NT\$

| Name of Accounting Firm | Name of CPAs              | CPAs' Audit Period | Audit Fee | Non-audit Fee | Total     | Remark  |
|-------------------------|---------------------------|--------------------|-----------|---------------|-----------|---|
| Deloitte Taiwan         | Harrison Wu and Ian Huang | 2022               | 5,500,000 | 220,000       | 5,720,000 | Audit fees include travel (or transportation) fee, as well as other advance expenses incurred due to service provision and related taxes. |

Note : Non-audit Fees include business registration fee and parent company registration fee, etc.

- (I) Where the accounting firm was replaced, and the audit fees for the year when replacement was made was less than that in the previous fiscal year before replacement: Not applicable
- (II) Where the audit fees for the year were reduced by more than 10 percent compared to the previous year: Not applicable

**VI. Change of CPAs: Cooperating with the internal adjustment of Deloitte Taiwan, from the first quarter of 2023, the financial statement visa service was changed from Huang, Yi-Min and Wu, Ker-Chang of Deloitte Taiwan to Huang, Yi-Min and Zhang Zhi-Yi.**

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

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

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

Unit: shares

| Title   | Name  | 2022  |  | Current Year up to April 14<br>(Book Closure Date)        |  |
|---|---|---|--|---|--|
|   |   | Increase<br>(Decrease) in<br>the Number of<br>Shares Held | Increase<br>(Decrease) in<br>the Number of<br>Shares Pledged | Increase<br>(Decrease) in<br>the Number of<br>Shares Held | Increase<br>(Decrease) in<br>the Number of<br>Shares Pledged |
| Shareholder<br>Concurrently<br>Serving as<br>Chairman and<br>President Whose<br>Shareholding<br>Percentage<br>Exceeds 10<br>percent | Wu, Po-Chao   | -   | -  | -   | -  |
| Director  | Chen, Yu-Chen   | -   | -  | -   | -  |
| Director  | Yummy Town<br>International Ltd.<br>(Samoa) Representative:<br>Yen, Hsien-Ming              | -   | (2,145,000)  | -   | -  |
| Shareholder<br>Whose<br>Shareholding<br>Percentage<br>Exceeds 10<br>percent   | Yummy Town<br>International Ltd.<br>(Samoa)   | -   | (2,145,000)  | -   | -  |
| Director  | Wu, Hua-Chao  | (155,000)   | -  | -   | -  |
| Independent<br>director   | Chia-Heng Seetoo (Date<br>of appointment: July 8,<br>2021)                                  | -   | -  | -   | -  |
| Independent<br>director   | Tu, Chi-Yao (Date of<br>appointment: July 8,<br>2021)                                       | -   | -  | -   | -  |
| Independent<br>director   | Lin, Tzu-Kuan (Date of<br>appointment: July 8,<br>2021)                                     | -   | -  | -   | -  |
| Vice President  | Huang, Hsin-Lin   | -   | -  | -   | -  |
| Chief Investment<br>Officer and<br>Company<br>Spokesperson  | Chen, Sheng-Chung<br>(Date of appointment as<br>Company Spokesperson:<br>December 16, 2022) | -   | -  | -   | -  |

| Title   | Name   | 2022  |  | Current Year up to April 14<br>(Book Closure Date)        |  |
|---|--|---|--|---|--|
|   |  | Increase<br>(Decrease) in<br>the Number of<br>Shares Held | Increase<br>(Decrease) in<br>the Number of<br>Shares Pledged | Increase<br>(Decrease) in<br>the Number of<br>Shares Held | Increase<br>(Decrease) in<br>the Number of<br>Shares Pledged |
| Vice President  | Chen, Po-Sheng (Date of appointment: March 24, 2022)   | -   | -  | -   | -  |
| Vice President  | Loke, Yeu-Loong<br>(Date of appointment: March 24, 2022)<br>(Date Discharged: April 18, 2023)  | -   | -  | -   | -  |
| Vice President,<br>CFO and<br>Accounting<br>Supervisor and<br>Corporate<br>Governance<br>Supervisor | Chih, Chia-Ling<br>(Date of appointment: May 11, 2022)   | -   | -  | -   | -  |
| Internal Audit<br>Supervisor and<br>Acting<br>Spokesperson  | Tsai, Cheng-Ju (Date of appointment as Internal Audit Supervisor: April 1, 2022) (Date of appointment as Acting Spokesperson: December 16, 2022) | -   | -  | -   | -  |
| Vice President,<br>Financial and<br>Accounting<br>Supervisor  | Lin, Che-Chi (Date Discharged: May 11, 2022)   | -   | -  | -   | -  |
| Vice President  | Chang, Miao-Ling (Date Discharged: September 15, 2022)   | -   | -  | -   | -  |
| Acting<br>Spokesperson  | Hsu, Mei-Hua (Date Discharged: December 16, 2022)  | -   | -  | -   | -  |
| Special Assistant<br>to the Chairman<br>Office  | Liu, Yu-Chieh (Date Discharged: April 25, 2022)  | -   | -  | -   | -  |
| Vice President  | Lin, Wan-Ting (Date Discharged: April 10, 2023)  |   |  | (6,458)   |  |

(II) Information on Equity Transfer: None

(III) Equity Pledge Information:

|                                      |            |            |                                  |   |           |        |    |  |
|--------------------------------------|------------|------------|----------------------------------|---|-----------|--------|----|--|
| YUMMY TOWN INTERNATIONAL LTD (Samoa) | Redemption | 2022.12.09 | Bank SinoPac (Taipei Branch)     | - | 1,830,000 | 19.22% | 0% |  |
| YUMMY TOWN INTERNATIONAL LTD (Samoa) | Redemption | 2022.03.23 | Bank of Panhsin Ming Shen Branch | - | 315,000   | 19.22% | 0% |  |

© Please make own judgment as to whether the counterparty is an insider's related party

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

As of April 14, 2023; Unit: shares

| Name  | Shares Held by the Person |                         | Shares Held by Spouse or Minors |                         | Shares Held in the Name of Others |                         | Title or Name and Relationship of the 10 Shareholders Who Are Related Parties or Each Other's Spouses and Relatives Within the Second Degree of Kinship |  | Remark |
|---|---------------------------|-------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------|---|--|--------|
|   | Number of Shares          | Shareholding Percentage | Number of Shares                | Shareholding Percentage | Number of Shares                  | Shareholding Percentage | Title (Name)  | Relations  |        |
| Special investment account of Yummy Town International Ltd. under the custody of Yuanta Commercial Bank         | 6,878,683                 | 19.22%                  | —                               | —                       | —                                 | —                       | Wu, Po-Chao   | Wu, Po-Chao is the director of Yummy Town International Ltd. |        |
| Wu, Po-Chao   | 5,316,930                 | 14.86%                  | 18,902                          | 0.05%                   | —                                 | —                       | YUMMY TOWN INTERNATIONAL LTD.   | Wu, Po-Chao is the director of Yummy Town International Ltd. |        |
| Cheng, Chun-Chung   | 2,052,000                 | 5.73%                   | —                               | —                       | —                                 | —                       | —   | —  |        |
| Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.                        | 1,891,562                 | 5.29%                   | —                               | —                       | —                                 | —                       | —   | —  |        |
| Alonk Trading Financial Open Investment Management U.S. under the custody of HSBC                               | 1,323,071                 | 3.70%                   | —                               | —                       | —                                 | —                       | —   | —  |        |
| Special investment account of Proco International Co., Ltd. under the custody of Far Eastern International Bank | 1,263,072                 | 3.53%                   | —                               | —                       | —                                 | —                       | —   | —  |        |
| Special investment account of Preferred Investment Advisors (HK) Ltd.   | 855,179                   | 2.39%                   | —                               | —                       | —                                 | —                       | —   | —  |        |

| Name   | Shares Held by the Person |                         | Shares Held by Spouse or Minors |                         | Shares Held in the Name of Others |                         | Title or Name and Relationship of the 10 Shareholders Who Are Related Parties or Each Other's Spouses and Relatives Within the Second Degree of Kinship |           | Remark |
|--|---------------------------|-------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------|---|-----------|--------|
|  | Number of Shares          | Shareholding Percentage | Number of Shares                | Shareholding Percentage | Number of Shares                  | Shareholding Percentage | Title (Name)  | Relations |        |
| Lu, Han-Fen  | 799,046                   | 2.23%                   | —                               | —                       | —                                 | —                       | —   | —         |        |
| Special investment account of Xinle Investment Co., Ltd. under the custody of Cathay United Bank Co., Ltd. | 730,844                   | 2.04%                   | —                               | —                       | —                                 | —                       | —   | —         |        |
| Lin, Chu-Ming  | 705,000                   | 1.97%                   | —                               | —                       | —                                 | —                       | —   | —         |        |

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

As of April 30, 2023; Unit: thousand shares; %

| Reinvested Company (Note 1)                                   | Investment by the Company |                         | Investment by Directors, Supervisors, Managers, and Companies Either Directly or Indirectly Controlled by the Company |                         | Combined Investment |                         |
|---|---------------------------|-------------------------|---|-------------------------|---------------------|-------------------------|
|   | Number of Shares          | Shareholding Percentage | Number of Shares  | Shareholding Percentage | Number of Shares    | Shareholding Percentage |
| RBT Holdings Limited  | 65,900                    | 100%                    | —   | —                       | 50,200              | 100%                    |
| RBT Enterprise Limited  | 8.8                       | 100%                    | —   | —                       | 8.8                 | 100%                    |
| Yen Mei Enterprise Limited                                    | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Yen Chun International Co., Ltd.                              | 1,000                     | 100%                    | —   | —                       | 2,500               | 100%                    |
| Happy Lemon HK Limited  | 7,000                     | 100%                    | —   | —                       | 7,000               | 100%                    |
| RBT Resources Limited   | 26,000                    | 100%                    | —   | —                       | 26,000              | 100%                    |
| Yummy-town USA LLC  | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Yummy-town Holding Corporation                                | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Yummy-town UK Ltd   | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| You Xiang Food & Beverage Management (Shanghai) Co., Ltd.     | Note 2                    | 55.5%                   | —   | —                       | Note 2              | 55.5%                   |
| Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.        | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Shanghai Tai Quan Trading Co., Ltd.                           | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.   | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Jia Qun Food & Beverage Management (Beijing) Co., Ltd.        | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |



| Reinvested Company (Note 1)                                | Investment by the Company |                         | Investment by Directors, Supervisors, Managers, and Companies Either Directly or Indirectly Controlled by the Company |                         | Combined Investment |                         |
|--|---------------------------|-------------------------|---|-------------------------|---------------------|-------------------------|
|  | Number of Shares          | Shareholding Percentage | Number of Shares  | Shareholding Percentage | Number of Shares    | Shareholding Percentage |
| Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd. | Note 2                    | 100%                    | —   | —                       | Note 2              | 100%                    |
| Freshtea Japan Co., Ltd.                                   | Note 1                    | 40%                     | —   | —                       | Note 2              | 40%                     |
| Happy Lemon West Inc.                                      | Note 2                    | 70%                     | —   | —                       | Note 2              | 70%                     |
| Happy Lemon (M) Sdn Bhd                                    | Note 1                    | 45%                     | —   | —                       | Note 1              | 45%                     |
| Shanghai Coffee and Tea Prince Intelligence Co., Ltd.      | Note 2                    | 51%                     | —   | —                       | Note 2              | 51%                     |

Note 1: Invested by the Company using the equity method

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

## Chapter 4. Funding Status

### I. Capital and Shares

#### (I) Sources of Capital

##### 1. Type of Shares

As of April 30, 2023; Unit: shares

| Type of Shares             | Authorized Capital           |                           |             | Remark |
|----------------------------|------------------------------|---------------------------|-------------|--------|
|                            | Number of Outstanding Shares | Number of Unissued Shares | Total       |        |
| Registered ordinary shares | 35,785,216                   | 64,214,784                | 100,000,000 | —      |

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

Unit: thousand shares; NT\$ thousands

| Year and Month | Issue Price | Authorized Capital |           | Paid-in Capital  |         | Remark  |  |                                     |
|----------------|-------------|--------------------|-----------|------------------|---------|---|--|-------------------------------------|
|                |             | Number of Shares   | Amount    | Number of Shares | Amount  | Sources of Capital  | Capital increase by assets other than cash | Others                              |
| 2011.11        | 10          | 100,000            | 1,000,000 | 16,014           | 160,144 | Issuance of new shares totaling NT\$160,144,000 due to equity restructuring | None                                       | Note 1                              |
| 2012.05        | 10          | 100,000            | 1,000,000 | 16,654           | 166,544 | Capital increase by cash totaling NT\$6,400,000                             | None                                       | Note 1                              |
| 2012.11        | 10          | 100,000            | 1,000,000 | 19,985           | 199,853 | Capital increase by earnings and capital surplus totaling NT\$33,309,000    | None                                       | Note 1                              |
| 2013.09        | 10          | 100,000            | 1,000,000 | 22,983           | 229,831 | Capital increase by earnings totaling NT\$29,978,000                        | None                                       | Note 1                              |
| 2014.05        | 10          | 100,000            | 1,000,000 | 24,132           | 241,323 | Capital increase by earnings totaling NT\$11,492,000                        | None                                       | Note 1                              |
| 2014.12        | 10          | 100,000            | 1,000,000 | 27,350           | 273,503 | Capital increase by cash totaling NT\$32,180,000                            | None                                       | Date of Approval: November 27, 2014 |

| Year and Month | Issue Price | Authorized Capital |           | Paid-in Capital  |         | Remark   |  |  |
|----------------|-------------|--------------------|-----------|------------------|---------|--|--|--|
|                |             | Number of Shares   | Amount    | Number of Shares | Amount  | Sources of Capital                                   | Capital increase by assets other than cash | Others   |
|                |             |                    |           |                  |         |  |  | Approval Document No.: Cheng Kuei Shen Tzu No. 10300308502 |
| 2016.01        | 10          | 100,000            | 1,000,000 | 27,358           | 273,583 | Conversion of convertible corporate bonds            | None                                       |  |
| 2016.02        | 10          | 100,000            | 1,000,000 | 27,360           | 273,603 | Conversion of convertible corporate bonds            | None                                       |  |
| 2016.09        | 10          | 100,000            | 1,000,000 | 27,434           | 274,343 | Conversion of convertible corporate bonds            | None                                       |  |
| 2016.09        | 10          | 100,000            | 1,000,000 | 27,360           | 300,963 | Capital increase by earnings totaling NT\$27,360,000 | None                                       | Note 1   |
| 2016.10        | 10          | 100,000            | 1,000,000 | 30,173           | 301,725 | Conversion of convertible corporate bonds            | None                                       |  |
| 2016.12        | 10          | 100,000            | 1,000,000 | 30,215           | 302,151 | Conversion of convertible corporate bonds            | None                                       |  |
| 2017.01        | 10          | 100,000            | 1,000,000 | 30,257           | 302,577 | Conversion of convertible corporate bonds            | None                                       |  |
| 2017.02        | 10          | 100,000            | 1,000,000 | 30,312           | 303,116 | Conversion of convertible corporate bonds            | None                                       |  |
| 2017.03        | 10          | 100,000            | 1,000,000 | 30,426           | 304,259 | Conversion of convertible corporate bonds            | None                                       |  |
| 2017.04        | 10          | 100,000            | 1,000,000 | 30,435           | 304,349 | Conversion of convertible corporate bonds            | None                                       |  |
| 2017.06        | 10          | 100,000            | 1,000,000 | 30,791           | 307,914 | Conversion of convertible corporate bonds            | None                                       |  |
| 2017.07        | 10          | 100,000            | 1,000,000 | 30,803           | 308,029 | Conversion of convertible corporate bonds            | None                                       |  |
| 2017.08        | 10          | 100,000            | 1,000,000 | 30,831           | 308,306 | Conversion of convertible corporate bonds            | None                                       |  |
|                | 10          | 100,000            | 1,000,000 | 31,100           | 310,996 | Issuance of new restricted                           | None                                       | Approved Document No.:                                     |

| Year and Month | Issue Price | Authorized Capital |           | Paid-in Capital  |         | Remark   |  |  |
|----------------|-------------|--------------------|-----------|------------------|---------|--|--|--|
|                |             | Number of Shares   | Amount    | Number of Shares | Amount  | Sources of Capital                             | Capital increase by assets other than cash | Others   |
|                |             |                    |           |                  |         | employee shares                                |  | Chin Kuan Cheng Fa Tzu No. 1060028289                        |
| 2017.09        | 10          | 100,000            | 1,000,000 | 31,980           | 319,795 | Conversion of convertible corporate bonds      | None                                       |  |
| 2017.10        | 10          | 100,000            | 1,000,000 | 33,361           | 333,605 | Conversion of convertible corporate bonds      | None                                       |  |
| 2017.11        | 10          | 100,000            | 1,000,000 | 33,395           | 333,952 | Conversion of convertible corporate bonds      | None                                       |  |
| 2017.12        | 10          | 100,000            | 1,000,000 | 33,439           | 334,391 | Conversion of convertible corporate bonds      | None                                       |  |
|                | 10          | 100,000            | 1,000,000 | 33,404           | 334,041 | Cancellation of new restricted employee shares | None                                       |  |
| 2018.01        | 10          | 100,000            | 1,000,000 | 33,453           | 334,526 | Conversion of convertible corporate bonds      | None                                       |  |
| 2018.02        | 10          | 100,000            | 1,000,000 | 33,499           | 334,987 | Conversion of convertible corporate bonds      | None                                       |  |
| 2018.03        | 10          | 100,000            | 1,000,000 | 33,545           | 335,449 | Conversion of convertible corporate bonds      | None                                       |  |
|                | 10          | 100,000            | 1,000,000 | 33,626           | 336,259 | Issuance of new restricted employee shares     | None                                       | Approved Document No.: Chin Kuan Cheng Fa Tzu No. 1060028289 |
| 2018.04        | 10          | 100,000            | 1,000,000 | 33,647           | 336,467 | Conversion of convertible corporate bonds      | None                                       |  |
| 2018.05        | 10          | 100,000            | 1,000,000 | 33,636           | 336,356 | Cancellation of new restricted employee shares | None                                       |  |
| 2018.08        | 10          | 100,000            | 1,000,000 | 33,815           | 338,145 | Conversion of convertible corporate bonds      | None                                       |  |
| 2018.09        | 10          | 100,000            | 1,000,000 | 35,008           | 350,081 | Conversion of convertible corporate bonds      | None                                       |  |
| 2018.10        | 10          | 100,000            | 1,000,000 | 35,045           | 350,448 | Conversion of                                  | None                                       |  |

| Year and Month | Issue Price | Authorized Capital |           | Paid-in Capital  |         | Remark   |  |        |
|----------------|-------------|--------------------|-----------|------------------|---------|--|--|--------|
|                |             | Number of Shares   | Amount    | Number of Shares | Amount  | Sources of Capital                             | Capital increase by assets other than cash | Others |
|                |             |                    |           |                  |         | convertible corporate bonds                    |  |        |
| 2018.11        | 10          | 100,000            | 1,000,000 | 35,069           | 350,694 | Conversion of convertible corporate bonds      | None                                       |        |
| 2019.01        | 10          | 100,000            | 1,000,000 | 35,005           | 350,054 | Cancellation of new restricted employee shares | None                                       | Note 2 |
| 2019.05        | 10          | 100,000            | 1,000,000 | 34,942           | 349,415 | Cancellation of new restricted employee shares | None                                       | Note 2 |
| 2019.08        | 10          | 100,000            | 1,000,000 | 34,909           | 349,085 | Cancellation of new restricted employee shares | None                                       | Note 2 |
| 2020.05        | 10          | 100,000            | 1,000,000 | 34,860           | 348,597 | Cancellation of new restricted employee shares | None                                       | Note 2 |
| 2020.08        | 10          | 100,000            | 1,000,000 | 36,557           | 365,574 | Capital increase by earnings NT\$17,041,000    | None                                       | Note 1 |
|                |             |                    |           |                  |         | Cancellation of new restricted employee shares | None                                       | Note 2 |
| 2020.11        | 10          | 100,000            | 1,000,000 | 36,554           | 365,544 | Cancellation of new restricted employee shares | None                                       | Note 2 |
| 2021.09        | 10          | 100,000            | 1,000,000 | 36,505           | 365,052 | Cancellation of new restricted employee shares | None                                       | Note 2 |
| 2021.11        | 10          | 100,000            | 1,000,000 | 35,785           | 357,852 | Cancellation of treasury shares                | None                                       | Note 3 |

Note :

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

2. Cancellation of new restricted employee shares: 64,000 shares in January 2019; 63,815 shares in May 2019; 33,000 shares in August 2019; 48,815 shares in May 2020; 6,374 shares in August 2020; 3,000 shares in November 2020; and 49,196 shares in September 2021.
3. 2021/11/12 The Board of Directors resolved to cancel 720,000 treasury shares. (The Company's first and second treasury share buyback were cancelled in accordance with the Securities and Exchange Act upon the expiration of the transfer period)
4. Information on the shelf registration system: Not applicable.

## (II) Shareholder Structure

April 14, 2023

| Shareholder Structure<br>Item  | Government Agencies | Financial Institutions | Other Juristic Persons | Foreign Institutions and Foreign Natural Persons | Domestic Natural Persons | Treasury Shares | Total      |
|--------------------------------|---------------------|------------------------|------------------------|--|--------------------------|-----------------|------------|
| Number of Shareholders         | 0                   | 0                      | 18                     | 23   | 3,888                    | 1               | 3,930      |
| Number of Shares Held (shares) | 0                   | 0                      | 1,022,310              | 13,533,784                                       | 20,785,122               | 444,000         | 35,785,216 |
| Shareholding Percentage (%)    | 0.00%               | 0.00%                  | 2.86%                  | 37.82%   | 58.08%                   | 1.24%           | 100%       |

Note : No shares were held by investors from Mainland China

## (III) Distribution of Equity Ownership

### 1. Common Shares

April 14, 2023

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

| Shareholding Classification | Number of shareholders | Number of Shares Held | Shareholding Percentage % |
|-----------------------------|------------------------|-----------------------|---------------------------|
| 1-999                       | 2,226                  | 81,612                | 0.23%                     |
| 1,000-5,000                 | 1,263                  | 2,512,711             | 7.02%                     |
| 5,001-10,000                | 212                    | 1,604,755             | 4.48%                     |
| 10,001-15,000               | 76                     | 950,683               | 2.66%                     |
| 15,001-20,000               | 40                     | 732,241               | 2.05%                     |
| 20,001-30,000               | 27                     | 674,756               | 1.89%                     |
| 30,001-40,000               | 19                     | 686,983               | 1.92%                     |
| 40,001-50,000               | 11                     | 498,210               | 1.39%                     |
| 50,001-100,000              | 23                     | 1,486,393             | 4.15%                     |
| 100,001-200,000             | 15                     | 2,105,790             | 5.88%                     |
| 200,001-400,000             | 5                      | 1,252,663             | 3.50%                     |
| 400,001-600,000             | 3                      | 1,383,032             | 3.86%                     |
| 600,001-800,000             | 3                      | 2,234,890             | 6.25%                     |
| 800,001-1,000,000           | 1                      | 855,179               | 2.39%                     |
| More than 1,000,001 shares  | 6                      | 18,725,318            | 52.33%                    |
| Total                       | 3,930                  | 35,785,216            | 100.00%                   |

2. Distribution of Preferred Shares: Not applicable.

(IV) List of Major Shareholders

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

As of April 14, 2023; Unit: shares

| Name of Major Shareholder   | Shares | Number of Shares Held | Shareholding Percentage |
|---|--------|-----------------------|-------------------------|
| Special investment account of Yummy Town International Ltd. under the custody of Yuanta Commercial Bank         |        | 6,878,683             | 19.22%                  |
| Wu, Po-Chao   |        | 5,316,930             | 14.86%                  |
| Cheng, Chun-Chung   |        | 2,052,000             | 5.73%                   |
| Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.                        |        | 1,891,562             | 5.29%                   |
| Alonk Trading Financial Open Investment Management U.S. under the custody of HSBC                               |        | 1,323,071             | 3.70%                   |
| Special investment account of Proco International Co., Ltd. under the custody of Far Eastern International Bank |        | 1,263,072             | 3.53%                   |
| Special investment account of Preferred Investment Advisors (HK) Ltd.   |        | 855,179               | 2.39%                   |
| Lu, Han-Fen   |        | 799,046               | 2.23%                   |
| Special investment account of Xinle Investment Co., Ltd. under the custody of Cathay United Bank Co., Ltd.      |        | 730,844               | 2.04%                   |
| Lin, Chu-Ming   |        | 705,000               | 1.97%                   |

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

Unit: NT\$ per thousand shares

| Item                            |                                   | Year                             | 2021   | 2022   | 2023 up to end of March |
|---------------------------------|-----------------------------------|----------------------------------|--------|--------|-------------------------|
| Market Price Per Share (Noet 1) | Highest                           |                                  | 86.20  | 34.50  | 31.65                   |
|                                 | Lowest                            |                                  | 29.90  | 17.10  | 22.25                   |
|                                 | Average                           |                                  | 61.03  | 26.57  | 27.60                   |
| Net Worth Per Share (Note 2)    | Before distribution               |                                  | —      |        | —                       |
|                                 | After distribution                |                                  | —      |        | —                       |
| Earnings Per Loss               | Weighted average number of shares |                                  | 35,574 | 35,341 | 35,341                  |
|                                 | Earnings Per Loss                 | Before adjustment                | -2.65  | -7.92  | -0.33                   |
|                                 |                                   | After adjustment                 | -2.65  | -7.92  | -0.33                   |
| Dividends Per Share             | Cash dividends                    |                                  | —      | —(註 9) | —                       |
|                                 | Stock dividends                   | Dividends from retained earnings | —      | —      | —                       |
|                                 |                                   | Dividends from capital surplus   | —      | —      | —                       |
|                                 | Accumulated unpaid dividends      |                                  | —      | —      | —                       |
| Return on Investment            | Price/earnings ratio              |                                  | -23.03 | -3.35  | -83.64                  |
|                                 | Price/dividends ratio             |                                  | —      | —      | —                       |
|                                 | Cash dividend yield               |                                  | —      | —      | —                       |

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

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

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

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

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

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



Note 6:  $\text{Price/dividend ratio} = \text{Average closing price per share for the current year} / \text{Cash dividend per share}$ .

Note 7:  $\text{Cash dividend yield} = \text{Cash dividend per share} / \text{Average closing price per share for the current year}$ .

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

Other columns shall be filled based on the information for the current year as of the publication date of this annual report.

(VI) Dividend Policy and Its Implementation Status

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

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

earnings"). Dividends may be distributed to shareholders from the accumulated distributable earnings in the form of cash or through the issuance of new shares. Dividends distributed to shareholders shall not be lower than five percent of the distributable earnings for the period.

(3) Distribution of dividends or bonuses may not accumulate interest on the Company.

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

The Company's 2022 loss reversal disposal was approved by the Board of Directors on April 12, 2023:

Unit: NT\$

| Item   | Amount               | Remark |
|--|----------------------|--------|
| <b>Losses to be recovered at the beginning of the period</b> | \$ (0)               |        |
| Less: Net loss after tax for the period                      | <b>(279,866,169)</b> |        |
| <b>Losses to be recovered</b>                                | <b>(279,866,169)</b> |        |
| Add: Special surplus reserve to cover losses                 | 82,229,939           |        |
| Add: Capital surplus to cover losses                         | 89,784,070           |        |
| Add: Capital reduction to cover losses                       | 107,852,160          |        |
| <b>Losses to be recovered at the end of the period</b>       | <b>\$ (0)</b>        |        |

Note 1: Pending approval from the shareholders' meeting in 2023.

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

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

(VIII) Employee Bonus and Remuneration for Directors and Supervisors

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

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

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

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

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

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

employee bonus and remuneration for directors and supervisors. Hence, this section is not applicable.

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

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

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

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

1. Repurchase of the Company's own shares (implementation completed): None.

2. Repurchase of the Company's own shares (under implementation): None.

II. Corporate Bonds (including Overseas Corporate Bonds): None.

III. Preferred Shares: None.

IV. Participation in Global Depository Receipts: None.

V. Employee Stock Option Certificates: None.

VI. New restricted employee shares: None.

VII. Mergers and Acquisitions: None.

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

IX. Implementation of Capital Utilization Plan:

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

## Chapter 5. Business Overview

### I. Business Activities

#### 1. Business Scope

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

The Group was founded in 1992 and operates global food and beverage businesses as well as a global franchise entrepreneurship platform. Its main focus is on bubble tea, providing freshly prepared hand-shaken tea, snacks, desserts, creative Spanish cuisine, selling the branded IP products, as well as running a trading and logistics company. At present, the Group's stores and restaurants are operated in the form of direct operation, joint venture, agency, franchise, etc. The Group has five major food and beverage brands, namely, the global tea and beverage chain brands, "Happy Lemon" and "Teaopal", the leisure light meals brands, "RBT" and "Curry Cafe", the Spanish creative cuisine restaurant, "alma", which has been awarded with a recommendation from the Michelin Guide, and the ingredient and material supply chain companies, "Taiquan Trading" and "RBT Trading".

##### (2) Proportion of Businesses

Unit: NT\$ thousands

| Main Products                               | 2021            |                     | 2022            |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | Amount of Sales | Proportion of Sales | Amount of Sales | Proportion of Sales |
| Franchise, agent and other related revenues | 931,515         | 63.86%              | 514,113         | 64.17%              |
| Revenue direct from company-operated stores | 527,273         | 36.14%              | 287,016         | 35.83%              |
| Total                                       | 1,458,788       | 100.00%             | 801,129         | 100.00%             |

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

The brands provide global franchise entrepreneurship services:

- 1) Franchise counseling: Build an effective franchise counseling platform to offer logistic support services to business partners who are interested in launching a food and beverage business, including selection of store location, performance appraisal, renovation and design, and operational training.
- 2) Food and beverage services: Continuously conducting R&D and marketing various products each season, the company launches competitive tea drinks and snacks with unique characteristics tailored to different countries and markets. The classification of products made and offered by RBT, Happy Lemon, alma, and Tea Opal, and their main products are listed as follows:

| <b>RBT</b>       |   |
|------------------|---|
| Product Category | Series  |
| Beverages        | Fine brewed tea series, cup fruit tea series, rock salt cheese series, classic milk tea series, ice sorbet and blended coffee series, and coffee series |
| Light meals      | Beef noodle series, Taiwanese-style curry series, Spaghetti series, and cheese baked rice series  |
| Light meals      | Waffle series, and thin and crispy series   |

| <b>RBT</b>       |  |
|------------------|--|
| Product Category | Series   |
| Snacks           | Taiwanese-style classic finger foods   |
| Desserts         | Dessert series   |
| Others           | Quarterly New/Festive Event Promotional Portfolio Products, Southeast Asia Collection, Parent-Child Package Collection, Lunch Offer Portfolio  |
| RBTea            | <b>Pop-up store menu</b>   |
| Beverages        | Meaty coconut/coconut green/roasted coconut milk/thick coconut milk/fragrant coconut/coconut beer/bubble oolong tea/bubble black tea/bubble milk tea/bubble coconut/bubble bubble/bubble almond/tremella dew/Mochi snow fungus tea/orange peel boba milk tea |
| Desserts         | Cloud Coconut Pudding/Coconut Soft Ice Cream/Matcha Soft Ice Cream   |

| <b>Happy Lemon</b>                  |  |
|-------------------------------------|--|
| Product Category                    | Series   |
| Signature Lemonade                  | Refreshing Lemon Juice/Kumquat Lemon Tea/Pineapple Lemon Tea/Lemon Aloe Vera Juice with Vitamin C/Refreshing Berry Lemonade/Punched Lemon and Mango Green Tea  |
| Drinkable Pineapple Drinkable Fruit | Nostalgic Pineapple Tea/Strawberry Pineapple Tea/Mango Orange Passion Fruit Pineapple Tea/Pineapple Grapefruit Four Seasons Spring Tea/Pineapple Fruit Bucket/Honey Grapefruit Green Tea/Kumquat Passion Fruit Double Blast/Happy Fruit Bucket |
| Signature Baked Milk                | Sweet potato milk/peanut milk/pearl milk tea/roasted pearl milk candy milk tea/grand slam roasted milk tea/taro balls milk tea/red bean pudding milk tea/mellow milk tea   |
| Drinkable cake                      | Oreo Filled Cookie Cake Milk Tea/Cream Cake Bubble Tea (2007 Cake Milk Tea)/Peanut Cheesecake Milk Tea/Tiger Skin Mochi Cake Milk Tea/Dorayaki Mochi Cake Milk Tea/Half-Cooked Cake Bubble Tea/Cocoa Cake                                      |
| Pineapple Cake Milk Tea             | Thick Brulee Pineapple Cake Milk Tea/Signature Pineapple Cake Milk Tea   |
| Happy Fruit Milk                    | Pineapple Pandan Milk/Strawberry Pandan Milk/Mango Pomelo Sago/Mango Pomelo Sago (Room Temperature)  |
| Oat milk                            | Cheese Bobo Oat Milk Tea/Crunchy Oat Milk Tea  |
| Thick Brulee Pudding Milk Tea       | Thick Brulee Milk Tea/Thick Brulee Cake Mochi Milk Tea   |
| Rock salt milk cap                  | Rock Salt Cheese Black Tea/Rock Salt Cheese Green Tea/Rock Salt Cheese Four Seasons Spring Tea/Rock Salt Cheese Pineapple Tea  |
| Tea                                 | Jasmine Green Tea/Honey Rhythm Black Tea/Four Seasons Spring Tea/Deep Steamed Yulu Tea/Dahongpao   |
| Snacks                              | Pearl milk tea toast/Cheese and smoked chicken toast/Oreo cocoa toast  |



| <b>Tea Opal</b>       |   |
|-----------------------|---|
| Product Category      | Series  |
| Original taste of tea | Sweet-dew jasmine tea/Concentrated Jinxuan tea/Jin Xuan Mature black tea/Baked fragrant Red Oolong tea  |
| Tea au lait           | Amber Pearl Milk Tea/Osmanthus Oolong Milk Tea/Small Leaf Jelly Milk Tea/Aged Jin Xuan Au Lait/Cocoa Mousse Au Lait/Sai Hongpao Amber Milk Tea/Thick Milk Tea (with one free topping: pearl/crystal ball/two balls) |
| Thick cheese cream    | Cheese-flavored jasmine tea, cheese-flavored Jin Xuan oolong tea, cheese-flavored honey leaf-scented black tea, and cheese-flavored red oolong tea  |
| Flame cream           | Flame cream jasmine tea, flame cream Jin Xuan oolong tea, flame cream honey leaf black tea, flame cream red oolong tea, and flame cream thick milk tea  |
| Fruit mix             | Grapefruit Fruit Tea/Passion Fruit Tea/Green Orange Fragrant Tea/Cheese Powder Berry Lychee/Cheese Grapefruit Mang  |
| Microfoam             | Lychee Bubble/Blue Star Planet/Long Island Grapefruit Tea/Drunk in Lychee/Blue Star/Tipsy Grapefruit Party  |
| Linden Honey          | Honey Black Tea/Honey Jasmine Green Tea/Honey Lemonade/Lychee Honey Black Tea   |
| Freshly Ground Coffee | Americano/Latte/Tea and Coffee with Salt  |
| Merchandise           | Tea cup, tea bag  |

| <b>Hippo Bobatea</b>        |   |
|-----------------------------|---|
| Product Category            | Series  |
| Milk series                 | Vibrant black grass jelly milk, vibrant black chocolate milk, vibrant double black milk, and vibrant yellow mango milk  |
| Cheese cream topping series | Cheese cream-topped jasmine tea, cheese cream-topped oolong tea, and cheese cream-topped leaflet black tea  |
| Fruit tea series            | Lemon black tea with fruits; lemon green tea with fruits; black tea with pomelo flesh and coconut jelly; green tea with pomelo flesh and coconut jelly; colorful passion fruit oolong tea; fresh mandarin tea; Hi-C oolong tea with passion fruit; Hi-C green tea with passion fruit; and orange tea with fruit flesh |
| Milk tea series             | Brown sugar milk tea with tapioca pearls, brown sugar milk tea with grass jelly, brown sugar coconut milk tea, brown sugar mango milk tea, brown sugar milk tea, brown sugar milk tea with grass jelly, and burnt cream milk tea  |
| Au lait series              | Au lait milk black tea, au lait milk black tea with grass jelly, au lait milk black tea with tapioca pearls, au lait duo, au lait coconut, au lait roasted milk tea, and freshly baked brulee   |
| Mellow tea series           | Jasmine Gyokuro tea, honey oolong tea, leaflet black tea, tapioca pearl love jasmine tea, and black tea loves tapioca pearls  |

| <b>Hippo Bobatea</b>         |  |
|------------------------------|--|
| Whole-leaf mellow tea series | (Menu for any combination of ingredients at RMB9)<br>Jasmine Gyokuro tea, leaflet black tea, honey oolong tea, and oolong green tea  |
| Special milk tea series      | (Menu for any combination of ingredients at RMB9)<br>Hippo Bobatea milk tea, brown sugar milk tea, pineapple milk tea, peach milk tea, and lychee milk tea   |
| Fresh fruit tea series       | (Menu for any combination of ingredients at RMB9)<br>Lemon black tea with fruits; lemon green tea with fruits; black tea with pomelo flesh and coconut jelly; green tea with pomelo flesh and coconut jelly; colorful passion fruit oolong tea; and colorful passion fruit green tea |
| Fruity light yogurt series   | (Menu for any combination of ingredients at RMB9)<br>Pineapple light yogurt, lychee light yogurt, strawberry light yogurt, and mango and orange light yogurt   |

#### (4) New Products in Development

##### 1) "RBTea":

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

##### 2) "Happy Lemon":

In early 2022, the Happy Lemon brand conducted a strategic review of its menu and product categories, focusing on deeper exploration of lemon elements while incorporating the trendy "Punched lemon" element.

Several new and popular products have been added to the lemon category, such as refreshing punched lemon juice, punched green mint lemon tea, punched kumquat lemon tea, punched green plum fragrant lemon tea, punched bitter melon lemon tea, punched pineapple lemon tea, lemon candy cheese milk tea, lemon candy coconut jelly milk tea, and lemon candy tapioca milk tea, among others. In the brand strategy of topic creation, the company has created popular products such as Ya Shi Xiang super lemon tea and Da Hong Pao fragrant iced lemon tea, etc., and combined them with brand marketing strategies to significantly increase the brand's popularity on social media. From presenting a new hand-drawn logo to creating new element products, the brand has become more vibrant and youthful.

In 2022, with a healthy brand image, Happy Lemon cooperates with large oil and gas station convenience store chains across industry sectors. We use the existing equipment in convenience stores to develop product designs that meet the needs of the convenience store environment and increase the trade value of material orders. In turn, we assisted in the development of the intelligent device "tea-coffee machine". The intelligent settings greatly simplify the operation process of tea beverages, saving the difficulty of staff training and stabilizing product quality. In the future, we will be able to integrate more application scenarios for development.

The overseas brand has been upgraded to version 3.0, and in addition to maintaining the main lemon-related products, a new "Punched Lemon" series has been launched. This series combines new techniques for punching fragrant lemons with nostalgic drinks to create distinctive flavors. In line with the market trend and driving a wave of popularity, <Cinnamon roll topic> has led to the development of an extended series of dessert drinks and non-alcoholic beverages in Taiwan. Furthermore, in the snack section that complements the tea drinks, we have introduced egg waffles as an addition, which now includes new flavors such as cinnamon egg waffles, pizza egg waffles, and Taiwanese-style salty crispy chicken egg waffles. In response to the recognition of the healthy plant-based concept in Europe and the United States, we have developed and launched healthy and refreshing beverages with oats as the main element, and developed special beverages with local elements (coconut dates, coconut milk, coconut juice) in overseas regions to meet the new choices of consumers who are looking for something new.

3) "Alma":

"Alma" is a unique restaurant that offers the most authentic Spanish cuisine while incorporating the chef's personal style into classic dishes to fully showcase the layers of flavor in each dish.

The restaurant's creative and elegant European-style decorations, combined with classic drinks, exude a regal and captivating brand charm. Alma not only provides dining experiences but also elevates it to a "culinary culture", leaving unforgettable memories for its customers. Through news features and digital sharing, more people have the opportunity to taste these authentic Mediterranean-style dishes and experience the unique flavors of western cuisine. This also allows Taiwanese people to enjoy this unforgettable feast without having to travel abroad. With its ability to conquer customers' taste buds, Alma has achieved record-breaking revenue.

4) "Tea Opal":

The brand collaborated with <Oatly>, which is popular among young people nowadays. We launch co-branded drinks to enhance brand image and quality by creating healthy topics. In the new product development, we have strengthened the development of fruit products, focusing on seasonal fruits (strawberry, hawthorn, mango, etc.). Besides, we have launched thick milk tea beverages with strong memory points, (Maojian Green Thick Milk Tea, Xiaoye Red Thick Milk Tea, Earl Grey Thick Milk Tea, Jinxuan Thick Milk Tea, and Osmanthus Oolong Thick Milk Tea), and also optimized the internal product production process to stabilize quality and speed up beverage production time.

The new menu is created by the Tea Opal brand, which retains the brand's star products and adds new series - hand-poured bowl tea series, hand-boiled honey fruit tea series, succulent fruit tea series, and mellow fresh milk tea series, and uses Michelin techniques to incorporate familiar elements from urban areas, as well as develops and applies them to innovative delicate refreshments and light food items.

As a result of the epidemic, consumers' online takeaway consumption rate has increased. And we have developed our exclusive takeaway products to increase our operational efficiency and gross margin. Some of the stores are located in the office district. In response to the living habits of consumers in the area, we have added coffee and breakfast sets to our strategy. The store opening hours is earlier. During the lunch period, light meals such as Japanese bento, fried food and microwave food have been added to improve a variety of choices with tea and sales opportunities.

## 2. Industry Overview

### (1) Current Status and Development of the Industry

#### 1) Global economic outlook

Global economic development is still affected by the COVID-19 pandemic. According to the World Bank's Global Economic Outlook report released in January 2022, the global economy is forecasted to grow by 5.5% in 2021 and 4.1% in 2022, both down 0.2% from the previous forecast. The report also mentions a significant slowdown in the global economic recovery as a result of the new threat posed by the coronavirus mutant strains, compounded by inflation, debt and rising income inequality. (Source: People's Daily/2022-01-13)

#### 2) Greater China Tea Market

The Company's business is mainly divided into two major items: tea and beverage and catering. The tea and beverage section is dominated by the Happy Lemon brand. The Greater China region is the origin of the freshly made hand-shaken tea and beverage industry. The Happy Lemon brand has been operating for more than 15 years in three markets on both sides of the Taiwan Strait, mainly in the mainland market, with most of its stores currently located in first- and second-tier cities. In recent years, the tea and beverage industry has continuously invested in the development of innovative beverages under the efforts of various brands. Through the upgrade of technology, the use of a large number of fresh ingredients to form a new taste, and high quality tea and beverages, it has successfully attracted the attention of young people. In terms of the image of stores, brand positioning and operation mode, it has made a breakthrough from the previous street small store type, into the department stores, out of a higher pattern. In addition, the development of the economy on both sides of the Taiwan Straits has comprehensively driven the growth of consumption. Especially, the rise of young generations and the increase in consumption strength have caused the rapid expansion of the scale of the Greater China tea and beverage market.

The tea and beverage industry in mainland China has been explosive growth in the past decade. Since 2017, the industry has entered what is generally known as the new tea and beverages 3.0 stage. With the number of ready-made and ready-to-sell hand-shaken tea stores increasing in size, many new tea and beverage brands appears in various regions to divide the market. In order to secure market share, existing brands have accelerated the pace of opening stores. According to the data of the research institute Aire Consulting Report, the overall revenue of the new-style tea and beverage market in mainland China grew from RMB 42.2 billion to RMB 83.1 billion from 2017 to 2020. It is estimated that the high CAGR of the new-style tea and beverages industry can reach 20% from 2021 to 2023, and the revenue of the new-style new-style tea and beverages market is expected to reach nearly RMB 150 billion in 2023.

## 2017-2023 China's New Tea Market Revenue Size and Growth Rate



Data Source: iResearch Consulting Group

The COVID-19 pandemic hit the food and beverage industry hard in 2020. Although the overall recovery of the food and beverage market has been strong after the epidemic subsided, the consumer side has also changed. One of the more obvious changes is that consumers have become more cautious and rational in their consumption. In 2021, the growth rate of the tea and beverage industry in the mainland market has slowed down. According to the statistics of the delivery platform, a total of more than 1 million online restaurants in mainland region were cancelled in 2021. Among them, milk tea shops has been the hardest hit area, with a total of 350,000 shops were cancelled. Meanwhile, the perception of the brand by the consumer group began to form. "Brand" became the first online search for tea and beverage consumers in 2021. This phenomenon also indirectly promoted the reshuffle effect of the industry. The trend of the tea and beverage brand oligopoly era emerged. Large chains and the head of the brand with capital and resources advantage accounted for nearly 90% of the market share. The tea and beverage industry clearly reflects that the market was about to be monopolized by chain brands. In addition, the high saturation of tea and beverages stores in first and second tier cities, as well as the continuous rise in rent and personnel expenses, have exerted enormous pressure on the development of the ready-made tea and beverages industry in these regions. In contrast, the third and fourth tier (and below) include 200 prefecture-level cities, 3,000 prefectures and 40,000 townships, which not only have a much higher population than the first and second tier cities, but also have a much higher disposable income in recent years, coupled with lower rent and personnel costs, forming an environment that is very suitable for starting a business. There is great potential for development in the sunken market. Many tea and beverage brands have already started the layout strategy of the sunken stores. In 2020, the outbreak of an epidemic affected the economy of the cities below the first-tier cities to a lesser extent. Under the policy of encouragement, the number of people returning to their hometowns to open stores and start businesses has increased significantly compared to the past.

In the face of the market reshuffle and the trend of downward development, tea and beverage chain brands with regional development experience have the opportunity to find business models suitable for the development of different cities and regions through their own solid operational capabilities and supply chain advantages. Happy Lemon has been operating in China for many years and has experienced the rapid iterative changes in the tea and beverages market. It

has always upheld the vision of "building the best entrepreneurial platform for global tea and beverages". After the outbreak of the epidemic, in the face of the challenges of the slowing growth of the overall tea and beverages consumption and the intensifying reshuffling effect of the industry, Happy Lemon has continued to make every effort to stabilize the brand's development in the mainland market through operational guidance for stores, performance improvement programs and franchise policy adjustments. In terms of business strategy, the Company is also firmly focused on the three cores of product development, brand marketing and operation management, constantly pursuing innovation and optimization to continue to deepen and expand the mainland market.

### 3) Global Tea and Beverage Market

According to a report by Allied Market Research, the global tea and beverages market will grow at a compound annual growth rate (CAGR) of 7.8% from 2020 to 2027. The U.S. restaurant market impacted by the epidemic, with sales of \$659 billion in 2020 down nearly 24% from 2019, rebounding to \$731.5 billion in 2021. The National Restaurant Association (NRA) predicts that U.S. restaurant sales will reach \$898 billion by 2022, and Mordor Intelligence also predicts that future restaurant sales will grow at a compound annual growth rate (CAGR) of 3.7% through 2026, indicating that the U.S. restaurant industry has gradually recovered from the epidemic. This indicates that the U.S. food and beverage industry has gradually recovered from the blow of the epidemic, and this region will remain a must-have for the tea and beverage market in the future. The Southeast Asian food and beverage market is relatively easy to cultivate tea and beverage habits in Southeast Asia because of its proximity to East Asia. In recent years, many manufacturing plants have been relocated from China to Southeast Asian countries, which has led to the development of the region and increased income for the local population. The 2020 outbreak, except for Singapore's catering losses are more obvious, other Southeast Asian countries catering is relatively lightly affected. This phenomenon also illustrates the region's catering consumption power and future potential. Hand-shaken beverages and delivery are currently a very promising industry in Southeast Asia. For example, in 2021, the growth of outbound business (GMV, Gross Merchandise Volume) in Southeast Asian countries was over 30%. According to a joint research report by Grab, a Southeast Asian delivery platform, and Euromonitor International, a London based market research firm, both are very optimistic about the potential of Southeast Asian delivery business, which is expected to grow three times compared to 2020. Looking at the environmental background of Southeast Asia and other regions, as well as the consumer strength and future development potential, the development of the tea and beverage industry have formed favorable factors. And some market experts suggest that Southeast Asia as a springboard to Oceania, South Asia and the Middle East to do extended expansion.

The overseas stores of Happy Lemon are currently located in North America, Europe and Australia. The Southeast Asian market is developing steadily in Malaysia and Indonesia through joint ventures, and we are actively consolidating our stores in Japan, the Philippines, Australia and other regions to minimize the impact of the epidemic. In recent years, the North American market focused on development has achieved remarkable results. In 2020, a branch was officially established in the United States, which laid the foundation for the expansion of the brand in the North American market with the development strategy of

operating local business with local talents.. In 2021, the continued fermentation of various countries dragged on the overall economic development. The global shortage of manpower and raw materials became more severe. The situation of air and sea freight congestion did not ease. It also indirectly caused the material cost to rise significantly. The lack of manpower and materials caused the opening progress of overseas stores to be slower than expected, while the continuous rise in the cost of raw materials increased the pressure on the operating costs of stores. Facing the challenges that have emerged, Happy Lemon International Headquarters has been working side by side with all overseas business partners to successfully upgrade the Happy Lemon brand in 2021 and to integrate the internal operation system, improve and optimize the supply chain preparation and shipment process to support the operation of the agents in all regions of the world more efficiently. Compared to some of our competitors who may face the dilemma of out of stock of raw materials due to the disruption of the epidemic, Arminence Group has a well-developed operation system, and with the prompt response and full support of our headquarters partners, we can provide the resources required for the operation of overseas stores in a timely manner. In the future, our company will continue to adopt the strategy of "expanding global stores", "international alliances" and "investment and mergers and acquisitions" with the original intention of "promoting Chinese tea culture to the world" and the concept of "building the best platform for starting a global tea and beverage business". Therefore, we actively promote and lay out the development plan of brand globalization, and focus on improving the functions of the international headquarters management team, cultivating operational management talents, and optimizing the internal operation system, so as to become the strongest backing for all business partners worldwide.

4) Generation Z becomes the mainstream of tea and beverage consumption

As the main consumer group in the tea and beverages market has shifted to the Z generation, which is obvious. They have strong consumption ability, stronger recognition ability and preference for the brand. At the same time they do not have high brand loyalty, and are more willing to pay for innovative taste and color. They emphasis on product quality and functionality, etc. These distinctive features have begun to influence the direction of business decisions in the tea and beverages industry. The home market for tea beverage consumption has been occupied, and it is common knowledge of all operators of tea beverage brands by Generation Z. In order to shape the image of Happy Lemon closer to the younger generation in recent years, in November 2021, the Company once again launched the brand upgrade, including making comprehensive adjustments in terms of brand logo, store decoration, product packaging, etc.. Besides, we have changed the main color from yellow and black to yellow and white blue, showing the brighter and fashionable visual sense preferred by the younger consumer group. The product structure has been significantly iterated and upgraded, and a new tone of "milk tea for eating and cake for drinking" has been proposed. We have emphasized the co-existence of taste and color, and a series of creative and eye-catching new products have been developed such as Tiger Stripe Mochi Cake Milk Tea, Taiyaki Mochi Cake Milk Tea, and Signature Pineapple Pastry Milk Tea, which quickly attracted consumers' attention after launch. They attract many fans to visit the stores to check in and take photos, and many discussions about the new Happy Lemon products have appeared on social media. In addition to the newly launched brand visual VI, store soft furnishings, and lemon boy IP, etc., it will be applied to more areas and

marketing design in the future. Therefore, consumers in the tea and beverage market can feel the vigorous vitality of the happy lemon brand.

- 5) Food and beverage consumption patterns have changed, and the pandemic has driven the growth of online delivery business

The COVID-19 pandemic has brought innovation and change to the business model of the catering industry, especially in the area of online food delivery business, which saw a significant increase in online orders during the epidemic. According to the "China Sharing Economy Development Report (2022)" officially released by the National Information Center of China, in 2021, online takeaway revenue accounted for 21.4% of the national restaurant revenue, an increase of 4.5 percentage points year-on-year. The new trend in the business model of the catering industry are also reflected in a number of takeaway data, such as: the cultivation of takeaway habits in low-tier cities and rapid development, the rise of the Z-generation of consumer community, etc.

Although the pandemic has slowed down gradually, the online revenue share of the tea beverage industry continues to show an upward trend, showing that the habit of consumers ordering beverages through online channels has been developed and retained during the pandemic. The takeaway channel has become one of the important revenue sources of the tea beverage industry, and the tea beverage delivery scenario continues to expand. From afternoon tea to midnight, even the same as coffee, it can become a beverage option for business meetings and celebration occasions. The off-the-shelf tea beverage business model is constantly evolving. In addition, in February 2022, the catering industry also received good news. It was reported that the National Development and Reform Commission and other departments on the mainland published a notice on the official website of the Development and Reform Commission on "Several Policies on Promoting the Resumption and Development of Difficult Industries in the Business Area", which specifically mentioned that guiding enterprises such as food delivery and other internet platforms to further reduce the standards of service fees for customers in the catering industry and reduce the operating costs of related catering enterprises. After the specific implementation of this policy is announced, it should constitute a positive development for the takeaway operation and profit gain of the catering industry.

Happy lemon sales accounted for 29% of sales in 2020 and increased to 30.5% in 2022, showing that the brand's sales trend is consistent with the overall tea and beverage industry sales development. It also confirms that the brand's overall business strategy of creating a takeaway operation team and gradually bringing the takeaway stores back to the headquarters for unified management is the right direction. It will accelerate the relevant progress in the future to quickly build a revenue-generating and profitable model for the takeaway business.

- 6) The formation of the private domain ecosystem accelerates the upgrade of the mini-programs and membership system

Another change brought about by the epidemic is the accelerated construction of private domain ecology by catering enterprises. 2020 WeChat small program catering transactions grew by more than 100% year-on-year, and the development of private domain operation of enterprises has become an irresistible trend. With the deepening of consumer awareness and acceptance of private domain, the importance of private domain in the strategic layout of brand development has increased significantly. And related actions are shown in the opening and integration of sales channels, marketing channels and membership



system. In 2021, the Company launched the construction of the data center, and synchronized the comprehensive optimization and upgrading of all brand CRM systems. In the first quarter of 2022, the new CRM system has been activated. In the future, multiple sales channels and inter-system resources will be able to call each other through the data center, providing more complete and real-time information for the operation management, marketing team and supply chain. It is widely applied for new product sales forecasting, customer relationship maintenance, marketing activities, revenue-generating performance modeling and many other operational decision-making aspects.

- 7) Cross-border cooperation is more frequent, and strong co-branded fans are interacting

The barriers to competition in the tea and beverage industry are not high, and the main consumer groups have low brand loyalty and a preference for freshness, etc. Tea and beverage brands must create differentiation from competitors and enhance consumer memory of the brand. In addition to product differentiation, cross-border co-branding has also become one of the must-have business models in the tea and beverage industry. Through the export of IP to emphasize brand culture and find brands in different industries. By presenting products, peripheral products, and flash stores in a way that has never been done before and that consumers have never imagined, the company creates a sense of surprise, creates a buzz, and boosts brand popularity to achieve the main goal of gaining new customers.

Happy Lemon again partnered with Big White Rabbit Milk Sugar in 2021 and were invited to open an express store at the 10th China Flower Expo in Chongming Island, Shanghai, becoming one of the most inquired and popular stores. Knowing that the most influential activities for the Z generation are e-sports, online games and anime, Happy Lemon is also actively cooperating with the relevant industry players. In 2021, China Joy was held in Shanghai, and the company was the only hand-cranked beverage company to enter the event. Through co-branding, the store has been transformed into a scene of handheld games and anime, attracting a large number of fans to make a pilgrimage in cosplay costumes. In the future, we will continue to cooperate with more industry players in a more diversified way to present the brand's image of youthfulness, fashion and trendiness, and to get closer to the Z-generation consumers seamlessly.

- 8) Food safety and environmental protection related laws and regulations in the catering industry

The scale of the catering market has been growing year by year, and the change of consumption habits has led to a gradual increase in the share of takeaway revenue. Nowadays, consumers are no longer just looking for food, but are more concerned about food security, and are more aware of their own rights and interests. The government's control over food safety and environmental issues is becoming more and more stringent. And new management laws and regulations are introduced every year from the source of material procurement, on-site production process, production environment and personnel management. The Company has always attached great importance to food safety management and the maintenance of customer rights. From the source of food ingredients and materials procurement, the Company has complied with the laws and regulations of various countries, formulated relevant control procedures, and conducted food safety management training for store personnel on a regular basis. Besides, we

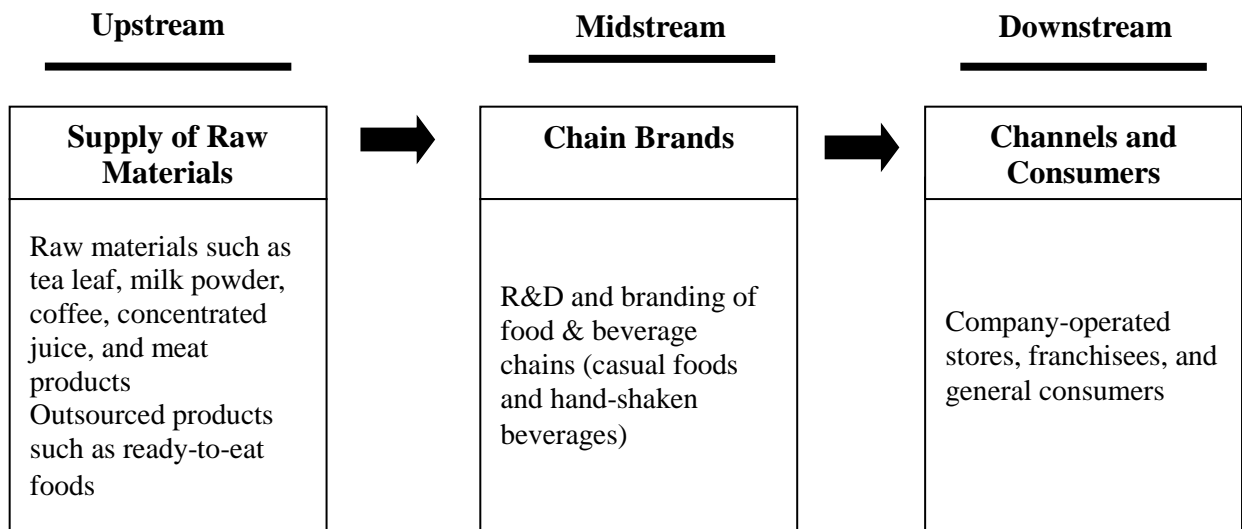
set up the quality control department that keeps abreast of the latest information on changes in government laws and regulations, adjusted the internal food safety management guidelines, and regularly performed the audit of the food safety management. In addition, we have set up a quality inspection room within the Group, ahead of many other companies in the industry. In order to conduct regular and uninformed tests on ingredients, packaging materials, ice, water quality, etc. we use in our operations, in order to prevent accidents and ensure the safety of our customers' food.

9) Digitalization drives enterprise management model upgrade

In the Internet era, through the digital system, intelligent empowerment of the operating process, it drives the industry iterative upgrade development, which has been inevitable to follow the general direction. In particular, the tea and beverage industry, with Generation Z as the main consumer group, relies more deeply on the digital system. It is comprehensively implemented in the marketing strategy, user operation, customer management, service restructuring and internal staff management. Moreover, it has been extended upward to the supply chain and finance, and also has been extended horizontally to online platforms and e-commerce sales channels, etc. The data linkage and utilization also provide the senior management with a basis for strategy formulation. In recent years, the Company has been actively promoting relevant changes internally, focusing on improving management effectiveness and efficiency, through planned and gradual upgrades, the interconnected use of system functions, and the optimization of operational processes, so that digital management becomes the most important cornerstone of the Group's development towards globalization.

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

The catering industry covers all aspects of the upstream, midstream and downstream systems from production, procurement, transportation, processing and production, service to consumption. From the production of raw materials to end-to-consumer services, it is a process of creating value. In order to ensure the standardization of the specifications and quality of each ingredient and material, the Company has been committed to developing the procurement relationship with upstream suppliers in order to obtain the advantages of purchasing price. Besides, we have also signed purchase contracts with farmers to ensure the stability of the supply and price of ingredients. Meanwhile, the Company has established a clear quality inspection system for purchased goods within the Company, and has adopted inspection gates for ingredients, packaging materials and materials. In addition, the Company conducts regular audits and inspections at suppliers to ensure that the requirements of national laws and regulations on food safety are met, so as to make the stores feel safe. Meanwhile, the Group's quality control department also regularly conducts unannounced ways to visit stores and check ingredients, and materials, as well as production and processing procedures and storage environments, etc., in an effort to reassure consumers.



### (3) Various Product Development Trends

As one of the first tea and beverage brands to start franchising business in mainland China, our company has more than 10 years of experience in related industries at home and abroad. Below is the trends in food and beverage business we observed:

#### 1) The global trend of hand-shaken tea is still prevalent:

The hand-shaken tea industry has expanded from Taiwan to major cities in Asia and around the world. The refreshing tea soup can be perfectly integrated with many ingredients, and with tapioca, taro ball, pudding and other small ingredients to create a surprising taste. It is highly accepted by the Y- and Z-generations of consumers. In the past few years, there has been a boom in tea shops in many cities around the world. Whether it is a tea brand in Taiwan or Mainland China, the company has been expanding its operations overseas. Recently, some reports have pointed out that in 2021~2022, hand-shaken tea seems to have shown signs of fading in some countries/regions, and even a wave of closures. However, there is no denying that beverages are a category of rigid demand consumption for the vast majority of consumers. And as one of the racing lanes of the beverage industry, we can still see a steady stream of creative new products being launched in the tea and beverage market every year, as well as the performance of tea and beverage operators striving for breakthroughs and innovations in their business models. It can be proved that the overall vitality and competitiveness of the tea and beverage industry is still strong. In fact, in both the mainland and global markets, there is obviously a large development space for the tea beverage industry, and some areas are temporarily experiencing a lack of localization, resulting in a large number of store closures. With the ability of high flexibility and quick response of tea beverages brands in general, after adjustment, optimization, and successfully combining the characteristics of different consumer markets, it should be able to develop a business model that is more adaptable to different regions. The tea industry, which has a rigid need, can still be actively involved in global expansion, and the business opportunities are unlimited.

#### 2) Large chain of tea and beverage brands:

Due to the investment of capital, the tea and beverage brands in mainland China

have gradually gained more favorable competitive conditions for the chain brands. They have a negotiating advantage over non-chain and independent stores in obtaining the location of stores and various cost controls. The chain brands in mainland China can be divided into two types: regional and national. At present, the chain brands have been accounted nearly 90% of the entire tea and beverage market. According to this development trend, it is clear that there is a situation in which the big one is always big and the small one is diminishing, and the chain tea and beverage brands will take the advantage of high visibility, sufficient capital, advanced systems and human resources to polish more store types that can adapt to the development of large metropolises, medium-sized cities and small counties, and expand their territories and business scale more rapidly in the tea and beverage industry, while entrepreneurial investors will continue to lean on well-known big brands.

3) Tea and beverage brands accelerate internationalization:

In the past few years, in addition to the development of the Greater China market, many brands have been more active in opening stores overseas and around the world. The whirlwind of tapioca milk tea has indeed triggered a trend in the consumer markets of many countries. In 2020, the COVID-19 pandemic challenged the operation of overseas tea restaurants, and the opening of stores almost stopped. However, with the easing of the pandemic and the gradual opening of borders in various countries, the tea and beverage industry should be able to regain its past glory and continue its expansion plans. But at the same time, to move towards internationalization, the ability and quality of the management team is also increasingly demanding. In addition to the continuous upgrading of the operating system of the brand headquarters to create a management system in line with the global development, the training of management personnel is a priority. Besides the language skills, the international management team of a tea and beverages brand must be able to accurately communicate the content and value of the brand to overseas operators and stores, as well as the delivery of operational management experience. The talent is expected to be able to quickly learn to master the business environment qualities of different regional countries. The chain brand should develop its own cultural integration to adapt to the local culture of each region, and have the flexibility and adaptability to develop the best business model for global development.

4) Products to be healthy and diversified:

At present, the products sold in the tea industry can be divided into three major categories: milk tea, fruit tea, and cheese cap tea. The tea industry in mainland China is still dominated by the milk tea category, while overseas regions have the highest proportion of fruit tea consumption. However, the common denominator is that: under the demand of consumers to pay more attention to healthy eating, body management and the pursuit of novel flavors, product development is unanimously moving towards the trend of low sugar, low calorie and the combination of fresh fruits and vegetables with tea. The use of seasonal fruits and vegetables has become the norm, and tea drinkers compete to find ingredients that have not been used by other competitors as new products. The rise of lemonade in the mainland market in recent years has led to many lemon series products, and it has become a tacit agreement for each brand to launch various lemon teas in the summer. It is worth observing whether this trend will also spread to overseas. Another product line is the newly emerging functional Chinese/Western health drinks in the mainland market, which only a small

number of companies have developed. It is still in the stage of testing the consumer's reaction whether it can lead to the next wave of mainstream. There has been no lack of creativity in product research and development in the tea industry. And brands are making rapid adjustments in response to regionalization and changes in consumer demand to differentiate themselves from the competition and gain recognition from consumers and gain wider market development opportunities.

5) Food Safety and Environmental Awareness Upgrade:

The scale of sales in the catering market continues to grow. Consumers are paying more and more attention to the production of raw materials, sources, processing, and compliance of additives, etc. In addition to food safety, the government and consumers have been paying more attention to the implementation of environmentally friendly practices in the food and beverage industry in recent years. From procurement to on-site operation, the restaurant industry must design and implement a set of standard operating procedures that can withstand the scrutiny of governments and consumers in different countries and regions. Therefore, we can reduce the risks that brands may encounter in the operations, and further win goodwill and goodwill to maintain a long-term operations.

6) Multi-channel operation, making a difference:

In the face of high competition from offline and online businesses, food and beverage brands must be more creative, and extend marketing and sales lines to online short videos, apps, e-commerce platforms and other channels. In addition to more channels to increase contact with consumers, it is also necessary to create business differentiation from the brand image, products, services, personnel and other aspects. By clearly distinguishing the brands with own advantages, the consumers can perceive and distinguish to strengthen brand competitiveness.

7) Towards Digital Management:

Driven by the development of the general environment, food and beverage enterprises are continuously upgrading the functions of their internal data management systems. The Companies also cooperate with external system vendors and platforms to build more technologically advanced operating systems to improve internal management efficiency and operational effectiveness. They also pay more attention to the ability of enterprises to formulate digital development strategies, optimize operational processes with a sound data management system, and continuously promote innovative responses to business models. It is foreseeable that the faster the digital transformation of future catering enterprises, the better they can catch up with competitors, create differences and form their own core competitiveness.

(4) Competition

In 2022, although the catering industry is still affected by the recurrence of the epidemic, under the normalization of epidemic prevention and control, the consumption power is gradually stabilizing and warming up. At the same time, the catering industry shows active self-help efforts, accelerating digital transformation, accelerating the integration of offline and online business, vigorously promoting online ordering system, optimizing the content and items of online take-out service, expanding the application scenario of take-out meals, expanding the sales field through live streaming of goods on online and e-commerce platforms, promoting

finished products and pre-prepared dishes, etc. The development of the catering industry is moving towards diversification of items and channels, which injects strong momentum for the revenue growth of the whole industry.

The great business opportunities brought by the rise of the tea and beverage industry, as well as the relatively low threshold for starting a business and other factors, leading to a highly competitive situation. With the continuous emergence of new brands and more operators into the tea and beverage industry, the market has been cut and divided more intensely. Taiwan and mainland Tier 1 and 2 cities, hand-shaken tea shops have become almost saturated. In Taiwan, the chain brands with the most tea shops currently include CoCo Fresh Tea & Juice, 50 Lan, Ching Shin Fu Chuan, Yi Fang Fruit Tea, Kebuke Tea, DaYungs's tea, etc. In mainland China, tea shops can be divided by price range. Currently, Happy Lemon belongs to the middle and low-end market, competing with brands such as Mixue Bingcheng, CoCo Fresh Tea & Juice, Alittle Tea (known as 50 Lan in Taiwan), Auntea Jenny, Shuyi Tealicious, JiDong Tea, Sexy Tea, Chabaidao, and Good me, among others. In the past two years, the tea and beverage industry has clearly experienced a reshuffle phenomenon. Large catering chain brands with resource advantages have moved faster through the expansion of agents, franchisees, and joint venture models to grab market shares, and the living space of small chain brands and independent stores has been gradually compressed.

Facing the major cities of Taiwan and the mainland, the tea and beverage market has become a competitive situation in the Red Sea, and the development of the tea and beverage industry into a sunken market and overseas areas has become a necessary measure. The company has been operating for many years in mainland China in the mode of direct operation, agency and franchising, and has deeply grasped the market trend. In the face of the changing trend of entrepreneurship in the tea and beverages industry such as younger franchisees, simpler investment, and lighter investment costs, the company has continued to optimize and adjust its agency and franchising policies. The company also has upgraded its brand to create a more vivid, fashionable and young image in order to attract more entrepreneurs to join as partners and increase the brand's market share in mainland China. In the overseas region, the Group carried out the regional strategic layout through joint ventures, alliances and agencies to expand cooperation with partners with local development advantages in order to seize a favorable competitive position, and set up a branch office directly in the United States to gain a foothold in the North American market with localized operation of talents. The Group has clearly adopted the two engines of mainland China and overseas to achieve the goal of brand globalization.

### 3. Technology and R&D Overview

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

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

In order to ensure uniform quality in our chain food and beverage stores, the Company distributes 80 percent of the raw materials used for developing and producing our products. Raw materials are selected from high-standard food ingredients from Mainland China, Taiwan, and abroad, so as to provide customers with high-quality products.

We have been working with food factories and ingredient sources suppliers to develop raw materials specific to the Group's brands, to enhance the memory of our products and to identify unique tastes in the market. We also continue to work with Taiwan's premium tea farmers to produce tea from their tea gardens, as well as with our long-time partner lemon farmers in Pingtung, Taiwan, to promote our global strategy.

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

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

Unit: NT\$ thousands; %

| Item  | Year | 2022    | As of March 31,<br>2023 |
|---|------|---------|-------------------------|
| R&D Expenses (A)  |      | 14,174  | 2,724                   |
| Net Operating Revenue (B)   |      | 801,129 | 179,665                 |
| Percentage of R&D Expenses in Terms of Net<br>Operating Revenue (A)/(B) |      | 1.77%   | 1.52%                   |

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

| Year | Brand       | Product Category | Successfully Developed Technology or Product   |
|------|-------------|------------------|--|
| 2022 | RBT         | Main course      | Braised beef soup improved version/parent-child combo meal series/duck rice bowls /baked rice series   |
|      |             | Beverages        | Jin Xuan tea series (Jin Xuan pearl milk tea/snow fungus water chestnut Jin Xuan tea/thick cheese Jin Xuan tea)/refreshing ice cool series (emblic smoothie/olive smoothie/bitter melon smoothie)/Small hanging pear soup series   |
|      |             | Snacks           | Satisfy dim sum series, honey glazed chicken wings, southeast Asian satay skewer series (sweet potato & chicken tower with ring sausage, sweet potato & chicken tower with satay skewers, sweet potato & chicken tower, assorted satay skewers)  |
|      |             | Light meals      | Mexican taco (black pepper beef taco, duck breast taco, prawn taco), duck breast muffin, duck breast crisp   |
| 2022 | Happy Lemon | Beverages        | <p>(Mainland China)</p> <p>New menu item:<br/>Ya Shi Xiang Super Punched Lemon Tea, Da Hong Pao Fragrant Iced Lemon Tea, Refreshing Punched Lemon Tea (Cost-saving), Punched Iced Lemon Tea, Punched Green Mint Lemon Tea, Punched Kumquat Lemon Tea, Punched Green Plum Fragrant Lemon Tea, Punched Bitter Melon Lemon Tea, Punched Pineapple Lemon Tea, Jasmine Pearl Milk Green Tea, Lemon Milk Candy Cheese Milk Tea, Lemon Milk Candy Coconut Milk Tea, Lemon Milk Candy Sago Milk Tea, Super Fresh Orange Juice, Honey Green Tea, Nostalgic Pineapple Tea (Large), Strawberry Pineapple Tea (Large), Oreo Stuffed Cookie Cake Milk Tea (Large), Cheese Boba Oat Milk Tea (Large), Crispy Oat Milk Tea (Large), Lemon Milk Candy Double Shot</p> <p>New product promotion:<br/>Melon Coconut, Mango Coconut, Sweet Orange Party, Strawberry Cloud Thick Milk Tea, Cheese Peach Berry, Rock Salt Cheese Peach Tea, Honey Peach Da Hong Pao, Melon Mango, Rock Salt Succulent Grape, Peach Cloud Oat Milk Tea, Thick Brulee Oat Milk Tea, Pink Peach Iced Lemon Tea, Cool Black Exploding Pearl Iced Lemon Tea, Cheesy Cola, Pineapple Lemon Spicy and Sour Drink, Happy Pistachio Thai Green Coconut Smoothie, Coffee Black Tea, Signature Kumquat Lemon Tea (1L), Large Ya Shi Xiang Fragrant Punched Lemon Tea (1L), Da Hong Pao Iced Lemon Tea (1L), Super Pomegranate, Punched Lemon Red Pomegranate, Rock Salt Exploding Pearl Red Pomegranate, Good Luck Banana Milk Tea, Peach Oolong Mini Balls, Whiskey Cocoa, Tiramisu Topsy Milk Tea, Red Bean Glutinous Rice Light Milk, Roasted Sweet Potato Mini Balls Milk Tea, Brown Sugar Pearl Roasted Milk Tea, Strawberry Cake Milk Tea, Osmanthus Longan Cake Milk Tea</p> <p>(Taiwan):<br/>New Lemon Series, Punched Magao Lemon Green Tea, Punched Lemon Red Tea, Punched Floral Fruit Lemon Tea, Punched</p> |



| Year | Brand | Product Category       | Successfully Developed Technology or Product  |
|------|-------|------------------------|---|
|      |       |                        | <p>Kumquat Lemon Tea, Punched Jujube Lemon Tea, Midsummer Party, Night Dream, Pineapple, Apple and Jujube Treasure, Rock Salt Cheese Black Tea, Rock Salt Cheese Green Tea, Rock Salt Cheese Four Seasons Tea, Honey Pearl Latte, Pandan Strawberry Q, Pandan Pineapple Q, Rock Salt Cheese Grape Juice, Berry Good Times, Yummy Vinegar, Purple Sweet Potato and Taro Pearl Smoothie, Hand-Picked Jin Xuan Oolong, Hand-Picked Jasmine Green Tea, Punched Lemon (Optimized), Honey Light Lemon Green Tea, Magao Beer Tea</p> <p>(Overseas):<br/> Fresh Dragon Fruit Coconut, Fresh Pineapple Coconut, Cinnamon Roll Baked Milk Tea, Tiramisu Baked Milk Tea, Rock Salt Cheese Roasted Tea, Jade Orange, Rock Salt Orange Green Tea, Pandan Strawberry Q, Pandan Pineapple Q, Purple Sweet Potato and Taro Pearl Smoothie, Three-in-one Flavored Milk Tea, Taro Milk Tea, Rose Milk Tea, Coconut Milk Tea, Thai Milk Tea, Bursting Iced Tea</p>   |
|      |       | Snacks                 | <p>(Overseas)<br/> Egg Waffles: Pizza Egg Waffle, Cinnamon Egg Waffle, Taiwanese Salted Crispy Chicken Egg Waffle.</p>  |
|      |       | Collaborative projects | <p>Cooperation Project with Coffee&amp;Tea Professional Technology co., Ltd. &amp; Royal Dutch Shell:<br/> Milk Tea series: mellow milk tea/pearl milk tea/taro ball milk tea/small taro ball pudding milk tea/grand slam pudding milk tea<br/> Coffee series: strong aroma latte/pearl latte/special black coffee/classic special coffee/special pearl coffee/taro ball small ball coffee/small taro round pudding coffee/grand slam pudding coffee<br/> Tea series: Honey rhyme black tea/happy lemon black tea/jasmine green tea/happy lemon green tea/kumquat lemon tea/grapefruit love lemon tea/two bottles of Yakult green tea/fresh lemon ice coffee/grapefruit ice coffee</p>  |
| 2022 | Alma  | Special menu           | <p>Iberico Ham and Cheese Platter/ Spanish Iberico Bellota Pork Front Leg/ Spanish Iberico Bellota Pork Hind Leg (Air-dried and Aged for 50 Months)/ Spanish Manchego Cheese (Aged for 12 Months)/ Hami Melon with Spanish White Ham/ Grilled Squid with Seasonal Salad/ Traditional Spanish Pickled Razor Clams/ Brioche Hand-Torn Pork Burger/ Spanish Sardines/ Traditional Spanish Baked Eggs<br/> Garlic Shrimp with Shrimp Oil/ Truffle Mushroom Cream Puff/ Galician-style Octopus/ Crispy Spicy Meatballs<br/> Signature Hand-Torn Pork Cheek/ Crispy Fried Oyster with Bell Pepper Oil and Vinegar Sauce/ Brave Potatoes/ Sherry Vinegar Garlic Mushrooms/ Catalan Grilled Vegetables/Andalusian Tomato Gazpacho/ Spanish Ham Garlic Soup/ Spanish Fresh Fish Soup/ Valencia-style Seafood Paella (Noodle)/ Squid Ink Paella (Noodle)/ Grilled Pork Ribs/ Iberico Pork Ribs / Iberico Pork Tomahawk/ Basque-style Grilled Fish<br/> Ribeye Steak/ Iberico Pork "Secreto" Gourmet Meat on Top/ Spanish Caramelized Flan/ St. James Almond Cake/ Sea Salt Chocolate Ganache Bar/ Basque-style Cheesecake</p> |

| Year | Brand                            | Product Category    | Successfully Developed Technology or Product  |
|------|----------------------------------|---------------------|---|
| 2022 | Tea Opal<br>(Self-managed brand) | Beverages           | <p>Strawberry Milk Tea, Strawberry Milk Frost, Mango Pomelo Sago, Sunny Jin Xuan Tea with Mango, Super Jasmine Mango Smoothie, Osmanthus Hawthorn, Cheese Hawthorn</p> <p>Shanghai Optimized Menu Project:<br/>(Foam Ice Brick Tea Series)<br/>Maojian Jasmine Ice Brick Tea, Jin Xuan Oolong Ice Brick Tea, Honey Red Ice Brick Tea, Hong Shui Oolong Ice Brick Tea<br/>(Milk Frost Thick Milk Tea Series)<br/>Maojian Green Tea Milk Frost Thick Milk Tea, Small Leaf Black Tea Milk Frost Thick Milk Tea, Earl Grey Milk Frost Thick Milk Tea, Jin Xuan Milk Frost Thick Milk Tea, Osmanthus Oolong Milk Frost Thick Milk Tea<br/>(Fresh fruit tea series)<br/>Refreshing Lemon Orange Tea, Fleshy Mango Tea, Full Cup of Sweet and Sour Passionfruit, Bursting Grapefruit Tea, Cheese Mango Pomelo Sago<br/>(Cheese Milk Cap Tea Series)<br/>Cheese Maojian Green Tea, Cheese Jin Xuan Oolong Tea, Cheese Hong Shui Oolong Tea, Cheese Small Leaf Black Tea</p> <p>Beijing Project:<br/>(Ice Brick Tea Series)<br/>Jinxuan Jasmine Green Tea/Jinxuan Ripe Black Tea/Jinxuan Red Oolong Tea/Qilan Dahongpao/Refreshing Tieguanyin/Berry Fruit Tea (Caffeine-free)<br/>(Hand-brewed Gaiwan tea series)<br/>Jinxuan Jasmine Green Tea/Jinxuan Ripe Black Tea/Jinxuan Red Oolong Tea/Authentic Tieguanyin/ Golden Peony Black Tea/Orchid Green Tea/Blackcurrant Fruit Tea (Caffeine-free)<br/>(Bianbian tea series)<br/>Refreshing Tieguanyin/Authentic Tieguanyin/Golden Peony Black Tea/Blackcurrant Fruit Tea<br/>(Hand Boiled Honey Fruit Tea Series)<br/>Honey Fruit Fresh Milk Tea/Honey Fruit Berry Tea/Qilan Honey Fruit Tea<br/>(Fleshy fruit tea series)<br/>Lemon White Grapefruit/Mango Pomelo Sago/Pineapple Land and Sea/Fleshy Orange/Strawberry Cold Frost<br/>(Mellow Fresh Milk Tea Series)<br/>Jinxuan Jasmine Milk Green/Jinxuan Mature Milk Tea/Jinxuan Red Oolong Milk Tea/Qilan Dahongpao Milk Tea/Bergamot Thick Milk Tea</p> |
|      |                                  | Desserts and Snacks | <p>Floss and tender egg finger cake/sausage and egg finger cake/potato and beef finger cake/Sichuan-flavored meat slice finger cake/luncheon meat and egg finger cake/lettuce salad finger cake/rare milk toast/peanut toast/Chocolate milk toast/black pepper chicken fillet Gua bao /potato beef Gua bao/Sichuan-flavored pork sliced Gua bao /pork floss tender egg Gua bao /thick slice of soufflé</p>  |

| Year | Brand                     | Product Category   | Successfully Developed Technology or Product   |
|------|---------------------------|--------------------|--|
|      |                           |                    | Beijing Project:<br>(Heat-Pressed Croissant Series) Herb Potato Baked Mushroom/Smoked Cheese Ham/Black Pepper Egg Beef/Strawberry Salt Rock Cheese/Banana Chocolate Walnut/Donkey Roll<br>(Refreshment Series) Shaking Little Yellow Duck/Red Screw Chocolate/Black Screw Chocolate/Honey White Pomelo Stone   |
| 2022 | (Project) Shanghai Dr.Oat | Beverage and snack | Thick Coconut Milk Oatmeal with Taro, Mango Grapefruit Sago Oatmeal with Coconut, Energy-packed Oatmeal Coconut Milk, Punched Honey Lemon Tea with Chia Seeds, Chia Seed Mango Coconut Oat Smoothie, Chia Seed Pineapple Oat Smoothie, Rose Lychee Tea with Chia Seeds, Gardenia Flower Chappuccino, Rose Chappuccino, Lavender Flower Chappuccino, Golden Chrysanthemum Chappuccino, Quinoa Avocado Oat Smoothie, Sesame Paste with Pearl, Hot Mulled Wine Poached Pear, Pistachio Coconut Oat with Pearl, VC Strawberry Oat Smoothie, Happy Taro Coconut |

#### 4. Long- and Short-Term Business Development Plans

Our main brand, "Happy Lemon", has gained considerable popularity in global markets, having expanded to over 20 countries and 200 cities. Currently, it is a well-known brand in the Western US market, with impressive performance. In addition to continuing to deepen the steady development of the existing market, the Company has prepared various development plans in response to the future trend of the industry and the overall economic environment. We clarify the future direction of the Company's business and related strategies in order to consolidate the brand's competitive strength and continue to seek opportunities to expand the business territory both domestically and internationally. The following is a description of the Company's short-term and medium- to long-term business development plans.

##### (1) Short-term development plan

- 1) Strengthen our presence in the US market by expanding from the western to the eastern regions.
- 2) Expand into new overseas markets, replicating the successful business model we have established in the United States.
- 3) Brand power equals competitive power, achieved through sustained brand marketing efforts and resource allocation.
- 4) Enhance the capabilities of our international development team, and participating in overseas exhibitions for expansion.
- 5) Strengthen our global supply chain platform and prioritize logistics efficiency to ensure success in global expansion.
- 6) Improve digital management capabilities, with a focus on franchisee management, membership operations, and repurchasing.
- 7) Improve the overall operational performance of the Group to achieve maximum ROE.

## (2) Mid- and long-term development plan

### 1) ☉Twin engines drive global expansion of brands

With the vision of "building the best entrepreneurial platform tea and beverages in the world", we have clearly planned the store development goals and strategies for the next 3-5 years in the global market. And through the support and joint efforts of all departments of the Group, we are working on various levels such as organization adjustment, system upgrade, process optimization, talent cultivation and procurement system to build the most suitable management model for brand operation and development of agency and franchise operations, so as to achieve a win-win situation for the Group headquarters, franchise partners and the supply chain.

### 2) Reshape the business model in response to the digital restaurant era

Facing the Internet era of the tea and beverage industry, we accelerate the construction and upgrade of the Group's digital system through strategic cooperation. We are moving towards innovation in thinking, service innovation, business innovation, technology innovation and management innovation. In response to the introduction of intelligent systems, we also transform the Group's organizational structure, upgrade the knowledge of talents and promote the development strategy of a new business model.

### 3) Grasp the development trend of the global tea and beverage industry and strengthen the ability to respond

In the face of the fast-changing nature of the tea and beverages industry, we pay close attention to and grasp the changing trends in the global tea and beverages market in terms of products, market operations, and customer preferences, and maintain a high degree of flexibility to make quick adjustments in response.

### 4) Clarify brand positioning and create value for customers

Continuing the brand upgrade, we will continue to link with the younger generation with a brighter and more active image on various levels, including menu, store type, and marketing activities. User experience is the key to sustainable customer recognition. Through the introduction of the online inspection system, the Group can strengthen data and process management, and focus more on improving QSC service levels at our stores, and develop products that are more distinctive, topical, and visually appealing, making them a social currency for young generations. We will also emphasize brand positioning and expand IP utilization through various means such as packaging design, cross-industry collaborations, peripheral merchandise, etc. We will utilize multiple platforms including product packaging, in-store displays, social media, and membership systems to convey the brand's value to customers and deepen their memory of our brand, setting ourselves apart from competitors and ultimately converting impressions into actual purchasing behaviors.

### 5) Digitization empowerment drives the continuous development of the supply chain

The company has long attached importance to the development of the supply chain and have been actively promoting the deployment of global supply chain. In the Group's digital construction planning, the supply chain is an important part. Through the calculation of data, we can predict the usage of materials, and can interactively apply parameters such as production and manufacturing, delivery time, and warranty period to make a more reasonable prediction of

demand for procurement, and integrate important information such as suppliers' data and contracts to make a better supplier management system. The Company will continue to promote the intelligent process of supply chain to integrate the development and management of upstream and downstream of the supply chain, as an important reliance on the expansion of brand globalization.

6) Talent Development, Human Resource Transformation

In response to the transition of the market and the digital transformation of the tea and beverage industry, the content of talent training was adjusted accordingly. Through the upgrading and optimization of the structure and teaching materials, the working mode of the headquarters staff, operation management, franchisees and store employees was reshaped, so that the quality of talent transformation is carried out in line with the changes of corporate development. Meanwhile, we continue to bring talents with overseas management experience into the team to strengthen the competitiveness of the brand's global development.

II. Market, Production and Sales Overview

1. Market Analysis

(1) Sales Regions for Main Products

Unit: NT\$ thousands; %

| Region                                | 2021             |                 | 2022            |                |
|---------------------------------------|------------------|-----------------|-----------------|----------------|
|                                       | Amount of Sales  | Amount of Sales | Amount of Sales | Percentage     |
| Taiwan, Hong Kong, and Mainland China | 1,194,913        | 81.91%          | 432,039         | 53.93%         |
| Other regions in Asia                 | 36,294           | 2.49%           | 41,323          | 5.16%          |
| Australia                             | 3,479            | 0.24%           | 2,040           | 0.25%          |
| America                               | 211,740          | 14.51%          | 307,193         | 38.35%         |
| Europe                                | 12,362           | 0.85%           | 18,534          | 2.31%          |
| <b>Total</b>                          | <b>1,458,788</b> | <b>100.00%</b>  | <b>801,129</b>  | <b>100.00%</b> |

(2) Market Share

At present, there are 661 cities in Mainland China (including county-level cities). The Company's Happy Lemon brand is present in more than 150 cities in Mainland China with a certain market share, and has opened stores in more than 20 countries and 200 cities overseas. The Group has a total of nearly 720 stores worldwide. In the future, the company will continue to operate in the form of agency, franchise, joint venture, alliance, etc., and adopt the strategy of expanding the market in northern China and developing in the third and fourth-tier cities in China. While we focus on the North American market to accelerate the development of stores overseas and also stabilize the development of stores in Southeast Asia, in order to realize the vision of "building the best entrepreneurial platform for global tea and beverages".

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

Hand-shaken tea is one of the most in-demand items. With the rebound of the catering industry and the rise of the consumption power of the Z generation in the catering market, the tea and beverages industry still has huge room for development in the world.

In view of the development trend of the world's two largest food and beverage markets, as the epidemic is regarded as normalized and countries have a tendency to gradually relax border controls. It is predicted that residents of countries around the world will gradually return to their pre-epidemic lifestyle. And the food and beverage industry will also resume normal operations under the ease of restrictions. At a time when the restaurant industry is recovering, and in the face of the external environment that has led the catering market to accelerate changes and reshape its business model over the past three years, our company, with more than 20 years of experience in the restaurant industry, will continue to strengthen our brand power and grasp the trend of fashion, innovation, diversification and healthiness in product development. The operation management focuses on improving QSC and enhancing comprehensive satisfaction through creating an enjoyable experience for customers. We will focus on developing both offline and online channels, accelerating the Group's digitalization efforts, and utilizing data-driven insights to enhance our competitive edge. Our global development strategy is clear and concise, allowing us to fill gaps in potential markets and systematically expand our brand on a global scale.

#### (4) Competitive Niche

##### 1) Operate with care to gain recognition

The Company has long developed its franchise business in the global market, and has always attached importance to the operation and development of all agent franchisees and joint venture partners of the brand. It has continued to provide support in store operations, QSC management, menu planning and new product development, staff training, operating systems, supply chain procurement and delivery, etc.. And the Company has continuously improved and strengthened the headquarters team and system capabilities to become the strongest support for all business partners. Therefore, in the tea and beverage industry, where franchise business is the main business model in general, our efforts have been recognized by official and unofficial institutions many times. For example, Happy Lemon was the only tea and beverage chain brand in the leisure beverage industry to achieve this honor in the 2020 list of China's Top 100 Franchise Enterprises announced by the China Chain Store Association (CCFA); it was awarded the "Chain Industry Influential Brand" for 2020-2021 by the Shanghai Chain Store Association; and it was awarded the "Digital Transformation Innovation Award" by the China Digital Innovation Conference in 2021. Over the years, the recognition from outside parties has also demonstrated the Group's persistence and dedication in "building the best global entrepreneurial platform", which will continue to enable the brand to expand at a steady pace in the global food and beverage market.

##### 2) Product Development Capability

Our R&D department has rich experience in R&D in the tea and beverages industry and has been recognized by the outside world in terms of R&D capability. We are often invited to be the judge of various tea and beverage competitions in mainland China, and our R&D team partners have also participated in many external competitions and achieved good results. By continuously absorbing new product knowledge and keeping abreast of trends, we have also developed a high level of innovation. In the process of obtaining raw materials, our company has also set up a strict procurement and quality control mechanism to ensure that our products are delicious and at the same time healthy and safe for consumers to drink. In recent years, in the process of

product development, we have been experimenting with new equipment and techniques, such as the hand-made tea brewing tower, hand-made tea filter, and iced brick tea making technique for Tea Opal, etc. Three innovative tea making equipment and techniques have taken the hand-shaken tea making technique to a higher level. In the future, we will continue to optimize the operation of tea making and ingredients, so as to simplify the operation procedures and standardize the process, reduce the complexity of employee operations, and improve the stability of products.

### 3) The Shift towards Digitalization and Digital Intelligence in Management

Since 2013, the Company has built an online membership system, accumulating a large amount of user and sales data, and bringing more advanced technology in the face of the Internet. At present, through the establishment of the data center, the Company has opened up multiple operating systems of POS, membership system, delivery, ERP, BI and other enterprises to gradually realize data cleaning. After that, the data between different systems can be used as an important support basis for product development, marketing and consumption activities, and management decisions.

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

### 1) Favorable Factors

#### A. Strong demand for tea and beverages as consumption in global market recovers

The general optimistic expectation is that with the normalization of the epidemic, global economic activities should gradually recover. People's demand for daily meals will also revive. Beverages have been the mainstream market consumption group Generation Y, and Generation Z highly dependent on the category. Under the strong support of global market demand, the Companies continue to adjust product flavor and price to meet the regionalized demand to obtain greater room for development.

#### B. Mainland China continues to promote the recovery of the catering industry with policies

As the online takeaway business accounts for an increasing proportion of the revenue of the tea and beverages industry in mainland China, it has become a trend for consumers to rely heavily on online channels to order tea and beverages. However, the high commission amount of the takeaway platform has caused the erosion of the takeaway profits of restaurants, and even the situation of selling and losing orders. In 2022, the National Development and Reform Commission and other departments in mainland China proposed a relevant discussion on "guiding take-out and other Internet platform enterprises to further reduce the service fee standards of merchants in the catering industry and lowering the operating costs of relevant catering enterprises". If government announce this policy, and implemented, it should reduce the cost of takeaway operations for the catering industry and facilitate the sustainable development of takeaway business.

#### C. The brand's global layout is clear

Since 2010, our Happy Lemon brand has extended its operations overseas. After more than a decade of operation, we have built a strong brand and

competitiveness, expanded into over 20 countries and 200 cities, and become a strong indicator brand in the Western US market.

D. Focus on QSC and food safety management

Our internal quality control department and quality inspection office are set up to monitor and manage the ingredients and raw materials used by all of our brands as well as the operational compliance at our stores on a long-term basis, with the aim of safeguarding our customers' food safety. In addition, in order to improve the performance of QSC management, we will also complete the construction of the online inspection system in 2022, insisting on the core of creating value and satisfaction for customers in the process of brand development without forgetting the original intention.

E. The Group is actively promoting digitalization efforts

In recent years, the Company has been actively promoting system upgrade and construction, and strengthening the use of data management, in order to gradually realize the analysis of customer consumption behavior. Through the digital system and the interactive use of sales data the Company knows customer needs and predicts the direction of the brand's future new product development and marketing campaign design. The Company also extend the development needs of the supply chain to improve the Group's operational management efficiency and effective management of expenses.

2) Unfavorable Factors and Specific Response Measures

A. The tea and beverage industry faces fierce competition and high substitutability

The low threshold of entry into the tea and beverage industry, product manufacturing techniques and recipes have long been no secret. Whether in terms of products or marketing activities, as long as there are popular models or new ideas launched, those will be quickly copied, imitated, consumers because of the homogeneity of the choice of too much, no excessive loyalty to the brand.

Response Measures:

In addition to the R&D and marketing departments, the Company continues to bring in young generations of partners, so as to generate new ideas in the content of product R&D and marketing activities. Through the transformation of CRM system, the Company greatly improves the communication function of brand membership activities, and vigorously promotes the construction of private domain traffic. It directs customers from the public domain to the private domain, and improves the adhesion and repurchase rate with members through high-frequency activities, more attractive content, and promotional interactions of brand new products, and generates more traffic attraction effects through incentive offers. Meanwhile, we will expand the use of brand IP and cross-border cooperation and other channels to strengthen consumers' impressions and perceptions of the brand, so as to make a distinction from competitors.

B. Consumers focus on product innovation and quality

The tea beverage industry introduces new products at an extremely fast pace, with the hand-shaken tea sector launching nearly 3,000 new products within one year. Furthermore, there is a continuous introduction of new ingredients



and materials being used in these products. The high frequency and speed of new tea brands not only exacerbate competition, but also drive consumers to follow the trend of new products. But at the same time, there is also a certain proportion of customers, maintaining the consumption habits of specific items. However, regardless of whether it is a new product or an existing item, the customers' requirements for quality and flavor are the same.

Response Measures:

By participating in external exhibitions and strengthening market research, we assist the brand's internal marketing and quality control departments in formulating menu strategies and product development directions, grasping trends and consumer preferences in all aspects of product presentation (e.g., low calorie, health trends.) We also focus on the product manufacturing process and move toward simplification of operation, simplification of process, and refinement of workmanship. To strengthen the linkage with the market demand, and also to de-complicate the standard process for the employees to maintain the high quality and stable performance of the products.

- C. High turnover of personnel in the catering industry, talent training is not easy
- Regardless of the advanced development of internet technology, some service segments of the people-oriented catering industry still need customers to feel the temperature that only people can provide. But the instability of personnel and the poor execution after training often cause the sales site to be unable to truly provide the service quality that satisfies customers.

Response Measures:

In order to deliver high quality services that exceed consumers' expectations, catering companies must continue to make adjustments to their training structure, training methods, and training materials in accordance with market technology upgrades and changes in the quality of personnel (the younger generation of employees has a different definition of service than in the past), and adjust their organizational management methods in response to the trend of a younger workforce and to understand the younger generation's pursuit of job fulfillment. And adjust organizational management methods to reduce staff turnover risks, and continuously provide the management talents and manpower required for the development of the Group.

- D. Global inflation and lack of work in the catering industry and rising operating costs.

Due to the pandemic and global warming, the prices of ingredients and raw materials have been rising, and the rent of shops has continued to rise. Moreover, the shortage of workers in the food and beverage service industry has become more serious. These conditions have put the operation of the catering industry under more and more pressure year by year.

Response Measures:

In the face of the trend of young and less well-funded entrepreneurs in the tea and beverages franchise market, the Company is actively promoting a lightweight entrepreneurial program, optimizing all aspects of store decoration, equipment and system procurement, and incentive policies to reduce the burden for existing franchise partners while attracting more new

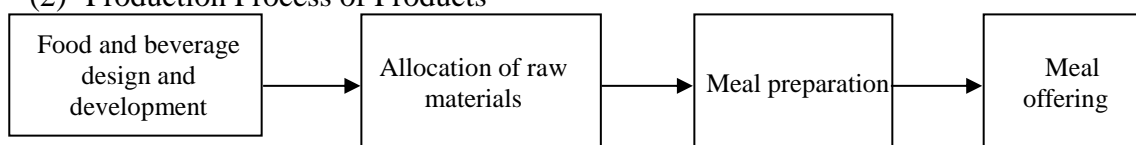
entrepreneurs to join. At the same time, in terms of raw material procurement, we expanded the search for more alternative suppliers to spread procurement risks, and actively promoted the digitalization of the supply chains to predict orders with intelligent procurement systems and reduce waste losses. Meanwhile, for the adjustment of the business model of tea and beverage business, through the calculation of financial statements, we continue to assist operation managers to grasp the opportunity of store revenue creation and reasonable cost control.

## 2. Important Uses and Production Process of Main Products

### (1) Important Uses of Products

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

### (2) Production Process of Products



## 3. Supply of Raw Materials

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

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

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

Unit: NT\$ thousands

| Item \ Year         | 2021      | 2022    | Percentage of Change |
|---------------------|-----------|---------|----------------------|
| Operating Revenue   | 1,458,788 | 801,129 | -45.08%              |
| Gross Profit        | 681,603   | 324,791 | -52.35%              |
| Gross Profit Margin | 46.72%    | 40.54%  | -13.23%              |

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

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

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

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

Unit: NT\$ thousands; %

| Item | 2021                  |         |   |                              | 2022                  |         |   |                              | 2023 up to the previous quarter |        |   |                              |
|------|-----------------------|---------|---|------------------------------|-----------------------|---------|---|------------------------------|---------------------------------|--------|---|------------------------------|
|      | Title                 | Amount  | Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the Entire Year (%) | Relationship with the Issuer | Title                 | Amount  | Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the Entire Year (%) | Relationship with the Issuer | Title                           | Amount | Percentage of Purchase of Goods in Terms of Net Purchase of Goods for the Current Year up to the Previous Quarter (%) | Relationship with the Issuer |
| 1    | D                     | 45,701  | 6.92%   | None                         | D                     | 35,006  | 10.58%  | None                         | D                               | 8,521  | 13.82%  | None                         |
|      | Others                | 614,245 | 93.08%  |                              | Others                | 295,938 | 89.42%  |                              | Others                          | 53,143 | 86.18%  |                              |
|      | Net Purchase of Goods | 659,946 | 100.00%   |                              | Net Purchase of Goods | 330,944 | 100.00%   |                              | Net Purchase of Goods           | 61,664 | 100.00%   |                              |

- (2) The names of customers who have accounted for more than 10% of total sales in any of the last two years and the amount and percentage of sales, together with the reasons for the increase or decrease:

The Company did not have any customer accounting for 10 percent of its total sales of goods in 2021 and 2022.

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

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

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

Unit: NT\$ thousands

| Sales Volume and Value<br>Main Products and Franchise<br>Company-operated Stores<br>Total | Year | 2021           |           |              |         | 2022           |         |              |        |
|---|------|----------------|-----------|--------------|---------|----------------|---------|--------------|--------|
|   |      | Domestic Sales |           | Export Sales |         | Domestic Sales |         | Export Sales |        |
|   |      | Volume         | Value     | Volume       | Value   | Volume         | Value   | Volume       | Value  |
| Agent Franchise   |      | —              | 796,388   | —            | 135,127 | —              | 425,682 | —            | 88,431 |
| Company-operated Stores   |      | —              | 527,273   | —            | —       | —              | 287,016 | —            | —      |
| Total   |      | —              | 1,323,661 | —            | 135,127 | —              | 712,698 | —            | 88,431 |

Reason for change: The decrease in sales value in 2022 compared to 2021 is mainly due to the impact of the Covid-19 pandemic in 2022. Only sales values are shown due to our ever-changing product mix, different and frequently changing product specifications, highly different units of measurements for our products, and the absence of basis for comparing our products.

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

Unit: persons

| Year   |  | 2021   | 2022   | As of March 31,<br>2023 |
|--|--|--------|--------|-------------------------|
| Number of<br>Employees                         | Managers                                 | 11     | 9      | 9                       |
|  | General Employees                        | 267    | 152    | 137                     |
|  | Production Line<br>Staff                 | 487    | 180    | 154                     |
|  | Total                                    | 765    | 341    | 300                     |
| Average Age (years old)                        |  | 30.86  | 33.91  | 35.10                   |
| Average Years of Service (years)               |  | 3.16   | 4.0    | 4.20                    |
| Distribution by<br>Education<br>Background (%) | PhD degree                               | 0.27%  | 0.59%  | 0.67%                   |
|  | Master's degree                          | 2.20%  | 2.93%  | 3.33%                   |
|  | College (including<br>Bachelor's degree) | 55.36% | 60.70% | 51.00%                  |
|  | High school                              | 30.91% | 28.74% | 35.00%                  |
|  | Below high school                        | 11.26% | 7.04%  | 10.00%                  |

IV. Environmental Protection Expenditure

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

(2) Response measures and possible expenditures in the future: Not applicable.

5. Effects of current pollution status and improvements on the Company's earnings, competitive position, and capital expenditure, and expected major environmental protection expenditures in the next two years: None.

## V. Labor Relations

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

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

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

- (II) Retirement System and Implementation

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

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

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

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

## VI. Cyber Security Management:

1. The company formulates an internal control system in accordance with relevant laws and regulations and the Company's operational needs, including: information system management operations, information security policy promotion operations, and information equipment maintenance and update operations. The Audit Office of the Company also regularly conducts inspections of various information operations. If any deficiencies are found, the inspected units are immediately required to propose improvement plans and report to the Board of Directors, and the improvement results are

regularly tracked to reduce the risk of internal information security.

2. There is no significant cyber security incidents in the most recent year and up to the publication date of the annual report.

#### VII. Important Contracts:

| Nature of Contract               | Contracting Party                   |   | Start and End Date of Contract | Major Content               | Restrictive Clause |
|----------------------------------|-------------------------------------|---|--------------------------------|-----------------------------|--------------------|
|                                  | Company                             | Contract Counterparty   |                                |                             |                    |
| Purchase and sales contract      | Shanghai Tai Quan Trading Co., Ltd. | Fujian Qin Xin Tea Co., Ltd.                                    | 2022/7/31~2023/7/30            | Purchase and sales contract | None               |
| Purchase and sales contract      | Shanghai Tai Quan Trading Co., Ltd. | Mao Deng Food & Beverage Management (Shanghai) Co., Ltd.        | 2022/1/1~2022/12/31            | Purchase and sales contract | None               |
| Commissioned processing contract | Shanghai Tai Quan Trading Co., Ltd. | Fresh Juice Co., Ltd.   | 2022/1/1~2022/12/31            | Commissioned processing     | None               |
| Commissioned processing contract | Shanghai Tai Quan Trading Co., Ltd. | Hainan Ding An Le Coconut Foods Co., Ltd.                       | 2022/3/1~2023/02/28            | Commissioned processing     | None               |
| Purchase and sales contract      | Shanghai Tai Quan Trading Co., Ltd. | Shanghai Panke International Trading Co., Ltd.                  | 2021/1/1~2022/12/31            | Purchase and sales contract | None               |
| Commissioned processing contract | Shanghai Tai Quan Trading Co., Ltd. | Kerry Ingredients Trading (Shanghai) Co., Ltd.                  | 2021/1/1~2022/12/31            | Commissioned processing     | None               |
| Purchase and sales contract      | Shanghai Tai Quan Trading Co., Ltd. | Young & Fine Food Tech (Shanghai) Co., Ltd.                     | 2022/1/1~2023/12/31            | Purchase and sales contract | None               |
| Purchase and sales contract      | Shanghai Tai Quan Trading Co., Ltd. | Guangdong Aliment Airline Foods Co., Ltd.                       | 2022/1/1~2023/12/31            | Purchase and sales contract | None               |
| Purchase and sales contract      | Shanghai Tai Quan Trading Co., Ltd. | Zhangzhou Yilin Foods Co., Ltd.                                 | 2022/1/1~2023/12/31            | Purchase and sales contract | None               |
| Commissioned processing contract | Shanghai Tai Quan Trading Co., Ltd. | Tianjin Zheng Jin Environmental Protection Technology Co., Ltd. | 2022/1/1~2023/12/31            | Commissioned processing     | None               |
| Commissioned processing contract | Shanghai Tai Quan Trading Co., Ltd. | Yongqing County Bai Xing Yu De Packing Products Co., Ltd.       | 2019/11/19~2022/12/31          | Commissioned processing     | None               |
| Commissioned processing contract | Shanghai Tai Quan Trading Co., Ltd. | NA  | 2022/1/1~2023/12/31            | Commissioned processing     | None               |

## Chapter 6. Financial Overview

### I. Condensed Financial Information for the Five Most Recent Years

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

##### 1. Condensed Balance Sheet - IFRS

Unit: NT\$ thousands

| Item  | Year                | Financial Information for the Five Most Recent Years |           |           |           |           | As of March 31, 2023 |
|---|---------------------|--|-----------|-----------|-----------|-----------|----------------------|
|   |                     | 2018   | 2019      | 2020      | 2021      | 2022      |                      |
| Current assets                                      |                     | 1,003,016  | 1,116,871 | 963,641   | 731,549   | 490,582   | 479,305              |
| Property, plant and equipment                       |                     | 184,309  | 161,492   | 146,618   | 135,020   | 111,631   | 105,125              |
| Intangible assets                                   |                     | 8,727  | 7,486     | 32,929    | 30,796    | 31,614    | 30,953               |
| Other assets  |                     | 188,246  | 515,912   | 633,506   | 477,021   | 168,801   | 171,170              |
| Total assets  |                     | 1,348,298  | 1,801,761 | 1,776,694 | 1,374,386 | 802,628   | 786,553              |
| Current liabilities                                 | Before distribution | 468,422  | 707,494   | 710,308   | 575,211   | 306,463   | 283,726              |
|   | After distribution  | 536,206  | 792,697   | 728,147   | 575,211   | 306,463   | 283,726              |
| Non-current liabilities                             |                     | 203,433  | 368,490   | 377,892   | 280,011   | 234,955   | 256,614              |
| Total liabilities                                   | Before distribution | 671,855  | 1,075,984 | 1,088,200 | 855,222   | 541,418   | 540,340              |
|   | After distribution  | 739,639  | 1,161,187 | 1,106,039 | 855,222   | 541,418   | 540,340              |
| Equity attributable to owners of the parent company |                     | 691,744  | 711,641   | 654,510   | 499,163   | 244,365   | 228,332              |
| Share capital                                       | Before distribution | 350,693  | 349,085   | 365,544   | 357,852   | 357,852   | 357,852              |
|   | After distribution  | 350,693  | 366,126   | 383,383   | 357,852   | 註         | 註                    |
| Capital surplus                                     |                     | 263,834  | 234,600   | 235,183   | 215,838   | 187,517   | 187,517              |
| Retained earnings                                   | Before distribution | 202,539  | 264,123   | 200,750   | 55,358    | (197,636) | (209,213)            |
|   | After distribution  | 134,755  | 161,879   | 182,911   | 55,358    | 註         | 註                    |
| Other equity  |                     | (58,559)   | (78,888)  | (82,929)  | (100,280) | (73,763)  | 78,219               |
| Treasury stock                                      |                     | (66,763)   | (52,279)  | (64,037)  | (29,605)  | 29,605    | 29,605               |
| Non-controlling interests                           |                     | 20,699   | 14,136    | 33,984    | 20,001    | 16,845    | 17,881               |
| Total equity  | Before distribution | 712,443  | 725,777   | 688,494   | 519,164   | 261,210   | 246,213              |
|   | After distribution  | 644,659  | 640,574   | 670,655   | 519,164   | 261,210   | 246,213              |

Source: Consolidated financial statements audited or attested by CPAs from 2018 to 2022 and in the first quarter of 2023

Note : The 2022 loss reversal plan is pending approval by the shareholders' meeting.

## 2. Condensed Statement of Comprehensive Income - IFRS

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

| Year \ Item  | Financial Information for the Five Most Recent Years |           |           |           |           | As of March 31, 2023 |
|--|--|-----------|-----------|-----------|-----------|----------------------|
|  | 2018   | 2019      | 2020      | 2021      | 2022      |                      |
| Operating Revenue  | 2,173,600  | 2,217,112 | 1,580,237 | 1,458,788 | 801,129   | 179,665              |
| Gross Profit   | 1,138,044  | 1,146,295 | 791,962   | 681,603   | 324,791   | 100,397              |
| Operating income   | 139,785  | 174,542   | 22,256    | (113,358) | (217,604) | (3,988)              |
| Non-operating revenue and expenses                                   | (6,486)  | (703)     | 35,829    | 18,363    | (7,717)   | (3,002)              |
| Net income (loss) before tax   | 133,299  | 173,839   | 58,085    | (94,995)  | (225,321) | (6,990)              |
| Net income (loss) from continuing operations                         | 94,704   | 123,353   | 33,038    | (96,760)  | (284,511) | (10,018)             |
| Net profit (loss) for the period                                     | 94,704   | 123,353   | 33,038    | (96,760)  | (284,511) | (10,018)             |
| Other comprehensive income (net of tax)                              | (2,811)  | (25,440)  | (6,947)   | (18,738)  | 27,245    | (4,432)              |
| Total comprehensive income   | 91,893   | 97,913    | 26,091    | (115,498) | (257,266) | (14,450)             |
| Net income (loss) attributable to owners of the parent company       | 103,081  | 129,368   | 38,871    | (94,106)  | (279,866) | (11,577)             |
| Net income (loss) attributable to non-controlling interests          | (8,377)  | (6,015)   | (5,833)   | (2,654)   | (4,645)   | 1,559                |
| Total comprehensive income attributable to owners of the parent      | 100,809  | 104,476   | 31,894    | (112,156) | (253,349) | (16,033)             |
| Total comprehensive income attributable to non-controlling interests | (8,916)  | (6,563)   | (5,803)   | (3,342)   | (3,917)   | 1,583                |
| Earnings (Loss) per share - basic (NT\$) (Note)                      | 3.11   | 3.62      | 1.09      | (2.65)    | (7.92)    | (0.33)               |
| Earnings (Loss) per share - diluted (NT\$) (Note)                    | 3.03   | 3.61      | 1.09      | (2.65)    | (7.92)    | (0.33)               |

Source: Consolidated financial statements audited or attested by CPAs from 2018 to 2022 and in the first quarter of 2023

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

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

| Year | Accounting Firm | Name of CPA                     | Audit Opinion       |
|------|-----------------|---------------------------------|---------------------|
| 2018 | Deloitte Taiwan | Huang, Yi-Min and Wu, Ker-Chang | Unqualified opinion |
| 2019 | Deloitte Taiwan | Wu, Ker-Chang and Huang, Yi-Min | Unqualified opinion |
| 2020 | Deloitte Taiwan | Huang, Yi-Min and Wu, Ker-Chang | Unqualified opinion |
| 2021 | Deloitte Taiwan | Wu, Ker-Chang and Huang, Yi-Min | Unqualified opinion |
| 2022 | Deloitte Taiwan | Wu, Ker-Chang and Huang, Yi-Min | Unqualified opinion |



## II. Financial Analysis for the Five Most Recent Years

### 1. Financial Analysis - IFRS

| Item  |   | Year | Financial Analysis for the Five Most Recent Years |        |        |         |         | As of March 31, 2023 |
|---|---|------|---|--------|--------|---------|---------|----------------------|
|   |   |      | 2018  | 2019   | 2020   | 2021    | 2022    |                      |
| Financial Structure (%)   | Debt-to-asset ratio   |      | 48.53   | 59.71  | 61.24  | 62.22   | 67.45   | 68.69                |
|   | Proportion of long-term capital to property, plant, and equipment   |      | 406.40  | 470.87 | 523.90 | 369.70  | 302.96  | 314.33               |
| Solvency (%)  | Current Ratio (%)   |      | 214.12  | 157.86 | 135.66 | 127.17  | 160.07  | 168.93               |
|   | Quick Ratio (%)   |      | 194.40  | 143.54 | 115.68 | 100.81  | 125.38  | 134.93               |
|   | Interest coverage ratio   |      | 36.25   | 9.58   | 4.22   | (5.07)  | (21.64) | (2.71)               |
| Operating Ability   | Receivables turnover rate (times)                                   |      | 52.12   | 48.88  | 37.85  | 51.32   | 28.13   | 16.96                |
|   | Average collection days   |      | 7.00  | 7.00   | 10.00  | 7.00    | 13.00   | 21.52                |
|   | Inventory turnover rate (times)                                     |      | 9.76  | 10.38  | 8.24   | 8.07    | 5.76    | 5.92                 |
|   | Payables turnover rate (times)                                      |      | 8.12  | 8.39   | 7.42   | 9.79    | 6.29    | 4.19                 |
|   | Average inventory turnover days                                     |      | 37.00   | 35.00  | 44.00  | 45.23   | 63.37   | 61.65                |
|   | Property, plant and equipment turnover (times)                      |      | 11.50   | 12.82  | 10.25  | 10.35   | 6.50    | 6.63                 |
|   | Total asset turnover rate (times)                                   |      | 1.50  | 1.39   | 0.88   | 0.92    | 0.74    | 0.89                 |
| Profitability   | Return on assets (%)  |      | 6.74  | 8.69   | 2.60   | (5.39)  | (25.45) | (1.07)               |
|   | Return on equity  |      | 12.94   | 17.15  | 4.67   | (16.02) | (72.92) | (3.95)               |
|   | Net income before income tax as a percentage of paid-in capital (%) |      | 38.01   | 49.79  | 15.88  | (26.54) | (62.96) | (1.95)               |
|   | Net income ratio (%)  |      | 4.35  | 5.56   | 2.09   | (6.63)  | (35.51) | (5.58)               |
|   | Earnings per share (NT\$)(註2)                                       |      | 3.11  | 3.62   | 1.09   | (2.65)  | (7.92)  | (0.33)               |
| Cash Flow   | Cash flow ratio (%)   |      | 22.44   | 55.46  | 88.42  | 26.92   | (21.64) | 5.22                 |
|   | Cash flow fair value ratio (%)                                      |      | 41.77   | 80.15  | 121.12 | 168.11  | 189.31  | 165.75               |
|   | Cash reinvestment ratio (%)   |      | (2.49)  | 33.55  | 66.09  | 28.25   | (13.90) | 2.94                 |
| Leverage  | Degree of operating leverage (DOL)                                  |      | 7.74  | 6.30   | 34.21  | (註2)    |         |                      |
|   | Degree of financial leverage (DFL)                                  |      | 1.02  | 1.13   | 5.21   | (註2)    |         |                      |
| Reasons for changes in financial ratios for the last two years:   |   |      |   |        |        |         |         |                      |
| <p>1. The increase in the ratio of liabilities to assets and the decrease in the ratio of long-term funds to fixed assets: The increase in the ratio of liabilities to assets is mainly due to the termination of fixed deposits in 2022 and the sale of long-term investments to make up for the huge decrease in assets due to the huge operating losses. The decrease in the ratio of long-term funds to fixed assets is mainly due to the loss in 2022, which reduces the owner's equity of the company compared with last year.</p>  |   |      |   |        |        |         |         |                      |
| <p>2. Current ratio: Due to the reduction in operating income and purchases, the accounts payable decreased, and the repayment of most of the bank loans and the substantial closure of directly-operated stores reduced the lease liabilities, resulting in a significant reduction in current liabilities. Decrease in interest coverage ratio: The main reason is that the loss before income tax and interest expenses in 2022 is greater than that in 2021.</p>  |   |      |   |        |        |         |         |                      |
| <p>3. Operating capacity indicators (increased accounts receivable turnover rate, decreased average cash collection days, decreased inventory turnover rate, and decreased asset turnover rate). Although operating income will decline sharply in 2022, due to the economic downturn, it will be difficult for customers to operate, so the increase will be increased. Due to the due date and difficult recovery of payment for goods. This year's operating cost has been greatly reduced due to the decline in operating income. Although the inventory has declined this year, the inventory was still at a peak at the end of last year, so the average inventory is high, resulting in a decline in the inventory turnover rate. And due to the substantial reduction in revenue, the asset turnover ratio has decreased.</p> |   |      |   |        |        |         |         |                      |

|    |   |
|----|---|
| 4. | Profitability indicator: Mainly due to the shadow of the new crown epidemic in China in 2022, drastic measures such as closing the city and zeroing out have been adopted, which have severely damaged people's livelihood and consumption. As a result, the company has also led to a significant decrease in revenue, and the reduction in fixed expenses is limited. The overall gross profit margin reduce. |
| 5. | The cash flow indicators (decrease in cash flow ratio and cash reinvestment ratio) are mainly due to the expansion of losses in 2022, which makes the cash outflow generated by the overall operation a negative number.  |
| 6. | The degree of operating leverage is mainly due to the impact of the new crown epidemic in mainland China on operating conditions, resulting in losses in operations, resulting in losses in overall operations.   |

Source: Consolidated financial statements audited by CPAs from 2018 to 2022 and consolidated financial statements reviewed by CPAs in the first quarter of 2023.

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

Note 2: As the company incurred net operating losses in 2022 and the first quarter of 2023, the ratio for this item will not be disclosed.

Note 3: The following lists the formulas used for performing the financial analysis:

1. Financial Structure
  - (1) Debt-to-asset ratio = Total liabilities/Total assets.
  - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Debt-Paying Ability
  - (1) Current ratio = Current assets/Current liabilities.
  - (2) Quick ratio = (Current assets – Inventory – Prepaid expense)/Current liabilities.
  - (3) Interest coverage ratio = Net income before income tax and interest expense/Current interest expense for the period.
3. Operating Ability
  - (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
  - (2) Average collection days = 365/Receivables turnover ratio.
  - (3) Inventory turnover ratio = Cost of goods sold/Average inventory value.
  - (4) Payable turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of goods sold/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
  - (5) Average inventory turnover days = 365/Inventory turnover ratio.
  - (6) Property, plant and equipment (PP&E) turnover ratio = Net sales/Average value of PP&E.
  - (7) Total asset turnover rate = Net sales/Average total assets.
4. Profitability
  - (1) Return on assets = [Net income after taxes + Interest expense (1– Tax rate)]/Average total assets.
  - (2) Return on equity = Net income after taxes/Average total equity.
  - (3) Net profit margin = Net income after taxes/Net sales.
  - (4) Earnings per share = (Net profit (loss) attributable to the owners of the parent company – Preferred dividends) / Weighted average number of shares outstanding.
5. Cash Flow
  - (1) Cash flow ratio = Net cash flow from operating activities/Current liabilities.
  - (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the five most recent years/(Capital expenditure + Inventory increase + Cash dividend) for the most recent five years.
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividend)/(Gross value of PP&E + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
  - (1) Degree of operating leverage = (Net operating revenue - Change in operating costs and operating expenses)/Operating income.
  - (2) Degree of financial leverage = Operating income/(Operating income - Interest expenses).

III. Audit report of the Audit Committee on the most recent annual financial statements:

雅茗天地股份有限公司

Yummy Town (Cayman) Holdings Corporation

審計委員會審查報告書

董事會造具本公司西元二〇二二年年度營業報告書、合併財務報表及虧損撥補議案等，其中合併財務報表業經勤業眾信聯合會計師事務所黃毅民會計師及吳恪昌會計師查核完竣，並出具查核報告書。上述營業報告書、合併財務報表及虧損撥補議案經本審計委員會審查，認為尚無不合，爰依證券交易法十四條之四及公司法兩百一十九條出具報告，敬請 鑒核。

雅茗天地股份有限公司

Yummy Town (Cayman) Holdings Corporation

審計委員會召集人：杜啟堯



西 元 二 〇 二 三 年 三 月 二 十 日

- IV. Financial Statements for the Most Recent Year: Kindly refer to Page [136] to Page [220]
- V. Parent Company-Only Financial Statements Attested by CPAs in the Most Recent Year: Not applicable.
- VI. Financial Turnover-Related Difficulties Facing the Company and Its Affiliated Companies for the Most Recent Year up to the Publication Date of this Annual Report: None.

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

### I. Comparative Analysis of Financial Status

The main reasons and impacts of major changes in assets, liabilities and equity in the last two years

Unit: NT\$ thousands

| 項 目 \ 年 度  | 2021 年度   | 2022 年度  | 差異       |          |
|--|-----------|----------|----------|----------|
|  |           |          | 金額       | %        |
| current assets   | 731,549   | 490,582  | -240,967 | -32.94%  |
| Investments using the equity method  | 107,242   | 10,642   | -96,600  | -90.08%  |
| Property, plant and equipment  | 135,020   | 111,631  | -23,389  | -17.32%  |
| intangible assets  | 30,796    | 31,614   | 818      | 2.66%    |
| other assets   | 369,779   | 158,159  | -211,620 | -57.23%  |
| total assets   | 1,374,386 | 802,628  | -571,758 | -41.60%  |
| Current liabilities  | 575,211   | 306,463  | -268,748 | -46.72%  |
| Non-current liabilities  | 280,011   | 234,955  | -45,056  | -16.09%  |
| total liabilities  | 855,222   | 541,418  | -313,804 | -36.69%  |
| share capital  | 357,852   | 357,852  | 0        | 0.00%    |
| capital reserve  | 215,838   | 187,517  | -28,321  | -13.12%  |
| retained earnings  | 55,358    | -197,636 | -252,994 | -457.01% |
| Other interests  | -100,280  | -73,763  | 26,517   | -26.44%  |
| treasury stock   | -29,605   | -29,605  | 0        | 0.00%    |
| non-controlling interest   | 20,001    | 16,845   | -3,156   | -15.78%  |
| Total shareholders' equity   | 519,164   | 261,210  | -257,954 | -49.69%  |
| Description of major changes:<br>(the change in amount reaches 10%, and the amount reaches 1% of the total assets of the year)   |           |          |          |          |
| 1. Current assets: mainly due to operating losses and reduction of available funds.  |           |          |          |          |
| 2. Investment using the equity method: mainly because the company will sell the equity of Yongchuncheng Co., Ltd. held by the company in 2022.   |           |          |          |          |
| 2. Real estate, plant and equipment: Mainly direct-sale stores are impacted by the mainland region's anti-epidemic zero policy to cooperate with epidemic prevention. Temporary closure or closure of stores due to measures taken, resulting in net operating losses and asset impairments, and impairment losses are provided for the fixed assets of catering stores. |           |          |          |          |
| 4. Other assets: mainly due to the reduction of right-of-use assets due to the closure of a large number of stores and the non-recovery of security deposits, which are listed as impairment losses.   |           |          |          |          |
| 5. Current liabilities: mainly due to the substantial decrease in repayment of bank loans and lease liabilities-current.   |           |          |          |          |
| 6. Non-current liabilities: mainly due to the large number of store closures resulting in a decrease in lease liabilities-non-current and a significant reduction in the return of deposits  |           |          |          |          |

from franchised stores.

7. Capital reserves: mainly to make up for losses.

8. Retained surplus: Mainly due to losses in 2022 due to a sharp drop in operating income due to the continued impact of the epidemic.

9. Other rights and interests: mainly due to exchange rate fluctuations resulting in the increase in exchange differences in the translation of financial statements of foreign operating institutions.

## II. Comparative Analysis of Financial Results

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

Unit: NT\$ thousands

| Item \ Year                        | 2021      | 2022     | Increase or Decrease | Percentage of Change (%) |
|------------------------------------|-----------|----------|----------------------|--------------------------|
| Operating Revenue                  | 1,458,788 | 801,129  | -657,659             | -45.08%                  |
| Operating costs                    | 777,185   | 476,338  | -300,847             | -38.71%                  |
| Gross Profit                       | 681,603   | 324,791  | -356,812             | -52.35%                  |
| Operating expenses                 | 794,961   | 542,395  | -252,566             | -31.77%                  |
| Operating profit (loss)            | -113,358  | -217,604 | -104,246             | 91.96%                   |
| Non-operating revenue and expenses | 18,363    | -7,717   | -26,080              | -142.02%                 |
| Profit before tax (loss)           | -94,995   | -225,321 | -130,326             | 137.19%                  |
| Income tax expense                 | -1,765    | -59,190  | -57,425              | 3253.54%                 |
| Net profit after tax (loss)        | -96,760   | -284,511 | -187,751             | 194.04%                  |

#### Analysis of increase or decrease:

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

#### 1. Operating income:

The main reason is that the covid-19 epidemic will continue in mainland China in 2022. Due to the impact of uncertain factors such as zero-clearing policies and city closures, coupled with excessive competition in the catering industry, it is not easy to open stores, and related operations have dropped significantly.

#### 2. Operating costs:

In 2022, due to the sharp decrease in operating income, operating costs will decrease simultaneously, but inflation will cause various costs to increase, resulting in a slight increase in the cost rate.

#### 3. Operating expenses:

Due to the reduction in operating income, marketing expenses have also decreased, and personnel reduction has been carried out to save costs.

#### 4. Non-operating income and expenses: The main series of asset impairment loss is about 38,806 thousand yuan.

#### 5. Income tax expenses:

The deferred income tax assets deducted from the losses of mainland subsidiaries will not be realized in the future, so it is due to the reversal.

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

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

### III. Cash Flow:

#### 1. Analysis of Liquidity in the Two Most Recent Years

Unit: NT\$ thousands; %

| Item \ Year                                    | 2021   | 2022      | Difference | Increase and decrease percentage |
|--|--|-----------|------------|----------------------------------|
| Cash inflow from operating activities(outflow) | 154, 873   | -66, 322  | -221, 195  | -142. 82%                        |
| Cash inflow from investing activities          | 159, 561   | 299, 590  | 140, 029   | 87. 76%                          |
| Cash outflow from financing activities         | -365, 411  | -278, 773 | 86, 638    | -23. 71%                         |
| Remark   | (1) Operating activities: mainly due to operating losses, the cash inflow from operating activities decreased.                               |           |            |                                  |
|  | (2) Investment activities: mainly due to the disposal of the shares of Yongchuncheng, an investment related company, in this period.         |           |            |                                  |
|  | (3) Financing activities: mainly due to the lack of cash dividends and the decrease in repayment of lease liabilities in the current period. |           |            |                                  |

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

#### 3. Analysis of Cash Liquidity in the Coming Year (2023)

Unit: NT\$ thousands

| Cash balance at the beginning of the period<br>(1) | Estimated full-year net cash flow from operating activities<br>(2)  | Estimated full-year net cash outflow from non-operating activities<br>(3) | Remaining cash balance<br>(1)+(2)-(3) | Remedial measures for cash shortage |                |
|--|---|---|---------------------------------------|-------------------------------------|----------------|
|  |   |   |                                       | Investment plan                     | Financing plan |
| 313, 675   | 55, 032   | 24, 750   | 343, 957                              | 0                                   | 0              |
| Remark   | (1) Operating activities: Revenues and profits in North America will continue to grow this year, resulting in a net cash inflow from operating activities.  |   |                                       |                                     |                |
|  | (2) Investing activities: The global economy continues to contract due to the COVID-19 pandemic, and there is still uncertainty about the timing of recovery. The Company has no investment plans.  |   |                                       |                                     |                |
|  | (3) Financing activities: The Company does not have any investment plan nor corresponding financing plan.   |   |                                       |                                     |                |
|  | (4) Remedial measures for cash shortage: The company anticipates a net cash inflow from operating activities in the coming year, which should be sufficient to support the cash outflow from investing activities. Therefore, there is currently no risk of liquidity shortage. |   |                                       |                                     |                |



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

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

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

1. Reinvestment policy

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

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

Except for those which are posting a loss because they are newly established or their operations are yet to reach a certain scale, the rest of the Company's reinvested companies are not profitable, and the Company has actively adjusted the operating model of these companies and made appropriate disposal so that each reinvestment is profitable.

3. Investment plan for the coming year:

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

VI. Risk Items:

(I) Risk Factors and Management Strategies

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

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

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

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

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

of the Company.

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

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

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

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

Unit: NT\$ thousands

| Item / Year                                     | 2022    | 2023 Q1 |
|---|---------|---------|
| Net interest income (expense) (A) (Note 1)      | (7,981) | (1,681) |
| Foreign exchange gain (loss) - net (B) (Note 2) | (9,314) | (44)    |
| Operating revenue - net (C)                     | 801,129 | 179,665 |
| (A)/(C)   | -1.00%  | -0.94%  |
| (B)/(C)   | -1.16%  | -0.02%  |

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

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

(1) Impact of interest rate changes:

The company's net interest expense in 2022 is 7,981 thousand yuan, accounting for 1.00% of the annual operating income. The net interest expense in the first quarter of 2023 is 1,681 thousand yuan, accounting for 0.94% of the first quarter operating income. The company's revenue is minimal. Looking ahead, the company will still pay close attention to the global economic development situation and the trend of interest rates in the United States and mainland China, and adjust the use of funds of the company in due course.

(2) Impact of exchange rate changes:

The company's exchange loss in 2022 is 9,314 thousand yuan, accounting for 1.16% of the annual operating income. In the first quarter of 2023, the exchange loss is 44 thousand yuan, accounting for 0.02% of the first quarter operating income. The exchange profit and loss accounted for a very small proportion of revenue, so The risk of exchange rate fluctuations for the Group is not high.

(3) Inflation impact:

The past profit and loss of the company has not been significantly affected by inflation. If the purchase cost increases due to inflation, the company will also adjust the sales price appropriately if necessary to reduce the impact on the company's operations.

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

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

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

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

(1) Future R&D plans

1) Short-term R&D directions

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

RBTEA Real Brew Tea is focused on the principle of "Natural is the Best", providing green and healthy food products with offline comfortable social environment as the first element of development. We continue to develop healthy plant-based beverages, with a focus on creating new categories that cater to consumers in social spaces and scenarios. We aim to refine and explore new tea-based drinks and creative food options to create more beloved brands of healthy beverages for consumers.

After the brand upgrade, the Happy Lemon brand focused on consumer preferences based on menu sales data and delved deep into multidimensional product development including star product "lemon" elements.

We have added several new popular products to our milk tea category, such as punched lemonade, punched mint lemon tea, punched kumquat lemon tea, punched green plum lemon tea, punched bitter melon lemon tea, punched pineapple lemon tea, lemon milk candy cheese milk tea, lemon milk candy coconut milk tea, and lemon milk candy tapioca milk tea, etc. In the brand strategy of topic creation, we have developed popular products such as "Ya Shi Xiang Super Lemon Tea" and "Da Hong Pao Fragrant Iced Lemon Tea", combined with marketing strategies to significantly increase the brand's presence on social media. This includes presenting a new hand-drawn logo and developing new element products to make the brand more lively and youthful. In the future, Happy Lemon will continue to focus on the main elements of lemon and milk tea in product development, upgrading the quality of classic products, and extending application to develop popular designs.

The new menu is created by the Tea Opal brand, which retains the brand's star products and adds new series - hand-poured bowl tea series, hand-boiled honey fruit tea series, succulent fruit tea series, and mellow fresh milk tea series, and uses Michelin techniques to incorporate familiar

elements from urban areas, as well as develops and applies them to innovative delicate refreshments and light food items.

2) Middle- and long-term R&D directions

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

Under the environment of repeated pandemic, imported frozen materials are under strict control, so we are speeding up the development of local procurement of such materials to reduce the risk of transportation and time costs, tracing the source of key raw materials to procure and use local materials, as well as optimizing the in-store operations. For example, in terms of the key product material production (salty cheese milk cap), after testing and selection from many qualified dairy food manufacturers, we commence cooperation to develop the core material of customized brand milk cap and milk syrup to stabilize the flavor of the brand's special milk cap, and reduce the time of the production process of the store to 50% so as to improve the quality and stability of the product and increase the trade volume.

On top of moving toward simplified procedures for developing product materials, regarding the market trend of fruit elements and healthy ingredients, the Company also invests more resources in development, reduces stores' operational procedures for ingredients, as well as simplifies store equipment and investments, aiming to achieve the objective of personnel training and operation, which enables personnel to pick up quickly so as to ensure the quality control of the stores.

(2) Expected R&D investments

In 2022, the Company's R&D expenses accounted for 1.77 percent of our operating revenue. With the rising number of brands and revenue growth, the Company can gradually increase our R&D expenses, thus enhancing our competitiveness in the market.

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

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

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

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

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

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

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

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

In the most recent year up to the publication date of this annual report, the Company has no specific plan to engage in mergers and acquisitions involving other companies outside the Group. Hence, this section is not applicable.

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

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

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

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

(XI) Impact of the Transfer or Replacement of Large Number of Shares Involving Directors, Supervisors or Major Shareholders Whose Shareholding Percentage Exceeds 10 percent on the Company and Relevant Risks: No such situation was observed in the Company in 2022.

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

(XIII) Litigious or Non-litigious Matters

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

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

(XIV) Other Important Risks and Response Measures: None.

VII. Other Important Matters: None.

## Chapter 8. Special Notes

### I. Information on Affiliated Companies:

#### (I) Consolidated Business Report on Affiliated Companies

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

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

#### 2. Basic Information on Affiliated Companies:

| Name of Company   | Date of Incorporation | Address  | Paid-in Capital | Main Business or Products  |
|---|-----------------------|--|-----------------|--|
| RBT Holdings Limited  | 2007.2.2              | Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong | HK\$50,200,000  | Investment holding and purchase and sale of raw materials for food and beverage      |
| RBT Enterprise Limited  | 2007.1.24             | Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong | HK\$8,800       | Trademark rights management  |
| Yen Mei Enterprise Limited                                    | 2000.9.1              | 6F., No.77, Xinqu 1st Rd., Neihu Dist., Taipei                                     | NT\$50,000,000  | Buying and selling of beverages, collection of franchise fees and royalties          |
| Happy Lemon HK Limited  | 2005.11.17            | Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong | HK\$7,000,000   | Trading of beverages and collection of franchise fee and royalties                   |
| RBT Resources Limited   | 2007.2.21             | Unit F, 9/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong | HK\$26,000,000  | Trading of raw materials for catering  |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | 1999.5.31             | 4F., Building 3, No.199 Jintong Rd, Taopu Town, Putuo District, Shanghai           | US\$3,500,000   | Operation of food and beverage outlets and collection of franchise fee and royalties |
| Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | 2006.9.12             | 4F., Building 3, No.199 Jintong Rd, Taopu Town, Putuo District, Shanghai           | RMB3,000,000    | Trading of beverages and collection of franchise fee and royalties                   |
| Shanghai Tai Quan Trading Co., Ltd.                           | 2008.6.13             | 4F., Building 3, No.199 Jintong Rd, Taopu Town, Putuo District, Shanghai           | RMB11,400,000   | Trading of raw materials for catering  |

| Name of Company   | Date of Incorporation | Address  | Paid-in Capital         | Main Business or Products  |
|---|-----------------------|--|-------------------------|--|
| Jia Qun Food & Beverage Management (Beijing) Co., Ltd.      | 2008.8.6              | Room M17, 4F., No.17, Dongsanhuan N. Rd., Chaoyang Dist., Beijing                          | RMB1,000,000            | Trading of beverages and collection of franchise fee and royalties                   |
| Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd. | 2009.3.12             | Room 601-603 & 604A, Trading Square, No.268, Dongfeng Central Rd., Yuexiu Dist., Guangzhou | RMB1,000,000            | Operation of food and beverage outlets and collection of franchise fee and royalties |
| Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.  | 2012.6.25             | Room A, No.1-2, 15F., Beitekongpai Mansion, No.51, Qinglong St., Qingyang Dist., Chengdu   | RMB1,000,000            | Trading of beverages and collection of franchise fee and royalties                   |
| You Xiang Food & Beverage Management (Shanghai) Co., Ltd.   | 2014.9.10             | 4F., Building 3, No.199 Jintong Rd, Taopu Town, Putuo District, Shanghai                   | RMB20,000,000           | Operation of food and beverage outlets   |
| Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.      | 2017.5.9              | 4F., Building 3, No.199 Jintong Rd, Taopu Town, Putuo District, Shanghai                   | RMB6,810,000            | Operation of food and beverage outlets   |
| Yummy-town USA LLC  | 2017.8.30             | 1013 Centre Road,Suite 403S,Wilmington,DE 19805,County of New Castle                       | USD\$1,311,000          | Trading of beverages, collection of franchise fees and royalties                     |
| Yummy-town Holding Corporation                              | 2022.5.6              | 1620 GREENCASTLE AVE APT B ROWLAND HEIGHTS, CA91748  | —                       | 飲品買賣、餐飲食品原物料買賣、收取加盟金及特許權使用費  |
| Yummy-town UK Ltd   | 2019.9.17             | CHASE BUSINESS CENTRE,39-41 CHASE SIDE,SOUTHGATE,LONDON N14 5BP,UK                         | GBP1,100,000 (Note 1)   | Investment holding   |
| Yen Chun International Co., Ltd.                            | 2019.11.25            | 1F., No. 11, Dongfeng Street, Da'an District, Taipei City                                  | NT\$10,000,000 (Note 2) | Operation of food and beverage outlets   |
| Happy Lemon West Inc.                                       | 2020.2.20             | 35233 NEWARK BLVD., UNIT G, NEWARK, CA 94560   | US\$209,000 (Note 3)    | Beverage trading and food and beverage raw   |



| Name of Company                | Date of Incorporation | Address   | Paid-in Capital   | Main Business or Products   |
|--------------------------------|-----------------------|---|---|---|
|                                |                       |   |   | material trading  |
| Happy Lemon (M) Sdm Bhd        | 2020.1.2              | GROUND FLOOR, 8 LORONG UNIVERSITI B SECTION 16 PENTALING JAYA SELANGOR                              | MYR1,530,000  | Purchase and sale of raw materials for food and beverage, purchase and sale of beverage and collection of franchise fee and royalties |
| Shanghai Ipang                 | 2021.4.28             | Room 510, 5th Floor, Building 9, No.951, Shenglong Road, Jiuting Town, Songjiang District, Shanghai | RMB10,000,000   | Food sales  |
| Xiamen Choyueh                 | 2021.6.22             | B12-2, 4F, No. 18, East Ocean View Road, Fujian Free Trade Pilot Zone                               | Buying and selling of beverages, collection of franchise fees and collection of royalties | Buying and selling of beverages, collection of franchise fees and collection of royalties   |
| Shanghai Coffee and Tea Prince | 2021.8.17             | Room 607, 6th Floor, Building 17, No. 470, Jiujing Road, Jiujing Town, Songjiang District, Shanghai | RMB1,500,000  | Catering equipment sales and others   |

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

| Name of Company   | Director                                     | Supervisor    | President |
|---|--|---------------|-----------|
| RBT Holdings Limited  | Chen, Yu-Chen and Wu, Po-Chao                | -             | -         |
| RBT Enterprise Limited  | Chen, Yu-Chen and Wu, Po-Chao                | -             | -         |
| Yen Mei Enterprise Limited                                    | Chen, Yu-Chen                                | -             | -         |
| RBT Food and Beverage Ltd.                                    | Chen, Yu-Chen                                | -             | -         |
| RBT Resources Limited   | Chen, Yu-Chen and Wu, Po-Chao                | -             | -         |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Wu, Po-Chao; Chen, Yu-Chen; and Wu, Hua-Chao | Lin, Chin-Jen | -         |
| Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | Wu, Po-Chao                                  | Chen, Yu-Chen | -         |
| Shanghai Tai Quan Trading Co., Ltd.                           | Wu, Po-Chao                                  | Chen, Yu-Chen | -         |
| Jia Qun Food & Beverage Management (Beijing) Co., Ltd.        | Wu, Po-Chao                                  | Lin, Tai-Yi   | -         |
| Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.   | Wu, Hua-Chao                                 | Chen, Yu-Chen | -         |
| Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.    | Lin, Tai-Yi                                  | Chen, Yu-Chen | -         |

| Name of Company   | Director  | Supervisor                              | President        |
|---|---|---|------------------|
| You Xiang Food & Beverage Management (Shanghai) Co., Ltd. | Wu, Po-Chao; Nakaoka Kazunori; Mitsu Ito; Kajiwara Fumio; Chang, Miao-Ling; and Lin, Tai-Yi | Chen, Yu-Chen and Heng Tsang Kang Sheng | Chang, Miao-Ling |
| Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.    | Chen, Yu-Chen   | Wu, Po-Chao                             | Chang, Miao-Ling |
| Yummy-town USA LLC  | Chen, Yu-Chen   | -                                       | Chen, Yu-Chen    |
| Yummy-town UK Ltd   | Chen, Yu-Chen   | -                                       | Chen, Yu-Chen    |
| Yen Chun International Co., Ltd.                          | Chen, Yu-Chen   | -                                       | -                |
| Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd.   | Wu, Po-Chao; Chen, Yu-Chen; and Chang, Hsin-Jung  | -                                       | Chang, Hsin-Jung |
| Happy Lemon West Inc.                                     | Chen, Yu-Chen; Chen, Sheng-Chung; and Chen, Po-Sheng  | -                                       | Chen, Po-Sheng   |
| Shanghai Ipang  | Wu, Po-Chao; and Chen, Yu-Chen;   | -                                       | -                |
| Shanghai Coffee and Tea Prince                            | Executive director: Chen, Yu-Chen   | Lin, Hsu                                | Hou, Shao-Hua    |

#### 4. Business Overview of Affiliated Companies

Unit: NT\$ thousands

| Name of Company   | Total assets | Total liabilities | Net value | Operating Revenue | Operating profit | Profit or loss for the period (after tax) | Earnings Per Share (NT\$) (After Tax) |
|---|--------------|-------------------|-----------|-------------------|------------------|---|---------------------------------------|
| RBT Holdings Limited  | 226,403      | 915,624           | 225,488   | 4,743             | (649)            | (273,680)                                 | 註                                     |
| RBT Enterprise Limited  | 10,520       | 7,885             | 2,636     | 11,552            | (22,677)         | (22,565)                                  | 註                                     |
| Yen Mei Enterprise Limited                                    | 114,375      | 59,239            | 55,136    | 7,651             | 12,571           | 29,226                                    | 註                                     |
| Yen Chun International Co., Ltd.                              | 112,170      | 50,720            | 61,450    | 8,239             | (4,934)          | 43,022                                    | 註                                     |
| Happy Lemon HK Limited  | 113,116      | 48,599            | 64,517    | 97,263            | 20,687           | 24,644                                    | 註                                     |
| RBT Resources Limited   | 166,275      | 55,455            | 109,741   | 199,757           | 13,361           | 12,916                                    | 註                                     |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | 65,831       | 80,068            | (14,238)  | 40,696            | (32,797)         | (296,598)                                 | 註                                     |
| Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | (21,253)     | 77,302            | (98,555)  | 15,238            | (23,571)         | (52,614)                                  | 註                                     |
| Shanghai Tai Quan Trading Co., Ltd.                           | 107,096      | 74,494            | 33,924    | 244,135           | (72,910)         | (80,151)                                  | 註                                     |
| Jia Qun Food & Beverage Management (Beijing) Co., Ltd.        | 57,248       | 126,590           | (69,443)  | 70,965            | (24,382)         | (36,690)                                  | 註                                     |
| Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.   | 4,806        | 37,364            | (32,358)  | 16,949            | (17,516)         | (20,802)                                  | 註                                     |
| Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.    | 458          | 39,886            | (39,428)  | 9,389             | (16,662)         | (20,065)                                  | 註                                     |
| You Xiang Food & Beverage Management                          | 21,370       | 105               | 11,802    | 0                 | (45)             | (4,762)                                   | 註                                     |

| Name of Company   | Total assets | Total liabilities | Net value | Operating Revenue | Operating profit | Profit or loss for the period (after tax) | Earnings Per Share (NT\$) (After Tax) |
|---|--------------|-------------------|-----------|-------------------|------------------|---|---------------------------------------|
| (Shanghai) Co., Ltd.                                    |              |                   |           |                   |                  |   |                                       |
| Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.  | 8,160        | 21                | 8,139     | 0                 | (46)             | (1,112)                                   | 註                                     |
| Yi Cheng Food & Beverage Management (Guangxi) Co., Ltd. | 0            | 0                 | 0         | 0                 | 0                | (5,069)                                   | 註                                     |
| You Fu Food & Beverage Management (Shanghai) Co., Ltd.  | 1,589        | 2,359             | (771)     | 32                | (288)            | (221)                                     | 註                                     |
| Shanghai Ipang  | 8,973        | 8,968             | (8)       | 0                 | (4,427)          | (4,426)                                   | 註                                     |
| Shanghai Coffee and Tea Prince                          | 4,859        | 1,052             | 1,942     | 6,203             | (2,131)          | (2,094)                                   | 註                                     |
| Yummy-town UK LLC                                       | 46,041       | 0                 | 46,041    | 0                 | (33)             | (10,884)                                  | 註                                     |
| Yummy-town USA LLC                                      | 120,812      | 78,480            | 42,332    | 70,573            | (14,860)         | (11,107)                                  | 註                                     |
| Happy Lemon West, INC                                   | 63,585       | 43,864            | 40,941    | 91,834            | 6,799            | 3,399                                     | 註                                     |

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

Closing exchange rates on December 31, 2022:

RMB : NTD=1:4.408 ; HKD : NTD=1:3.938 ; USD : NTD=1:30.71 ; GBP : NTD=1:37.09 ; MYR : NTD=1:6.69

Average exchange rates on December 31, 2022:

RMB : NTD=1:4.422 ; HKD : NTD=1:3.806 ; USD : NTD=1:29.805 ; GBP : NTD=1:36.799 ; MYR : NTD=1:6.499

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

(III) Report on Affiliated Companies: None.

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

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

IV. Other Supplementary Matters:

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

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

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

Yummy Town (Cayman) Holdings  
Corporation and Subsidiaries

Consolidated Financial Statements  
and Independent Auditors' Report  
For the Years Ended December 31, 2022 and  
2021

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

Phone: (21) 5216-3499

## **Independent Auditors' Report**

To Yummy Town (Cayman) Holdings Corporation:

### **Audit Opinion**

We have audited the consolidated balance sheets of Yummy Town (Cayman) Holdings Corporation and its subsidiaries (hereinafter referred to as the "Yummy Town Group and its subsidiaries") as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to consolidated financial statements (including the Summary of Significant Accounting Policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of Yummy Town Group and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations

(SIC) endorsed by the Financial Supervisory Commission (FSC).

### **Basis for Audit Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibility under those standards is further described in the section titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements". We are independent of Yummy Town (Cayman) Holdings Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

### **Key Audit Matters**

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of Yummy Town Group and its subsidiaries for the year ended December 31, 2022, based on our professional judgment. These matters were addressed in our audit of the

consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of Yummy Town Group and its subsidiaries for the year ended December 31, 2022 are stated as follows:

#### Recognition of sales of commodities

The operating revenue of Yummy Town Group and its subsidiaries in 2022 was \$801,129 thousand, of which the transaction type is selling raw materials to the franchisee for consideration, resulting in \$387,073 thousand of sales which represents 48% of total operating revenue. As the franchisees come from various regions and there are many business locations, considering that the sales of commodities of Yummy Town Group and subsidiaries has a significant impact on the consolidated financial report, the accountant assesses that the risk of income recognition lies in whether the revenue of specific customers with a significant amount of sales actually occurs. It is considered a key audit matter in the audit of consolidated financial statements for the year ended December 31, 2022. For details, please refer to Notes IV (XV) and V.

The audit procedures conducted by the CPA for the recognition of the above revenue are as follows:

1. Understand the internal control system related to sales transactions, and evaluate and test the effectiveness of its design and implementation.
2. Conduct the confirmatory test of the sales transaction of the specific customer mentioned above. The procedures include confirming the delivery documents, the export declaration forms, the invoices and whether the payments are received on schedule according to the transaction conditions, and checking the POS information to confirm whether the franchisee has the turnover in the current month, in order to recognize the sales of Commodities.

#### **Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements**

The responsibilities of management are to prepare the consolidated financial statements with a fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed by the FSC with effective dates, and to maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Yummy Town Group and subsidiaries in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management

intends to liquidate the Yummy Town Group and subsidiaries or cease the operations, or has no realistic alternative but to do so.

The governance bodies of Yummy Town Group and subsidiaries (including the Audit Committee) are responsible for supervising the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute counter-measures in response to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from the error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yummy Town Group and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubts on Yummy Town Group and subsidiaries' ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events



or conditions may cause Yummy Town Group and subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes) and whether the consolidated financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within Yummy Town Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters of Yummy Town Group and its subsidiaries' consolidated financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan

CPA                                      Wu-Ke-Chang

CPA                                      Huang-I-Min

Financial Supervisory Commission  
Approval Document No.

Jin-Guan-Zheng-Shen-Zi No.  
1000028068

Financial Supervisory Commission Approval  
Document No.

Jin-Guan-Zheng-Shen-Zi No. 1030024438

March 28, 2023

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NT Dollars

| Code | Assets   | December 31, 2022 |             | December 31, 2021   |            |
|------|--|-------------------|-------------|---------------------|------------|
|      |  | Amount            | %           | Amount              | %          |
|      | <b>Current assets</b>  |                   |             |                     |            |
| 1100 | Cash and cash equivalents (Notes IV and VI)  | \$ 313,675        | 39          | \$ 335,995          | 24         |
| 1110 | Financial assets at fair value through profit or loss - current (Notes IV and VII)                           | 3,482             | 1           | 4,361               | -          |
| 1136 | Financial assets at amortized cost - current (Notes IV and VIII)   | -                 | -           | 157,576             | 11         |
| 1170 | Accounts receivable (Notes IV and IX)  | 25,580            | 3           | 20,905              | 2          |
| 1180 | Accounts receivable - related parties (Notes IV, IX and XXIX)  | 10,473            | 1           | 9                   | -          |
| 1200 | Other receivables  | 25,695            | 3           | 48,261              | 3          |
| 1220 | Current income tax assets (Notes IV and XXIII)   | 730               | -           | 8,618               | 1          |
| 130X | Inventories (Notes IV and X)   | 57,827            | 7           | 107,425             | 8          |
| 1479 | Other current assets - others (Notes VI, XXIX and XXX)   | 53,120            | 7           | 48,399              | 4          |
| 11XX | <b>Total Current Assets</b>  | <b>490,582</b>    | <b>61</b>   | <b>731,549</b>      | <b>53</b>  |
|      | <b>NON-CURRENT ASSETS</b>  |                   |             |                     |            |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Notes IV and XI)            | 5,647             | 1           | 8,047               | 1          |
| 1551 | Investments accounted for using the equity method (Notes IV and XIII)  | 10,642            | 1           | 107,242             | 8          |
| 1600 | Property, plant and equipment (Notes IV, XIV and XXX)  | 111,631           | 14          | 135,020             | 10         |
| 1755 | Right-of-use assets (Notes IV and XV)  | 111,166           | 14          | 248,598             | 18         |
| 1780 | Intangible assets (Notes IV and XVI)   | 31,614            | 4           | 30,796              | 2          |
| 1840 | Deferred tax assets (Notes IV and XXIII)   | 6,512             | 1           | 45,488              | 3          |
| 1920 | Refundable deposits  | 34,834            | 4           | 67,646              | 5          |
| 15XX | <b>Total Non-current Assets</b>  | <b>312,046</b>    | <b>39</b>   | <b>642,837</b>      | <b>47</b>  |
| 1XXX | <b>Total Assets</b>  | <b>\$ 802,628</b> | <b>100</b>  | <b>\$ 1,374,386</b> | <b>100</b> |
|      | <b>Liabilities and Equity</b>  |                   |             |                     |            |
|      | <b>Current liabilities</b>   |                   |             |                     |            |
| 2100 | Short-term loans (Note XVII)   | \$ 75,136         | 9           | \$ 170,059          | 12         |
| 2170 | Accounts payable   | 57,198            | 7           | 64,572              | 5          |
| 2219 | Other payables (Note XVIII and XXIX)   | 83,690            | 11          | 123,493             | 9          |
| 2230 | Current income tax liabilities (Notes IV and XXIII)  | 10,601            | 1           | 5,818               | -          |
| 2280 | Lease liabilities - current (Notes IV and XV)  | 47,017            | 6           | 117,021             | 9          |
| 2320 | Long-term borrowings due within one year (Note XVII)   | -                 | -           | 51,762              | 4          |
| 2399 | Other current liabilities  | 32,821            | 4           | 42,486              | 3          |
| 21XX | <b>Total Current Liabilities</b>   | <b>306,463</b>    | <b>38</b>   | <b>575,211</b>      | <b>42</b>  |
|      | <b>Non-current liabilities</b>   |                   |             |                     |            |
| 2527 | Contract liabilities - non-current (Notes IV and XXI)  | 76,989            | 10          | 15,858              | 1          |
| 2570 | Deferred income tax liabilities (Notes IV and XXIII)   | 2,868             | -           | 8,438               | 1          |
| 2580 | Lease liabilities - non-current (Notes IV and XV)  | 68,823            | 8           | 138,538             | 10         |
| 2645 | Guarantee deposits received  | 86,275            | 11          | 117,177             | 8          |
| 25XX | <b>Total Non-current Liabilities</b>   | <b>234,955</b>    | <b>29</b>   | <b>280,011</b>      | <b>20</b>  |
| 2XXX | <b>Total Liabilities</b>   | <b>541,418</b>    | <b>67</b>   | <b>855,222</b>      | <b>62</b>  |
|      | <b>Equity Attributable to owners of the Company (Note XX)</b>  |                   |             |                     |            |
|      | <b>Share capital</b>   |                   |             |                     |            |
| 3110 | Common stocks  | 357,852           | 45          | 357,852             | 26         |
| 3200 | Capital surplus  | 187,517           | 23          | 215,838             | 16         |
|      | <b>Retained earnings</b>   |                   |             |                     |            |
| 3310 | Legal reserve  | -                 | -           | 68,193              | 5          |
| 3320 | Special reserve  | 82,230            | 11          | 82,230              | 6          |
| 3350 | Accumulated deficit  | (279,866)         | (35)        | (95,065)            | (7)        |
| 3300 | <b>Total Retained Earnings</b>   | <b>(197,636)</b>  | <b>(24)</b> | <b>55,358</b>       | <b>4</b>   |
|      | <b>Other equity</b>  |                   |             |                     |            |
| 3410 | Exchange differences in translation of foreign operations  | (67,822)          | (8)         | (99,856)            | (8)        |
| 3420 | Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income | (5,941)           | (1)         | 424                 | -          |
| 3400 | <b>Total Other Equity</b>  | <b>(73,763)</b>   | <b>(9)</b>  | <b>100,280)</b>     | <b>(8)</b> |
| 3500 | Treasury stock   | (29,605)          | (4)         | (29,605)            | (2)        |
| 31XX | <b>Total Equity Attributable to Shareholders of the Parent</b>   | <b>244,365</b>    | <b>31</b>   | <b>499,163</b>      | <b>36</b>  |
| 36XX | Non-controlling interests (Note XX)  | 16,845            | 2           | 20,001              | 2          |
| 3XXX | <b>Total Equity</b>  | <b>261,210</b>    | <b>33</b>   | <b>519,164</b>      | <b>38</b>  |
|      | <b>Total Liabilities and Equity</b>  | <b>\$ 802,628</b> | <b>100</b>  | <b>\$ 1,374,386</b> | <b>100</b> |

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

Chairman: Wu Po-Chao

President: Wu Po-Cha

Accounting Supervisor: Chih Chia-Ling

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

| Code |   | 2022               |               | 2021               |              |
|------|---|--------------------|---------------|--------------------|--------------|
|      |   | Amount             | %             | Amount             | %            |
| 4000 | Operating revenue (Notes IV, V, XXI and XXIX)   | \$ 801,129         | 100           | \$ 1,458,788       | 100          |
| 5000 | Operating costs (Notes X, XXII, and XXIX)   | <u>476,338</u>     | <u>59</u>     | <u>777,185</u>     | <u>53</u>    |
| 5900 | Gross Profit  | <u>324,791</u>     | <u>41</u>     | <u>681,603</u>     | <u>47</u>    |
|      | Operating expenses (Note XXII and XXIX)   |                    |               |                    |              |
| 6100 | Sales and marketing expenses  | 304,256            | 38            | 501,235            | 35           |
| 6200 | General and administrative expenses   | 222,014            | 28            | 276,016            | 19           |
| 6300 | Research and development expenses   | 14,174             | 2             | 17,710             | 1            |
| 6450 | Expected credit impaired loss (Note IX)   | <u>1,951</u>       | <u>-</u>      | <u>-</u>           | <u>-</u>     |
| 6000 | Total operating expenses  | <u>542,395</u>     | <u>68</u>     | <u>794,961</u>     | <u>55</u>    |
| 6900 | Net operating loss  | ( <u>217,604</u> ) | ( <u>27</u> ) | ( <u>113,358</u> ) | ( <u>8</u> ) |
|      | Non-operating income and expenses (Note XXII)   |                    |               |                    |              |
| 7100 | Interest income   | 1,967              | -             | 7,957              | -            |
| 7010 | Other income  | 18,176             | 2             | 15,739             | 1            |
| 7020 | Other gains and losses  | ( 17,223)          | ( 2)          | ( 1,102)           | -            |
| 7050 | Finance costs   | ( 9,948)           | ( 1)          | ( 15,640)          | ( 1)         |
| 7770 | Share of profit of associates accounted for using the equity method (Notes IV and XIII) | ( <u>689</u> )     | <u>-</u>      | <u>11,409</u>      | <u>1</u>     |
| 7000 | Total non-operating income and expenses   | ( <u>7,717</u> )   | ( <u>1</u> )  | <u>18,363</u>      | <u>1</u>     |

(Continued)

(Continued from previous page)

| Code |  | 2022         |       | 2021         |      |
|------|--|--------------|-------|--------------|------|
|      |  | Amount       | %     | Amount       | %    |
| 7900 | Net loss before tax  | (\$ 225,321) | ( 28) | (\$ 94,995)  | ( 7) |
| 7950 | Income tax expenses (Notes IV and XXIII)   | ( 59,190)    | ( 7)  | ( 1,765)     | -    |
| 8200 | Net loss for the period  | ( 284,511)   | ( 35) | ( 96,760)    | ( 7) |
|      | Other comprehensive income (loss)  |              |       |              |      |
| 8310 | Items that may be reclassified to profit or loss   |              |       |              |      |
| 8316 | Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income | ( 5,517)     | ( 1)  | ( 424)       | -    |
| 8360 | Items that may be reclassified subsequently to profit or loss  |              |       |              |      |
| 8361 | Exchange differences in translation of foreign operations  | 33,308       | 4     | ( 15,572)    | ( 1) |
| 8370 | Share of other comprehensive income of associates accounted for using the equity method                      | ( 546)       | -     | ( 2,742)     | -    |
| 8300 | Total other comprehensive income   | 27,245       | 3     | ( 18,738)    | ( 1) |
| 8500 | Total comprehensive income for the period  | (\$ 257,266) | ( 32) | (\$ 115,498) | ( 8) |
|      | Net loss attributable to   |              |       |              |      |
| 8610 | owners of the parent   | (\$ 279,866) | ( 35) | (\$ 94,106)  | ( 7) |
| 8620 | Non-controlling interests  | ( 4,645)     | ( 1)  | ( 2,654)     | -    |
| 8600 |  | (\$ 284,511) | ( 36) | (\$ 96,760)  | ( 7) |
|      | Total comprehensive loss attributable to   |              |       |              |      |
| 8710 | owners of the parent   | (\$ 253,349) | ( 32) | (\$ 112,156) | ( 8) |
| 8720 | Non-controlling interests  | ( 3,917)     | -     | ( 3,342)     | -    |
| 8700 |  | (\$ 257,266) | ( 32) | (\$ 115,498) | ( 8) |
|      | Deficit per share (Note XXIV)  |              |       |              |      |
| 9710 | Basic  | (\$ 7.92)    |       | (\$ 2.65)    |      |
| 9810 | Diluted  | (\$ 7.92)    |       | (\$ 2.65)    |      |

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

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accounting Supervisor: Chih Chia-Ling

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NT Dollars

|      |  | Equity Attributable to owners of the Company |                   |               |                  |  |  |   |                               |                      |                   |                              |                   |
|------|--|--|-------------------|---------------|------------------|--|--|---|-------------------------------|----------------------|-------------------|------------------------------|-------------------|
|      |  | Retained earnings                            |                   |               |                  |  | Other equity   |   |                               |                      |                   |                              |                   |
|      |  | Share capital                                |                   |               |                  |  |  |   |                               |                      |                   |                              |                   |
| Code |  | Share Capital -<br>Common Stock              | Capital surplus   | Legal reserve | Special reserve  | (Accumulated<br>deficit)<br>Unappropriated<br>earnings | Exchange<br>differences in<br>translation of<br>foreign operations | Unrealized<br>revaluation gains<br>and losses on<br>financial assets at<br>fair value through<br>other<br>comprehensive<br>income | Unearned<br>employee benefits | Treasury stock       | Total             | Non-controlling<br>interests | Total Equity      |
| A1   | Balance as of January 1, 2021  | \$ 365,544                                   | \$ 235,182        | \$ 64,306     | \$ 75,253        | \$ 61,191  | ( \$ 82,230 )  | \$ -  | ( \$ 699 )                    | ( \$ 64,037 )        | \$ 654,510        | \$ 33,984                    | \$ 688,494        |
|      | Appropriation of earnings for 2020 (Note XX)                           |  |                   |               |                  |  |  |   |                               |                      |                   |                              |                   |
| B1   | Recognition of legal reserve   | -  | -                 | 3,887         | -                | ( 3,887 )  | -  | -   | -                             | -                    | -                 | -                            | -                 |
| B3   | Recognition of special reserve   | -  | -                 | -             | 6,977            | ( 6,977 )  | -  | -   | -                             | -                    | -                 | -                            | -                 |
| B5   | Distribution of cash dividends   | -  | -                 | -             | -                | ( 17,839 )   | -  | -   | -                             | -                    | ( 17,839 )        | -                            | ( 17,839 )        |
| D1   | Net loss for the year ended December 31, 2021                          | -  | -                 | -             | -                | ( 94,106 )   | -  | -   | -                             | -                    | ( 94,106 )        | ( 2,654 )                    | ( 96,760 )        |
| D3   | Other comprehensive income (loss) for the year ended December 31, 2021 | -  | -                 | -             | -                | -  | ( 17,626 )   | ( 424 )   | -                             | -                    | ( 18,050 )        | ( 688 )                      | ( 18,738 )        |
| D5   | Total comprehensive income (loss) for the year ended December 31, 2021 | -  | -                 | -             | -                | ( 94,106 )   | ( 17,626 )   | ( 424 )   | -                             | -                    | ( 112,156 )       | ( 3,342 )                    | ( 115,498 )       |
| L1   | Treasury shares buyback (Note XX)                                      | -  | -                 | -             | -                | -  | -  | -   | -                             | ( 13,577 )           | ( 13,577 )        | -                            | ( 13,577 )        |
| L1   | Treasury shares cancellation (Note XX)                                 | ( 7,200 )                                    | ( 7,362 )         | -             | -                | ( 33,447 )   | -  | -   | -                             | 48,009               | -                 | -                            | -                 |
| M7   | Changes in percentage of ownership interests in subsidiaries           | -  | 1,521             | -             | -                | -  | -  | -   | -                             | -                    | 1,521             | ( 1,521 )                    | -                 |
| N1   | Cancellation of employee restricted stocks (Notes XXV)                 | ( 492 )                                      | 492               | -             | -                | -  | -  | -   | -                             | -                    | -                 | -                            | -                 |
| N1   | Compensation cost of employee restricted stocks (Note XX and XXV)      | -  | ( 14,012 )        | -             | -                | -  | -  | -   | 699                           | -                    | ( 13,313 )        | -                            | ( 13,313 )        |
| O1   | Net changes in non-controlling interests (Note XX)                     | -  | -                 | -             | -                | -  | -  | -   | -                             | -                    | -                 | ( 9,120 )                    | ( 9,120 )         |
| T1   | Gain on exercise of vesting rights                                     | -  | 17                | -             | -                | -  | -  | -   | -                             | -                    | 17                | -                            | 17                |
| Z1   | Balance as of December 31, 2021  | 357,852                                      | 215,838           | 68,193        | 82,230           | ( 95,065 )   | ( 99,856 )   | ( 424 )   | -                             | ( 29,605 )           | 499,163           | 20,001                       | 519,164           |
| D1   | Net loss for the year ended December 31, 2022                          | -  | -                 | -             | -                | ( 279,866 )  | -  | -   | -                             | -                    | ( 279,866 )       | ( 4,645 )                    | ( 284,511 )       |
| D3   | Other comprehensive income (loss) for the year ended December 31, 2022 | -  | -                 | -             | -                | -  | 32,034   | ( 5,517 )   | -                             | -                    | 26,517            | 728                          | 27,245            |
| D5   | Total comprehensive income (loss) for the year ended December 31, 2022 | -  | -                 | -             | -                | ( 279,866 )  | 32,034   | ( 5,517 )   | -                             | -                    | ( 253,349 )       | ( 3,917 )                    | ( 257,266 )       |
| F1   | Surplus reserves for making up losses                                  | -  | ( 26,872 )        | ( 68,193 )    | -                | 95,065   | -  | -   | -                             | -                    | -                 | -                            | -                 |
| M7   | Changes in percentage of ownership interests in subsidiaries           | -  | ( 1,521 )         | -             | -                | -  | -  | -   | -                             | -                    | ( 1,521 )         | 1,521                        | -                 |
| O1   | Net changes in non-controlling interests (Note XX)                     | -  | -                 | -             | -                | -  | -  | -   | -                             | -                    | -                 | ( 760 )                      | ( 760 )           |
| T1   | Gain on exercise of vesting rights                                     | -  | 72                | -             | -                | -  | -  | -   | -                             | -                    | 72                | -                            | 72                |
| Z1   | Balance as of December 31, 2022  | <u>\$ 357,852</u>                            | <u>\$ 187,517</u> | <u>\$ -</u>   | <u>\$ 82,230</u> | <u>( \$ 279,866 )</u>                                  | <u>( \$ 67,822 )</u>   | <u>( \$ 5,941 )</u>   | <u>\$ -</u>                   | <u>( \$ 29,605 )</u> | <u>\$ 244,365</u> | <u>\$ 16,845</u>             | <u>\$ 261,210</u> |

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

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accounting Supervisor: Chih Chia-Ling

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NT Dollars

| Code   |  | 2022         | 2021        |
|--------|--|--------------|-------------|
|        | Cash flows from operating activities   |              |             |
| A10000 | Net loss before income tax for the period                                      | (\$ 225,321) | (\$ 94,995) |
| A20010 | Income and expense items   |              |             |
| A20100 | Depreciation expense   | 127,242      | 218,953     |
| A20200 | Amortization   | 2,632        | 3,569       |
| A20300 | Expected credit impaired loss  | 1,951        | -           |
| A20400 | Net loss (gain) on financial assets at fair value through profit or loss       | 946          | ( 2,006)    |
| A20900 | Interest expense   | 9,948        | 15,640      |
| A21200 | Interest income  | ( 1,967)     | ( 7,957)    |
| A21900 | Employee compensation cost   | -            | ( 13,313)   |
| A22300 | Share of loss (gain) of associates accounted for using equity method           | 689          | ( 11,409)   |
| A22500 | Loss on disposal of property, plant and equipment                              | 12,259       | 7,913       |
| A23200 | Gain on disposal of investments  | ( 53,660)    | ( 422)      |
| A23700 | Write-downs of inventories   | 5,565        | 547         |
| A23800 | Impairment loss of assets  | 38,806       | -           |
| A29900 | Gains on lease modification  | ( 14,565)    | ( 5,368)    |
| A30000 | Net changes in operating assets and liabilities                                |              |             |
| A31115 | Financial assets are mandatorily measured at fair value through profit or loss | ( 67)        | 124,854     |
| A31150 | Accounts receivables   | ( 7,069)     | 14,974      |
| A31160 | Accounts receivables - related parties   | ( 10,802)    | 48          |
| A31180 | Other receivables  | 17,067       | ( 12,581)   |
| A31200 | Inventory  | 42,409       | ( 22,792)   |
| A31240 | Other current assets   | ( 5,467)     | 12,463      |
| A32125 | Contract liabilities   | 61,593       | ( 10,522)   |
| A32150 | Accounts payable   | ( 5,919)     | ( 29,396)   |
| A32160 | Accounts payable - related parties   | -            | ( 226)      |
| A32180 | Other payables   | ( 33,573)    | 10,345      |
| A32230 | Other current liabilities  | ( 9,531)     | ( 7,409)    |
| A33000 | Cash flow (out) in generated from operations                                   | ( 46,834)    | 190,910     |

(Continued)

(Continued from previous page)

| Code   |  | 2022              | 2021              |
|--------|--|-------------------|-------------------|
| A33100 | Interest received  | \$ 5,911          | \$ 5,678          |
| A33300 | Interest paid  | ( 12,286)         | ( 15,640)         |
| A33500 | Income tax paid  | ( 13,113)         | ( 26,075)         |
| AAAA   | Net cash (out) in generated by operating activities                              | <u>( 66,322)</u>  | <u>154,873</u>    |
|        | Cash flows from investing activities   |                   |                   |
| B00010 | Acquisition on financial assets at fair value through other comprehensive income | ( 2,761)          | ( 8,041)          |
| B00040 | Net decrease in financial assets at amortized cost                               | 157,576           | 168,795           |
| B01900 | Proceeds from disposal of investments accounted for using equity method          | 149,550           | 7,522             |
| B02300 | Net cash outflow from the disposal of subsidiaries (Note XXVI)                   | ( 2,933)          | -                 |
| B02700 | Acquisition of property, plant and equipment                                     | ( 18,418)         | ( 39,568)         |
| B02800 | Proceeds from disposal of property, plant and equipment                          | 110               | 1,366             |
| B03800 | Decrease in refundable deposits  | 17,316            | 4,063             |
| B04500 | Acquisition of intangible assets   | ( 395)            | ( 2,283)          |
| B06600 | Other (increase) decrease in other current assets                                | ( 455)            | 11,704            |
| B07600 | Dividend received  | <u>-</u>          | <u>16,003</u>     |
| BBBB   | Net cash flows generated by (used in) investing activities                       | <u>299,590</u>    | <u>159,561</u>    |
|        | Cash flows from financing activities   |                   |                   |
| C00100 | Decrease in short-term loans   | ( 94,923)         | ( 112,388)        |
| C01700 | Repayment of long-term borrowings  | ( 51,762)         | -                 |
| C03100 | Decrease in guarantee deposits received  | ( 30,902)         | ( 26,320)         |
| C04020 | Principal repayment of lease liabilities   | ( 100,498)        | ( 186,184)        |
| C04500 | Distribution of cash dividends   | -                 | ( 17,839)         |
| C04900 | Costs for treasury stock buyback   | -                 | ( 13,577)         |
| C05800 | Net changes in non-controlling interests   | ( 760)            | ( 9,120)          |
| C09900 | Exercise of vesting rights   | <u>72</u>         | <u>17</u>         |
| CCCC   | Net cash used in financing activities  | <u>( 278,773)</u> | <u>( 365,411)</u> |
| DDDD   | Effect of exchange rate changes on cash and cash equivalents                     | <u>23,185</u>     | <u>( 13,386)</u>  |
| EEEE   | Net decrease in cash and cash equivalents  | ( 22,320)         | ( 64,363)         |
| E00100 | Cash and cash equivalents at beginning of year                                   | <u>335,995</u>    | <u>400,358</u>    |
| E00200 | Cash and cash equivalents at end of the year                                     | <u>\$ 313,675</u> | <u>\$ 335,995</u> |

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

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accounting Supervisor: Chih Chia-Ling

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Yummy Town (Cayman) Holdings Corporation (hereinafter referred to as the Company) was incorporated in the British Cayman Islands in December 2009 as an investment holding company. The Company and subsidiaries (hereinafter referred to as the Consolidated Entity) mainly engage in the catering business and the collection of franchise fees and royalties.

The Company's shares have been listed on the Taipei Exchange (TPEX) since December 24, 2014.

The Consolidated Entity's number of employees were 278 and 765 as of December 31, 2022 and 2021, respectively.

The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

II. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 20, 2023.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereafter referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (hereafter referred to as the "FSC"), which has no material impact on this consolidated financial statements.



(II) FSC-endorsed IFRSs that are applicable from 2023 onward

| <u>New/Revised/Amended Standards and Interpretations</u>  | <u>Effective Date Issued by IASB</u> |
|---|--------------------------------------|
| Amendments to IAS 1 "Disclosure of Accounting Policies"   | January 1, 2023 (Note 1)             |
| Amendment to IAS 8 "Definition of Accounting Estimation"  | January 1, 2023 (Note 2)             |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 3)             |

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

Note 2. The amendments are applicable to changes in accounting estimates and accounting policies that occur during the annual reporting period starting after January 1, 2023.

Note 3. The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred income tax on temporary differences in leases and decommissioning obligations on January 1, 2022.

The Consolidated Entity continues to assess the effects of amendments to other standards or interpretations on the financial status and performance up until the publishing date of the consolidated financial statements. Relevant effects will be disclosed when assessment is completed.

(III) Standards issued by IASB but not yet endorsed and issued into effect by FSC

| <u>New/Revised/Amended Standards and Interpretations</u>   | <u>Effective Date Issued by IASB (Note 1)</u> |
|--|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined                              |
| Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"  | January 1, 2024 (Note 2)                      |
| IFRS17 "Insurance Contracts"   | January 1, 2023                               |
| Amendment to IFRS 17   | January 1, 2023                               |
| Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"                                | January 1, 2023                               |
| Amendments to IAS1 "Classification of Liabilities as Current or Non-current"   | January 1, 2024                               |
| Amendments to IAS 1 "Non-current Liabilities with Covenants"   | January 1, 2024                               |

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

Note 2. A seller-lessee shall apply the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

The Consolidated Entity continues to assess the effects of amendments to other standards or interpretations on the financial status and performance up until the publishing date of the consolidated financial statements. Relevant effects will be disclosed when assessment is completed.

#### IV. Summary of Significant Accounting Policies

(I) Statement of compliance

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

(II) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

The fair value measurement is classified into three levels based on the observability and importance of related input:

1. Level 1 inputs: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
3. Level 3 inputs: Unobservable inputs for the assets or liabilities.

(III) Standards for classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the publication of the financial statements are also deemed as current liabilities); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments, do not affect its classification.

The Company shall classify all other assets or liabilities that are not specified above as non-current.

(IV) Basis of consolidation

The consolidated financial statements include the financial reports of the Company and its wholly owned entities (subsidiaries). Profits and losses of subsidiaries acquired or disposed of are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The financial statements of subsidiaries have been adjusted to ensure consistency between their accounting policies and the Consolidated Entity's accounting policies. When compiling the consolidated financial statements, all transactions, account balances, income and expenses between the entities were eliminated. A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests have deficit balances in the process.

When a change in the Consolidated Entity's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be treated as an equity transaction. The carrying amounts of the Consolidated Entity and its non-controlling interests have been adjusted to reflect the relative changes in the interest of the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or collected shall be directly recognized in equity attributable to the shareholders of the Company.

Please refer to Note XII and Tables VI and VII for detailed information on subsidiaries, including percentages of ownership and main businesses.

(V) Business Combinations

Business combinations are handled by the acquisition method. Costs associated with the acquisition are recognized as expenses in the current period when costs are incurred and labor services received.

Goodwill is measured by the total amount of the fair value of the consideration transferred, the amount of non-controlling interests of the acquired and the fair value of the interests of the acquired previously owned by the acquirer on the acquisition date, which exceeds the net amount of the identifiable assets and assumed liabilities on acquisition date. If after reassessment, the net amount of identifiable assets and assumed liabilities acquired on the acquisition date still exceeds the total amount of consideration transferred, non-controlling interest of the acquiree, and fair value of the acquiree equity previously held by the acquirer on the acquisition date, the difference is the gain on bargain purchase, which is immediately recognized in profit or loss.

Non-controlling interests that have present ownership interests in the acquiree and entitlement to the proportionate share of the entity's net assets in the event of liquidation are measured at fair value. Other non-controlling interests are measured at fair value.

When the consideration transferred by the consolidated company in the business combination includes the assets or liabilities arising from the contingent consideration agreement, the contingent consideration is measured at fair value on the acquisition date and is part of the transfer consideration paid in exchange for the acquiree. If the change in the fair value of the contingent consideration is an adjustment of the measurement period, it is a retrospective adjustment of the acquisition cost and a relative adjustment of the goodwill. The adjustment of the measurement period refers to the adjustment generated during the "measurement period" (no more than one year from the acquisition date) due to the acquisition of additional information of existing facts and circumstances on the acquisition date.

(VI) Foreign currency

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

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries, associates or branch offices located in different countries or using currencies other than the Company's function currency) are translated into New Taiwan Dollars at the rate of exchange prevailing on the balance sheet dates. Revenue and expenses are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognized in other comprehensive income (attributable to owners of the Company and non-controlling interests as appropriate).

On the disposal of the entire interest in the foreign operation, or part of the interest in subsidiaries of the foreign operation with a loss of control, or when the retained interests upon the disposal of foreign operation's associates are financial assets and accounted for using the accounting policies for financial instruments, all of the accumulated exchange differences attributable to shareholders of the Company and associated with the foreign operation are reclassified to profit or loss.

If the partial disposal of a subsidiary of the foreign operation does not result in a loss of control, the accumulated exchange differences are reattributed in proportion to the non-controlling interests of the subsidiary and not recognized in profit or loss. For all other situations of partial disposal of a foreign operation, the accumulated exchange difference is reclassified to profit or loss by disposal percentage.

(VII) Inventories

Inventories include raw materials and merchandise inventories. The value of inventory shall be determined based on the cost and net realizable value (NRV), whichever is lower. With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. The cost of inventory is calculated using the weighted average method. At the end of the period, appropriate loss allowances are provided based on the analysis of inventory aging and turnover.

(VIII) Investments in associates

An associate is an entity over which the Consolidated Entity has significant influence but is not a subsidiary nor a joint venture.

The Consolidated Entity accounts for investments in associates using the equity method.

Under the equity method, the investment is initially recognized at cost. After the acquisition date, the carrying amount of the investment is adjusted based on the Consolidated Entity's share of profit or loss and other comprehensive income and the profit distribution of the associates. In addition, changes in the interests of associates are recognized based on the shareholding percentage.

Any excess of acquisition cost over the Consolidated Entity's share of the net fair value of the identifiable assets and liabilities of the associates at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment but not allowed for amortization. If the Consolidated Entity's share of the net fair value of identifiable assets and liabilities exceeds acquisition cost, the excessive amount is recognized in profit or loss.

When the associate issues new shares, if the Consolidated Entity does not subscribe according to its shareholding percentage, its shareholder percentage changes, and the net equity value of the investment increases or decreases accordingly, the increase or decrease is adjusted through the capital reserve - changes in the net equity value of associates accounted for using the equity method and investments accounted for using equity method. If the amount of ownership interests in associates decreases because the Consolidated Entity fails to subscribe or acquire shares according to its shareholding percentage, the amount recognized in other comprehensive income associated with the

associates is reclassified according to the percentage of decrease, and its basis of accounting treatment is the same as the one used for direct disposal of relevant assets and liabilities by the associates. If capital reserve shall be debited in the said adjustment and the amount of capital reserve generated by the investments accounted for using the equity method is insufficient, the difference is credited to retained earnings.

When the Consolidated Entity's share of loss equals or exceeds its share of interests in the associates (including the carrying amount of the investments in associates accounted for using the equity method and other long-term interests in the Consolidated Entity's net investment in associates in substance), the Consolidated Entity would cease recognizing losses any further. The Consolidated Entity only recognizes extra losses and liabilities to the extent that there is a legal obligation, constructive obligation, or payments on behalf of the associates.

When the Consolidated Entity performs impairment assessments, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with the carrying amount. The impairment loss recognized would not be allocated to assets that form part of the investment's carrying amount, including goodwill. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Consolidated Entity shall cease the use of the equity method when the investment is no longer an associate. Its retained interest in the associate is measured at fair value, and the difference between the fair value and proceeds from disposal, and the carrying amount of the investment on the date the entity stops using the equity method is recognized in profit or loss for the period. In addition, the Consolidated Entity shall account for all the amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. When investments in associates become investments in joint ventures, or vice versa, the Consolidated Entity would continue to adopt the equity method and not to remeasure the retained interests.

Profit or loss in upstream, downstream, and lateral transactions between the Consolidated Entity and the associates is recognized in the consolidated

financial reports to the extent that it does not affect the Consolidated Entity's interests in the associates.

(IX) Property, plant and equipment

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

PP&E are depreciated using the straight-line method over their useful lives. Each major component is depreciated separately. The Consolidated Entity shall conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods. The effects of changes in accounting estimates shall be applied prospectively.

When derecognizing PP&E, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(X) Goodwill

The goodwill received through business combinations is recognized as the cost according to the amount of goodwill recognized on the acquisition date and then measured by the amount of cost minus accumulated impairment loss.

To test impairment, goodwill is allocated to various cash-generating units or groups of cash-generating units which the Consolidated Entity expects to benefit from the comprehensive effect of the business combinations.

Each year (and when there are signs of impairment), the impairment test of the cash-generating units of the allocated goodwill is conducted by comparing the carrying amount of the unit containing goodwill with its recoverable amount. If the goodwill allocated to the cash-generating units or groups of cash-generating units is obtained from the business combinations in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss is considered as the loss in the current year. The impairment loss of goodwill shall not be reversed in subsequent periods.



(XI) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment. Intangible assets are amortized using straight-line method over the useful life. The Consolidated Entity would conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods. The effects of changes in accounting estimates shall be applied prospectively. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

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

(XII) Impairment of property, plant, equipment, right-of-use assets and intangible assets (excluding goodwill)

The Consolidated Entity has to assess if there are any signs of possible impairment in property, plant, equipment, right-of-use assets, and intangible assets (excluding goodwill) on daily basis. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Consolidated Entity must determine the recoverable amount for the asset's cash-generating unit. Corporate assets are allocated to each cash generating unit on a reasonable and consistent basis.

For intangible assets with indefinite useful life and ones that are not yet available for use, they are subject to impairment tests at least annually and at the time when there are indications of impairment.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount will be reduced to the recoverable amount and the impairment loss will be recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit shall be increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) of the asset or cash-generating unit that was not impaired in the previous years. The reversed impairment loss shall be recognized in profit or loss.

(XIII) Financial Instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Consolidated Entity becomes a party to the financial instrument contract.

Financial assets and financial liabilities not at fair value through profit or loss are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Consolidated Entity are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, and financial assets at fair value through other comprehensive income (FVTOCI).

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated by the Consolidated Entity to be at fair value through other comprehensive income and investments in debt instruments that are not qualified as to be measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising from remeasurement recognized in profit or loss. Please refer to Note XXVIII for the determination of fair value.

B. Financial assets at amortized cost

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

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

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

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

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

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

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

C. Investments in equity instruments at fair value through other comprehensive income

The Consolidated Entity may make an irrevocable election at initial recognition, and designated the investments in equity instruments that is not held for trading and that is not contingent consideration recognized by acquirer of business combination at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, with changes in fair value recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

Dividends of investments in equity instruments measured at fair value through other comprehensive income are recognized in profit and loss when the Consolidated Entity's right to receive payments is established unless the dividend clearly represents the recovery of part of the investment cost.

(2) Impairment of financial assets

The Consolidated Entity assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Loss allowance of accounts receivable is measured at an amount equal to lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in risks, loss allowance is recognized at an amount equal to a 12-month expected credit loss. If the risks have increased significantly, loss allowance shall be at an amount equal to lifetime expected credit loss.

The expected credit loss is the weighted average credit loss with the risk of default as the weight. The 12-month expected credit losses represent the expected credit losses from possible defaults of the financial instrument within 12 months after the reporting date. The lifetime expected credit losses represent the expected credit losses from all possible defaults of the financial instrument during the expected period of existence.

For the purpose of internal credit risk management, the Consolidated Entity, without considering the collateral on hand, determines that the following situations represent defaults of the financial assets:

- A. Internal or external information indicates that it is not possible for the debtor to settle the debt.
- B. Overdue for more than 90 days, unless there is reasonable and corroborable information showing that a postponed default benchmark is more appropriate.

The Consolidated Entity recognizes impairment losses of all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

### (3) Derecognition of financial assets

The Consolidated Entity derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the entity transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the consideration received is recognized in profit or loss. When derecognizing a debt instrument at fair value through other comprehensive income in its entirety, the difference between the carrying amount and the sum of consideration received and receivable and the cumulative gain or loss already recognized in other

comprehensive income is recognized in profit or loss. When derecognizing an equity instrument at fair value through other comprehensive income in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

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

The equity instrument issued by the Consolidated Entity shall be recognized at the proceeds received net of the direct cost of issuance.

The repurchase of equity instruments issued by the Company is recognized and deducted under equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial assets

When derecognizing financial liabilities, the difference between its carrying amount and the consideration paid (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(XIV) Provisions

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Provision is measured at the discounted cash flows estimated to settle the obligation.

(XV) Revenue recognition

After the Consolidated Entity identifies its performance obligations in contracts with customers, it shall allocate the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

1. Commodity and catering revenues

Commodity and catering revenues come from the sales of raw materials and drinks catering. When a customer has the right to use the product and bears the risk of obsolescence, the Consolidated Entity transfers the control over products to the customer and recognizes the revenue and accounts receivable.

The customer loyalty program gives customers reward points upon purchases for future purchases or redemption of the products. These reward points provide important rights. Contract liabilities are recognized when the transaction price allocated to the reward points is collected, and reclassified to revenue when the reward points are redeemed or expire.

2. Brand revenue

For a franchise transaction, as the major risk and rewards are transferred to the franchisee at the time when his/her business commences, a certain percentage of the royalty fee received is recognized as brand revenue when the franchisee opens his/her business. The remaining royalties will be recognized on a straight-line basis over the franchising period.

The commercial practice of the Consolidated Entity's franchising business is to continuously analyze consumers' product preferences and launch new products, conduct pricing analysis and marketing activities accordingly; and the franchisees must cooperate with the launch of new products. As the aforementioned commercial practice does not involve the transfer of goods or services to the franchisees, the continuing franchise fees calculated based on sales are recognized as brand revenue only when the franchisees make actual sales.

(XVI) Leases

The Consolidated Entity assesses whether a contract is (or contains) a lease on the establishment date of the contract.

1. The Consolidated Entity is a lessor

If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis over the relevant lease period. The initial direct costs arising from the acquisition of operating leases are added to the carrying amount of the underlying assets, and an expense is recognized for the lease on a straight- line basis over the lease term.

Rental changes in lease agreements that do not depend on indices or rates are recognized income in the period in which they are incurred.

2. The Consolidated Entity is a lessee

Right-of-use assets and lease liabilities are recognized for all leases at the inception date of such leases, except for leases qualified for recognition exemption, e.g. leases with low-value assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.

A right-of-use asset is initially measured at cost (including the initially measured number of lease liability, the amount of lease payments made to the lessors fewer lease incentives received prior to the inception of the lease, and initial direct costs and the estimated costs of restored underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment, adjusted for any remeasurements of the lease liability. Right-of-use assets are expressed separately in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If the assessments on lease terms, amounts expected to be paid under residual value guarantees and purchase option of the underlying assets; or changes in the index or rate which determines the lease payments result in changes in future lease payments, the Consolidated Entity would



remeasure the lease liabilities with a corresponding adjustment on the right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are expressed separately in the consolidated balance sheets.

The Consolidated Entity and the lessor conducted rent negotiations directly related to the COVID-19, resulting in a decrease in rent through adjusting the rent due before June 30, 2022, and these negotiations did not significantly change other lease terms. The Consolidated Entity chooses to adopt a practical expedient method to deal with rent negotiation meeting the aforementioned conditions and does not assess whether the negotiation is a lease modification, but recognizes the reduction in lease payment as profit and loss when the concession event or situation occurs, and reduces the lease liabilities relatively.

Changes in leases that do not depend on an index or a rate in lease agreements are recognized as expenses in the period in which they take place.

(XVII) Borrowing costs

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

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

(XVIII) Government subsidies

Government subsidies are only recognized when it can be reasonably assured that the Consolidated Entity shall comply with the conditions imposed by government subsidies and that such subsidies can be received.

If the government subsidy is used to compensate fees or losses that had occurred, or is given to the Consolidated Entity for the purpose of immediate financial support without related future costs, it can be recognized in profit or loss within the collectible period.

(XIX) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

## 2. Post-employment benefits

For pension under the defined contribution retirement plan, the amount of pension contribution is recognized as expenses during the employee's service period.

The Company's subsidiaries in mainland China would contribute a certain percentage to the pension fund on a monthly basis in accordance with local regulations. The Company's subsidiaries in Taiwan adopt the defined contribution retirement plan, i.e. the amount of pension contribution is recognized as expenses during the employee's service period. As there are no mandatory requirements in the local laws and regulations of the remaining overseas subsidiaries where post-employment benefits are concerned, the Consolidated Entity does not set up any post-employment benefit rules.

### (XX) Share-based payment arrangement

#### 1. Restricted shares are provided to employees and others who provide similar services

Restricted shares for employees are expensed on a straight-line basis over the vesting period based on the fair value of the equity instruments at the grant date and the best estimate of the number of shares expected to ultimately vest. At the same time, the other equity (unearned employee benefits) is adjusted. If vested at the grant date, the expense is recognized in full at the same date.

When restricted shares for employees are issued, the Company recognizes other equity (unearned employee benefits) on the grant date and adjusts capital reserve - restricted shares for employees at the same time. If restricted shares for employees are granted for consideration and employees shall return them upon resignation, relevant payables shall be recognized.

On each balance sheet date, the Company revises its estimated number of restricted shares expected to vest. If the original estimate is revised, the effect is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, and the capital reserve – restricted shares for employees is adjusted accordingly.

2. Cash-settled share-based payment arrangement

The cash-settled share-based payment is recognized as liabilities arising from the acquisition of goods or services, and is measured at the fair value of liabilities assumed at initial recognition. The fair value of liabilities is remeasured on each balance sheet date and settlement date before the settlement with changes in fair value recognized in profit or loss.

(XXI) Income tax

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

1. Current income tax

The Group determines the current income (loss) in accordance with the laws and regulations established by each income tax jurisdiction and calculates the income tax payable (recoverable) based on it.

The additional income tax on the unappropriated earnings pursuant to the Income Tax Law of the Republic of China act by the Company's subsidiaries in Taiwan is recognized in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when there are likely to be taxable income against which the deductible temporary differences and loss credits can be utilized. Temporary differences are not recognized as deferred income tax assets and liabilities if they arise from the original recognition of other assets and liabilities (excluding business combinations) and the transaction does not affect taxable income or accounting profits at that time.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Consolidated Entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred income tax assets from deductible temporary differences associated with these types of investments and interests are recognized only to the extent that it is likely there will be sufficient taxable income to realize the benefits of temporary differences and it is within the scope expected to be reversed in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced to the extent that it is no longer likely to have sufficient taxable income to recover all or part of the assets. Assets that have not been recognized as deferred income tax assets are re-examined at each balance sheet date and the carrying amount is increased for assets that are likely to generate sufficient taxable income to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred income tax liabilities and assets reflects the tax consequences generated by the expected manner of recovery or repayment of the carrying amount of the assets and liabilities on the balance sheet date.

### 3. Current and deferred income tax

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

V. Significant Accounting Judgments, Estimates, and Key Sources of Uncertainty over Assumptions

When the Consolidated Entity adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The Consolidated Entity takes into account the recent developments of the COVID-19 in our country and the possible impact on the economic environment , including consideration of critical accounting estimates related to cash flow estimation, growth rate, discount rate, profitability, etc, and the management shall continue to review the estimates and basic assumptions.. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

Revenue recognition

The Consolidated Entity assesses whether performance obligations are fulfilled over time or at a certain point in time in accordance with the contracts with customers and the applicable relevant regulations.

In making such judgments, the management considers the income recognition conditions, especially whether the Consolidated Entity has transferred the control of the goods to the buyer.

VI. Cash and cash equivalents

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Cash on hand and working capital                           | \$ 1,655                 | \$ 2,476                 |
| Check and demand deposits                                  | 292,852                  | 302,375                  |
| Cash equivalents   |                          |                          |
| Time deposits with original maturity dates within 3 months | <u>19,168</u>            | <u>31,144</u>            |
|  | <u>\$ 313,675</u>        | <u>\$ 335,995</u>        |

As of December 31, 2022 and 2021, time deposits with original maturity dates within 3 months of \$4,607 thousand and \$4,152 thousand were provided to banks as collateral for short-term loans, respectively, and recognized as other current assets – others. Please refer to Notes XVII and XXX for details.

As of December 31, 2021, the time deposits with original maturity dates over 3 months were \$157,576 thousand. They were classified as financial assets at amortized costs. Of which, \$152,040 thousand were provided to banks as collateral for long/short-term loans. Please refer to Notes VIII, XVII, and XXX for details

VII. Financial assets at fair value through profit or loss - current

|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
|                          | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Beneficiary certificates | <u>\$ 3,482</u>          | <u>\$ 4,361</u>          |

For the years ended December 31, 2022 and 2021, net (loss) gains on financial assets at fair value through profit or loss were (\$946) thousand and \$2,006 thousand, respectively.

VIII. Financial assets at amortized cost

|  |                          |                          |
|--|--------------------------|--------------------------|
|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| <u>Current</u>   |                          |                          |
| Time deposit with original maturity date over 3 months | \$ -                     | \$ 157,576               |
| Less: Loss allowance                                   | <u>-</u>                 | <u>-</u>                 |
| Amortized cost   | <u>\$ -</u>              | <u>\$ 157,576</u>        |

(I) As of December 31, 2021, the interest rate ranges of time deposits with original maturity dates over 3 months were 0.12% to 2.8%.

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

| Credit Rating | Definition  | Basis of Recognition of Expected Credit Loss | Gross Carrying Amount on December 31, 2022 | Gross Carrying Amount on December 31, 2021 |
|---------------|---|--|--|--|
| Normal        | The debtor has low credit risk and is fully capable of paying off contractual cash flows. | 12-month expected credit losses              | <u>\$ -</u>                                | <u>\$ 157,576</u>                          |

IX. Accounts receivables

|  |                          |                          |
|--|--------------------------|--------------------------|
|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| <u>Accounts receivables</u>                            |                          |                          |
| Measured at amortized cost Gross carrying amount       | \$ 27,189                | \$ 20,905                |
| Less: Loss allowance                                   | <u>(1,609)</u>           | <u>-</u>                 |
|  | <u>\$ 25,580</u>         | <u>\$ 20,905</u>         |
| <br>Accounts receivables - related parties (Note XXIX) |                          |                          |
| Measured at amortized cost Gross carrying amount       | \$ 10,811                | \$ 9                     |

|                      |                  |             |
|----------------------|------------------|-------------|
| Less: Loss allowance | ( <u>338</u> )   | <u>-</u>    |
|                      | <u>\$ 10,473</u> | <u>\$ 9</u> |

The Consolidated Entity's average collection term for sales of goods is 30 days. Accounts receivable do not bear interest. The policy adopted by the Consolidated Entity is to obtain sufficient guarantee deposits to mitigate the risk of financial losses due to arrears. In addition, the Consolidated Entity uses the publicly available financial information and historical transaction records to rate major customers, continuously monitors exposures to credit risk and the credit ratings of counterparties, and disperses the total transaction amount to different customers with qualified credit ratings. Also, it manages credit risk with annual reviews and evaluations of counterparties' credit limits. To lower credit risk, management of the Consolidated Entity appoints a dedicated team to handle decisions on credit limits, credit approvals, and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Consolidated Entity would review the recoverable amount of each receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Company's management concluded that the credit risk of the Consolidated Entity is significantly reduced.

The Consolidated Entity adopts the simplified approach stipulated in IFRS 9 and recognizes loss allowance for accounts receivables based on lifetime expected credit loss. The lifetime expected credit loss is calculated using the aging loss rate, which takes into account the customer's past history of default and current financial conditions, as well as the guarantee deposits received. Since the Consolidated Entity's historical experience on credit loss indicates no significant difference in the loss patterns between various customer segments, the loss rate is not set at the customer segment level. Instead, it is determined based on the overdue days of accounts receivables.

The Consolidated Entity writes off accounts receivable when there is evidence indicating that the counterparty is experiencing severe financial difficulty and there is no realistic prospect in collecting these receivables. However, the Consolidated Entity would continue to engage in enforcement activity in an attempt to recover the receivables written off and the amount recovered would be recognized in profit or loss. Loss allowance on accounts receivables measured by the provisional matrix is as follows:

December 31, 2022

|  | <u>Not past due</u> | <u>1 to 90 Days<br/>Past Due</u> | <u>91 to 180<br/>Days Past<br/>Due</u> | <u>Overdue<br/>over 180<br/>Days</u> | <u>Overdue<br/>over 365<br/>Days</u> | <u>Total</u>     |
|--|---------------------|----------------------------------|--|--------------------------------------|--------------------------------------|------------------|
| Expected credit loss rate                      | -                   | -                                | 35%                                    | 56%                                  | 74%                                  |                  |
| Gross carrying amount                          | \$ 28,285           | \$ 5,960                         | \$ 1,756                               | \$ 772                               | \$ 1,227                             | \$ 38,000        |
| Loss allowance (lifetime expected credit loss) | -                   | -                                | ( 609)                                 | ( 432)                               | ( 906)                               | ( 1,947)         |
| Amortized cost                                 | <u>\$ 28,285</u>    | <u>\$ 5,960</u>                  | <u>\$ 1,147</u>                        | <u>\$ 340</u>                        | <u>\$ 321</u>                        | <u>\$ 36,053</u> |

December 31, 2021

|  | <u>Not past due</u> | <u>1 to 90 Days<br/>Past Due</u> | <u>91 to 180<br/>Days Past<br/>Due</u> | <u>Overdue<br/>over 180<br/>Days</u> | <u>Overdue<br/>over 365<br/>Days</u> | <u>Total</u>     |
|--|---------------------|----------------------------------|--|--------------------------------------|--------------------------------------|------------------|
| Expected credit loss rate                      | -                   | -                                | -                                      | -                                    | -                                    |                  |
| Gross carrying amount                          | \$ 19,676           | \$ 1,104                         | \$ 29                                  | \$ 103                               | \$ 2                                 | \$ 20,914        |
| Loss allowance (lifetime expected credit loss) | -                   | -                                | -                                      | -                                    | -                                    | -                |
| Amortized cost                                 | <u>\$ 19,676</u>    | <u>\$ 1,104</u>                  | <u>\$ 29</u>                           | <u>\$ 103</u>                        | <u>\$ 2</u>                          | <u>\$ 20,914</u> |

The aging analysis above is based on the number of past due days.

Overdue accounts receivables for the years ended December 31, 2021 have been assessed by the Consolidated Entity as having received sufficient guarantee deposits and being collectible. Thus, no loss of expected credit is recognized.

The loss allowance for doubtful receivables for the years ended December 31, 2022 and 2021 changed as followed:

|   | <u>2022</u>     | <u>2021</u> |
|---|-----------------|-------------|
| Beginning balance   | \$ -            | \$ -        |
| Recognition of impairment loss for the period             | 1,951           | -           |
| Exchange differences in translation of foreign currencies | ( 4)            | -           |
| Ending Balance  | <u>\$ 1,947</u> | <u>\$ -</u> |

X. Inventories

|                         | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------|--------------------------|--------------------------|
| Raw materials           | \$ 41,358                | \$ 73,124                |
| Merchandise inventories | <u>16,469</u>            | <u>34,301</u>            |
|                         | <u>\$ 57,827</u>         | <u>\$ 107,425</u>        |

The cost of goods sold associated with inventories were \$421,985 thousand and \$659,161 thousand for the years ended December 31, 2022 and 2021, respectively.



The cost of goods sold, including write-downs of inventories and impairment loss were \$5,565 thousand and \$547 thousand for the years ended December 31, 2022 and 2021, respectively.

XI. Financial assets at fair value through other comprehensive income - non-current

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| <u>Non-TWSE/TPEX listed</u>                     |                          |                          |
| <u>companies' Stocks</u>                        |                          |                          |
| Meng Qiqi Technology (Shanghai) Co., Ltd.       | \$ 5,039                 | \$ 8,047                 |
| Yanqiaomai Food Technology (Shanghai) Co., Ltd. | <u>608</u>               | <u>-</u>                 |
|   | <u>\$ 5,647</u>          | <u>\$ 8,047</u>          |

The Consolidated Entity invests in common stocks of the above mentioned companies under the medium and long-term strategy and expects to make profits through long-term investment. The management of the Consolidated Entity considers that the short-term fair value of the investments will be included in the profit or loss and is not consistent with the long-term investment planning as the above-mentioned, and, therefore, the designation of such investments is not in line with the fair value of the investment in other comprehensive income.

XII. Subsidiary

Subsidiaries included in the consolidated financial statements

Entities included in the consolidated financial statements are as follows:

| <u>Name of Investor</u>                  | <u>Name of subsidiaries</u>                                   | <u>Nature of Business</u>   | <u>Percentage of Ownership</u> |                          | <u>Remark</u> |
|--|---|---|--------------------------------|--------------------------|---------------|
|  |   |   | <u>December 31, 2022</u>       | <u>December 31, 2021</u> |               |
| Yummy Town (Cayman) Holdings Corporation | Yen Mei Enterprise Limited                                    | Trading of beverages, collection of franchise fees and royalties                | 100.00                         | 100.00                   | Note 1        |
| Yummy Town (Cayman) Holdings Corporation | RBT Enterprise Limited  | Trademark rights management   | 100.00                         | 100.00                   |               |
| Yummy Town (Cayman) Holdings Corporation | RBT Holdings Limited  | Investment holding and trading of raw materials for catering                    | 100.00                         | 100.00                   |               |
| Yen Mei Enterprise Limited               | Yen Chun International Co., Ltd.                              | Operation of food and beverage outlets  | 100.00                         | 100.00                   | Note 2        |
| RBT Holdings Limited                     | RBT Resources Limited   | Trading of raw materials for catering   | 100.00                         | 100.00                   |               |
| RBT Holdings Limited                     | Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Catering shop, trading of beverages, collection of franchise fees and royalties | 100.00                         | 100.00                   |               |
| RBT Holdings Limited                     | Happy Lemon HK Limited  | Trading of beverages, collection of franchise fees and royalties                | 100.00                         | 100.00                   |               |
| RBT Holdings Limited                     | Yummy-town UK Ltd   | Investment holding  | 100.00                         | 100.00                   |               |
| RBT Holdings Limited                     | Happy Lemon (M) Sdn Bhd                                       | Trading of beverages, collection of franchise fees and royalties                | -                              | 51.00                    | Note 3        |
| Yummy-town UK Ltd                        | Yummy-town Holding Corporation                                | Investment holding  | 100.00                         | -                        | Note 4        |
| Yummy-town Holding                       | Yummy-town USA LLC  | Trading of beverages,   | 100.00                         | -                        | Note 5        |

| Name of Investor  | Name of subsidiaries  | Nature of Business   | Percentage of Ownership |                   | Remark  |
|---|---|--|-------------------------|-------------------|---------|
|   |   |  | December 31, 2022       | December 31, 2021 |         |
| Corporation   |   | trading of raw materials for catering, collection of franchise fees and royalties                          |                         |                   |         |
| Yummy-town Holding Corporation                                | RBT International LLC                                       | Trading of raw materials for catering  | 100.00                  | -                 | Note 6  |
| Yummy-town USA LLC  | Happy Lemon West Inc.                                       | Trading of beverages, trading of raw materials for catering and collection of franchise fees and royalties | 70.00                   | 70.00             |         |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Shanghai Tai Quan Trading Co., Ltd.                         | Trading of raw materials for catering  | 100.00                  | 100.00            | Note 7  |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd. | Trading of beverages, collection of franchise fees and royalties   | 100.00                  | 100.00            |         |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd. | Catering shop, collection of franchise fees and royalties  | 100.00                  | 100.00            |         |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Jia Qun Food & Beverage Management (Beijing) Co., Ltd.      | Trading of beverages, collection of franchise fees and royalties   | 100.00                  | 100.00            |         |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | You Xiang Food & Beverage Management (Shanghai) Co., Ltd.   | Operation of food and beverage outlets   | 55.50                   | 55.50             |         |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.      | Operation of food and beverage outlets   | 100.00                  | 100.00            | Note 8  |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Yi Cheng Food & Beverage Management (Guangxi) CO., LTD      | Trading of beverages, collection of franchise fees and royalties   | -                       | 100.00            | Note 9  |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Meng Qiqi Food & Beverage Management (Shanghai) Co., Ltd.   | Operation of food and beverage outlets   | -                       | -                 | Note 10 |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Fengfu Food & Beverage Management (Shanghai) Co., Ltd.      | Trading of beverages, collection of franchise fees and royalties   | 100.00                  | 100.00            | Note 11 |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Zhuoyue Catering Management (Xiamen)Co., Ltd.               | Trading of beverages, collection of franchise fees and royalties   | -                       | 100.00            | Note 12 |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Yibang Health Technology (Shanghai) Co., Ltd.               | Food marketing   | 100.00                  | 100.00            | Note 13 |
| Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.  | Trading of beverages, collection of franchise fees and royalties   | 100.00                  | 100.00            |         |
| Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.        | Cacha Prince Intelligent Technology (Shanghai) Co., Ltd.    | Catering equipment sales and others  | 51.00                   | 51.00             | Note 14 |

Note 1. In December 2022, the Company's shareholders approved a cash capital reduction of NTD 40,000 thousand.

Note 2. In December 2022, the Company's board of directors passed the resolution to reduce cash capital by NTD 40,000 thousand.

- Note 3. In April 2022, the Company increased its cash capital by MYR 500,000. The Consolidated Entity subscribed according to its shareholding percentage. In December 2022, the Company further increased its cash capital by MYR 400,000. The Consolidated Entity did not subscribe; therefore, its shareholding percentage decreased from 51% to 45%; it is no longer the single largest shareholder of the Company and becomes an associate. Please refer to Note XXVI.
- Note 4. This company was established on March 1, 2022, and it was not yet funded as of December 31, 2022.
- Note 5. In December 2022, Yummy-town UK Ltd disposed of all shares of Yummy-town USA LLC to Yummy-town Holding Corporation. The transaction is actually a structural adjustment within the group.
- Note 6. This company was established on May 13, 2022, and it was not yet funded as of December 31, 2022.
- Note 7. This company increased its cash capital by RMB 10,400,000 in November 2022. The Consolidated Entity subscribed according to its shareholding percentage.
- Note 8. This company increased its cash capital by RMB 110,000 in November 2022. The Consolidated Entity subscribed according to its shareholding percentage.
- Note 9. This company increased its cash capital by RMB 100,000 in March 2021. The Consolidated Entity subscribed according to its shareholding percentage and acquired 40% equity from a non-related party at RMB 1 in September 2021, and the percentage of shares increased from 60% to 100%. Then this company increased its cash capital by RMB 200,000 in March 2022. It decided to go into liquidation in July 2022; the liquidation procedure was completed in October 2022; and \$1,562 thousand of the gain on disposal of investments was recognized.
- Note 10. This company decided to go into liquidation in July 2021, and the liquidation procedure was completed in September 2021.
- Note 11. The company was established on February 3, 2021, with a paid-in capital of RMB1,300,000, and the Consolidated Entity's shareholding percentage is 100%.

Note 12. This company was established on June 22, 2021, and was not yet funded by the Consolidated Entity. It decided to go into liquidation in July 2022. The liquidation procedure was completed in September 2022.

Note 13. The company was established on April 28, 2021, with a paid-in capital of RMB210,000, and the Consolidated Entity's shareholding percentage is 100%. This company increased its cash capital by RMB 790,000 in August 2022 and decided to go into liquidation in August 2022.

Note 14. This company increased its cash capital by RMB 500,000 in October 2022. The Consolidated Entity subscribed according to its shareholding percentage.

Note 15. The financial statements of subsidiaries included in the consolidated financial statements for the years ended December 31, 2022 and 2021 were all based on audited financial statements.

XIII. Investments accounted for using the equity method

Investments in associates

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| <u>Significant associates</u>               |                          |                          |
| Yong Chun Cheng Co., Ltd.                   | \$ -                     | \$ 93,240                |
| <u>Associates not individually material</u> |                          |                          |
| Freshtea Japan CO., LTD.                    | 8,099                    | 14,002                   |
| Happy Lemon (M) Sdn Bhd.                    | 2,543                    | -                        |
| Happy Lemon California, Inc.                | -                        | -                        |
|   | <u>10,642</u>            | <u>14,002</u>            |
|   | <u>\$ 10,642</u>         | <u>\$ 107,242</u>        |

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

(I) Significant associates

| <u>Name of Company</u>    | <u>Nature of Business</u>              | <u>Area of operations</u> | <u>Shareholding Percentage</u> |                          |
|---------------------------|--|---------------------------|--------------------------------|--------------------------|
|                           |  |                           | <u>December 31, 2022</u>       | <u>December 31, 2021</u> |
| Yong Chun Cheng Co., Ltd. | Operation of food and beverage outlets | Taichung                  | -                              | 20%                      |

The summary financial information of Yong Chun Cheng Co., Ltd. is prepared on the basis of the financial reports of associates and has reflected adjustments made when the fair value of identifiable assets was applied using the equity method.

| <u>Yong Chun Cheng Co., Ltd.</u>             | <u>December 31, 2021</u> |
|--|--------------------------|
| Current assets                               | \$ 188,780               |
| NON-CURRENT ASSETS                           | 249,298                  |
| Current liabilities                          | ( 49,258)                |
| Equity                                       | <u>\$ 388,820</u>        |
| Percentage of shares held by<br>the Group    | 20%                      |
| Interests of the Group                       | \$ 77,764                |
| Goodwill                                     | <u>15,476</u>            |
| Investment carrying amount                   | <u>\$ 93,240</u>         |
|  | <u>2021</u>              |
| Operating Revenue                            | <u>\$ 471,783</u>        |
| Net profit for this period                   | \$ 81,095                |
| Other comprehensive income<br>(loss)         | <u>-</u>                 |
| Total comprehensive income                   | <u>\$ 81,095</u>         |
| Equity enjoyed by the<br>Consolidated Entity | <u>\$ 16,219</u>         |

In order to enrich the working capital to meet the long-term operation and development strategy, the board of directors of the Consolidated Entity decided on March 24, 2022 to dispose of 20% of the equity of Yong Chun Cheng Co., Ltd. to non-related parties with the total sale price amounted to \$150,000 thousand, and \$51,642 thousand of the gain on disposal of investments was recognized.

(II) Summary of information of associates not individually material

| <u>Name of Company</u>       | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------|--------------------------|--------------------------|
| Freshtea Japan CO., LTD.     | 40%                      | 40%                      |
| Happy Lemon (M) Sdn Bhd.     | 45%                      | -                        |
| Happy Lemon California, Inc. | -                        | -                        |

In December 2022, Happy Lemon (M) Sdn Bhd. decided to increase its cash capital by MYR 400,000 through a resolution approved by the board of directors. The Consolidated Entity did not subscribe; its shareholding percentage decreased from 51% to 45%; it lost control of the company; and it recognized \$456 thousand of the gain on disposal of investments. Please refer to Notes XII and XXVI.

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

|                         | <u>2022</u>         | <u>2021</u>         |
|-------------------------|---------------------|---------------------|
| Share owned by the      |                     |                     |
| Consolidated Entity     |                     |                     |
| Net loss for the period | (\$ 5,306)          | (\$ 4,389)          |
| Other comprehensive     |                     |                     |
| income (loss)           | ( <u>598</u> )      | ( <u>2,465</u> )    |
| Total comprehensive     |                     |                     |
| income                  | ( \$ <u>5,904</u> ) | ( \$ <u>6,854</u> ) |

In June 2021, RBT Holdings Limited of the Consolidated Entity disposed of all shares of Happy Lemon California, Inc. to non-related parties with the sale price amounted to USD 270 thousand (NTD 7,522 thousand), and \$422 thousand of the gain on disposal of investments was recognized.

- (III) The investments in associates accounted for using equity method and the Consolidated Entity's share of profit or loss and other comprehensive income of those investments as of December 31, 2022 and 2021, except for the significant associates - Yong Chun Cheng Co., Ltd.'s financial statements for 2021 recognized as financial statements audited by CPAs, were calculated based on unaudited financial statements. As those amounts were not material, they shall not have a significant influence on the consolidated financial statements.

#### XIV. Property, plant and equipment

|  | <u>Freehold<br/>Land</u> | <u>Buildings</u> | <u>Machinery &amp;<br/>equipment</u> | <u>Leasehold<br/>improvements</u> | <u>Other<br/>equipment</u> | <u>Total</u>      |
|--|--------------------------|------------------|--------------------------------------|-----------------------------------|----------------------------|-------------------|
| <u>Cost</u>                                    |                          |                  |                                      |                                   |                            |                   |
| Balance as of January 1, 2021                  | \$ 38,915                | \$ 37,743        | \$ 86,510                            | \$ 159,494                        | \$ 22,785                  | \$ 345,447        |
| Additions                                      | -                        | -                | 6,324                                | 22,337                            | 12,276                     | 40,937            |
| Disposals                                      | -                        | -                | ( 16,028)                            | ( 50,851)                         | ( 5,346)                   | ( 72,225)         |
| Net exchange differences                       | ( <u>1,314</u> )         | ( <u>1,274</u> ) | ( <u>841</u> )                       | ( <u>2,065</u> )                  | ( <u>360</u> )             | ( <u>5,854</u> )  |
| Balance as of December 31, 2021                | <u>\$ 37,601</u>         | <u>\$ 36,469</u> | <u>\$ 75,965</u>                     | <u>\$ 128,915</u>                 | <u>\$ 29,355</u>           | <u>\$ 308,305</u> |
| <u>Accumulated depreciation and impairment</u> |                          |                  |                                      |                                   |                            |                   |
| Balance as of January 1, 2021                  | \$ -                     | \$ 5,787         | \$ 59,933                            | \$ 115,034                        | \$ 18,075                  | \$ 198,829        |
| Depreciation expense                           | -                        | 740              | 10,263                               | 24,717                            | 3,965                      | 39,685            |
| Disposals                                      | -                        | -                | ( 13,758)                            | ( 44,343)                         | ( 4,845)                   | ( 62,946)         |
| Net exchange differences                       | <u>-</u>                 | ( <u>206</u> )   | ( <u>554</u> )                       | ( <u>1,305</u> )                  | ( <u>218</u> )             | ( <u>2,283</u> )  |
| Balance as of December 31, 2021                | <u>\$ -</u>              | <u>\$ 6,321</u>  | <u>\$ 55,884</u>                     | <u>\$ 94,103</u>                  | <u>\$ 16,977</u>           | <u>\$ 173,285</u> |
| Net amount as of December 31, 2021             | <u>\$ 37,601</u>         | <u>\$ 30,148</u> | <u>\$ 20,081</u>                     | <u>\$ 34,812</u>                  | <u>\$ 12,378</u>           | <u>\$ 135,020</u> |
| <u>Cost</u>                                    |                          |                  |                                      |                                   |                            |                   |
| Balance as of January 1, 2022                  | \$ 37,601                | \$ 36,469        | \$ 75,965                            | \$ 128,915                        | \$ 29,355                  | \$ 308,305        |
| Additions                                      | -                        | -                | 4,488                                | 12,314                            | 597                        | 17,399            |
| Disposals                                      | -                        | -                | ( 30,787)                            | ( 59,661)                         | ( 4,167)                   | ( 94,615)         |
| Disposal of subsidiaries                       | -                        | -                | ( 1,996)                             | ( 3,301)                          | ( 1,018)                   | ( 6,315)          |
| Net exchange differences                       | <u>4,121</u>             | <u>3,997</u>     | <u>1,996</u>                         | <u>5,346</u>                      | <u>720</u>                 | <u>16,180</u>     |
| Balance as of December 31, 2022                | <u>\$ 41,722</u>         | <u>\$ 40,466</u> | <u>\$ 49,666</u>                     | <u>\$ 83,613</u>                  | <u>\$ 25,487</u>           | <u>\$ 240,954</u> |
| <u>Accumulated depreciation and impairment</u> |                          |                  |                                      |                                   |                            |                   |
| Balance as of January 1, 2022                  | \$ -                     | \$ 6,321         | \$ 55,884                            | \$ 94,103                         | \$ 16,977                  | \$ 173,285        |
| Depreciation expense                           | -                        | 782              | 5,868                                | 13,981                            | 4,456                      | 25,087            |
| Impairment loss                                | -                        | -                | 4,444                                | 6,448                             | 257                        | 11,149            |
| Disposals                                      | -                        | -                | ( 26,220)                            | ( 52,295)                         | ( 3,731)                   | ( 82,246)         |
| Disposal of subsidiaries                       | -                        | -                | ( 884)                               | ( 2,519)                          | ( 701)                     | ( 4,104)          |
| Net exchange differences                       | <u>-</u>                 | <u>721</u>       | <u>1,345</u>                         | <u>3,580</u>                      | <u>506</u>                 | <u>6,152</u>      |
| Balance as of December 31, 2022                | <u>\$ -</u>              | <u>\$ 7,824</u>  | <u>\$ 40,437</u>                     | <u>\$ 63,298</u>                  | <u>\$ 17,764</u>           | <u>\$ 129,323</u> |
| Net balance as of December 31, 2022            | <u>\$ 41,722</u>         | <u>\$ 32,642</u> | <u>\$ 9,229</u>                      | <u>\$ 20,315</u>                  | <u>\$ 7,723</u>            | <u>\$ 111,631</u> |

Due to the impact of the recent COVID-19 pandemic on the catering segment of the Consolidated Entity, cash provided by the Consolidated Entity to operating machinery, equipment and leasehold improvements was expected to decrease, causing the recoverable amount less than the carrying amount. Therefore, the recognized impairment loss of 2022 was \$11,149 thousand. The Consolidated Entity adopted value in use as the recoverable amount.

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

|                        |                |
|------------------------|----------------|
| Buildings              |                |
| Main building          | 50 years       |
| Machinery & equipment  | 3 to 5 years   |
| Leasehold improvements | 1.5 to 3 years |
| Other equipment        | 3 to 5 years   |

The net amount of the Consolidated Entity's partial property, plant and equipment has been pledged to banks as collateral for short-term borrowings. Please refer to Notes XVII and XXX.

XV. Lease Agreements

(I) Right-of-use assets

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Carrying amount of right-of-use assets         |                          |                          |
| Buildings                                      | \$ 111,166               | \$ 248,138               |
| Other equipment                                | <u>-</u>                 | <u>460</u>               |
|  | <u>\$ 111,166</u>        | <u>\$ 248,598</u>        |
|  | <u>2022</u>              | <u>2021</u>              |
| Addition of right-of-use assets                | <u>\$ 48,175</u>         | <u>\$ 172,698</u>        |
| Disposal of right-of-use assets                | ( <u>\$ 80,700</u> )     | ( <u>\$ 33,641</u> )     |
| Net exchange difference on right-of-use assets | <u>\$ 9,409</u>          | ( <u>\$ 3,945</u> )      |
| Depreciation expenses of right-of-use assets   |                          |                          |
| Buildings                                      | \$ 101,687               | \$ 178,656               |
| Other equipment                                | <u>468</u>               | <u>612</u>               |
|  | <u>\$ 102,155</u>        | <u>\$ 179,268</u>        |
| Impairment loss of right-of-use assets         |                          |                          |
| Buildings                                      | ( <u>\$ 12,161</u> )     | <u>\$ -</u>              |



The catering segment of the Consolidated Entity was impacted by the recent COVID-19 pandemic in China. Cash provided by the Consolidated Entity to right-of-use assets and buildings was expected to decrease, causing the recoverable amount to be less than the carrying amount. Therefore, the recognized impairment loss for 2022 was \$12,161 thousand. The Consolidated Entity adopted the value in use as the recoverable amount.

(II) Lease liabilities

|                                      | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------------------|--------------------------|--------------------------|
| Carrying amount of lease liabilities |                          |                          |
| Current                              | <u>\$ 47,017</u>         | <u>\$ 117,021</u>        |
| Non-current                          | <u>\$ 68,823</u>         | <u>\$ 138,538</u>        |

Discount rate ranges for lease liabilities are as follows:

|                 | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------|--------------------------|--------------------------|
| Buildings       | 4%                       | 4%                       |
| Other equipment | 4%                       | 4%                       |

(III) Other lease information

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Expenses of short-term leases                                       | <u>\$ 12,335</u>    | <u>\$ 7,459</u>     |
| the expense of leases of low-value assets                           | <u>\$ 31</u>        | <u>\$ 31</u>        |
| Variable lease payments not included in lease liability measurement | <u>\$ 13,106</u>    | <u>\$ 25,045</u>    |
| Total cash (outflow) from lease                                     | <u>(\$ 125,970)</u> | <u>(\$ 218,719)</u> |

The Consolidated Entity elects to apply the recognition exemptions to some buildings and other equipment that qualify as a short-term lease or lease with low-value assets, respectively. Consequently, it does not recognize any right-of-use assets or lease liabilities for the said leases.

XVI. Intangible assets

(I) Goodwill

|                          | <u>2022</u>      | <u>2021</u>      |
|--------------------------|------------------|------------------|
| Beginning balance        | \$ 25,300        | \$ 26,030        |
| Net exchange differences | 2,768            | ( 730)           |
| Ending Balance           | <u>\$ 28,068</u> | <u>\$ 25,300</u> |

## (II) Other intangible assets

|  | <u>Trademarks</u> | <u>Computer<br/>software</u> | <u>Total</u>     |
|--|-------------------|------------------------------|------------------|
| <u>Cost</u>  |                   |                              |                  |
| Balance as of January 1,<br>2021                   | \$ 7,063          | \$ 30,136                    | \$ 37,199        |
| Additions  | 112               | 2,171                        | 2,283            |
| Disposals  | ( 104)            | -                            | ( 104)           |
| Net exchange differences                           | ( 239)            | ( 226)                       | ( 465)           |
| Balance as of December<br>31, 2021                 | <u>\$ 6,832</u>   | <u>\$ 32,081</u>             | <u>\$ 38,913</u> |
| <u>Accumulated amortization<br/>and impairment</u> |                   |                              |                  |
| Balance as of January 1,<br>2021                   | \$ 4,408          | \$ 25,892                    | \$ 30,300        |
| Amortization                                       | 519               | 3,050                        | 3,569            |
| Disposals  | ( 104)            | -                            | ( 104)           |
| Net exchange differences                           | ( 155)            | ( 193)                       | ( 348)           |
| Balance as of December<br>31, 2021                 | <u>\$ 4,668</u>   | <u>\$ 28,749</u>             | <u>\$ 33,417</u> |
| Net amount as of<br>December 31, 2021              | <u>\$ 2,164</u>   | <u>\$ 3,332</u>              | <u>\$ 5,496</u>  |
| <u>Cost</u>  |                   |                              |                  |
| Balance as of January 1,<br>2022                   | \$ 6,832          | \$ 32,081                    | \$ 38,913        |
| Additions  | 395               | -                            | 395              |
| Net exchange differences                           | 763               | 473                          | 1,236            |
| Balance as of December<br>31, 2022                 | <u>\$ 7,990</u>   | <u>\$ 32,554</u>             | <u>\$ 40,544</u> |
| <u>Accumulated amortization<br/>and impairment</u> |                   |                              |                  |
| Balance as of January 1,<br>2022                   | \$ 4,668          | \$ 28,749                    | \$ 33,417        |
| Amortization                                       | 573               | 2,059                        | 2,632            |
| Net exchange differences                           | 532               | 417                          | 949              |
| Balance as of December<br>31, 2022                 | <u>\$ 5,773</u>   | <u>\$ 31,225</u>             | <u>\$ 36,998</u> |
| Net balance as of<br>December 31, 2022             | <u>\$ 2,217</u>   | <u>\$ 1,329</u>              | <u>\$ 3,546</u>  |

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

|                   |               |
|-------------------|---------------|
| Trademarks        | 8 to 15 years |
| Computer software | 1 to 5 years  |

XVII. Borrowings

(I) Short-term loans

|                      | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------|--------------------------|--------------------------|
| <u>Secured loans</u> |                          |                          |
| Bank loans           | \$ 75,136                | \$ 170,059               |
| Interest rate        | <u>1.635%~6.25%</u>      | <u>0.75%~1.271%</u>      |

The above-mentioned secured borrowings are mainly borrowings with bank deposits, freehold land, and buildings as collateral, as well as jointly guaranteed by the Company's Chairman. Please refer to Notes VI, VIII, XIV, XXIX and XXX for details.

(II) Long-term borrowings

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>Secured loans</u>                       |                          |                          |
| Bank loans                                 | \$ -                     | \$ 51,762                |
| Less: Current portion<br>matured in 1 year | <u>-</u>                 | <u>( 51,762 )</u>        |
|  | <u>\$ -</u>              | <u>\$ -</u>              |

The Consolidated Entity's borrowings include:

| <u>Bank loans</u>     | <u>Redemption method</u>   | <u>Contract period</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------|--|------------------------|--------------------------|--------------------------|
| <u>Secured loans</u>  |  |                        |                          |                          |
| The Bank of East Asia | Monthly interest payment and principal repayment in full upon maturity | 2020.05.26~2022.05.20  | \$ -                     | \$ 44,012                |
| "                     | Monthly interest payment and principal repayment in full upon maturity | 2020.05.28~2022.05.20  | <u>-</u>                 | <u>7,750</u>             |
|                       |  |                        | <u>\$ -</u>              | <u>\$ 51,762</u>         |

The interest rate for long-term borrowings was 1.50% on December 31, 2021. The above-mentioned secured borrowings are mainly borrowings denominated in US dollars, with bank deposits as collateral, as well as jointly guaranteed by the Company's Chairman. Please refer to Notes VI, VIII, and XXIX and XXX for details.

XVIII. Other payables

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Payroll and bonus payable                  | \$ 31,842                | \$ 61,797                |
| Untaken leave payable                      | 7,111                    | 11,353                   |
| Business tax payable                       | 789                      | 2,131                    |
| Social security and provident fund payable | 7,614                    | 5,776                    |
| Professional service fee payable           | 2,359                    | 3,897                    |
| Payables on equipment                      | 4,926                    | 5,945                    |
| Others                                     | <u>29,049</u>            | <u>32,594</u>            |
|  | <u>\$ 83,690</u>         | <u>\$ 123,493</u>        |

XIX. Provisions - current

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Employee benefits (under other payables) | <u>\$ 7,111</u>          | <u>\$ 11,353</u>         |

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

XX. Equity

(I) Share capital

Common stocks

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Authorized shares (in thousands)                      | <u>100,000</u>           | <u>100,000</u>           |
| Authorized share capital                              | <u>\$ 1,000,000</u>      | <u>\$ 1,000,000</u>      |
| Number of shares issued and fully paid (in thousands) | <u>35,785</u>            | <u>35,785</u>            |
| Issued share capital                                  | <u>\$ 357,852</u>        | <u>\$ 357,852</u>        |

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

Due to the resignation of some employees, the new shares issued by the Company that restricted the rights of employees were withdrawn by the board of directors in 2021, with 49 thousand shares, totaling \$492 thousand.

On November 12, 2021, the board of directors resolved to cancel 720 thousand treasury stocks, and set the capital reduction base date on November 15, 2021.

On July 8, 2021, the Company's board of directors passed the resolution in order to further increase the net worth of shareholders' equity in response to long-term operational development, expansion of operating scale and market territory, and planned to issue common stocks through private placement for cash capital increase within the limit of 5,000 thousand common stocks. On March 24, 2022, the Company's board of directors decided not to proceed with above capital increase.

(II) Capital surplus

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| It may be used to offset the deficits, distributed as cash dividends, or transferred to share capital (1) |                          |                          |
| Stock issuance premium  | \$ 54,708                | \$ 62,552                |
| Premium on conversion of corporate bonds  | 132,720                  | 151,748                  |
| <u>It may be used to offset the deficits</u>  |                          |                          |
| Recognized value of changes in equity of ownership of subsidiaries (2)                                    | -                        | 1,521                    |
| Gain on exercise of vesting rights  | <u>89</u>                | <u>17</u>                |
|   | <u>\$ 187,517</u>        | <u>\$ 215,838</u>        |

1. Capital reserve related to the income derived from the issuance of shares at a premium may be used to offset the deficits. When the Company has no deficit, it may be distributed as cash dividends or transferred to share capital. The transfer is limited to a certain percentage of the Company's paid-in capital of the year.
2. This type of capital surplus refers to the affected amount of equity transaction recognized due to changes in the subsidiary's equity when the Company has not actually acquired or disposed of equity in a subsidiary.

(III) Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the Company shall use earnings for the year, if any, to offset accumulated losses from prior years, capital surplus pursuant to the Articles of Incorporation, allocate 10% as legal surplus in accordance with regulations applicable to public companies (except where the accumulated surplus equals the total paid-in capital) and surplus required by competent authorities in the Republic of China before the remaining balance can be used for earnings distribution. Dividends paid shall not be lower than 5%. The Company's board of directors can, by a resolution approved by more than two-thirds of the directors' present and half of the directors' present, distribute cash dividends from the accumulated unappropriated earnings or the legal reserve. For details on the Company's policies of compensation to employees and remuneration to Directors in the Articles of Incorporation, please refer to Note XXII(VII).

The deficit recovery plan for the year ended December 31, 2022, proposed by the board of directors of the Company on March 20, 2023, which uses special reserve of \$82,230 thousand, capital reserve of \$39,784 thousand, and capital of \$157,852 thousand to offset the deficit of \$279,866 thousand, is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 12, 2023.

The deficit recovery plan for the year ended December 31, 2021, proposed by the board of directors of the Company on March 24, 2022, which uses legal reserve of \$68,193 thousand and capital reserve of \$26,872 thousand to offset the deficit of \$95,065 thousand, was subject to the resolution of the shareholders in the shareholders' meeting held on June 15, 2022.

The Company's proposal for earnings appropriation for 2020 is as follows:

|                 | Earnings<br>Appropriation | Dividend per Share<br>(NT\$) |
|-----------------|---------------------------|------------------------------|
|                 | <u>2020</u>               | <u>2020</u>                  |
| Legal reserve   | \$ 3,887                  | \$ -                         |
| Special reserve | 6,977                     | -                            |
| Cash dividends  | 17,839                    | 0.50                         |

The above cash dividends have been distributed by the resolution of the board of directors on March 19, 2021, and the remaining earnings appropriation items for 2020 was resolved at the shareholders' general meeting on July 8, 2021.

(IV) Special reserve

|                                | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------------|--------------------------|--------------------------|
| Beginning balance              | \$ 82,230                | \$ 75,253                |
| Recognition of special reserve |                          |                          |
| Deduction in other equity      | <u>-</u>                 | <u>6,977</u>             |
| Ending Balance                 | <u>\$ 82,230</u>         | <u>\$ 82,230</u>         |

(V) Other equity

1. Exchange differences in translation of foreign operations

Exchange difference from the translation of foreign operations' net assets denominated in its functional currency into the consolidated entity's presentation currency (NTD) is directly recognized under other comprehensive income as exchange differences on translation of foreign operations. The cumulative exchange differences in translation of foreign operations are reclassified to profit or loss upon the disposal of foreign operations.

2. Unearned employee benefits

|                     | <u>2022</u> | <u>2021</u> |
|---------------------|-------------|-------------|
| Beginning balance   | \$ -        | (\$ 699)    |
| Share-based payment | <u>-</u>    | <u>699</u>  |
| Ending Balance      | <u>\$ -</u> | <u>\$ -</u> |

(VI) Treasury stock

Unit: In Thousand Share

| <u>Reason for Recovery - To be Transferred to Employees</u> | <u>2022</u> | <u>2021</u>   |
|---|-------------|---------------|
| Beginning balance   | 444         | 831           |
| Increase  | -           | 333           |
| Decrease  | <u>-</u>    | <u>( 720)</u> |
| Ending balance  | <u>444</u>  | <u>444</u>    |

In order to motivate employees and enhance their loyalty, the Company resolved in the Board of Directors' meeting on August 24, 2021 to repurchase 500 thousand shares of the Company's common stocks at the price range of \$31 to \$89 per share (the buyback continues even when the market price is below the lower limit of the price range) between August 25, 2021 and October 22, 2021, and 333 thousand shares have been actually repurchased. The Company considers the market mechanism and buy-back in batches depending on changes in stock prices, trading volume and the effective use of funds, and therefore it has not been fully implemented.

On November 12, 2021, the board of directors resolved to cancel 720 thousand treasury shares with the cost of treasury shares amounted to \$48,009 thousand, the capital reserve amounted to \$7,362 thousand and the retained surplus amounted to \$33,447 thousand, and set the capital reduction base date on November 15, 2021. Treasury stocks held by the Company may not be pledged nor assigned rights to dividend appropriation and voting in accordance with the Securities and Exchange Act.

(VII) Non-controlling interests

|   | <u>2022</u>      | <u>2021</u>      |
|---|------------------|------------------|
| Beginning balance   | \$ 20,001        | \$ 33,984        |
| Increase  | 2,753            | 1,798            |
| Decrease  | ( 537)           | ( 14,548)        |
| Net loss for the period   | ( 4,645)         | ( 2,654)         |
| Other comprehensive income (loss) for the year                                    |                  |                  |
| Exchange differences in translation of foreign operations                         | 728              | ( 688)           |
| Increase in non-controlling Interests from acquisition of subsidiaries (Note XII) | \$ -             | \$ 2,109         |
| Decrease in non-controlling Interests from disposal of subsidiaries (Note XXVI)   | ( 1,455)         | -                |
| Ending Balance  | <u>\$ 16,845</u> | <u>\$ 20,001</u> |

XXI. Operating Revenue

|                                       | <u>2022</u>       | <u>2021</u>         |
|---------------------------------------|-------------------|---------------------|
| Revenue from contracts with customers |                   |                     |
| Sales revenue                         | \$ 387,073        | \$ 727,161          |
| Catering revenue                      | 287,016           | 527,273             |
| Brand revenue                         | 88,431            | 135,127             |
| Other operating revenues              | <u>38,609</u>     | <u>69,227</u>       |
|                                       | <u>\$ 801,129</u> | <u>\$ 1,458,788</u> |

(I) Contract balance

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Contract liabilities - non-current              |                          |                          |
| Brand revenue                                   | \$ 75,919                | \$ 14,144                |
| Customer loyalty program under catering revenue | <u>1,070</u>             | <u>1,714</u>             |
|   | <u>\$ 76,989</u>         | <u>\$ 15,858</u>         |



The Company recognized revenue from the beginning balance of contract liability after the satisfaction of performance obligation as follows:

|  | <u>2022</u>     | <u>2021</u>      |
|--|-----------------|------------------|
| <u>Beginning balance of contract liability</u> |                 |                  |
| Brand revenue                                  | <u>\$ 6,895</u> | <u>\$ 15,104</u> |

(II) Disaggregation of revenue from contracts with customers

2022

|                              | <u>Reportable Segment</u> |                   |                   |
|------------------------------|---------------------------|-------------------|-------------------|
|                              | <u>Catering</u>           | <u>Trade</u>      | <u>Total</u>      |
| Product type                 |                           |                   |                   |
| Sales Revenue of Commodities | \$ -                      | \$ 387,073        | \$ 387,073        |
| Catering revenue             | 287,016                   | -                 | 287,016           |
| Brand revenue                | 88,431                    | -                 | 88,431            |
| Other operating revenues     | <u>38,462</u>             | <u>147</u>        | <u>38,609</u>     |
|                              | <u>\$ 413,909</u>         | <u>\$ 387,220</u> | <u>\$ 801,129</u> |

2021

|                              | <u>Reportable Segment</u> |                   |                     |
|------------------------------|---------------------------|-------------------|---------------------|
|                              | <u>Catering</u>           | <u>Trade</u>      | <u>Total</u>        |
| Product type                 |                           |                   |                     |
| Sales Revenue of Commodities | \$ -                      | \$ 727,161        | \$ 727,161          |
| Catering revenue             | 527,273                   | -                 | 527,273             |
| Brand revenue                | 135,127                   | -                 | 135,127             |
| Other operating revenues     | <u>64,778</u>             | <u>4,449</u>      | <u>69,227</u>       |
|                              | <u>\$ 727,178</u>         | <u>\$ 731,610</u> | <u>\$ 1,458,788</u> |

XXII. Net (Loss) Income of Continuing Operations

(I) Interest income

|              | <u>2022</u>     | <u>2021</u>     |
|--------------|-----------------|-----------------|
| Bank deposit | <u>\$ 1,967</u> | <u>\$ 7,957</u> |

(II) Other income

|                                       | <u>2022</u>      | <u>2021</u>      |
|---------------------------------------|------------------|------------------|
| Government subsidy income (Note XXXI) | \$ 9,839         | \$ 9,562         |
| Others                                | <u>8,337</u>     | <u>6,177</u>     |
|                                       | <u>\$ 18,176</u> | <u>\$ 15,739</u> |

(III) Other gains and losses

|   | <u>2022</u>          | <u>2021</u>         |
|---|----------------------|---------------------|
| Loss on disposal of property, plant and equipment                               | (\$ 12,259)          | (\$ 7,913)          |
| Gain on disposal of investments (Notes XIII and XXVI)                           | 53,660               | 422                 |
| Impairment loss   | ( 38,806)            | -                   |
| Gains on lease modification   | 14,565               | 5,368               |
| Net foreign exchange (loss) gain  | ( 9,314)             | 9,373               |
| (Loss) gain on financial assets at fair value through profit or loss (Note VII) | ( 946)               | 2,006               |
| Others  | ( <u>24,123</u> )    | ( <u>10,358</u> )   |
|   | ( <u>\$ 17,223</u> ) | ( <u>\$ 1,102</u> ) |

The catering segment of the Consolidated Entity was impacted by the recent COVID-19 pandemic in China. The Consolidated Entity cannot recover part of the refundable deposits due to closure of direct-sale stores. Therefore, the recognized impairment loss for 2022 was \$15,496 thousand.

(IV) Finance costs

|                               | <u>2022</u>     | <u>2021</u>      |
|-------------------------------|-----------------|------------------|
| Interest on bank loans        | \$ 2,295        | \$ 3,905         |
| Interest on lease liabilities | <u>7,653</u>    | <u>11,735</u>    |
|                               | <u>\$ 9,948</u> | <u>\$ 15,640</u> |

(V) Depreciation and amortization

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| Property, plant and equipment               | \$ 25,087         | \$ 39,685         |
| Right-of-use assets                         | 102,155           | 179,268           |
| Intangible Assets                           | <u>2,632</u>      | <u>3,569</u>      |
|   | <u>\$ 129,874</u> | <u>\$ 222,522</u> |
| Depreciation expense summarized by function |                   |                   |
| Operating costs                             | \$ 5,304          | \$ 4,041          |
| Operating expenses                          | <u>121,938</u>    | <u>214,912</u>    |
|   | <u>\$ 127,242</u> | <u>\$ 218,953</u> |
| Amortized cost summarized by function       |                   |                   |
| Operating expenses                          | <u>\$ 2,632</u>   | <u>\$ 3,569</u>   |

(VI) Employee benefits expenses

|                              | <u>2022</u>       | <u>2021</u>       |
|------------------------------|-------------------|-------------------|
| Short-term employee benefits | \$ 254,417        | \$ 373,577        |
| Post-employment benefits     | <u>3,056</u>      | <u>3,087</u>      |
|                              | <u>\$ 257,473</u> | <u>\$ 376,664</u> |
| Summarized by functions      |                   |                   |
| Operating costs              | \$ 45,045         | \$ 83,039         |
| Operating expenses           | <u>212,428</u>    | <u>293,625</u>    |
|                              | <u>\$ 257,473</u> | <u>\$ 376,664</u> |

(VII) Compensation to employee and remuneration to Directors

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

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

The Company had a pretax loss in 2022 and 2021; therefore, the compensation to employees and remuneration to Directors are not estimated.

The Company's Board of Directors' meetings on March 19, 2021, resolved not to distribute employee compensation and remuneration to Directors, which is the same as the amount recognized in the consolidated financial statements for the years ended December 31, 2020.

Please access the "Market Observation Post System" of the Taiwan Stock Exchange for information on the Company's employee compensation and remuneration to Directors in the Board of Directors' meetings.

XXIII. Income Tax Expense

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

|   | <u>2022</u>      | <u>2021</u>      |
|---|------------------|------------------|
| Current income tax expense                | \$ 14,776        | \$ 16,341        |
| Adjustment on income taxes of prior years | 11,008           | 762              |
| Adjustment on deferred income tax         | <u>33,406</u>    | <u>( 15,338)</u> |
|   | <u>\$ 59,190</u> | <u>\$ 1,765</u>  |

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

|  | <u>2022</u>       | <u>2021</u>      |
|--|-------------------|------------------|
| Income before income tax<br>(Note)                 | <u>\$ 133,565</u> | <u>\$ 92,393</u> |
| Income tax expense at the<br>statutory rate (Note) | \$ 25,936         | \$ 19,516        |
| Tax effects of reconciled<br>items                 |                   |                  |
| Other permanent<br>differences                     | ( 18,706)         | ( 3,175)         |
| Income basic tax                                   | <u>7,546</u>      | <u>-</u>         |
| Current income tax expense                         | <u>\$ 14,776</u>  | <u>\$ 16,341</u> |

Note: For entities at various regions which use their operating results as the net income before tax, it is the aggregate of net income before tax times the applicable tax rate.

The Company was established in the British Cayman Islands; thus, there are no relevant taxes. The individual tax rate of the income tax law of the Republic of China applicable to the consolidated entity is 20%, the tax rate in Hong Kong is 16.5%; the tax rate in mainland China is 25%; the tax rate in the United States is 21%; and the tax rate in Malaysia is 24%.

(III) The components of income tax assets (liabilities) for the current period are as follows:

|                                   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------------|--------------------------|--------------------------|
| Current income tax assets         | <u>\$ 730</u>            | <u>\$ 8,618</u>          |
| Current income tax<br>liabilities | ( <u>\$ 10,601</u> )     | ( <u>\$ 5,818</u> )      |

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

2021

|   | Beginning<br>balance | Recognized<br>in profit or<br>loss | Directly<br>recognized<br>in profit or<br>loss | Ending<br>balance |
|---|----------------------|------------------------------------|--|-------------------|
| Deferred income tax<br>assets             |                      |                                    |  |                   |
| <hr/>                                     |                      |                                    |  |                   |
| Temporary differences                     |                      |                                    |  |                   |
| Deferred income                           | \$ 6,482             | (\$ 2,441)                         | \$ -   | \$ 4,041          |
| Others                                    | 2,763                | 1,273                              | -  | 4,036             |
| Loss carryforward                         | <u>19,911</u>        | <u>17,500</u>                      | -  | <u>37,411</u>     |
|   | <u>\$ 29,156</u>     | <u>\$ 16,332</u>                   | <u>\$ -</u>                                    | <u>\$ 45,488</u>  |
| <br>                                      |                      |                                    |  |                   |
| Deferred income tax<br>liabilities        |                      |                                    |  |                   |
| <hr/>                                     |                      |                                    |  |                   |
| Temporary differences                     |                      |                                    |  |                   |
| Withholding earnings<br>from subsidiaries | \$ 5,212             | (\$ 175)                           | \$ -   | \$ 5,037          |
| Withholding tax on<br>remitted            | <u>2,232</u>         | <u>1,169</u>                       | -  | <u>3,401</u>      |
| Deferred income                           | <u>\$ 7,444</u>      | <u>\$ 994</u>                      | <u>\$ -</u>                                    | <u>\$ 8,438</u>   |

2022

|   | Beginning<br>balance | Recognized<br>in profit or<br>loss | Directly<br>recognized<br>in profit or<br>loss | Ending<br>balance |
|---|----------------------|------------------------------------|--|-------------------|
| Deferred income tax<br>assets             |                      |                                    |  |                   |
| <hr/>                                     |                      |                                    |  |                   |
| Temporary differences                     |                      |                                    |  |                   |
| Deferred income                           | \$ 4,041             | (\$ 2,709)                         | \$ -   | \$ 1,332          |
| Others                                    | 4,036                | ( 104)                             | -  | 3,932             |
| Loss carryforward                         | <u>37,411</u>        | <u>( 36,163)</u>                   | -  | <u>1,248</u>      |
|   | <u>\$ 45,488</u>     | <u>(\$ 38,976)</u>                 | <u>\$ -</u>                                    | <u>\$ 6,512</u>   |
| <br>                                      |                      |                                    |  |                   |
| Deferred income tax<br>liabilities        |                      |                                    |  |                   |
| <hr/>                                     |                      |                                    |  |                   |
| Temporary differences                     |                      |                                    |  |                   |
| Withholding earnings<br>from subsidiaries |                      |                                    |  |                   |
| Withholding tax on<br>remitted            | \$ 5,037             | (\$ 5,037)                         | \$ -   | \$ -              |
| Deferred income                           | <u>3,401</u>         | <u>( 533)</u>                      | -  | <u>2,868</u>      |
|   | <u>\$ 8,438</u>      | <u>(\$ 5,570)</u>                  | <u>\$ -</u>                                    | <u>\$ 2,868</u>   |

(V) Income tax assessments

The income tax declaration cases for profitable businesses of Zhan Xin Resources Enterprise Co., Ltd. Taiwan Branch, Yen Chun International Co., Ltd, and Yen Mei Enterprise Limited before 2020 have been approved by the tax authorities.

XXIV. Deficit per share

|                           | Unit: NT\$ per share |                  |
|---------------------------|----------------------|------------------|
|                           | 2022                 | 2021             |
| Basic deficit per share   | <u>(\$ 7.92)</u>     | <u>(\$ 2.65)</u> |
| Diluted deficit per share | <u>(\$ 7.92)</u>     | <u>(\$ 2.65)</u> |

The deficit and the weighted average number of common stocks for the purpose of calculating deficit per share are as follows:

Net loss for the period

|  | 2022                | 2021               |
|--|---------------------|--------------------|
| To calculate the net loss in the deficit per share | <u>(\$ 279,866)</u> | <u>(\$ 94,106)</u> |

Number of Shares

|   | Unit: In Thousand Share |               |
|---|-------------------------|---------------|
|   | 2022                    | 2021          |
| Weighted average number of common stocks for the purpose of calculating basic deficit per share   | 35,341                  | 35,574        |
| Impact of common stocks with dilutive effect:   |                         |               |
| New restricted employee shares  | <u>-</u>                | <u>-</u>      |
| Weighted average number of common stocks for the purpose of calculating diluted deficit per share | <u>35,341</u>           | <u>35,574</u> |

Due to the employee restricted stocks issued by the Company, there was an anti-dilution effect, so it was not included in the calculation of diluted loss per share.

XXV. Share-based payment arrangement

New restricted employee shares

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

On August 10, 2017, the Company's Board of Directors resolved to issue 269 thousand bonus shares. The actual distribution date was August 10, 2017 and the stock's closing price on the grant day was \$99.5. The vesting percentage of employees awarded on May 1, 2018 is 20%, with another 25%, 25% and 30% for every additional full-year service rendered. Moreover, the employee shall remain an employee at the end of each time period stipulated with performance maintain at a certain level for the vesting to take effect.

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

Restricted rights of new shares distributed to employees before vesting conditions are fulfilled:

- (I) The employee may not sell, pledge, transfer, provide as a gift to other party, use as collateral or use other means to dispose of the new restricted shares.
- (II) Employees shall attend, propose, speak, vote and elect in the shareholders' meeting according to the trust or custody contract.
- (III) During the vesting period, the new restricted stocks cannot participate in the stock or dividend distribution nor share subscription in right issue.

As of December 31, 2021, the relevant information on new restricted stocks is as follows:

|   | 2021                                  |
|---|---------------------------------------|
|   | Number of<br>Shares (in<br>thousands) |
| Outstanding, the beginning of the<br>year | 49                                    |
| Retrieved                                 | ( 49 )                                |
| Outstanding, end of year                  | -                                     |

When the employee fails to meet the vesting conditions, the Company would retrieve the employee's new restricted stocks and cancel them. In April 2021, the Company's board of directors resolved to withdraw 49 thousand shares, totaling \$492 thousand.

The compensation costs reversed by the Company for the years ended December 31, 2021 were \$(13,313) thousand.

#### Cash-settled share-based payment

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

The Company granted the first batch of employee stock appreciation rights of 105 thousand units in August, 2017 and retrieved 5 thousand and 10 thousand units in May, 2018 and December 2017, respectively. The vesting percentage of employees awarded on May 1, 2018 is 20%, with another 25%, 25% and 30% for every additional full-year service rendered. Moreover, the employee shall remain an employee at the end of each time period stipulated with performance maintain at a certain level for the vesting to take effect.

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

As of December 31, 2021, the number of stock appreciation rights outstanding is as follows:



|  | <u>2021</u>                |
|--|----------------------------|
|  | <u>Unit (in thousands)</u> |
| Outstanding, the beginning of the year | 33                         |
| Retrieved                              | ( <u>33</u> )              |
| Outstanding, end of year               | <u><u>-</u></u>            |

As of December 31, 2021, the vested period for the basic payment of cash-delivered shares issued by the Company was expired, and there was no value-added value of employee stock tickets in circulation.

The compensation costs recognized by the Company for the years ended December 31, 2021 were \$379 thousand.

XXVI. Disposal of subsidiaries- not subscribe according to the shareholding percentage

On December 31, 2022, the Consolidated Entity did not subscribe the new shares of Malaysia's subsidiary according to its shareholding percentage. Its shareholding percentage decreased from 51% to 45%. It is no longer the single largest shareholder of the Company, lost control of the Company and becomes an associate.

(I) Analysis of assets and liabilities over which the Company lost control

|   | <u>Malaysia subsidiary</u> |
|---|----------------------------|
| Current assets  |                            |
| Cash and cash equivalents                                     | \$ 2,933                   |
| Accounts receivables  | 782                        |
| Other receivables   | 1,554                      |
| Inventory   | 1,624                      |
| Other current assets  | 1,201                      |
| NON-CURRENT ASSETS  |                            |
| Property, plant, and equipment                                | 2,211                      |
| Right-of-use assets   | 849                        |
| Current liabilities   |                            |
| Accounts payable  | ( 1,455 )                  |
| Other payables  | ( 5,211 )                  |
| Lease liabilities - current                                   | ( 157 )                    |
| Other current liabilities                                     | ( 134 )                    |
| Non-current liabilities                                       |                            |
| Contract liabilities - non-current                            | ( \$ 462 )                 |
| Lease liabilities - non-current                               | ( <u>764</u> )             |
| Net assets  | <u>\$ 2,971</u>            |
| not subscribe shares according to the shareholding percentage | 51%                        |
| Disposal of net assets  | <u>\$ 1,516</u>            |

(II) Gain on disposal of subsidiaries

|  | <u>Malaysia subsidiary</u> |
|--|----------------------------|
| Disposal of net assets   | (\$ 1,516)                 |
| Remaining carrying Amount of the equity investment                     | 2,543                      |
| Reclassified to profit or loss due to lost the control of subsidiaries |                            |
| - accumulated exchange differences                                     | ( 571)                     |
| Gain on disposals  | <u>\$ 456</u>              |

XXVII. Capital Risk Management

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

The capital structure of the Consolidated Entity is composed of net liabilities (i.e. loans less cash and cash equivalents) and equity attributable to the shareholders of the Company (i.e. capital, capital reserve, retained earnings, and other equity items).

The Consolidated Entity is not subject to any other external capital requirements.

The Consolidated Entity's key management reassesses its capital structure quarterly. Items assessed include the cost and related risks of various capitals. In accordance with advice from the Consolidated Entity's key management, the Entity balances its overall capital structure through dividend payments, issuance of new stocks, and repayment of old debts.

XXVIII. Financial Instruments

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

The carrying amounts of the Consolidated Entity's financial assets and financial liabilities not measured at fair value approach their fair values. As of December 31, 2022 and 2021, there were no material differences between the carrying amounts and fair values.

(II) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

|   | <u>Level 1</u>  | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>    |
|---|-----------------|-----------------|----------------|-----------------|
| Financial assets at fair value through profit or loss             |                 |                 |                |                 |
| Beneficiary certificates  | <u>\$ 3,482</u> | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ 3,482</u> |
| Financial assets at fair value through other comprehensive income |                 |                 |                |                 |
| Investments in equity instruments                                 |                 |                 |                |                 |
| Non-TWSE/TPEX listed companies' Stocks                            | <u>\$ -</u>     | <u>\$ 5,647</u> | <u>\$ -</u>    | <u>\$ 5,647</u> |

December 31, 2021

|   | <u>Level 1</u>  | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>    |
|---|-----------------|-----------------|----------------|-----------------|
| Financial assets at fair value through profit or loss             |                 |                 |                |                 |
| Beneficiary certificates  | <u>\$ 4,361</u> | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ 4,361</u> |
| Financial assets at fair value through other comprehensive income |                 |                 |                |                 |
| Investments in equity instruments                                 |                 |                 |                |                 |
| Non-TWSE/TPEX listed companies' Stocks                            | <u>\$ -</u>     | <u>\$ 8,047</u> | <u>\$ -</u>    | <u>\$ 8,047</u> |

There was no transfer between Levels 1 and 2 fair value measurements for the years ended December 31, 2022 and 2021.

2. Valuation techniques and inputs used in level 2 fair value measurements

| <u>Category of financial Instruments</u> | <u>Valuation techniques and inputs</u>                                |
|--|---|
| Non-TWSE/TPEX listed companies' Stocks   | Determine the value of equity investment through Asset-Based Approach |

(III) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

1. The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
2. The fair value of derivative financial instruments with quoted prices in active liquid markets is estimated by market prices. The fair value of the option-based derivative is estimated by the option pricing model if quoted market prices are not available. The fair value of a non-option derivative is estimated by discounted cash flow analysis and the applicable yield curve for the duration if quoted market prices are not available. Forward exchange contracts are measured by yield curve using forward exchange rates and the yield curve derived from quoted interest rates that match the maturity period of the contracts.
3. The fair value of other financial assets and financial liabilities (except the above) is determined by a generally accepted pricing model based on discounted cash flow analysis.

(IV) Financial risk management objectives and policy

The Consolidated Entity's main financial instruments consist of investments in debt instruments, accounts receivable, accounts payable, and loans. The financial management department of the Consolidated Entity provides services to the business units, coordinates the operation in the domestic and international financial market, and supervises and manages the financial risks related to the operation of the Consolidated Entity based on the internal risk reports which analyses risk exposures according to the degree and breadth of risks. Such risks include market risk, credit risk, and liquidity risk.

1. Market risks

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

The financial instruments' exposure to market risk and the management and measurement of such exposure remains unchanged for the Consolidated Entity.

(1) Foreign exchange risk

Foreign exchange risk arises from the Consolidated Entity's engagement in deposits and borrowings denominated in foreign currencies.

Please refer to Note XXXIII for details on the carrying amount of monetary assets and monetary liabilities not expressed in functional currency on the balance sheet date.

Sensitivity analysis

The Consolidated Entity's sensitivity analysis includes only the outstanding net monetary items denominated in foreign currencies and an adjustment on the end-of-period translation with a 10% change in the exchange rate against New Taiwan dollars. The following table shows the decrease (increase) in the Consolidated Entity's net income before tax with a 10% appreciation in foreign currencies.

|                          | Impact of USD |            | Impact of RMB |          |
|--------------------------|---------------|------------|---------------|----------|
|                          | 2022          | 2021       | 2022          | 2021     |
| Effect on profit or loss | \$ 5,891      | (\$ 7,394) | \$ 1,566      | \$ 2,556 |

(2) Interest rate risk

The interest rate risk of the Consolidated Entity mainly comes from time deposits and bank loans with floating interest rates.

The carrying amount of financial assets and financial liabilities exposed to interest rate risks on the balance sheet date is as follows:

|                               | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------|--------------------------|--------------------------|
| Cash flow interest rate risks |                          |                          |
| Financial assets              | \$ 23,775                | \$ 192,872               |
| Financial liabilities         | 75,136                   | 221,821                  |

The sensitivity analysis of interest rate risk is based on the changes in the fair value of financial assets and financial liabilities with floating interest rates at the end of the financial reporting period. If the interest rate drops by 1%, the Consolidated Entity's cash inflows will decrease by \$514 thousand and \$289 thousand for the years ended December 31, 2022 and 2021, respectively.

2. Credit risk

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

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

3. Liquidity risk

The Consolidated Entity has sufficient working capital. Thus, there is no liquidity risk arising from insufficient capital to fulfill contractual obligations. The anticipated maturity dates of the Consolidated Entity's non-derivative financial liabilities with the agreed repayment period are as follows:

|   | December 31, 2022 |                  |                  | Total             |
|---|-------------------|------------------|------------------|-------------------|
|   | Within 1 year     | 1 to 3 years     | Over 3 years     |                   |
| <u>Non-derivative financial liabilities</u> |                   |                  |                  |                   |
| Non-interest-bearing liabilities            | \$ 177,789        | \$ 41,374        | \$ 8,000         | \$ 227,163        |
| Lease liabilities                           | 47,017            | 47,111           | 21,712           | 115,840           |
| Liabilities with floating interest rates    | 75,136            | -                | -                | 75,136            |
|   | <u>\$ 299,942</u> | <u>\$ 88,485</u> | <u>\$ 29,712</u> | <u>\$ 418,139</u> |

|   | December 31, 2021 |                   |                  | Total             |
|---|-------------------|-------------------|------------------|-------------------|
|   | Within 1 year     | 1 to 3 years      | Over 3 years     |                   |
| <u>Non-derivative financial liabilities</u> |                   |                   |                  |                   |
| Non-interest-bearing liabilities            | \$ 237,801        | \$ 40,850         | \$ 26,591        | \$ 305,242        |
| Lease liabilities                           | 117,021           | 106,285           | 32,253           | 255,559           |
| Liabilities with floating interest rates    | 221,821           | -                 | -                | 221,821           |
|   | <u>\$ 576,643</u> | <u>\$ 147,135</u> | <u>\$ 58,844</u> | <u>\$ 782,622</u> |

XXIX. Related Party Transactions

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

(I) The names and relationships of related parties

| <u>Name of Related Party</u>  | <u>Relationship with the Consolidated Entity</u>                             |
|---|--|
| Freshtea Japan CO., LTD.  | Associates   |
| Happy Lemon California, Inc.  | Associates (have been liquidated in June 2021)                               |
| Happy Lemon (M) Sdn Bhd   | Used to be subsidiaries, have become the associates since December 31, 2022  |
| T Rock Inc.   | Investors of significant influence (Note 1) / other related parties (Note 2) |
| Mr. Wu-Po-Chao  | Chairman of the Company  |
| Note 1. T Rock Inc. holds a 30% of the equity of Happy Lemon West Inc.  |  |
| Note 2. T Rock Inc. is an investor of significant influence for Happy Lemon West Inc.; T Rock Inc. is other related party for other parties in the group. |  |

(II) Operating transaction

| <u>Financial Statement Account</u> | <u>Category of Related Parties/Name</u> | <u>2022</u>      | <u>2021</u>      |
|------------------------------------|---|------------------|------------------|
|                                    | Associates                              |                  |                  |
| Sales revenue                      | Freshtea Japan CO., LTD.                | \$ 418           | \$ 353           |
|                                    | Other related parties                   |                  |                  |
|                                    | T Rock Inc.(Note)                       | 54,295           | -                |
|                                    | Investors of significant influence      |                  |                  |
|                                    | T Rock Inc.                             | 1,167            | -                |
|                                    | Associates                              |                  |                  |
| Brand revenue                      | Freshtea Japan CO., LTD.                | 147              | 80               |
|                                    | Happy Lemon California, Inc.            | -                | 60               |
|                                    | Other related parties                   |                  |                  |
|                                    | T Rock Inc.                             | <u>7,893</u>     | <u>-</u>         |
|                                    |   | <u>\$ 63,920</u> | <u>\$ 493</u>    |
|                                    | Investors of significant influence      |                  |                  |
| Purchases                          | T Rock Inc.(Note)                       | <u>\$ 9,179</u>  | <u>\$ 10,232</u> |

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

The prices of purchases between the Consolidated Entity and its related parties are not significantly different from that of general suppliers. The payment terms of general suppliers are 1 to 2 months from end of month whereas the payment terms of related parties are 2 months from end of month.

Note: The Consolidated Company's purchases and sales with T Rock Inc. are shown in total.

(III) Operating expenses

| Category of Related<br>Parties/Name | 2022             | 2021            |
|-------------------------------------|------------------|-----------------|
| Investors of significant influence  |                  |                 |
| T Rock Inc.                         | \$ 4,173         | \$ 1,751        |
| Other related parties               |                  |                 |
| T Rock Inc.                         | <u>9,256</u>     | <u>-</u>        |
|                                     | <u>\$ 13,429</u> | <u>\$ 1,751</u> |

The prices of service expenditures between the Consolidated Entity and its related parties are not significantly different from that of general suppliers.

(IV) Receivables from related parties

| Financial<br>Statement<br>Account      | Category of Related<br>Parties/Name | December 31,<br>2022 | December 31,<br>2021 |
|--|-------------------------------------|----------------------|----------------------|
| Accounts receivables - related parties | Other related parties               |                      |                      |
|  | T Rock Inc.                         | \$ 9,186             | \$ -                 |
|  | Associates                          |                      |                      |
|  | Happy Lemon (M)<br>Sdn Bhd          | 1,609                | -                    |
|  | Freshtea Japan CO.,<br>LTD.         | <u>16</u>            | <u>9</u>             |
|  |                                     | <u>\$ 10,811</u>     | <u>\$ 9</u>          |

Outstanding receivables from related parties are not guaranteed and expected credit losses are recognized for amounts that are more than 90 days past due.



(V) Accounts payable - related parties

| <u>Financial Statement Account</u> | <u>Category of Related Parties/Name</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------|---|--------------------------|--------------------------|
| Other payables - related parties   | Other related parties<br>T Rock Inc.    | <u>\$ 358</u>            | <u>\$ -</u>              |

(VI) Accounts prepayments - related parties

| <u>Financial Statement Account</u> | <u>Category of Related Parties/Name</u>           | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------|---|--------------------------|--------------------------|
| Prepayments                        | Investors of significant influence<br>T Rock Inc. | \$ 2,534                 | \$ -                     |
|                                    | Other related parties<br>T Rock Inc.              | <u>11,055</u>            | <u>-</u>                 |
|                                    |   | <u>\$ 13,589</u>         | <u>\$ -</u>              |

(VII) Loans

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

(VIII) Endorsement and guarantee

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

(IX) Loan guarantee

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

(X) Compensation to key management

|                              | <u>2022</u>      | <u>2021</u>      |
|------------------------------|------------------|------------------|
| Short-term employee benefits | <u>\$ 19,840</u> | <u>\$ 29,581</u> |

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

XXX. Pledged Assets

The following assets of the Consolidated Entity have been provided to financial institutions as collateral for long/short-term loans:

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Restricted bank deposits<br>(recognized under other current<br>assets - others) (Note VI)         | \$ 4,607                 | \$ 4,152                 |
| Restricted bank deposits<br>(recognized under financial<br>assets at amortized cost) (Note<br>VI) | -                        | 152,040                  |
| Freehold land (Note XIV)  | 41,722                   | 37,601                   |
| Buildings (Note XIV)  | <u>32,642</u>            | <u>30,148</u>            |
|   | <u>\$ 78,971</u>         | <u>\$ 223,941</u>        |

XXXI. Unrecognized Contract Commitments

Unrecognized contract commitments of the Consolidated Entity as follows:

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Right-of-use assets (lease<br>contract) | <u>\$ 45,448</u>         | <u>\$ -</u>              |

XXXII. Others

Although the Consolidated Entity suffered a net operating loss and asset impairment in April and May 2022 due to the impact of the COVID-19 pandemic in Shanghai, in response to the impact of the pandemic, the Consolidated Entity took the following actions to reduce the impact on the Consolidated Entity's ability to continue operating and financing risks, etc.

(I) Adjust operation strategy

1. In response to the impact of the pandemic in Shanghai, commodities were shipped to Shanghai from other areas to support the normal operation in Shanghai and Eastern China.
2. Closed unprofitable stores to reduce losses and closed the Guangzhou and Chengdu warehouses to reduce additional warehousing costs.
3. In response to the impact of the pandemic in Southeast Asia, new franchisees in Southeast Asia will be trained by the headquarters in Taiwan so that new franchisees can receive more support.

4. To expand operations in the U.S. market, to accelerate investment and franchise programs, and to strengthen logistics, distribution, and warehousing in all continents of the U.S. make the supply of raw materials more efficient.

(II) Financing strategy

Due to the uncertainty of the complete control of the COVID-19 pandemic and the challenge of the catering industry's operating model, the Consolidated Entity cannot accurately assess the time when the operation is restored to normal. Due to the size of the Consolidated Entity, and the brand image is easy to identify and is competitive, we are able to obtain financing solutions with better conditions, maintain certain credit lines with existing cooperative banks during the epidemic, and actively negotiate to improve credit lines.

(III) Government subsidy income

In 2022 and 2021, the Consolidated Entity had received \$9,839 thousand and \$9,562 thousand of subsidy income including salaries, insurance premiums, operating subsidies, etc. which were accounted for under other income.

**XXXIII. Significant Assets and Liabilities Denominated in Foreign Currencies**

The following summary is presented in foreign currencies other than the functional currencies of entities within the Consolidated Entity. The exchange rates disclosed are the ones used to translate amount in foreign currencies to the functional currency.

|                              | Unit: Foreign currency/in thousands of NT\$ |                  |            |                     |                  |            |
|------------------------------|---|------------------|------------|---------------------|------------------|------------|
|                              | December 31, 2022                           |                  |            | December 31, 2021   |                  |            |
|                              | Foreign<br>Currency                         | Exchange<br>Rate | NT\$       | Foreign<br>Currency | Exchange<br>Rate | NT\$       |
| <u>Financial assets</u>      |   |                  |            |                     |                  |            |
| <u>Monetary items</u>        |   |                  |            |                     |                  |            |
| USD                          | \$ 3,518,167                                | 30.71            | \$ 108,043 | \$ 4,403,213        | 27.68            | \$ 121,881 |
| RMB                          | 3,552,881                                   | 4.408            | 15,661     | 5,883,738           | 4.344            | 25,559     |
| <u>Non-monetary items</u>    |   |                  |            |                     |                  |            |
| JPY                          | 34,849,600                                  | 0.2324           | 8,099      | 58,222,800          | 0.2405           | 14,002     |
| MYR                          | 379,599                                     | 6.6990           | 2,543      | -                   | -                | -          |
| <u>Financial liabilities</u> |   |                  |            |                     |                  |            |
| <u>Monetary items</u>        |   |                  |            |                     |                  |            |
| USD                          | 1,600,000                                   | 30.71            | 49,136     | 7,074,443           | 27.68            | 195,821    |

The Company's foreign exchange gains, including unrealized and realized portions, were \$(9,314) thousand and \$9,373 thousand for the years ended December 31, 2022 and 2021, respectively. Due to a large number of foreign currency transactions and functional currencies within the entities, gains or losses cannot be disclosed by foreign currencies with significant impact.

XXXIV. Supplementary Disclosures

(I) Information on significant transactions and (II) Information on reinvestment

| No. | Item  | Remark     |
|-----|---|------------|
| 1   | Financing provided to others  | Table I    |
| 2   | Endorsement and guarantee provided to others  | Table II   |
| 3   | Marketable securities held at the end of year (excluding investments in subsidiaries, associates and joint ventures)        | Table III  |
| 4   | The cumulative purchase or sale of the same securities amounted to NTD 300 million or 20% and above of the paid-in capital. | Exhibit IV |
| 5   | The amount of property acquired reached NTD 300 million or 20% and above of the paid-in capital.                            | None       |
| 6   | The amount of property disposal reached NTD 300 million or 20% and above of the paid-in capital.                            | None       |
| 7   | The amount of purchases or sales with related parties reached NTD 100 million or 20% and above of the paid-in capital.      | None       |
| 8   | Receivables from related parties amounted to NTD 100 million or 20% and above of paid-in capital.                           | None       |
| 9   | Engaging in derivatives trading   | None       |
| 10  | Business Relationships and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries      | Table V    |
| 11  | Information on investees  | Table VI   |

(III) Information on investments in mainland China:

| No. | Item   | Remark    |
|-----|--|-----------|
| 1   | Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income/loss of investees, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income/loss, and limit on the amount of investment in mainland China. | Table VII |
| 2   | Significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses.   | Table VII |

(IV) Information of major shareholders:

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

### XXXV. Segment information

The information is provided to the chief business decision-maker to allocate resources and assess the performance of each segment, focusing on the type of product or service delivered or provided. Reportable segments of the consolidated entity are as follows:

Catering segment - direct sales to consumers

Trade segment - wholesale sales to franchisees

Other segment - other

The chief business decision-makers consider the constituent entities within the group as individual operating segments. However, when compiling the consolidated financial report, the Consolidated Entity considers the following factors and treats operating segments with the following features as a single operating entity:

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

#### Segment revenues and the results of operations

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

|  | 2022         |             |             |              |                                |              |
|--|--------------|-------------|-------------|--------------|--------------------------------|--------------|
|  | Catering     | Trade       | Others      | Total        | Adjustments<br>and Elimination | Total        |
| Operating Revenue  | \$ 455,205   | \$ 448,655  | (\$ 1,269)  | \$ 905,129   | (\$ 104,000)                   | \$ 801,129   |
| Net operating loss   | (\$ 150,216) | (\$ 43,823) | (\$ 11,564) | (\$ 205,603) | (\$ 12,001)                    | (\$ 217,604) |
| Interest income  |              |             |             |              |                                | 1,967        |
| Other income   |              |             |             |              |                                | 18,176       |
| Other gains and losses   |              |             |             |              |                                | ( 17,223)    |
| Finance costs  |              |             |             |              |                                | ( 9,948)     |
| Shares of loss of associates<br>accounted for using the<br>equity method |              |             |             |              |                                | ( 689)       |
| Net loss before tax  |              |             |             |              |                                | (\$ 225,321) |

|  | 2021         |            |           |              |                                |              |
|--|--------------|------------|-----------|--------------|--------------------------------|--------------|
|  | Catering     | Trade      | Others    | Total        | Adjustments<br>and Elimination | Total        |
| Operating Revenue  | \$ 761,624   | \$ 925,900 | \$ 22,728 | \$ 1,710,252 | (\$ 251,464)                   | \$ 1,458,788 |
| Net operating income<br>(loss)   | (\$ 143,706) | \$ 16,831  | \$ 16,304 | (\$ 110,571) | (\$ 2,787)                     | (\$ 113,358) |
| Interest income  |              |            |           |              |                                | 7,957        |
| Other income   |              |            |           |              |                                | 15,739       |
| Other gains and losses   |              |            |           |              |                                | ( 1,102)     |
| Finance costs  |              |            |           |              |                                | ( 15,640)    |
| Shares of loss of associates<br>accounted for using the<br>equity method |              |            |           |              |                                | 11,409       |
| Net loss before tax  |              |            |           |              |                                | (\$ 94,995)  |

Interdepartmental transactions in 2022 and 2021 were eliminated.

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

Areas revenues and the results of operations

The Consolidated Company's revenue from external customers in continuing operations units by location as follows:

|                | Revenue from external customers |                     |
|----------------|---------------------------------|---------------------|
|                | 2022                            | 2021                |
| Mainland China | \$ 364,086                      | \$ 1,094,574        |
| Taiwan         | 175,100                         | 106,257             |
| United States  | 150,442                         | 165,691             |
| Hong Kong      | 101,354                         | 78,094              |
| Malaysia       | 10,147                          | 14,172              |
|                | <u>\$ 801,129</u>               | <u>\$ 1,458,788</u> |

Information of major customers:

The Consolidated Company does not have a single customer who contributes more than 10% of the Consolidated Company's total revenue.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Financing Provided to Others  
2022

Table I Unit: Thousands of NT Dollars/Foreign Currency

| No. | Lending company   | Borrower  | General Ledger Account                 | Related Party or Not | Maximum Balance for the Period | Ending Balance             | Actual Drawdown         | Interest Rate Range % | Nature of Financing (Note III) | Business Transaction Amount | Reason for Short-term Financing | Allowance for Loss Receivables | Collateral |       | Limit on the Loan Amount to Individual Counterparty (Note I) | Total Limit on Financing (Note I) |
|-----|---|---|--|----------------------|--------------------------------|----------------------------|-------------------------|-----------------------|--------------------------------|-----------------------------|---------------------------------|--------------------------------|------------|-------|--|-----------------------------------|
|     |   |   |  |                      |                                |                            |                         |                       |                                |                             |                                 |                                | Title      | Value |  |                                   |
| 0   | Yummy Town (Cayman) Holdings Corporation                      | Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Other receivables from related parties | Yes                  | \$ 46,335<br>USD 1,500,000     | \$ 46,050<br>USD 1,500,000 | \$ -<br>USD -           | -                     | 2                              | \$ -                        | Operating capital               | \$ -                           | -          | \$ -  | \$ 48,874  | \$ 97,747                         |
|     |   | Yummy-town USA LLC  | Other receivables from related parties | Yes                  | 32,215<br>USD 1,000,000        | -<br>USD -                 | -<br>USD -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 48,874   | 97,747                            |
| 1   | RBT Holdings Limited  | Yen Chun International Co., Ltd.                              | Other receivables from related parties | Yes                  | 74,300<br>USD 2,500,000        | -<br>USD -                 | -<br>USD -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 45,098   | 90,195                            |
|     |   | Yen Mei Enterprise Limited                                    | Other receivables from related parties | Yes                  | 16,108<br>USD 500,000          | -<br>USD -                 | -<br>USD -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 45,098   | 90,195                            |
| 2   | RBT Resources Limited   | Yummy Town (Cayman) Holdings Corporation                      | Other receivables from related parties | Yes                  | 49,248<br>HKD 12,000,000       | 47,256<br>HKD 12,000,000   | 23,628<br>HKD 6,000,000 | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 88,656   | 110,820                           |
|     |   | Yen Mei Enterprise Limited                                    | Other receivables from related parties | Yes                  | 20,000                         | 20,000                     | 12,304                  | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 22,164   | 44,328                            |
|     |   | Yummy-town USA LLC  | Other receivables from related parties | Yes                  | 32,215<br>USD 1,000,000        | -<br>USD -                 | -<br>USD -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 88,656   | 110,820                           |
| 3   | Happy Lemon HK Limited  | RBT Holdings Limited  | Other receivables from related parties | Yes                  | 18,940<br>HKD 5,000,000        | -<br>HKD -                 | -<br>HKD -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 51,614   | 64,517                            |
|     |   | Yummy Town (Cayman) Holdings Corporation                      | Other receivables from related parties | Yes                  | 32,832<br>HKD 8,000,000        | 31,504<br>HKD 8,000,000    | 31,504<br>HKD 8,000,000 | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 51,614   | 64,517                            |
|     |   | RBT Enterprise Limited  | Other receivables from related parties | Yes                  | 12,312<br>HKD 3,000,000        | 11,814<br>HKD 3,000,000    | 5,907<br>HKD 1,500,000  | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 51,614   | 64,517                            |
| 4   | Shanghai Tai Quan Trading Co., Ltd.                           | Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Other receivables from related parties | Yes                  | 22,195<br>RMB 5,000,000        | -<br>RMB -                 | -<br>RMB -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 27,139   | 33,924                            |
|     |   | Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | Other receivables from related parties | Yes                  | 13,518<br>RMB 3,000,000        | 2,204<br>RMB 500,000       | -<br>RMB -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 27,139   | 33,924                            |
|     |   | Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.   | Other receivables from related parties | Yes                  | 9,012<br>RMB 2,000,000         | -<br>RMB -                 | -<br>RMB -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 27,139   | 33,924                            |
|     |   | Jia Qun Food & Beverage Management (Beijing) Co., Ltd.        | Other receivables from related parties | Yes                  | 6,710<br>RMB 1,500,000         | 2,204<br>RMB 500,000       | -<br>RMB -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 27,139   | 33,924                            |
| 5   | Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Yummy Town (Cayman) Holdings Corporation                      | Other receivables from related parties | Yes                  | 88,780<br>RMB 20,000,000       | -<br>RMB -                 | -<br>RMB -              | 0.10%                 | 2                              | -                           | Operating capital               | -                              | -          | -     | ( 11,390 )   | ( 14,238 )                        |
|     |   | Shanghai Tai Quan Trading Co., Ltd.                           | Other receivables from related parties | Yes                  | 90,120<br>RMB 20,000,000       | 44,080<br>RMB 10,000,000   | -<br>RMB -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | ( 11,390 )   | ( 14,238 )                        |
|     |   | Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | Other receivables from related parties | Yes                  | 42,494<br>RMB 9,500,000        | 41,876<br>RMB 9,500,000    | 41,876<br>RMB 9,500,000 | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | ( 11,390 )   | ( 14,238 )                        |
|     |   | Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.   | Other receivables from related parties | Yes                  | 26,838<br>RMB 6,000,000        | 26,448<br>RMB 6,000,000    | 26,448<br>RMB 6,000,000 | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | ( 11,390 )   | ( 14,238 )                        |

| No. | Lending company                  | Borrower   | General Ledger Account                 | Related Party or Not | Maximum Balance for the Period | Ending Balance          | Actual Drawdown         | Interest Rate Range % | Nature of Financing (Note III) | Business Transaction Amount | Reason for Short-term Financing | Allowance for Loss Receivables | Collateral |       | Limit on the Loan Amount to Individual Counterparty (Note I) | Total Limit on Financing (Note I) |
|-----|----------------------------------|--|--|----------------------|--------------------------------|-------------------------|-------------------------|-----------------------|--------------------------------|-----------------------------|---------------------------------|--------------------------------|------------|-------|--|-----------------------------------|
|     |                                  |  |  |                      |                                |                         |                         |                       |                                |                             |                                 |                                | Title      | Value |  |                                   |
| 6   | Yen Chun International Co., Ltd. | Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd. | Other receivables from related parties | Yes                  | 24,602<br>RMB 5,500,000        | 24,244<br>RMB 5,500,000 | 22,040<br>RMB 5,000,000 | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | ( 11,390 )   | ( 14,238 )                        |
|     |                                  | Jia Qun Food & Beverage Management (Beijing) Co., Ltd.     | Other receivables from related parties | Yes                  | 35,784<br>RMB 8,000,000        | 35,264<br>RMB 8,000,000 | 33,060<br>RMB 7,500,000 | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | ( 11,390 )   | ( 14,238 )                        |
|     |                                  | Yummy Town (Cayman) Holdings Corporation                   | Other receivables from related parties | Yes                  | 12,886<br>USD 400,000          | 12,284<br>USD 400,000   | 12,284<br>USD 400,000   | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 12,290   | 24,580                            |
|     |                                  | Yummy-town USA LLC   | Other receivables from related parties | Yes                  | 19,329<br>USD 600,000          | -<br>USD -              | -<br>USD -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 12,290   | 24,580                            |
| 7   | RBT Enterprise Limited           | Jia Qun Food & Beverage Management (Beijing) Co., Ltd.     | Other receivables from related parties | Yes                  | 11,442<br>HKD 3,000,000        | -<br>HKD -              | -<br>HKD -              | -                     | 2                              | -                           | Operating capital               | -                              | -          | -     | 2,109  | 2,636                             |

Note 1.

1. According to the Company's procedures for loaning capital to others, the total amount of capital loans from the Company to others shall not exceed 40% of the net value of the latest financial statement (financial statement on December 31, 2022). Among them, the limit of the capital loan for a single enterprise to others shall not exceed 20% of the net value of the latest financial statements.
2. According to the Company's non-Taiwan subsidiary's procedures for loaning capital to others, the total amount of capital loans from subsidiaries to others shall not exceed 100% of the net value of the latest financial statement (statement on December 31, 2022). Among them, the limit of the capital loan to a single enterprise shall not exceed 80% of the net value of the latest financial statements.
3. According to the Company's non-Taiwan subsidiary's procedures for loaning capital to others, the total amount of capital loans from RBT Holdings Limited to Yen Chun International Co., Ltd. and Yen Mei Enterprise Limited shall not exceed 40% of the net value of the latest financial statement (statement on December 31, 2022). Among them, the limit of the capital loan to a single enterprise shall not exceed 20% of the net value of the latest financial statements.

Note 2. The exchange rate on December 31, 2022 was USD: NTD = 1: 30.71; HKD: NTD = 1: 3.938; RMB: NTD = 1: 4.408.

Note 3. Nature of financing:

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

Note 4. Yummy Town (Cayman) Holdings Corporation will propose an improvement plan in accordance with the regulations due to the overdue capital loan caused by the decrease in net worth as of December 31, 2022.



Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Endorsement and Guarantee Provided to Others

2022

Table II

Unit: Thousands of NT Dollars/Foreign Currency

| No. | Name of Endorsement/Guarantee Provider                        | Subject of Endorsements/Guarantees       |                         | Limit on Endorsements/Guarantees Provided to a Single Party (Note I) | Maximum Balance for Endorsements and Guarantees this Period | Endorsement/Guarantee Ending Balance | Actual Drawdown         | Amount of Endorsement/Guarantee Collateralized by Properties | Accumulated Endorsements/Guarantees to Net Worth per Latest Financial Statement % | Endorsements/Guarantees Provided by Parent Company to A Subsidiary | Endorsements/Guarantees Provided by A Subsidiary to Parent Company | Endorsements/Guarantees Provided to Subsidiaries in mainland China | Maximum Endorsement/Guarantee Amount Allowance (Note I) |
|-----|---|--|-------------------------|--|---|--------------------------------------|-------------------------|--|---|--|--|--|---|
|     |   | Name of Company                          | Relationship (Note III) |  |   |                                      |                         |  |   |  |  |  |   |
| 1   | Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Yummy Town (Cayman) Holdings Corporation | 3                       | (\$ 28,476)  | \$ 302,394<br>USD 10,100,000                                | \$ -<br>USD -                        | \$ -<br>USD -           | \$ -   | -   | -  | V  | -  | (\$ 42,714)   |
| 2   | RBT Resources Limited   | Yummy Town (Cayman) Holdings Corporation | 3                       | 221,640  | 36,500  | 36,500                               | 33,781<br>USD 1,100,000 | 33,781   | 33  | -  | V  | -  | 332,460   |
|     |   | RBT Resources Limited Taiwan Branch      | 4                       | 221,640  | 26,000  | 26,000                               | 26,000                  | 26,000   | 23  | -  | -  | -  | 332,460   |
| 3   | RBT Holdings Limited  | Yummy Town (Cayman) Holdings Corporation | 3                       | 450,976  | 29,940<br>USD 1,000,000                                     | -<br>USD -                           | -<br>USD -              | -  | -   | -  | V  | -  | 676,464   |
| 4   | Yen Chun International Co., Ltd.                              | Yummy Town (Cayman) Holdings Corporation | 3                       | 122,900  | 225,505<br>USD 7,000,000                                    | -<br>USD -                           | -<br>USD -              | -  | -   | -  | V  | -  | 184,350   |

Note 1. The maximum limit of the Company's endorsement and guarantee to external parties is \$130,605 thousand = Net worth of \$261,210 thousand x 50%, and to a single company is \$52,242 thousand = Net worth of \$261,210 thousand x 20%. This restriction does not apply to where the endorsement and guarantee are provided between companies 100% voting rights-owned by the subsidiaries and by the Company, either directly or indirectly. However, the individual objects are limited to not exceeding 200% of the endorsement and guarantee of the Company's net worth, and the total amount is limited to not exceeding 300% of the endorsement and guarantee of the Company's net worth.

Note 2. The exchange rate on December 31, 2022 was USD: NTD = 1: 30.71.

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

1. Trading partner
2. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
3. Companies that directly and indirectly hold more than 50% of the voting shares in the Company.
4. Between companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. Mutually guaranteed companies among peers or co-constructors based on the need for undertaking projects.
6. The company is guaranteed by all shareholders in proportion to their shareholdings due to the joint investment relationship.
7. Joint and several securities between peers for performance guarantees of pre-construction homes under the Consumer Protection Act.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
 Marketable Securities Held at the End of Year  
 December 31, 2022

Table III

Unit: Thousands of NT Dollars/Foreign Currency

| Holding Company Name  | Type and Name of Securities  | Relationship with the Issuer of the Securities | Financial Statement Account   | Ending Balance                   |                 |                          |                           | Remark |
|---|--|--|---|----------------------------------|-----------------|--------------------------|---------------------------|--------|
|   |  |  |   | Number of Shares / Unit (Note I) | Carrying Amount | Shareholding Percentage% | Market Value or Net Worth |        |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | <u>Beneficiary certificates</u><br>Heartland Investment Great China No. 1 Through Train Private Investment Fund<br><u>Non-TWSE/TPEX listed</u> | None   | Financial assets at fair value through profit or loss - current                 | RMB 855,285.67                   | \$ 3,482        | -                        | \$ 3,482                  |        |
| Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.        | <u>companies</u><br>Meng Qiqi Technology (Shanghai) Co., Ltd.  | None   | Financial assets at fair value through other comprehensive income - non-current | RMB 1,950,000                    | 5,039           | 19.50                    | 5,039                     |        |
| RBT Holdings Limited  | Yanqiaomai Food Technology (Shanghai) Co., Ltd.  | None   | Financial assets at fair value through other comprehensive income - non-current | USD 99,900                       | 608             | 16.65                    | 608                       |        |

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

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

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

The cumulative purchase or sale of the same securities amounted to NTD 300 million or 20% and above of the paid-in capital.

2022

Table IV Unit (Unless Otherwise Specified) In Thousands of New Taiwan Dollars,

| Holding Company Name             | Type and Name of Securities (Note 1) | Financial Statement Account                       | Major transaction counterparties (Note 2) | Relationship (Note 2) | Beginning balance |           | Acquisition (Note 3) |        | Disposal (Note 3) |                     |                | Ending Balance         |                  |        |
|----------------------------------|--------------------------------------|---|---|-----------------------|-------------------|-----------|----------------------|--------|-------------------|---------------------|----------------|------------------------|------------------|--------|
|                                  |                                      |   |   |                       | Number of Shares  | Amount    | Number of Shares     | Amount | Number of Shares  | Selling price       | Carrying value | Gain/loss on Disposals | Number of Shares | Amount |
| Yen Chun International Co., Ltd. | shares<br>Yong Chun Cheng Co., Ltd.  | Investments accounted for using the equity method | 5 parties include Wonder Global Co., Ltd. | Non-related parties   | 200,000           | \$ 93,240 | -                    | \$ -   | 200,000           | \$ 149,550 (Note 5) | \$ 97,908      | \$ 51,642              | -                | \$ -   |

Note 1. The marketable securities mentioned in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items.

Note 2. If the equity method is used to account for marketable securities, these two columns must be filled in.

Note 3. The cumulative amount of acquisition and disposal should be calculated separately based on the market price whether it reaches \$300 million or 20% of the paid-in capital.

Note 4. Paid-in capital represents the parent company's paid-in capital. If the issuer's shares have no par value or have a par value other than NT\$10 per share, the transaction amount of 20% of the paid-in capital shall be calculated based on 10% of the equity attributable to the owners of the parent company in the balance sheet.

Note 5. The selling price of \$150,000 thousand, net of \$450 thousand of securities transaction tax on the sale of shares, was \$149,550 thousand.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Business Relationships and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries

2022

Table VI Unit: Thousands of NT Dollars

| No.<br>(Note 1)  | Company Name  | Counterparty  | Relationship<br>(Note 2) | Transaction Details                                      |          |   | % to Consolidated Total<br>Revenue or Total Assets<br>(Note 3) |
|--|---|---|--------------------------|--|----------|---|--|
|  |   |   |                          | Financial Statement Account                              | Amount   | Transaction Terms (Note 4)                    |  |
| 1  | Shanghai Tai Quan Trading Co., Ltd.                           | Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | 3                        | Sales  | \$ 9,294 | No major differences from non-related parties | 1  |
|  |   | Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | 3                        | Sales  | 4,493    | "   | 1  |
|  |   |   | "                        | Accounts receivables                                     | 3,980    | "   | -  |
|  |   | Jia Qun Food & Beverage Management (Beijing) Co., Ltd.        | 3                        | Sales  | 19,459   | "   | 2  |
|  |   |   | "                        | Accounts receivables                                     | 28,726   | "   | 3  |
|  |   | Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.   | 3                        | Sales  | 4,139    | "   | 1  |
|  |   |   | "                        | Accounts receivables                                     | 5,817    | "   | 1  |
|  |   | Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.    | 3                        | Sales  | 1,886    | "   | -  |
|  |   |   | "                        | Accounts receivables                                     | 4,070    | "   | -  |
|  |   | RBT Holdings Limited  | 3                        | Sales  | 1,164    | "   | -  |
|  |   |   | "                        | Accounts receivables                                     | 372      | "   | -  |
|  |   | RBT Resources Limited   | 3                        | Sales  | 7,764    | "   | 1  |
|  |   | 2   | RBT Resources Limited    | Cacha Prince Intelligent Technology (Shanghai) Co., Ltd. | 3        | Sales   | 14   |
| Yi Cheng Food & Beverage Management (Guangxi) CO., LTD | 3   |   |                          | Sales  | 1        | "   | -  |
| Yummy Town (Cayman) Holdings Corporation               | 3   |   |                          | Receivables from advances to related parties             | 23,628   | "   | 3  |
| Happy Lemon HK Limited                                 | 3   |   |                          | Sales  | 16,475   | "   | 2  |
|  | "   |   |                          | Accounts receivables                                     | 2,636    | "   | -  |
| Yen Mei Enterprise Limited                             | 3   |   |                          | Sales  | 1,803    | "   | -  |
|  | "   |   |                          | Accounts receivables                                     | 156      | "   | -  |
|  | "   |   |                          | Rent income  | 229      | "   | -  |
|  | "   |   |                          | Receivables from advances to related parties             | 12,304   | "   | 1  |
| Happy Lemon (M) Sdn Bhd                                | 3   |   |                          | Sales  | 1,573    | "   | -  |
| 3  | Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd. | Happy Lemon West Inc.   | 3                        | Sales  | 9,900    | "   | 1  |
|  |   |   | "                        | Accounts receivables                                     | 2,653    | "   | -  |
|  |   | Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.   | 3                        | Receivables from advances to related parties             | 41,876   | "   | 5  |
|  |   | Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.    | 3                        | Receivables from advances to related parties             | 22,040   | "   | 3  |
|  |   | Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.   | 3                        | Receivables from advances to related parties             | 26,448   | "   | 3  |
|  |   | Jia Qun Food & Beverage Management (Beijing) Co., Ltd.        | 3                        | Receivables from advances to related parties             | 33,060   | "   | 4  |
|  |   | Yibang Health Technology (Shanghai) Co., Ltd.                 | 3                        | Service income   | 1,231    | "   | -  |
|  |   |   | "                        | Accounts receivables                                     | 1,300    | "   | -  |

(Continued)

(Continued from previous page)

| No.<br>(Note 1) | Company Name                     | Counterparty                             | Relationship<br>(Note 2) | Transaction Details                             |          |  | % to Consolidated Total<br>Revenue or Total Assets<br>(Note 3) |
|-----------------|----------------------------------|--|--------------------------|---|----------|--|--|
|                 |                                  |  |                          | Financial Statement Account                     | Amount   | Transaction Terms (Note 4)                       |  |
| 4               | RBT Holdings Limited             | RBT Resources Limited                    | 3                        | Sales   | \$ 4,743 | No major differences from<br>non-related parties | 1  |
|                 |                                  |  | "                        | Accounts receivables                            | 421      | "  | -  |
| 5               | RBT Enterprise Limited           | Happy Lemon HK Limited                   | 3                        | Royalty income                                  | 1,269    | "  | -  |
|                 |                                  |  | "                        | Accounts receivables                            | 1,313    | "  | -  |
| 6               | Happy Lemon HK Limited           | Yummy Town (Cayman) Holdings Corporation | 2                        | Receivables from advances to related<br>parties | 31,504   | "  | 4  |
|                 |                                  | RBT Enterprise Limited                   | 3                        | Receivables from advances to related<br>parties | 5,907    | "  | 1  |
| 7               | Yen Mei Enterprise Limited       | Happy Lemon (M) Sdn Bhd.                 | 3                        | Service income                                  | 255      | "  | -  |
|                 |                                  | RBT Resources Limited                    | 3                        | Sales   | 19       | "  | -  |
|                 |                                  |  | "                        | Accounts receivables                            | 3        | "  | -  |
| 8               | Yen Chun International Co., Ltd. | Yummy Town (Cayman) Holdings Corporation | 2                        | Receivables from advances to related<br>parties | 12,284   | "  | 1  |
| 9               | Yummy-town USA LLC               | Happy Lemon West Inc.                    | 3                        | Royalty income                                  | 1,265    | "  | -  |
|                 |                                  |  | "                        | Accounts receivables                            | 242      | "  | -  |
| 10              | Happy Lemon West Inc.            | Yummy-town USA LLC                       | 3                        | Service income                                  | 9,882    | "  | 1  |
|                 |                                  |  | "                        | Sales   | 913      | "  | -  |
|                 |                                  |  | "                        | Accounts receivables                            | 596      | "  | -  |

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

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

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

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

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

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

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Names, Locations, etc. of Investees

2022

Table VI

Unit: Thousands of NT Dollars/Foreign Currency

| Name of Investor                         | Name of investee                   | Location       | Principal Business Activities                                    | Original Investment Amount |                    | Ending Balance            |             |                 | Profit or Loss of Investee | Share of Profit or Loss | Remark  |
|--|------------------------------------|----------------|--|----------------------------|--------------------|---------------------------|-------------|-----------------|----------------------------|-------------------------|---|
|  |                                    |                |  | End of This Period         | End of Last Period | Number of Shares (Note 1) | Percentage% | Carrying Amount |                            |                         |   |
| Yummy Town (Cayman) Holdings Corporation | Non-TWSE/TPEX listed companies     |                |  |                            |                    |                           |             |                 |                            |                         |   |
|  | RBT Holdings Limited               | Hong Kong      | Investment holding and trading of raw materials for catering     | \$ 203,626                 | \$ 203,626         | HKD 50,200,000            | 100         | \$ 225,488      | ( \$ 273,680 )             | ( \$ 273,680 )          | Subsidiary                                      |
|  | RBT Enterprise Limited             | Hong Kong      | Trademark rights management                                      | 37                         | 37                 | HKD 8,800                 | 100         | 2,636           | ( 22,565 )                 | ( 22,565 )              | Subsidiary                                      |
|  | Yen Mei Enterprise Limited         | Taiwan         | Trading of beverages, collection of franchise fees and royalties | 49,127                     | 89,127             | 10,000                    | 100         | 55,136          | 29,226                     | 29,226                  | Subsidiary                                      |
| Yen Mei Enterprise Limited               | Non-TWSE/TPEX listed companies     |                |  |                            |                    |                           |             |                 |                            |                         |   |
|  | Yen Chun International Co., Ltd.   | Taiwan         | Operation of food and beverage outlets                           | 10,000                     | 50,000             | 1,000,000                 | 100         | 61,450          | 43,022                     | 43,022                  | Second-tier subsidiary                          |
| Yen Chun International Co., Ltd.         | Non-TWSE/TPEX listed companies     |                |  |                            |                    |                           |             |                 |                            |                         |   |
|  | Yong Chun Cheng Co., Ltd. (Note 4) | Taiwan         | Trading of beverages   | -                          | 80,000             | -                         | -           | -               | 29,162 (註五)                | 4,677 (註五)              | Associate accounted for using the equity method |
| RBT Holdings Limited                     | Non-TWSE/TPEX listed companies     |                |  |                            |                    |                           |             |                 |                            |                         |   |
|  | Happy Lemon HK Limited             | Hong Kong      | Trading of beverages, collection of franchise fees and royalties | 27,857                     | 27,857             | HKD 7,000,000             | 100         | 64,517          | 24,644                     | 24,644                  | Second-tier subsidiary                          |
|  | RBT Resources Limited              | Hong Kong      | Trading of raw materials for catering                            | 105,354                    | 105,354            | HKD 26,000,000            | 100         | 109,741         | 12,508                     | 12,916                  | Second-tier subsidiary                          |
|  | Yummy-town UK Ltd                  | United Kingdom | Investment holding   | 41,696                     | 41,696             | GBP 1,100,000             | 100         | 46,041          | ( 10,884 )                 | ( 10,884 )              | Second-tier subsidiary                          |
|  | Happy Lemon (M) Sdn Bhd            | Malaysia       | Trading of beverages   | 10,207                     | 8,572              | MYR 1,530,000             | 45          | 2,543           | ( 5,142 )                  | ( 2,622 )               | Associate accounted for using the equity method |
|  | Freshtea Japan CO., LTD.           | Japan          | Trading of beverages   | 19,893                     | 19,893             | 4,800                     | 40          | 8,099           | ( 13,264 )                 | ( 5,306 )               | Associate accounted for using the equity method |
| Yummy-town UK Ltd                        | Non-TWSE/TPEX listed companies     |                |  |                            |                    |                           |             |                 |                            |                         |   |
|  | Yummy-town USA LLC                 | United States  | Trading of beverages, collection of franchise fees and royalties | 39,194                     | 39,194             | USD 1,310,628             | 100         | 42,332          | ( 11,107 )                 | ( 11,107 )              | Second-tier subsidiary                          |
| Yummy-town USA LLC                       | Non-TWSE/TPEX listed companies     |                |  |                            |                    |                           |             |                 |                            |                         |   |
|  | Happy Lemon West Inc.              | United States  | Trading of beverages   | 33,442                     | 33,442             | USD 208,821               | 70          | 12,872          | 3,399                      | 2,379                   | Second-tier subsidiary                          |

Note 1. Except for Freshtea Japan Co., Ltd., Yen Chun International Co., Ltd., and Yong Chun Cheng Co., Ltd. where the balance is shown by the number of shares, the balances of other investees are shown by the paid-in capitals as of December 31, 2022.

Note 2. Entities' investment gain/loss accounted for using equity method, investors' investments accounted for using equity method and investees' net equity value are fully eliminated in the preparation of consolidated financial statements.

Note 3. Please refer to Table VII for information on investments in mainland China.

Note 4. In March 2022, the Consolidated Entity disposed of all shares to non-related parties.

Note 5. The amount of profit or loss shown here is for the period from January 1, 2022 to March 31, 2022.

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Information on investments in mainland China

2022

Table VII

Unit: Thousands of NT Dollars/Foreign Currency

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain/loss, carrying amount of the investment and repatriations of investment income/loss:

| Name of Investee in mainland China                                | Principal Business Activities                                    | Paid-in Capital | Method of Investment  | Beginning Balance of Accumulated Outflow of Investment from Taiwan | Outward or Inward Remittance Investment Amount in the Current Period |          | Ending Balance of Accumulated Outflow of Investment from Taiwan | Profit or Loss of Investee | The Company's Percentage of Ownership, Directly or Indirectly (%) | Share of Profit or Loss (Note I) | Carrying Amount of the Investment as of the End of the Period | Repatriations of Investment Income/Loss as of the End of the Period |
|---|--|-----------------|---|--|--|----------|---|----------------------------|---|----------------------------------|---|---|
|   |  |                 |   |  | Outflow  | recovery |   |                            |   |                                  |   |   |
| Xian Zong Lin Food & Beverage Management (Shanghai) Co., Ltd.     | Catering shop, collection of franchise fees and royalties        | USD 3,500,000   | Reinvested in mainland China by setting up a holding company in a third-place | \$ -   | \$ -   | \$ -     | \$ -  | ( \$ 296,598 )             | 100   | ( \$ 296,598 )                   | ( \$ 14,238 )   | \$ -  |
| You Xiang Food & Beverage Management (Shanghai) Co., Ltd.         | Operation of food and beverage outlets                           | RMB 20,000,000  | "   | -  | -  | -        | -   | ( 4,762 )                  | 55.5  | ( 2,643 )                        | 11,802  | -   |
| Ai Qun Food & Beverage Management (Shanghai) Co., Ltd.            | Operation of food and beverage outlets                           | RMB 6,810,000   | "   | -  | -  | -        | -   | ( 1,112 )                  | 100   | ( 1,112 )                        | 8,139   | -   |
| Shanghai Tai Quan Trading Co., Ltd.                               | Trading of raw materials for catering                            | RMB 11,400,000  | "   | -  | -  | -        | -   | ( 80,151 )                 | 100   | ( 80,151 )                       | 33,924  | -   |
| Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.       | Catering shop, collection of franchise fees and royalties        | RMB 1,000,000   | "   | -  | -  | -        | -   | ( 20,802 )                 | 100   | ( 20,802 )                       | ( 32,558 )  | -   |
| Jia Qun Food & Beverage Management (Beijing) Co., Ltd.            | Trading of beverages, collection of franchise fees and royalties | RMB 1,000,000   | "   | -  | -  | -        | -   | ( 36,690 )                 | 100   | ( 36,690 )                       | ( 69,343 )  | -   |
| Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.       | Trading of beverages, collection of franchise fees and royalties | RMB 3,000,000   | "   | -  | -  | -        | -   | ( 52,614 )                 | 100   | ( 52,614 )                       | ( 98,555 )  | -   |
| Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.        | Trading of beverages, collection of franchise fees and royalties | RMB 1,000,000   | "   | -  | -  | -        | -   | ( 20,065 )                 | 100   | ( 20,065 )                       | ( 39,428 )  | -   |
| Yi Cheng Food & Beverage Management (Guangxi) CO., LTD (Note III) | Trading of beverages, collection of franchise fees and royalties | -               | "   | -  | -  | -        | -   | ( 5,069 )                  | 100   | ( 5,069 )                        | -   | -   |
| Fengfu Food & Beverage Management (Shanghai) Co., Ltd.            | Trading of beverages, collection of franchise fees and royalties | RMB 1,300,000   | "   | -  | -  | -        | -   | ( 221 )                    | 100   | ( 221 )                          | ( 771 )   | -   |
| Zhuoyue Catering Management (Xiamen)Co., Ltd. (Note II)           | Trading of beverages, collection of franchise fees and royalties | -               | "   | -  | -  | -        | -   | -                          | -   | -                                | -   | -   |
| Yibang Health Technology (Shanghai) Co., Ltd.                     | Food marketing   | RMB 1,000,000   | "   | -  | -  | -        | -   | ( 4,426 )                  | 100   | ( 4,426 )                        | ( 8 )   | -   |
| Cacha Prince Intelligent Technology (Shanghai) Co., Ltd.          | Catering equipment sales and others                              | RMB 1,500,000   | "   | -  | -  | -        | -   | ( 2,094 )                  | 51  | ( 1,068 )                        | 1,942   | -   |

Note 1. The investment gains and losses recognized in this period are based on the audited financial statements.

Note 2. This company was established on June 2021, and was not yet funded by the Consolidated Entity. It decided to go into liquidation in July 2022. The liquidation procedure was completed in September 2022.

Note 3. This company decided to go into liquidation in July 2022, and the liquidation procedure was completed in October 2022.

2. Limits for investments in mainland China

|  |  |   |
|--|--|---|
| Accumulated investment remitted from Taiwan to mainland China at the end of the period | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | The upper limit on investment authorized by the Investment Commission of MOEA |
| (Note 4)   | (Note 4)   | (Note 4)  |

Note 4. As the Company is an offshore company to the Republic of China, the limits on investments in mainland China do not apply.

3. Significant transactions with investees in mainland China, either directly or indirectly through the third region: Please refer to Table V.
4. Provision of endorsement, guarantee, or collaterals to investees in mainland China, either directly or indirectly through the third region: Please refer to Table II.
5. Financing provided to investees in mainland China, either directly or indirectly through the third region: Please refer to Table I.
6. Other transactions that have a significant impact on the profit or loss or financial status of the current period: None.



Yummy Town (Cayman) Holdings Corporation  
Information of Major Shareholders  
December 31, 2022

Table VIII

| Name of Major Shareholders  | Shares                |                         |
|---|-----------------------|-------------------------|
|   | Number of Shares Held | Shareholding Percentage |
| Special investment account of Yummy Town International Ltd. under the custody of Yuanta Commercial Bank | 6,878,683             | 19.22%                  |
| Wu Po-Chao  | 5,316,930             | 14.85%                  |
| Special investment account of Huangma Co., Ltd. under the custody of CTBC Bank Co., Ltd.                | 1,891,562             | 5.28%                   |
| Chun-Chung Cheng  | 1,884,458             | 5.26%                   |

Note 1. The major shareholders in this table are shareholders holding 5% or greater of the ordinary and preference shares that have completed delivery without physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

Note 2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.