

Stock Code: 1217

# AGV Products Corporation

## Agenda Handbook for 2021 General Shareholders' Meeting

June 22, 2021

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# **AGV Products Corporation**

## **2021 General Shareholders' Meeting Procedure**

**I. Announcing the number of shares represented by the attending shareholders to commence the meeting**

**II. The Chairperson's opening speech**

**III. Matters to be reported**

**IV. Matters to be ratified**

**V. Matters to be discussed**

**VI. Impromptu motions**

**VII. Adjournment**

# **Agenda of AGV Products Corporation's 2021 General Shareholders' Meeting**

I.Date: 9 a.m., June 22 (Tuesday), 2021

II.Location: Alishan Ballroom, Nice Price Hotel (5F., No. 600, Zhongxiao Rd., East Dist., Chiayi City)

III.Go through the motions

IV.The Chairperson's opening speech

V.Matters to be reported:

(I)2020 Business Report of the Company.

(II)The Audit Committee's review report on the 2020 financial statements.

(III)Report on the distribution of remuneration to directors and employees in 2020.

(IV)Report on amendments to the Code of Ethical Conduct.

VI.Matters to be ratified:

(I)Proposal for 2020 financial statements.

(II)Proposal for 2020 appropriation of earnings.

VII.Matters to be discussed:

(I)Proposal for amendments to "Rules of Procedure for Shareholders' Meeting."

(II)Proposal for amendments to the "Rules Governing the Election of Directors."

(III)Proposal of common share issuing by private placement of cash capital increase.

VIII.Impromptu motions

IX.Adjournment

## **Matters to be Reported**

I.The 2020 business report of the Company ready for approval:

Business report attached (please refer to Page 12-19 of the Handbook)

II.The Audit Committee's review report on the 2020 financial statements ready for approval:

Audit Committee's review report attached (please refer to Page 20 of the Handbook)

III.Report on the distribution of remuneration to directors and employees in 2020 ready for approval:

The profit of the Company was NTD298,479,655 (pre-tax profit before deducting remuneration distributed to employees and directors) in 2020. According to the Company's Articles of Incorporation, NTD2,984,000 was distributed as remuneration to directors based on 1% of the appropriation ratio and NTD5,969,593 was distributed as remuneration to employees based on 2% of the appropriation ratio. All remunerations were distributed in cash.

IV.Report on amendments to the Code of Ethical Conduct ready for approval:

Code of Ethical Conduct and Comparison Table of Amendments attached (please refer to Page 46–49 of the Handbook)

## **Matters to be Ratified**

Motion No. 1

Proposed by the board of directors

Proposal: Ratification to the proposal for 2020 financial statements.

Description: I.The Company's 2020 business report and financial statements (including consolidated financial statements) has been reviewed by the Audit Committee and adopted by the Board of Directors.

II.Said financial statements were audited and attested by Crowe (TW) CPAs.

III.For the attached 2020 business report, independent auditors' report and financial statements (including consolidated financial statements), please refer to Page 12–19 and Page 21–44 of the Handbook.

Resolution:

Motion No. 2

Proposed by the board of directors

Proposal: Ratification to the proposal for 2020 appropriation of earnings.

Description: I.The Company's net profit after tax was NTD232,904,273 in 2020.

II.Attached with 2020 appropriation of earnings. (please refer to Page 45 of the Handbook.)

Resolution:

## Matters to be Discussed

Motion No. 1

Proposed by the board of directors

Proposal: Resolution to the proposal for amendments to the “Rules of Procedure for Shareholders’ Meeting.”

Description: I. Amendment is made in compliance with laws and regulations and actual needs.

II. The Comparison Table of Amendments is as follows:

Amended Provision	Current Provision	Description
Amendment approved at general shareholders’ meeting on June 22, 2021.	Amendment approved at general shareholders’ meeting on June 23, 2020.	
Article 7: The chairperson shall call the meeting to order <u>and disclose</u> information related to the number of shares without voting rights and number of shares held by present shareholders when shareholders (or proxies) present at the meeting constitute a majority of the aggregate number of issued shares. The chairperson may announce a postponement of the meeting if the shareholders present at the meeting do not constitute a quorum when behind schedule, provided that no more than two such postponements occur, and for a combined total of no more than 1 hour. If attending shareholders represent more than one-third but less than half of outstanding shares after two postponements, the chairperson shall call off the meeting.  (Omitted)	Article 7: The chairperson shall call the meeting to order when shareholders (or proxies) present at the meeting constitute a majority of the aggregate number of issued shares. The chairperson may announce a postponement of the meeting if the shareholders present at the meeting do not constitute a quorum when behind schedule, provided that no more than two such postponements occur, and for a combined total of no more than 1 hour. If attending shareholders represent more than one-third but less than half of outstanding shares after two postponements, the chairperson shall call off the meeting.  (Omitted)	To improve corporate governance and maintain the shareholders’ equity.
Article 15: The ballot monitoring and counting staff for a voting or election process shall be appointed by the Chairman. A monitoring personnel shall be	Article 15: The ballot monitoring and counting staff for a voting or election process shall be appointed by the Chairman. A monitoring personnel	Paragraph 3 of the Article was added to improve corporate

Amended Provision	Current Provision	Description
<p>appointed only from among shareholders.</p> <p>The ballots for the voting or election process in a shareholders' meeting shall be counted in an open manner inside the venue, and the outcome shall be announced on-the-spot after the counting process is completed, including the statistics for the voting rights which shall be covered into the written records.</p> <p>Where directors and supervisors are elected in a shareholders' meeting, the election shall be duly conducted in accordance with the Rules Governing the Election of Directors defined by the Company. The outcome of the election shall be announced on-the-spot, including the names of elected directors with the number of election powers so won by them and the names of directors not elected and number of votes they received.</p>	<p>shall be appointed only from among shareholders.</p> <p>The ballots for the voting or election process in a shareholders' meeting shall be counted in an open manner inside the venue, and the outcome shall be announced on-the-spot after the counting process is completed, including the statistics for the voting rights which shall be covered into the written records.</p>	<p>governance and maintain the shareholders' equity.</p>

III. For the original "Rules of Procedure for Shareholders' Meeting," please refer to Page 50–55 of the Handbook.

Resolution:

Motion No. 2

Proposed by the board of directors

Proposal: Resolution to the proposal for amendments to the "Rules Governing the Election of Directors."

Description: I. Amendment is made in compliance with laws and regulations and actual needs.

II. The Comparison Table of Amendments is as follows:



Amended Provision	Current Provision	Description
<p>Article 10: The elector shall <u>state</u> the candidate name or account name in the <u>candidate column</u> of the <u>ballot</u>. However, <u>if the candidate is the government or an institutional shareholder</u>, the name of government agency or institutional shareholder shall be <u>stated</u> in the <u>candidate name</u> column of the <u>ballot</u> and the representative <u>name of the government agency or institutional shareholder</u> shall <u>also be specified</u>. In case there is a plural number of such authorized representatives, their names shall be specified respectively.</p>	<p>Article 10: If the candidate is a <u>shareholder</u>, the elector shall state the candidate name and shareholder account number on each ballot; <u>if the candidate is not a shareholder</u>, the <u>national ID and name of the candidate</u> shall be detailed. If the candidate is the government or a juristic person, <u>the name and representative of the government agency or juristic person</u> shall be stated in the candidate column of the ballot. In case there is a plural number of such authorized representatives, their names shall be specified respectively.</p>	Amendment is made based on actual operating needs.
<p>Article 11: Ballots that are found with any of the following are invalid: I. <u>Ballots prepared by the authorized convener</u> are not used. II. Blank ballots without any handwriting cast in a ballot box. III. Ballots with illegible writing <u>or are altered</u>. IV. <u>The written candidate is inconsistent with the list of nominated director candidates</u>. V. Ballots that contain writings <u>other than the candidate's name or account name</u>. VI. Where the names of two or more candidates are written on the same ballot.</p>	<p>Article 11: Ballots that are found with any of the following are invalid. I. Ballots as defined in accordance with <u>the regulations of the Rule</u> are not used. II. Blank ballots without any handwriting cast in a ballot box. III. Ballots with illegible writing. IV. <u>Any altered item written on the ballot, including the name, account number or ID number of the candidate and assigned number of votes</u>. V. If the candidate <u>is a shareholder, the identity, name and shareholder account number are inconsistent with the shareholders register; if the candidate is not a shareholder, the name and ID number are found to be inconsistent</u>. VI. <u>The candidate name filled in the ballot is same as other</u></p>	Amendment is made in compliance with laws and regulations and actual needs.

Amended Provision	Current Provision	Description
	<u>shareholders but without the shareholder account number or ID number available for identification.</u> VII. Ballots that contain <u>writing or drawings</u> other than the candidate's name, <u>shareholder account number and ID number.</u> VIII. Where the names of two or more candidates are written on the same ballot.	
Article 15: Establishment and amendment Establishment date: May 27, 1989. The 1st amendment date: May 31, 2000.  The 6th amendment date: June 27, 2019. <u>The 7th amendment date: June 22, 2021.</u>	Article 15: Establishment and amendment Establishment date: May 27, 1989. The 1st amendment date: May 31, 2000.  The 6th amendment date: June 27, 2019.	Amendment dates are added.

III. Please refer to Page 56–58 of the Handbook for the original “Rules Governing the Election of Directors.”

Resolution:

Motion No. 3

Proposed by the board of directors

Proposal: Resolution to the proposal for common share issuing by private placement of cash capital increase.

Description: I. To increase working capital, capital expenses and respond to the future development needs of the Company, the Company plans to issue common shares by private placement of cash capital increase while taking the timeliness, convenience and issuing cost of financing into consideration.

II. The common shares issuing by private placement of cash capital increase shall be conducted within the limit of 100,000,000 shares of private placement.

III. According to Article 43-6 of the “Securities and Exchange Act” and provisions of the “Directions for Public

Companies Conducting Private Placements of Securities,” matters related to the private placement are as follows:

1.The basis and reasonableness for setting of private placement price:

The reference price of private placement shall be calculated based on the higher of the following two calculations:

- (1)The simple average closing price of the common shares of the TWSE listed or TPEX listed company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
- (2)The simple average closing price of the common shares of the TWSE listed or TPEX listed company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

The price per share fixed for privately placed common shares may not be lower than 80 percent of the reference price and not lower than NTD10 par value. The method of price setting shall be reasonable according to applicable regulations. The board of directors is authorized by the shareholders’ meeting to determine the actual determination date of the price and private placement price within the percentage scope resolved at the shareholders’ meeting depending on the specified placee and capital market conditions in the future based on the laws and regulations.

2.The method of selecting the placee for that selection:

- (1)The specific persons selected shall be limited to strategic investors according to Article 43-6 of the Securities and Exchange Act and (2002) Tai-Cai-Zheng-Yi-Zi No.0910003455 dated June 13, 2002 by the former Securities and Futures Commission under the Ministry of Finance while the shareholders’ meeting is proposed to authorize the board of directors to review the qualification of placees.
- (2)In response to the rapid change of environment and the booming plant-based product market, we plan to

introduce strategic partners and aggressively expand the deployment of the Company in related fields to increase revenue and improve profitability.

3.Reasons necessitating the private placement and anticipated benefits:

(1)Reasons of not adopting public offering: When taking timeliness, convenience and issuing cost of financing into consideration, the rapid and convenient characteristics of private placement with the restriction on free transfer within three years can ensure the stable and long-term relationship between the Company and strategic investors. Therefore, we plan to adopt private placement for fundraising.

(2)Private placement limits: It shall not exceed the range of 100,000,000 shares and may be carried out in closings within one year of the date of the resolution of the shareholders' meeting. The closings shall not exceed three times.

(3)The use of funds raised by the private placement: Funds raised in each private placement are used to increase working capital, capital expenses and respond to the future development needs of the Company.

(4)Anticipated benefits: Each closing is held to integrate the advantages of the Company and the strategic partner to get a head start in the market while creating long-term and stable performance and profits.

IV. The rights and obligations regarding the private placement of common shares:

The rights and obligations regarding the private placement of common shares are the same as those of common shares issued by the Company, in principle; however, according to the regulations of the Securities and Exchange Act, within three years from the delivery date, the Company of privately placed common shares may not resell the common shares except for those transfer counterparty specified in Article 43-8 of the Securities and Exchange Act. Where three full years have elapsed since the delivery date of the privately placed common shares, the board of directors is authorized to apply to the competent authority for the

rearrangement of public issuing and listing depending on the current condition based on related regulations.

- V. Besides the percentage for the private placement pricing, we propose to the shareholders' meeting for the authorization of the board of directors to adjust, establish and conduct the main contents of this private placement based on market conditions, including relevant matters such as actual issue price, issue shares, issue conditions, plan items, amount of funds raised and anticipated benefits as well as other matters related to the issuing plan. In case of future changes in laws and regulations, amendment under the instruction of the competent authority or establishment or amendment made according to operation assessment or in response to objective market environment, the board of directors shall also be authorized to handle the matters with full power.
- VI. To align with the private placements of securities conducted this time, we propose to the shareholders' meeting for the authorization of the Chairman to sign and discuss all contracts and documents related to the private placement plan on behalf of the Company and to conduct all matters required for this private placement plan.
- VII. Any matters not specified in the previous paragraph shall be handled in accordance with laws and regulations by the board of directors.

Resolution:

## **Impromptu motion**

## **Adjournment**

# Business report

## I.2020 Business Report

Unit: NTD thousand

Item	2020	%	2019	%	+/-%
Operating Revenue	4,614,486	100.0	4,468,238	100.0	3.3
Gross Margin	1,519,004	32.9	1,410,511	31.6	7.7
Operating Expenses	1,302,903	28.2	1,278,477	28.6	1.9
Operating Profit	216,101	4.7	132,034	3.0	63.7
Profit before Tax	310,310	6.7	70,091	1.6	342.7
Net Profit	249,394	5.4	65,333	1.5	281.7

The Company's consolidated operating revenue in 2020 was NTD4,614,490 thousand, which increased NTD146,250 thousand compared to the previous year by 3.3%. The gross profit margin increased by 1.3% compared to the same period last year, resulting in an increase of gross profit of NTD108,490 thousand. The operating net profit was NTD216,100 thousand, which increased NTD84,070 thousand compared to the same period last year. Due to factors such as increased profit from reinvestment, non-operating income and expenditure increased NTD156,150 thousand compared to the same period last year. The pre-tax profit was NTD310,310 thousand, which increased NTD240,220 thousand compared to the same period last year. The net profit after deducting the income tax expense was NTD249,390 thousand.

## II.Summary of the 2021 Business Plan

The Company has realized the 3 main strategic operation policies in 2020:

(1)Strengthening of existing markets and expansion of our leading advantage

- We maintain the quality of our pickle products to keep customers loyal and remain in our leading position.
- We preserve the stability of dessert products and pursue consistent growth to earn the leading status in the market.
- Our tea and beverage products have caught up in the end and the Oil Breakdown Tea is now in the lead.

- (2) Satisfaction of consumers' new needs and doubling our business performance.
- Our healthy plant-based beverages are the hit, and our oatmeal drink stays in first place.
  - We control our budget and cost precisely and the profitability of our products is outstanding.
  - We work with other companies in different fields to improve deficiencies and become more competitive in various channels.
- (3) Coexistence with the pandemic and reversing of consumer trends.
- Improvement of our immune system and care for our digestive system. The technology to manufacture oatmeal products has become a hit.
  - The new concept of epidemic prevention starts from water. Probiotic beverages give you comprehensive protection at all times.
  - The Oil Breakdown Tea allows you to lose blood lipids and body fat healthily. It has acquired national certification.

Following the political and financial trends, competition in the market, consumer trends and other factors, the strategic business plan in 2021 can be established in the following 4 fields:

(1) Improvement of "Cost Efficiency":

- Optimization of product costs. Through the Product Optimization Center, we can perform research regarding the optimization of raw material costs.
- Optimization of manufacturing costs. Through the Manufacturing Management Center, we can promote the prevention of cost lost during the process.
- Optimization of administrative costs. Through an e-platform on the Internet, we can effectively control the administrative and management costs.
- Optimization of operating costs. Through channel and project management, we can plan and calculate relative sales costs precisely.

(2) Continuous "Innovative Development":

- Promotion for the innovative development of technology. The Biotechnology Center has acquired patents, certifications, awards to accumulate intellectual property.
  - Promotion for the innovative development of new products. The Product Development Center develops new product formula with new materials and effects.
  - Promotion for the innovative development of research process. The Business Strategic Center uses social media to create a platform for the new era.
  - Promotion for the innovative development of new projects. The Project Management Department performs brainstorming for the new trend in the market.
- (3) Establishment of “Cross-field Integration”:
- Cross-field integration with businesses in the same industry. Provision of social responsibility integration and industry-academia cooperation.
  - Cross-field integration with businesses in different industries. Provision of joint brand platform and cross-field sales in the market.
  - Cross-field integration with other brands. Provision of international brand agency and channel market agency services.
  - Cross-field integration with channel business. Provision of brand-name product manufacturing services and raw material supply services.
- (4) Creation of an “International Market”:
- Seeking business opportunities in the Taiwan market. We make use of the existing research, manufacturing and marketing platform to expand our agency business.
  - Seeking business opportunities in the China market. We make use of existing plant equipment to perform our contracted business.
  - Seeking business opportunities in the Japan & Korea markets. We make use of the existing customers in the international channel to connect to the Japanese and Korean markets.
  - Seeking business opportunities in the European & American market. We make use of the existing customers in the international



channel to connect enter the European and American markets.

The summary of AGV's 2021 Business Plan is as follows:

1. AGV's New Product Development:

(1) Traditional Cuisine:

Although modern people do not have the problem of insufficient nutrition like they did in the past, people now have too many choices. As a result, modern people do not pay so much attention on supplementing the basic five important categories of nutrients. Moreover, people tend to neglect the intake of protein more easily. Protein constructs human tissue and it is responsible for the growth, circulation, metabolism, immunity of human bodies. The new product we are launching this time is a tofu rich in protein, which is healthy and delicious at the same time. Moreover, spice and chili are added to the tofu product. AGV has used an exclusive process to develop a full-open canned traditional cuisine with an edible period of 2 years. Just open the can and you can enjoy the quality of food of a five-star hotel.

Another important role to daily cooking at home is the edible oil. And it is also a key product at this time. In terms of diet habits in Taiwan, oil is not only something you use to cook, but a source of nutrition. As a result, oil is highly related to the taste of food and our health. We use oil when we pan-fry, cook, saute and deep-fry food. The materials, formulas and manufacturing of oil are key to the health of the body. AGV launched the first healthy oil with a certificate on the market. This healthy oil allows consumers to enjoy the taste of delicious food and at the same time, consumers get the benefit of lowering their Triglycerides. The new products this time focus more on the material that produces the oil. Unlike the common bases, such as soybeans, peanuts or animal fats, used in the oils on the market, AGV chose a material that has high temperature resistance, a high smoke point, and which does not oxidize and discolor easily. Moreover, we use material that does not accumulate oil stains easily, and that is combined with precise formula rich in polyunsaturated fatty acids ( $\omega 9$ ,  $\omega 6$ ,  $\omega 3$ ). Our

new oil product provides consumers with the best source of fat intake and a healthy cooking option.

AGV has always been at the lead when it comes to the tuna can. After the successful launch of the sandwich tuna can, AGV has prepared to launch a tuna can product featuring the material that helps supplement EPA, DHA, and POA. Moreover, the product can help prevent cardiovascular and the Three-Hypers Series. AGV's new tuna can product can help balance the metabolism and immune systems. The product will soon be in customers' hands.

(2)Dessert cans:

Dessert cans are not only delicious snacks between meals, but can be served to replace meals. Moreover, we can bring cans while we travel, go hiking or camping. Cans are practical during disasters and epidemics. People also use cans to serve gods during festivals or send cans as gifts to their family and friends. Our new and innovative product combines the idea of ancient delicacy with modern health. AGV had developed a light dessert that allows customers to enjoy the taste as well as the idea of health. AGV's exclusive whole soybean milk along with traditional tofu pudding is a soybean milk tofu pudding that is rich in protein, fiber and nutrition. Moreover, the pure hot grass jelly made with ancient method, which only appeared in the hometown that is well-known for its food, will be launched this time.

(3)The healthy beverage series gives what they offer in the name.

Most of the competing beverages on the market feature thirst quenching and taste. While AGV's new product will continue to put the idea of health first, we also add other features to create a special flavor. On one hand, we can attract more customers. On the other hand, we get to consolidate our old and loyal consumer group. Bottle water is an important and indispensable product in the beverage market. AGV uses deep ocean water from Kumejima, Okinawa, sea salt from Miyakojima, Okinawa along with the added probiotics, which are hits in the healthy

food field to create this advantageous brand featuring healthy drinking water with special local qualities.

Tea is an important product in the beverage market. AGV has an exclusive cold filling technology featuring the ability of filling neutral and low-acid sterile tea into the container. For barley tea rich in plant-based protein, this technology offers good preservation results. The new product we are launching focus on our popular Barley Tea. Yet we further stretch the exclusive advantage of thirst quenching without hurting our stomach.

AGV's Oatmeal Drink has the leading position in the market. Last year, we worked with chain coffee shops, Louisa Coffee and 85°C Bakery Cafe, to launch the oat milk for coffee to catch up with the new oat milk latte trend. The launch on one hand is to respond to global warming and environmental protection issues. Moreover, the oat milk itself has a mellow and strong oat aroma, which is as good as cow milk. AGV has helped our partners seize the market share in Taiwan and foresee the trend and opportunity of the global market.

## 2.New Brand Strategy - New Product Development with AGV's Partner (Nestlé):

AGV has been cooperating with the world's largest food company, Nestlé, for 5 years. In addition to helping Nestlé's Lemon Tea get back to its leading position on the market, our new strategy is marching toward the niche market, which focuses more on health and taste. The new product directions this time include the following:

### Direction I: Fruit Tea Series

We distinguish ourselves from other common fruit tea on the market by using real fruit juice in our new product. As a result, we can acquire market share in the target market fast. AGV will be launching the Nestlé Pear Tea.

### Direction II: Health Certificate Series

AGV's Health Certificate Series have an irreplaceable position in the beverage market. Our famous classic beverages include the Oil Breakdown Tea, Barley Drink, Oatmeal Drink, Red Bean Water and Freshly Picked Tomatoes Drink. These products are widely adored by customers who love the idea of being healthy because of their health certificates. The world's largest food company, Nestlé, shares the same idea of health, innovative R&D and product quality with AGV. New products this time will focus on the Health Certificate Series and combine with local tea flavors to acquire market share in the high-end and functional tea market.

#### Direction III: Other Series

AGV is the first strategic partner authorized by Nestlé in Asia and the fifth brand authorized by it in the world. The scope of work ranges from R&D, production, marketing and advertising to sales. AGV also uses the professional foundry ability as well as the global planning and management ability of its biotechnology company, Taiwan First Biotechnology Corp., to help Nestlé manufacture tea products that are sold outside of the Taiwan market. Currently, AGV is seeking cooperation and brand authorization with Nestlé outside its tea products. With Nestlé's brand status and value, we believe our cooperation can become the driving force of our business performance and profitability in 2021.

#### III. Prospect for the Future:

In response to changes in the political and economic environment and market trends, the Company completed its "consumer loyalty" work, insisted on being "healthy and delicious" and achieved our "social responsibility" to lay the foundation for the three sustainable conditions for business operation.

In recent years, to be in line with the global management trends and government policies, AGV actively realizes our corporate social responsibility (CSR) as a social corporate citizen in addition to our focus on business performance. When looking into the future, the AGV

team promises to continue to provide healthy and delicious products. What's more, we will try our best to achieve the goals of corporate social responsibility in the fields of social charity, corporate governance, industrial innovation and promotion, and environmental protection and welfare. Nowadays, enterprises are pursuing sustainable development for their business. The non-financial performance and the financial performance are actually equally important in the practical aspect and they complement each other. Good performance can give companies more resources and conditions to improve their non-financial performance, and good non-financial performance can further enhance the company's durable competitiveness advantage to achieve qualitative improvement. After that, the actual improvement and upgrading of competitiveness will optimize financial performance in the mid-to-long term. As a result, companies can march toward the goal of sustainable operation.

Therefore, the development strategies of the Company in 2021 is established and are as follows:

- (1)Improvement of “Management Performance”: Optimization of product cost, manufacturing cost, administrative cost and operation cost.
- (2)Continuing of “Innovative Development”: Promotion of technology and innovative development, innovative new product development, innovative development of research, and innovative investigation and R&D development.
- (3)Seeking of “Cross-field Integration”: Cross-field integration with business in the same industry, cross-field integration with business in the different industry, cross-field integration with other brands and cross-field integration with other channel business.
- (4)Establishment in the “International Market”: Creation of business opportunities in the Taiwan market, China market, Japan and Korea market as well as the Europe and America market.

Chairman: Kuan-Han Chen	President: Chih-Chan Chen	Accounting Manager: He-Shun Chang
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# **Audit Committee's Review Report of AGV Products Corporation**

Authorized

The 2020 business report, financial statements and appropriation of earnings of the Company were prepared by the board of directors and the financial statements have been audited by CPA Shu-man Tsai and Ching-lin Li of Crowe (TW) CPAs, and no nonconformities were found. We hereby issue the above report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Proposed for approval.

For

The Company's 2021 Annual Meeting of Shareholders

Audit Committee convener	Yung-Chien Wu
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Audit Committee	Yung-Fu Tseng
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Audit Committee	Wei-Lung Chen
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March 23, 2020

# **Independent Auditors' Report of AGV Products Corporation**

To AGV Products Corporation:

## **Audit opinions**

We have audited the standalone balance sheet of AGV Products Corporation from December 31, 2020 and 2019, as well as the parent company only statement of comprehensive income, parent company only statement of changes in equity, and parent company only cash flow statement for the periods January 1 to December 31, 2020 and 2019, and the accompanying footnotes (including summary of major accounting policies).

In our opinion, based on our audit results and the other independent auditors' report (please refer to the other matters section), all material disclosures of the parent company only financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and presented a fair view of the parent company only financial position of AGV Products Corporation as at December 31, 2020 and 2019, and business performance and cash flow for the periods January 1 to December 31, 2020 and 2019.

## **Basis of audit opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Report section of our report. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of AGV Products Corporation in accordance with the Code of Ethics for Professional Accountants and with other responsibilities of the Code of Ethics performed. According to our audits and the other independent auditors' report, we believe to have obtained sufficient and appropriate audit evidence in order to be used as the basis for the opinion.

## **Key audit matters**

"Key audit matters" means that the independent auditor has used their professional judgment as the basis to audit the most important matters on the 2020 parent company only financial report of AGV Products

Corporation. These matters were addressed in the content of our audit of the parent company only financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on them.

The key audit matters of the 2020 parent company only financial report of AGV Products Corporation are as follows:

#### I. Fair value evaluation of investment property

For detailed accounting policy on investment property, please refer to Note 4(11) of the parent company only financial report, and for descriptions on the recording basis and evaluation status of investment property, please refer to Note 6(9) of the parent company only financial statements

Description of key audit matters:

As of December 31, 2020, investment property held totaled NTD1,442,108 thousand accounted for 13.16% of the total assets and it was measured in fair value model subsequently. The recognized variable income generated from fair value changes totaled NTD11,825 thousand in 2020, accounted for 4.04% of net income before tax. The evaluation was mainly based on an analysis of discounted cash flow and land development, under the condition that the income was calculated according to market rent and value by a commissioned external appraiser. The analysis relied on the evaluation and judgment of an external appraiser based on overall usage, local or market conditions of the subject property and the assumptions and estimates related to profit rate and discount rate adopted for evaluation contained material uncertainty. Thus, we consider the fair value evaluation of investment property as a key audit matter when auditing the parent company only financial report of AGV Products Corporation.

Corresponding audit process:

Our main audit process includes checking the consistency of inventory and appraisal data provided for external appraisers by management, evaluating the accuracy of investment property classification based on the understanding of the Company and checking the recoverable amount and recorded amount in the value appraisal report of independent evaluation issued by the Company based on the external appraiser, reviewing the reasonableness of related assumptions and appraisal content (including the method, analysis period and discount rate) and evaluating the qualification and independence of such external appraiser. The appropriateness and completeness of information disclosed in the notes on the parent company only financial report is also evaluated.

#### II. Recognition of revenue



Please refer to Note 4(18) of the financial report for detailed accounting policy on income recognition. Please refer to Note 6(21) of the financial report for income details.

The main business of the AGV Products Corporation refers to the manufacturing, processing, and sales of products related to drinks and canned foods. The transaction terms agreed in the sales contract signed with the customer will affect the judgment of AGV Products Corporation regarding whether the income recognition timing meets the time in which the customer owns the right to set the price and use the same, and has taken the responsibility for resale along with the obsolescence risk of the product. Therefore, we consider the income recognition test in 2020 as a key audit matter when auditing the parent company only financial report of AGV Products Corporation.

Our main audit process includes understanding the sales system of AGV Products Corporation, such as the sales channels and selling customers, checking agreements related to sales contracts signed with main trading customers and randomly checking shipment and income recognition operation procedure records in 2020 (including checking the consistency of the date, amount and counterparty in the shipping order and invoice). We also conduct a comparison of two terms regarding the main trading customers, including the comparison of accounts receivable turnover rate, accounts receivable turnover days and credit period, and inquires of the top ten trading counterparties in two terms with major changes to evaluate the reasonableness of transaction amount and counterparty and execution cut-offs for operating revenue recognition and shipping voucher forms before and after the balance sheet date.

### **Other information**

We have not audited partial financial statements of affiliated companies disposed the under equity method in said parent company only reports of 2019 and 2020, instead other CPAs did. Thus, in our opinions expressed on the parent company only financial report, the amounts listed in the statement of affiliated companies were based on the other independent auditors' report. The investment in these invested companies under the equity method were NTD1,669,191 thousand and NTD1,506,484 thousand as of December 31, 2020 and 2019, accounting for 15.23% and 14.37% of total assets, respectively. The share of profit or loss from affiliates and joint ventures under the equity method were NTD95,532 thousand and NTD53,996 thousand for the periods January 1 to December 31, 2020 and

2019, accounting for 32.66% and 122.40% of net income before tax, respectively. Share of other comprehensive income from affiliates and joint ventures under the equity method were NTD80,243 thousand and NTD72,998, accounting for 44.85% and 68.63% of other net comprehensive income, respectively.

### **Responsibilities of Management and the Governance Unit with Governance for the Parent Company Only Financial Report**

Management is responsible for preparing the appropriate parent company only financial report in accordance with Regulations Governing the Preparation of Financial Report by Securities Issuers. Additionally, it is responsible for maintaining the internal control mechanism that is related to and necessary for the preparation of the parent company only financial report. As a result, it can ensure material misstatement due to fraud or error does not occur in the parent company only financial report.

In preparing the parent company only financial report, management is also responsible for assessing the ability of AGV Products Corporation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the AGV Products Corporation or to cease operations, or there is a lack of any option except for liquidation or suspension.

The governance unit (including the audit committee) of AGV Products Corporation is responsible for supervising the financial reporting process.

### **Independent Auditor's Responsibilities for the Audit of the Parent Company Only Financial Report**

Our objectives are to obtain reasonable assurance about whether the parent company only financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists. Untruthful expressions might have been caused by fraud or errors. If individual values or an overview of untruthful expressions can be reasonably expected to affect economic decisions made by users of parent company only financial report, they are considered significant.

As part of an audit in accordance with the generally accepted auditing standards, we exercise professional judgment and maintain professional

skepticism throughout the audit. The CPAs also perform the following tasks:

- I. Identify and assess the risk of material misstatement of the parent company only financial report due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of AGV Products Corporation.
- III. Evaluate the adequacy of accounting policies adopted by management and the legitimacy of accounting estimates and related disclosures made.
- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of AGV Products Corporation to continue as a going concern. In cases where we consider that events or circumstances have significant uncertainty in this regard, then relevant disclosure of the parent company only financial report shall be provided in the auditors' report to allow users of the parent company only financial report to be aware of such events or circumstances, or shall revise our opinion when such disclosure is considered inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the AGV Products Corporation to cease to continue as a going concern.
- V. Evaluate the overall presentation, structure and content of the parent company only financial report (including relevant notes), and whether the parent company only financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient and appropriate audit evidence on the financial information of individual companies within AGV Products Corporation in order to express an opinion on the parent company only

financial report. Our responsibilities as auditors are to instruct, supervise and execute audits and form audit opinions on AGV Products Corporation.

Communications made by the CPAs with governance units include the planned scope and timing of inspection as well as significant inspection findings (including significant deficiencies found with internal control during inspection).

We also provide those in charge of governance with a statement that we have complied with the Code of Ethics for Professional Accountants regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, where applicable (including related protection measures).

The independent auditor has used communications with the governing unit as the basis to determine the key audit matters to be performed on the 2020 parent company only financial report of AGV Products Corporation. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Crowe (TW) CPAs  
CPA: Shu-man Tsai

CPA: Ching-lin Li

Approval No.: Jin-Guan-Zheng-Shen-Zi No.  
10200032833  
March 23, 2021

**AGV Products Corporation**  
**Balance sheet**  
**December 31, 2020 and 2019**

Unit: NTD thousands

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalent (Note 6(1))	\$ 399,235	4	\$ 301,274	3
1150	Receivable notes, net (Note 6(2))	11,680	-	12,184	-
1160	Note receivables - the related party, net (Note 7)	19,135	-	32,001	-
1170	Accounts receivable, net (Note 6(3))	407,174	4	439,972	4
1180	Accounts receivable - the related party, net (Note 7)	101,204	1	93,735	1
1200	Other accounts receivable	14,311	-	27,365	-
1210	Other accounts receivable - the related party (Note 7)	20,820	-	11,294	-
1220	Income tax assets in the current period	218	-	279	-
130x	Inventories (Note 6(4))	644,795	7	555,715	6
1410	Prepayments	53,148	-	29,821	-
1476	Other financial assets - current (Note 6(11))	28,000	-	71,000	1
1479	Other current assets - others	2,930	-	2,987	-
11xx	Total current assets	1,702,650	16	1,577,627	15
Non-current assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current (Note 6(5))	914,506	8	972,028	9
1550	Investment under the equity method (Note 6(6))	5,596,854	51	5,095,339	49
1600	Property, plant and equipment (Note 6(7))	959,384	9	990,087	9
1755	Right-of-use assets (Note 6(8))	12,655	-	21,027	-
1760	Investment property, net (Note 6(9))	1,442,108	13	1,431,213	14
1780	Intangible assets (Note 6(10))	2,573	-	1,719	-
1840	Deferred income tax assets (Note 6(26))	245,998	2	303,124	3
1920	Refundable deposit	48,205	1	54,852	1
1980	Other financial assets - non-current (Note 6(11))	20,025	-	20,015	-
1990	Other non-current assets - others	14,209	-	19,039	-
15xx	Total non-current assets	9,256,517	84	8,908,443	85
1xxx	Total assets	\$ 10,959,167	100	\$ 10,486,070	100
Liability and equity					
Current liabilities					
2100	Short-term loans (Note 6(12))	\$ 490,000	4	\$ 755,000	9
2130	Contract liabilities - current (Note 6(21))	8,118	-	5,233	-
2150	Notes payable	60,032	1	49,830	-
2170	Accounts payable	80,934	1	71,917	1
2180	Accounts payable - the related party (Note 7)	610,743	6	540,372	5
2200	Other payable (Note 6(13))	270,072	2	228,755	2
2220	Other payable - the related party (Note 7)	43,819	-	48,372	-
2250	Liability reserve - current (Note 6(14))	16,747	-	17,330	-
2280	Lease liabilities - current (Note 6(8))	9,114	-	7,929	-
2310	Collections	-	-	3	-
2320	Long-term liabilities due within a year or operating cycle (Note 6(16))	533,124	5	534,456	5
2399	Other current liabilities	4,309	-	4,449	-
21xx	Total current liabilities	2,127,012	19	2,263,646	22

(Continued)

(Brought forward)

Code	Liability and equity	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Non-current liabilities				
2540	Long-term loans (Note 6(16))	\$ 2,527,844	23	\$ 2,316,647	22
2570	Deferred income tax liabilities (Note 6(26))	123,142	1	123,460	1
2580	Lease liabilities - non-current (Note 6(8))	5,560	-	13,360	-
2640	Net defined benefit liabilities - non-current (Note 6(15))	84,527	1	86,290	1
2645	Guarantee deposits	1,730	-	1,745	-
25xx	Total non-current liabilities	2,742,803	25	2,541,502	24
2xxx	Total liabilities	4,869,815	44	4,805,148	46
	Equity				
3100	Capital stock (Note 6(17))				
3110	Common stock	4,945,134	46	4,945,134	46
3200	Capital surplus (Note 6(18))	268,647	2	266,323	3
3300	Retained earnings (Note 6(19))				
3310	Legal reserve	43,485	-	38,680	-
3320	Special reserve	562,804	5	512,381	5
3350	Undistributed earnings	213,970	2	55,227	1
3400	Other equity (Note 6(20))	55,312	1	(136,823)	(1)
3xxx	Total equity	6,089,352	56	5,680,922	54
	Total liabilities and equity	\$ 10,959,167	100	\$ 10,486,070	100

Chairman: Kuan-Han Chen Manager: Chih-Chan Chen Head of Accounting: He-Shun Chang

**AGV Products Corporation**  
**Statement of comprehensive income**  
**January 1 to December 31, 2020 and 2019**

Unit: NTD thousands

Code	Item	2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(21))	\$ 3,921,854	100	\$ 3,781,489	100
5000	Operating cost (Note 6(4))	(2,681,801)	(69)	(2,647,849)	(70)
5900	Gross profit (gross loss)	1,240,053	31	1,133,640	30
5910	Unrealized gain (loss) from sales	(8,311)	-	(9,940)	-
5920	Realized gain (loss) from sales	9,940	-	9,700	-
	Operating expenses				
6100	Selling expenses	(744,815)	(19)	(726,703)	(19)
6200	Management expenses	(231,520)	(6)	(222,139)	(6)
6300	Research and Development expenses	(41,002)	(1)	(41,216)	(1)
6450	Expected credit impairment gain (loss) (Note 6(3))	207	-	4,508	-
6000	Total operating expenses	(1,017,130)	(26)	(985,550)	(26)
6900	Operating profits (losses)	224,552	5	147,850	4
	Non-operating income and expenses				
7100	Interest revenue	1,594	-	1,790	-
7010	Other revenues (Note 6(23))	48,150	1	47,560	1
7020	Other profit and loss (Note 6(24))	(18,056)	-	14,386	-
7050	Financial cost (Note 6(25))	(77,261)	(2)	(81,543)	(2)
7070	Share of profit or loss from subsidiaries, affiliates and joint ventures under the equity method	113,531	3	(85,928)	(2)
7000	Total non-operating income and expense	67,958	2	(103,735)	(3)
7900	Net profit (loss) before tax	292,510	7	44,115	1
7950	Income tax benefits (expenses) (Note 6(26))	(59,606)	(2)	3,954	-
8200	Current net profit (loss)	232,904	5	48,069	1
	Other comprehensive income (Note 6(27))				
8310	Items not reclassified to profit or loss				
8311	Re-measurement of defined benefit plan	(8,612)	-	4,491	-
8316	Unrealized valuation profit or loss from equity instrument investments at fair value through other comprehensive income	16,008	-	44,751	1
8330	Share of other comprehensive income from subsidiaries, affiliates and joint ventures under the equity method	180,202	5	104,418	3
8349	Income tax related to items not reclassified	1,722	-	(898)	-
8360	Items may be subsequently reclassified as profit or loss				
8380	Share of other comprehensive income from subsidiaries, affiliates and joint ventures under the equity method	(11,367)	-	(49,256)	(1)
8399	Income tax related to items may be reclassified	980	-	2,861	-
8300	Other comprehensive income (net)	178,933	5	106,367	3
8500	Total comprehensive income in the current period	\$ 411,837	10	\$ 154,436	4
	Earnings per share				
9750	Basic EPS (Note 6(28))	\$ 0.47		\$ 0.10	
9850	Diluted EPS (Note 6(28))	\$ 0.47		\$ 0.10	

Chairman: Kuan-Han Chen Manager: Chih-Chan Chen Head of Accounting: He-Shun Chang

**AGV Products Corporation**  
**Parent company only statement of changes in equity**  
**January 1 to December 31, 2020 and 2019**

Unit:NTD thousands

	Retained earnings					Other items of interest		Total equities
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange difference in the financial statement translation of foreign operations	Unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income	
Balance on January 1, 2019	\$ 4,945,134	\$ 259,233	\$ 33,890	\$ 386,865	\$ 130,306	\$ (32,028)	\$ (193,033)	\$ 5,530,367
Appropriation and distribution of earnings:								
Allocated legal reserve	-	-	4,790	-	(4,790)	-	-	-
Allocated special reserve	-	-	-	125,516	(125,516)	-	-	-
Changes of affiliates and joint ventures under the equity method	-	7,090	-	-	2,607	-	(13,578)	(3,881)
2019 net profit (loss)	-	-	-	-	48,069	-	-	48,069
2019 Other comprehensive income	-	-	-	-	1,445	(45,895)	150,817	106,367
2019 Total comprehensive income	-	-	-	-	49,514	(45,895)	150,817	154,436
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	3,106	-	(3,106)	-
Balance on December 31, 2019	4,945,134	266,323	38,680	512,381	55,227	(77,923)	(58,900)	5,680,922
Appropriation and distribution of earnings:								
Allocated legal reserve	-	-	4,805	-	(4,805)	-	-	-
Allocated special reserve	-	-	-	50,423	(50,423)	-	-	-
Changes of affiliates and joint ventures under the equity method	-	2,324	-	-	(5,731)	-	-	(3,407)
2020 net profit (loss)	-	-	-	-	232,904	-	-	232,904
2020 Other comprehensive income	-	-	-	-	(13,202)	(9,537)	201,672	178,933
2020 Total comprehensive income	-	-	-	-	219,702	(9,537)	201,672	411,837
Balance on December 31, 2020	\$ 4,945,134	\$ 268,647	\$ 43,485	\$ 562,804	\$ 213,970	\$ (87,460)	\$ 142,772	\$ 6,089,352

Chairman: Kuan-han Chen Manager: Chih-chan Chen Head of Accounting: He-shun Chang



**AGV Products Corporation**  
**Cash Flow Statement**  
**January 1 to December 31, 2020 and 2019**

Unit: NTD thousands

Item	2020	2019
Cash flows from operating activities		
Current net profit (loss) before tax	\$ 292,510	\$ 44,115
Adjustments		
Income, expenses, and losses		
Depreciation expenses	70,987	73,146
Amortization expenses	722	2,071
Expected credit impairment losses (gains)	(207)	(4,508)
Interest expenses	77,261	81,543
Interest revenue	(1,594)	(1,790)
Dividend revenue	(7,644)	(8,665)
Share of loss (gain) from subsidiaries, associates and joint ventures under the equity method	(113,531)	85,928
Loss (gain) from disposal and scrap of property, plant and equipment	223	80
Unrealized gain (loss) from sales	8,311	9,940
Realized loss (gain) from sales	(9,940)	(9,700)
Loss (gain) due to fair value adjustment in investment property	(11,825)	(36,076)
Other items	44	198
Total income/expense items	12,807	192,167
Changes of assets/liabilities related to operating activities		
Net changes in assets related to operating activities		
Decrease (increase) in notes receivable	504	(2,293)
Notes receivable - decrease (increase) for the related party	12,879	(353)
Decrease (increase) in accounts receivable	33,000	(29,685)
Accounts receivable - decrease (increase) for the related party	(7,477)	(6,007)
Decrease (increase) in other accounts receivable	13,054	(2,059)
Other accounts receivable - decrease (increase) for the related party	(9,541)	28,353
Decrease (increase) of inventory	(89,080)	(2,606)
Decrease (increase) in prepayments	(23,327)	(13,779)
Decrease (increase) in other current assets	57	(447)
Total net changes in assets related to operating activities	(69,931)	(28,876)
Net changes in liabilities related to operations		
Increase (decrease) in contract liabilities	2,885	1,359
Increase (decrease) in notes payable	10,202	(11,347)
Increase (decrease) in accounts payable	9,017	(15,538)
Accounts payable - increase (decrease) for the related party	70,371	(48,091)
Increase (decrease) in other payables	44,928	12,048
Other payables - Increase (decrease) for the related party	(4,553)	3,495
Increase (decrease) in liability reserve	(583)	2,590
Increase (decrease) in collections	(3)	-
Increase (decrease) in other current liabilities	(140)	613
Increase (decrease) in net defined benefit liabilities	(10,375)	(11,744)
Total net changes in liabilities related to operating activities	121,749	(66,615)
Total net changes in assets and liabilities related to operating activities	51,818	(95,491)
Total adjustments	64,625	96,676

(Continued)

(Brought forward)

Item	2020	2019
Cash inflow (outflow) from operations	\$ 357,135	\$ 140,791
Interest received	1,609	1,775
Stock dividend received	91,139	83,574
Returned (paid) income tax	(35)	(67)
Net cash inflow (outflow) from operating activities	449,848	226,073
Cash flows from investment activities		
Acquisition of financial assets measured at fair value through other comprehensive income	-	(106,514)
Disposal of financial assets measured at fair value through other comprehensive income	-	43,291
Acquisition of investment under equity method	(230,892)	(147,550)
Acquisition of property, plant and equipment	(35,090)	(34,389)
Disposal of property, plant and equipment	-	93
Increase in refundable deposit	-	(9,323)
Decrease in refundable deposit	6,647	-
Acquisition of intangible assets	(1,620)	(184)
Increase in other financial assets	-	(19,483)
Decrease in other financial assets	42,990	-
Increase in other non-current assets	-	(967)
Decrease in other non-current assets	4,830	-
Net cash inflow (outflow) from investment activities	(213,135)	(275,026)
Cash flow from financing activities		
Decrease in short-term loans	(265,000)	(125,000)
Proceeds from long-term loans	1,000,000	2,148,000
Repayment of long-term loans	(791,461)	(1,763,422)
Increase in guarantee deposits	-	1,161
Decrease in guarantee deposits	(15)	-
Lease principle repayment	(5,865)	(8,886)
Interest paid	(76,411)	(85,594)
Net cash inflow (outflow) from financing activities	(138,752)	166,259
Increase (decrease) in cash and cash equivalents in the current period	97,961	117,306
Balance of cash and cash equivalents, beginning	301,274	183,968
Balance of cash and cash equivalents, ending	\$ 399,235	\$ 301,274

Chairman: Kuan-Han Chen Manager: Chih-Chan Chen Head of Accounting: He-Shun Chang

# **Independent Auditors' Report and Consolidated Financial Statements of AGV Products Corporation**

To AGV Products Corporation:

## **Audit opinions**

We have audited the standalone balance sheet of AGV Products Corporation and subsidiaries (hereinafter referred to as the "AGV Group") as of December 31, 2020 and 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement for the periods January 1 to December 31, 2020 and 2019, and the accompanying footnotes (including a summary of major accounting policies).

In our opinion, based on our audit results and other independent auditors' report (please refer to the other matters section), all material disclosures of the consolidated financial report mentioned above were prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers," international financial reporting standards approved by the Financial Supervisory Commission, the International Accounting Standards, and interpretations thereof, and presented a fair view of the consolidated financial position of AGV Group as at December 31, 2020 and 2019, and business performance and cash flow for the periods January 1 to December 31, 2020 and 2019.

## **Basis of audit opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Report section of our report. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of AGV Group in accordance with the Code of Ethics for Professional Accountants, and with the other responsibilities of the Code of Ethics performed as well. According to our audits and other independent auditors' reports, we believe to have obtained sufficient and appropriate audit evidence to be used as the basis for the opinion.

## **Key audit matters**

“Key audit matters” means that the independent auditor has used their professional judgment as the basis to audit the most important matters on the 2020 consolidated financial report of AGV Group. These matters were addressed in the content of our audit of the consolidated financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on them.

The key audit matters of the 2020 consolidated financial report of AGV Group are described as follows:

### **I. Fair value evaluation of investment property**

For detailed accounting policy on investment property, please refer to Note 4(12) of the consolidated financial report, and for descriptions on the recording basis and evaluation status of investment property, please refer to Note 6(12) of the consolidated financial statements.

Description of key audit matters:

As of December 31, 2020, the held investment property totaled NTD2,647,279 thousand, accounted for 19.84% of the total assets and was measured in fair value model subsequently. The recognized variable income generated from fair value changes totaled NTD30,135 thousand in 2020, accounted for 9.71% of net income before tax. The evaluation was mainly based on an analysis of discounted cash flow and land development, under the condition that the income was calculated according to market rent and value by commissioned external appraiser. The analysis relied on the evaluation and judgment of an external appraiser based on overall usage, local or market conditions of the subject property and the assumptions and estimates related to profit rate and discount rates adopted for evaluation contained material uncertainty. Thus, we consider the fair value evaluation of investment property as a key audit matter when auditing the parent company only financial report of AGV Group.

Corresponding audit process:

Our main audit process includes checking the consistency of inventory and appraisal data provided for external appraisers by management, evaluating the accuracy of investment property classifications based on the understanding of the Company and checking the recoverable amount and recorded amount in the value appraisal report of independent evaluation issued by the Company based on the external appraiser, reviewing the reasonableness of related assumptions and appraisal content (including method, analysis period and discount rate) and evaluating the qualification and independence of such external appraisers. The appropriateness and

completeness of information disclosed in the notes on consolidated financial report is also evaluated.

## II. Recognition of revenue

Please refer to Note 4(19) of the consolidated financial report for detailed accounting policy on income recognition. Please refer to Note 6(27) of the consolidated financial report for income details.

The main business of the AGV Group refers to the manufacturing, processing, and sales of products related to drinks and canned foods. The transaction terms agreed to in the sales contract signed with the customer will affect the judgment of the AGV Group regarding whether the income recognition timing meets the time in which the customer owns the right to set the price and use the same and takes the responsibility for resale along with the obsolescence risk of the product. Therefore, we consider the income recognition test in 2020 as a key audit matter when auditing the consolidated financial report of the AGV Group.

Our main audit process includes understanding the sales system of AGV Group, such as the sales channels and selling customers, checking agreements related to sales contracts signed with main trading customers and randomly checking shipment and income recognition operation procedure records in 2020 (including checking the consistency of the date, amount and counterparty in the shipping order and invoice). We also conduct a comparison of two terms regarding the main trading customers, including the comparison of accounts receivable turnover rate, accounts receivable turnover days and credit period, and inquires of the top ten trading counterparties in two terms with major changes to evaluate the reasonableness of transaction amount and counterparty and execution cut-offs for operating revenue recognition and shipping voucher forms before and after the balance sheet date.

## Other information

As stated in Note 4(3) of the consolidated financial report, we have not audited partial financial statements of some subsidiaries and the investment under the equity method in said consolidated report, instead other CPAs did. Thus, in our opinions expressed on the consolidated financial report, the amounts listed in the report for those companies were based on the other independent auditors' report. The total assets of subsidiaries were NTD6,888 thousand and NTD9,272 thousand as of December 31, 2020 and 2019, accounting for 0.05% and 0.07% of total consolidated assets, respectively, and the total liabilities were NTD1,235 thousand and NTD1,288 thousand as of December 31, 2020 and 2019,

accounting for 0.02% and 0.02% of total consolidated liabilities, respectively. In 2020 and 2019, the operating revenues were NTD0 thousand and NTD40 thousand, accounting for 0% of net consolidated operating revenue and the total comprehensive incomes were NTD(2,094) thousand and NTD(2,943) thousand, accounting for (0.49%) and (1.65%) of total consolidated comprehensive income, respectively; in addition, the investments in these affiliates under the equity method were NTD1,818,191 thousand and NTD1,647,386 thousand as of December 31, 2020 and 2019, accounting for 13.63% and 12.77% of total consolidated assets, respectively. In 2020 and 2019, the recognized shares of profit or loss from affiliates and joint ventures under the equity method were NTD95,297 thousand and NTD51,256 thousand, accounting for 30.71% and 73.13% of consolidated pre-tax income, respectively, while the recognized shares of other comprehensive income from affiliates and joint ventures under the equity method were NTD90,957 thousand and NTD73,414 thousand, accounting for 50.13% and 65.09% of other net consolidated comprehensive income, respectively.

AGV Products Corporation had duly worked out the 2020 and 2019 parent company only financial report for which we have duly worked out a standard type Audit Report with unqualified (unreserved) opinion for reference.

### **Responsibilities of the Management and the Governance Unit with Governance for the Consolidated Financial Report**

Management is responsible for preparing the appropriate consolidated financial report in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. Additionally, it is responsible for maintaining the internal control mechanism that is related to and necessary for the preparation of the consolidated financial report. As a result, it can ensure material misstatement due to fraud or error does not occur in the consolidated financial report.

In preparing the consolidated financial report, management is also responsible for assessing the ability of the AGV Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the AGV Group or cease operations, or there is a lack of any option except for liquidation or suspension.

The governance unit (including the audit committee) of AGV Group is responsible for supervising the financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. Untruthful expressions might have been caused by fraud or errors. If individual values or an overview of untruthful expressions can be reasonably expected to affect economic decisions made by users of consolidated financial report, they are considered significant.

As part of an audit in accordance with generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. The CPAs also perform the following tasks:

- I . Identify and assess the risk of material misstatement of the consolidated financial report due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- II . Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of AGV Group.
- III. Evaluate the adequacy of accounting policies adopted by management and the legitimacy of accounting estimates and related disclosures made.
- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of AGV Group to continue as a going concern. In cases where we consider that events or circumstances have significant uncertainty in this regard, then relevant disclosure of the consolidated financial report shall be provided in the auditors' report to allow users of the consolidated financial report to be

aware of such events or circumstances, or shall revise our opinion when such disclosure is considered inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the AGV Group to cease to continue as a going concern.

V . Evaluate the overall presentation, structure and content of the consolidated financial report (including relevant notes), and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient and appropriate audit evidence on the financial information of individual companies within AGV Group in order to express an opinion on the consolidated financial report. Our responsibilities as auditors are to instruct, supervise and execute audits and form audit opinions on AGV Group.

Communications made by the CPAs with governance units include the planned scope and timing of inspection as well as significant inspection findings (including significant deficiencies found with internal control during inspection).

We also provide those in charge of governance with a statement that we have complied with the Code of Ethics for Professional Accountants regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, where applicable (including related protection measures).

The independent auditor has used communications with the governing unit as the basis to determine the key audit matters to be performed on the 2020 consolidated financial report of AGV Group. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Crowe (TW) CPAs  
CPA: Shu-man Tsai

CPA: Ching-lin Li

Approval No.: Jin-Guan-Zheng-Shen-Zi No.  
10200032833  
March 23, 2021



# AGV Products Corporation and its Subsidiaries

## Consolidated Balance Sheet

### December 31, 2020 and 2019

Unit: NTD thousands

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalent (Note 6(1))	\$ 669,519	5	\$ 614,057	5
1110	Financial assets at fair value through profit and loss - current (Notes 6 (2))	35,658	-	31,035	-
1150	Receivable notes, net (Note 6(3))	41,580	-	39,051	-
1160	Note receivables - the related party, net (Note 7)	19,394	-	32,333	-
1170	Accounts receivable, net (Note 6(4))	511,606	4	537,805	4
1180	Accounts receivable - the related party, net (Note 7)	19,339	-	12,557	-
1200	Other receivables (Note 6(5))	17,857	-	76,080	1
1210	Other accounts receivable - the related party (Note 7)	23,434	-	17,199	-
1220	Income tax assets in the current period	226	-	715	-
130x	Inventories (Note 6(6))	742,160	7	634,564	5
1410	Prepayments (Note 6(7))	124,997	1	106,875	1
1476	Other financial assets - current (Note 6(14))	30,278	-	71,000	1
1479	Other current assets - others	3,565	-	3,701	-
11xx	Total current assets	2,239,613	17	2,176,972	17
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income - non-current (Note 6(8))	1,156,453	9	1,113,441	9
1550	Investment under the equity method (Note 6(9))	3,837,867	29	3,453,582	28
1600	Property, plant and equipment (Note 6(10))	2,962,648	22	2,987,712	23
1755	Right-of-use assets (Note 6(11))	175,872	1	153,209	1
1760	Investment property, net (Note 6(12))	2,647,279	20	2,617,144	20
1780	Intangible assets (Note 6(13))	9,102	-	11,269	-
1840	Deferred income tax assets (Note 6(32))	257,215	2	321,033	2
1920	Refundable deposit	9,963	-	12,793	-
1980	Other financial assets - non-current (Note 6(14))	27,521	-	27,278	-
1990	Other financial assets - non-current (Note 6(15))	17,326	-	21,553	-
15xx	Total non-current assets	11,101,246	83	10,719,014	83
1xxx	Total assets	\$ 13,340,859	100	\$ 12,895,986	100
	Liability and equity				
	Current liabilities				
2100	Short-term loans (Note 6(16))	\$ 928,592	7	\$ 1,230,228	10
2130	Contract liabilities - current	11,761	-	8,369	-
2150	Notes payable	79,565	1	68,302	1
2160	Notes receivable - the related party (Note 7)	12,210	-	7,108	-
2170	Accounts payable	92,523	1	87,497	1
2180	Accounts payable - the related party (Note 7)	617,882	5	541,198	4
2200	Other payable (Note 6(17))	578,272	4	419,230	3
2230	Current income tax liabilities	7,003	-	3,051	-
2250	Liability reserve - current (Note 6(18))	23,440	-	23,102	-
2280	Lease liabilities - current (Note 6(11))	16,036	-	11,335	-
2310	Collections	455	-	355	-
2320	Long-term liabilities due within a year or operating cycle (Note 6(20))	1,133,137	9	940,929	7
2399	Other current liabilities (Note 6(19))	5,076	-	5,344	-
21xx	Total current liabilities	3,505,952	27	3,346,048	26

(Continued)

(Brought forward)

Code	Liability and equity	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Non-current liabilities				
2540	Long-term loans (Note 6(20))	\$ 2,694,544	20	\$ 2,823,147	22
2570	Deferred income tax liabilities (Note 6(32))	141,458	1	154,236	1
2580	Lease liabilities - non-current (Note 6(11))	33,566	-	17,591	-
2640	Net defined benefit liabilities - non-current (Note 6(21))	99,068	1	104,524	1
2645	Guarantee deposits	7,797	-	11,174	-
25xx	Total non-current liabilities	2,976,433	22	3,110,672	24
2xxx	Total liabilities	6,482,385	49	6,456,720	50
	Equity				
	Equity attributable to parent company shareholders				
3100	Capital stock (Note 6(22))				
3110	Common stock	4,945,134	37	4,945,134	39
3200	Capital reserve (Note 6(23))	268,647	2	266,323	2
3300	Retained earnings (Note 6(24))				
3310	Legal reserve	43,485	-	38,680	-
3320	Special reserve	562,804	4	512,381	4
3350	Undistributed earnings	213,970	2	55,227	-
3400	Other equity (Note 6(25))	55,312	-	(136,823)	(1)
31xx	Total equity attributable to the parent company	6,089,352	45	5,680,922	44
36xx	Non-controlling equity (Note 6(26))	769,122	6	758,344	6
3xxx	Total equity	6,858,474	51	6,439,266	50
	Total liabilities and equity	\$ 13,340,859	100	\$ 12,895,986	100

Chairman: Kuan-han Chen Manager: Chih-chan Chen Head of Accounting: He-shun Chang

# AGV Products Corporation and its Subsidiaries

## Consolidated Income Statement

### January 1 to December 31, 2020 and 2019

Unit: NTD thousands

Code	Item	2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(27))	\$ 4,614,486	100	\$ 4,468,238	100
5000	Operating cost (Note 6(6))	(3,095,482)	(67)	(3,057,727)	(68)
5900	Gross profit (gross loss)	1,519,004	33	1,410,511	32
	Operating expenses				
6100	Selling expenses	(949,874)	(20)	(934,891)	(21)
6200	Management expenses	(311,920)	(7)	(306,090)	(7)
6300	Research and Development expenses	(41,890)	(1)	(42,452)	(1)
6450	Expected credit impairment losses (gains) (Note 6(4))	781	-	4,956	-
6000	Total operating expenses	(1,302,903)	(28)	(1,278,477)	(29)
6900	Operating profits (losses)	216,101	5	132,034	3
	Non-operating income and expenses				
7100	Interest revenue	586	-	806	-
7010	Other revenues (Note 6(29))	59,347	1	52,651	1
7020	Other profits and losses (Notes 6(30))	24,621	1	5,683	-
7050	Finance costs (Note 6(31))	(123,695)	(3)	(132,455)	(2)
7055	Expected credit impairment gains (losses)	(42,226)	(1)	(87,809)	(2)
7060	Share of profit or loss of affiliates and joint ventures under the equity method	175,576	4	99,181	2
7000	Total non-operating income and expense	94,209	2	(61,943)	(1)
7900	Net profit (loss) before tax	310,310	7	70,091	2
7950	Income tax benefit (expenses) (Note 6(32))	(60,916)	(1)	(4,758)	-
8200	Current net profit (loss)	249,394	6	65,333	2
	Other comprehensive income (Note 6(33))				
8310	Items not reclassified to profit or loss				
8311	Re-measurement of defined benefit plan	(7,674)	-	4,531	-
8316	Unrealized valuation profit or loss from equity instrument investments measured at fair value through other comprehensive income	40,604	1	71,076	2
8320	Share of other comprehensive income from affiliates and joint ventures under the equity method	157,301	3	85,260	2
8349	Income tax related to items not reclassified	1,535	-	(906)	-
8360	Items may be subsequently reclassified as profit or loss				
8361	Exchange difference in the financial statement translation of foreign operations	(11,991)	-	(43,976)	(1)
8367	Unrealized valuation profit or loss of debt financial assets measured at fair value through other comprehensive income	(850)	-	(500)	-
8370	Share of other comprehensive income from affiliates and joint ventures under the equity method	1,531	-	(5,673)	-
8399	Income tax related to items may be reclassified	980	-	2,976	-
8300	Other comprehensive income (net)	181,436	4	112,788	3
8500	Total comprehensive income in the current period	\$ 30,830	10	\$ 178,121	5
8600	Net profit(loss) attributable to:				
8610	Parent company owner (net profit/loss)	\$ 232,904	6	\$ 48,069	2
8620	Non-controlling equity (net profit/loss)	16,490	-	17,264	-
		\$ 249,394	6	\$ 65,333	2
8700	Total comprehensive income attributable to:				
8710	Parent company owner (comprehensive income)	\$ 411,837	10	\$ 154,436	4
8720	Non-controlling equity (comprehensive income)	18,993	-	23,685	1
		\$ 430,830	10	\$ 178,121	5
	Earnings per share				
9750	Basic EPS (Note 6(34))	\$ 0.47		\$ 0.10	
9850	Diluted EPS (Note 6(34))	\$ 0.47		\$ 0.10	

Chairman: Kuan-Han Chen Manager: Chih-Chan Chen Head of Accounting: He-Shun Chang

**AGV Products Corporation and its Subsidiaries**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**January 1 to December 31, 2020 and 2019**

Unit:NTD thousands

	Equity attributable to parent company shareholders									
	Retained earnings					Other items of interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange difference in the financial statement translation of foreign operations	Unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income	Total equity attributable to the parent company	Non-controlling equity	Total equities
Balance on January 1, 2019	\$ 4,945,134	\$ 259,233	\$ 33,890	\$ 86,865	\$ 130,306	\$ (32,028)	\$ 193,033)	\$ 5,530,367	\$ 741,593	\$ 6,271,960
Appropriation and distribution of earnings:										
Allocated legal reserve	-	-	4,790	-	(4,790)	-	-	-	-	-
Allocated special reserve	-	-	-	125,516	(125,516)	-	-	-	-	-
Changes of affiliates and joint ventures under the equity method	-	7,090	-	-	(9,969)	-	(1,002)	(3,881)	649	(3,232)
2019 net profit (loss)	-	-	-	-	8,069	-	-	48,069	17,264	65,333
2019 Other comprehensive income	-	-	-	-	1,445	(45,895)	150,817	106,367	6,421	112,788
2019 Total comprehensive income	-	-	-	-	49,514	(45,895)	150,817	154,436	23,685	178,121
Increase/decrease in non-controlling equity	-	-	-	-	-	-	-	-	(7,583)	(7,583)
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	15,682	-	15,682)	-	-	-
Balance on December 31, 2019	4,945,134	266,323	38,680	12,381	5,227	(77,923)	58,900)	5,680,922	758,344	6,439,266
Appropriation and distribution of earnings:										
Allocated legal reserve	-	-	4,805	-	(4,805)	-	-	-	-	-
Allocated special reserve	-	-	-	50,423	(50,423)	-	-	-	-	-
Changes of affiliates and joint ventures under the equity method	-	,324	-	-	(5,731)	-	-	(3,407)	(2,132)	(5,539)
2020 net profit (loss)	-	-	-	-	232,904	-	-	232,904	16,490	249,394
2020 Other comprehensive income	-	-	-	-	(13,202)	(9,537)	201,672	178,933	2,503	181,436
2020 Total comprehensive income	-	-	-	-	219,702	(9,537)	01,672	411,837	8,993	30,830
Increase/decrease in non-controlling equity	-	-	-	-	-	-	-	-	(6,083)	(6,083)
Balance on December 31, 2020	\$ 4,945,134	\$ 68,647	\$ 43,485	\$ 562,804	\$ 213,970	\$ (87,460)	\$ 142,772	\$ 6,089,352	\$ 769,122	\$ 6,858,474

Chairman: Kuan-Han Chen Manager: Chih-Chan Chen Head of Accounting: He-Shun Chang

**AGV Products Corporation and its Subsidiaries**  
**Consolidated Statement of Cash Flow**  
**January 1 to December 31, 2020 and 2019**

Unit: NTD  
thousands

Item	2020	2019
Cash flows from operating activities		
Current net profit (loss) before tax	\$ 310,310	\$ 70,091
Adjustments		
Income, expenses, and losses		
Depreciation expenses	131,039	136,150
Amortization expenses	4,074	5,438
Expected credit impairment losses (gains)	41,445	82,853
Net loss (gain) from financial assets and liabilities at fair value through profit or loss	(4,672)	(4,461)
Interest expenses	123,695	132,455
Interest revenue	(586)	(806)
Dividend revenue	(15,669)	(18,825)
Share of loss (profit) of affiliates and joint ventures under the equity method	(175,576)	(99,181)
Loss (gain) from disposal and scrap of property, plant and equipment	254	(115)
Property, plant, and equipment recognized as expenses	-	28
Loss (gain) from disposal of investment	-	(1,892)
Impairment loss of non-financial assets	8,805	-
Loss (gain) due to fair value adjustment in investment property	(30,135)	(35,264)
Other items	44	305
Total income/expense items	82,718	196,685
Changes of assets/liabilities related to operating activities		
Net changes in assets related to operating activities		
Increase (decrease) in financial assets compulsorily measured at fair values through profit or loss	-	(5,178)
Decrease (increase) in notes receivable	10,520	4,690
Decrease (increase) in accounts receivable	20,064	(17,276)
Decrease (increase) in other accounts receivable	18,374	(10,242)
Decrease (increase) of inventory	(107,596)	19,445
Decrease (increase) in prepayments	(18,129)	(14,350)
Decrease (increase) in other current assets	136	(280)
Total net changes in assets related to operating activities	(76,631)	(23,191)
Net changes in liabilities related to operations		
Increase (decrease) in contract liabilities	3,392	1,308
Increase (decrease) in notes payable	16,365	(17,491)
Increase (decrease) in accounts payable	81,710	(61,842)
Increase (decrease) in other payables	40,310	14,931
Increase (decrease) in liability reserve	338	3,367
Increase (decrease) in collections	100	(640)
Increase (decrease) in other current liabilities	(268)	351
Increase (decrease) in net defined benefit liabilities	(13,123)	(13,152)
Total net changes in liabilities related to operating activities	128,824	(73,168)
Total net changes in assets and liabilities related to operating activities	52,193	(96,359)
Total adjustments	134,911	100,326
Cash inflow (outflow) from operations	445,221	170,417
Interest received	586	806

(Continued)

(Brought forward)

Item	2020	2019
Stock dividend received	\$ 53,704	\$ 60,560
Returned (paid) income tax	(2,722)	(6,620)
Net cash inflow (outflow) from operating activities	496,789	225,163
Cash flows from investment activities		
Acquisition of financial assets measured at fair value through other comprehensive income	(3,800)	(54,001)
Disposal of financial assets measured at fair value through other comprehensive income	-	72,793
Acquisition of investment under the equity method	(15,000)	(15,755)
Disposal of investments under the equity method	-	10,000
Refunds from decapitalization of the invested company under the equity method	-	6,470
Acquisition of property, plant and equipment	(50,208)	(53,427)
Disposal of property, plant and equipment	179	5,777
Increase in refundable deposit	-	(4,868)
Decrease in refundable deposit	2,830	-
Other accounts receivable - decrease of the related party	-	15,665
Acquisition of intangible assets	(1,636)	(272)
Increase in other financial assets	-	(19,297)
Decrease in other financial assets	40,479	-
Increase in other non-current assets	-	(1,013)
Decrease in other non-current assets	4,227	-
Net cash inflow (outflow) from investment activities	(22,929)	(37,928)
Cash flow from financing activities		
Decrease in short-term loans	(301,636)	(91,433)
Proceeds from long-term loans	1,000,000	2,148,000
Repayment of long-term loans	(934,661)	(1,866,621)
Increase in guarantee deposits	-	3,535
Decrease in guarantee deposits	(3,377)	-
Decrease in other payables	(1,200)	(588)
Lease principle repayment	(11,430)	(11,981)
Interest paid	(124,524)	(135,727)
Changes in non-controlling equity	(6,083)	(7,583)
Net cash inflow (outflow) from financing activities	(382,911)	37,602
Impact of change in exchange rate upon cash & cash equivalents	(35,487)	4,178
Increase (decrease) in cash and cash equivalents in the current period	55,462	229,015
Balance of cash and cash equivalents, beginning	614,057	385,042
Balance of cash and cash equivalents, ending	\$ 669,519	\$ 614,057

Chairman: Kuan-Han Chen Manager: Chih-Chan Chen Head of Accounting: He-Shun Chang

# AGV Products Corporation

## 2020

### Appropriation of Earnings

Unit: NTD

Summary	Amount
Undistributed earnings at beginning	-
Actuarial income on defined benefit plan recognized in retained earnings	(13,201,632)
Changes of affiliates and joint ventures under the equity method	(5,731,018)
Adjusted undistributed earnings	(18,932,650)
2020 net profit (loss) after tax	232,904,273
Distributable earnings	213,971,623
Allocated legal reserve	(21,397,162)
Allocated special reserve	(192,574,461)
Undistributed earnings at ending	-

Chairman:

President:

Accounting Officer:

# AGV Products Corporation

## Comparison Table of Amendments to the Code of Ethical Conduct

Amended Provision	Current Provision	Description
<p>Article 3</p> <p>The Company's directors and managers shall avoid conflicts of interest when personal interests intervene or are likely to intervene in the overall interest of the company. They also shall perform their duties in an objective and efficient manner to prevent themselves or their spouses or relatives within the second degree of kinship from obtaining improper benefits due to their position in the Company.</p>	<p>Article 3</p> <p>The Company's directors and managers shall avoid conflicts of interest when personal interests intervene or are likely to intervene in the overall interest of the company. They also shall perform their duties in an objective and efficient manner to prevent themselves or their spouse, <u>parents, children</u>, or relatives within the second degree of kinship from obtaining improper benefits due to their position in the Company.</p>	<p>Given that parents and children are classified as relatives within the second degree of kinship, the contents of Article 3 are simplified.</p>
<p>Article 9</p> <p>The Company shall actively promote ethical principles and encourage employees to report any known or suspected illegal behavior or violations of the Code of Ethical Conduct to a manager, internal auditor or other appropriate personnel. <u>To encourage employees to report illegal behavior, the Company shall establish a specific whistle-blowing system for anonymous reporting and employees shall be made aware that the Company will spare no effort to ensure the safety of whistle-blowers and protect them from retaliation.</u></p>	<p>Article 9</p> <p>The Company shall actively promote ethical principles and encourage employees to report any known or suspected illegal behavior or violations of the Code of Ethical Conduct to a manager, internal auditor or other appropriate personnel.</p>	<p>The contents of Article 9 are amended with reference to the regulations regarding anonymous reporting in Article 23 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>Article 13</p> <p>Establishment and amendment: The Code shall be implemented and submitted to the shareholders' meeting upon approval of the Company's Board of Directors. The same shall apply to subsequent amendments. Establishment date: May, 2017 The 1st amendment date: August, 2019 <u>The 2nd amendment date: November, 2020</u></p>	<p>Article 13</p> <p>Establishment and amendment: The Code shall be implemented and submitted to the shareholders' meeting upon approval of the Company's Board of Directors. The same shall apply to subsequent amendments. Establishment date: May, 2017 The 1st amendment date: August, 2019</p>	<p>Amendment dates are added.</p>



# **Code of Ethical Conduct of AGV Products Corporation**

## **Article 1: Purpose and basis of establishment:**

In recognition of the necessity to assist companies in Taiwan in their establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors and managers of the Company to act in line with ethical standards and to help interested parties of the Company better understand the ethical standards of the Company. The Code of Ethical Conduct of the Company (hereinafter referred to as the Code) is hereby established based on the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies” issued by Taiwan Stock Exchange Corporation for compliance.

## **Article 2: Scope:**

The Code is applicable to the Company’s directors and managers, including presidents or their equivalents, assistant vice presidents or their equivalents, deputy assistant vice presidents or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the Company.

## **Article 3: The Company’s directors and managers shall avoid conflicts of interest when personal interests intervene or are likely to intervene in the overall interest of the company. They also shall perform their duties in an objective and efficient manner to prevent themselves or their spouses or relatives within the second degree of kinship from obtaining improper benefits due to their position in the Company.**

## **Article 4: The Company’s directors or managers shall avoid the following:**

- I. Taking advantage of the Company’s assets, information or the director or manager’s function to have chances to pursue their own interests.**
- II. Taking advantage of the Company’s assets, information or the director or manager’s function to obtain benefits.**
- III. Compete with the Company.**

When the Company has chances to make profits, the director or manager has the responsibility to maintain and maximize the proper earnings that can be obtained by the Company.

- Article 5: The directors and managers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or its suppliers and customers.
- Article 6: The directors and managers of the Company shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information gained by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.
- Article 7: The directors and managers of the Company have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the Company's profitability.
- Article 8: The directors and managers of the Company shall fully comply with the Securities and Exchange Act and provisions in other laws and regulations.
- Article 9: The Company shall actively promote ethical principles and encourage employees to report any known or suspected illegal behavior or violations of the Code of Ethical Conduct to a manager, internal auditor or other appropriate personnel. To encourage employees to report illegal behavior, the Company shall establish a specific whistle-blowing system for anonymous reporting and employees shall be made aware that the Company will spare no effort to ensure the safety of whistle-blowers and protect them from retaliation.
- Article 10: When a director or manager of the Company violates the Code, the Company shall handle the violation in accordance with the relevant regulations and the Company's administrative regulations, and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, the reasons for the violation, the provisions of the code violated, and the disciplinary actions taken.  
The Company shall provide the violator with remedies for

complaints based on previous regulations.

Article 11: Any exemption for directors or managers of the Company from compliance with the Code shall be adopted by a resolution of the board of directors, and the information concerning the date on which the board of directors adopted the resolution for exemption, the objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

Article 12: The Company shall disclose the Code it has adopted, and any amendments to it, on the Company website, in the Company's annual reports and prospectuses and on the MOPS.

Article 13: Establishment and amendment:

The Code shall be implemented and submitted to the shareholders' meeting upon approval of the Company's Board of Directors. The same shall apply to subsequent amendments.

Establishment date: May, 2017

The 1st amendment date: August, 2019

The 2nd amendment date: November, 2020

# **Rules of Procedure for Shareholders' Meeting of AGV Products Corporation**

June 23, 2020

Amendment approved at general shareholders' meeting

Article 1: The Company's shareholders' meeting, unless otherwise provided by law, shall be handled in accordance with the Rules of Procedure for Shareholders' Meetings.

Article 2: The shareholder (or the proxy) present shall hand in an attendance card in lieu of signing on the attendance book. The quantity of shares represented by the shareholders attending the meeting shall be based on the sign-in cards handed in plus the votes representing the shares cast by written or electronic means.

Article 3: The presence and voting in a shareholders' meeting shall be duly calculated based on the number of shares so represented.

Article 3-1: The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. The opinion of the independent director shall be fully considered for the meeting location and time.

Article 4: Unless otherwise specified in the Company Act, the Chairman shall chair shareholders' meetings. In case the Chairman is on leave or cannot exercise his or her power and authority for whatever reasons, the Vice Chairman shall act on his or her behalf. In case the Vice Chairman is also on leave or unable to exercise his or her power and authority for whatever reasons, the Chairman shall designate one of the Directors, or where the Chairman does not designate a Director, the Directors shall elect from among themselves an acting Chairman.

Article 5: The Company may appoint retained attorney(s), certified public accountant(s) or relevant personnel to participate in a shareholders' meeting.

The personnel administering the shareholders' meeting shall wear ID badges or badges.

Article 6: The Company shall make visual and audio recordings throughout the entire process of the shareholders' meeting, as well as the voting and vote counting processes.

Said video or audio data shall be kept for at least one year. If an action is filed by shareholders pursuant to Article 189 of the Company Act, the records shall be retained until the conclusion of the action.

Article 7: The chairperson shall call the meeting to order when shareholders (or proxies) present at the meeting constitute a majority of the aggregate number of issued shares. The chairperson may announce a postponement of the meeting if the shareholders present at the meeting do not constitute a quorum when behind schedule, provided that no more than two such postponements occur, and for a combined total of no more than 1 hour. If attending shareholders represent more than one-third but less than half of outstanding shares after two postponements, the chairperson shall call off the meeting.

Where the shareholders (or proxies) present at the meeting do not constitute a quorum after two postponements in the preceding paragraph but represent one third or more of the aggregate number of issued shares, the shareholders may reach a tentative resolution with the votes constituting a majority of the total votes of the shareholders present at the meeting. A notice of such tentative resolution shall be given to each of the shareholders, and the Shareholders' meeting will be reconvened within one month.

When, after a tentative resolution has been made according to the aforesaid procedure, the attending shareholders (or proxies) constitute a quorum prior to conclusion of the meeting, the chairperson may resubmit the tentative resolution to the shareholders' meeting for adoption pursuant to Article 174 of the Company Act.

Article 8: The agenda of the shareholders' meeting shall be set by the Board of Directors, and relevant motions (including impromptu motions and amendments to original motions) shall be voted on a case-by-case basis. The meeting shall proceed in the order set in the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chairperson may not announce the adjournment without the resolution of the board of directors until a resolution is reached with regard to the agenda (including impromptu motions) arranged in accordance with the preceding two paragraphs.

If the chairperson declares the adjournment of the meeting in violation of the Rules of Procedure, other members of the board of directors shall immediately assist the present shareholders at the meeting representing a majority of the voting rights to elect a chairperson to continue the meeting based on statutory procedure.

After the meeting is resolved to be adjourned, shareholders cannot elect another chairperson or seek another venue for continuation of the meeting.

Article 9: When the shareholder's meeting is in session, the Company may adopt electronic or written means for voting; in so doing, the Company shall specify the details of voting by written or electronic means in the notice of the shareholders' meeting. Shareholders casting their votes in written or electronic means shall be deemed to be attending the meeting in person. But votes on impromptu motions or amendments to original motions shall be deemed as their abstention from voting on these motions. Therefore, the Company shall avoid proposing impromptu motions or amendments to original motions.

Instructions to exercise written and electronic votes shall be delivered to the Company at least 2 days before the shareholders' meeting. In the event of duplicate submissions, the earliest submission shall be taken into record. In case of repeated expressions of intent, the initial intent so expressed shall stand unless declaration for the revocation of the previous expression of intent is made.

Shareholders who wish to attend the shareholders' meeting in person after exercising their voting rights in writing or using electronic means are required to withdraw their votes using the same method by which the vote was cast in the first place, and by no later than 2 days before the day of the shareholders' meeting. The written/electronic vote shall prevail if not withdrawn before the cutoff time. If an expression of intent to vote in written or electronic means has been made and at the same time, a proxy

has been appointed to attend the meeting, the votes cast by the proxy in the meeting shall prevail.

Article 10: Before making a speech, the attending shareholders (or proxies) must fill out and submit a speech memo stating the purpose of the speech, the shareholder account number (or attendance card number) and the account name for the chairperson to determine the order of speakers.

The attending shareholders (or proxies) who have submitted a speech memo but do not speak shall be deemed to have not spoken. In case the contents of the speech delivered are irrelevant to the contents in the speech memo, the confirmed contents shall prevail.

When a shareholder has the floor, all other shareholders shall not interfere unless at the consent of the chairperson or the shareholder who holds the floor. Any unrestrained action shall be discouraged by the chairperson.

Article 11: Except where approved by the chairperson, a shareholder or proxy may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.

If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairperson may terminate the speech.

Article 12: Where the shareholders may be the government or institutions, more than one representative may be assigned to attend the meeting. Where an institutional shareholder may be appointed as a proxy to attend the shareholders' meeting, such institutional shareholders may appoint only one representative to the meeting.

When an institutional shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

Article 13: After a present shareholder completes speech, the chairperson may respond either in person or through a relevant designated person.

Article 14: The chairperson may announce to discontinue further discussions and arrange sufficient voting time if the motion and amendment or impromptu motion proposed by the shareholder

is considered to have been sufficiently described and discussed to proceed with the vote.

Article 15: The ballot monitoring and counting staff for a voting or election process shall be appointed by the Chairman. A monitoring personnel shall be appointed only from among shareholders.

The ballots for the voting or election process of the shareholders' meeting in a shareholders' meeting shall be counted in an open manner inside the venue, and the outcome shall be announced on-the-spot after the counting process is completed, including the statistics for the voting rights which shall be covered into the written records.

Article 16: Except as otherwise specified in the Company Act and the Company's Articles of Incorporation, the decision of an issue shall be resolved by a majority vote in the meeting that is attended by shareholders who represent a majority of the total issued shares. At the time of a vote, for each proposal, the chairperson or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as a proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Article 17: When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and



no further voting shall be required.

Article 18: When a meeting is in progress, the chairperson may announce a break based on time considerations. If a force majeure event occurs, the chairperson may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including impromptu motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

The resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19: The chairperson may direct proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chairperson may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chairperson's correction, obstructs the proceedings and refuses to heed calls to stop, the chairperson may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 20: The matters that are not specified in the Rules shall be subject to the Company Act, the Articles of Incorporation of the Company.

Article 21: The Rules shall come into enforcement being duly resolved in the shareholders' meeting. This same is applicable to amendments of the Rules.

# **Rules Governing the Election of Directors of AGV Products Corporation**

Article 1: Unless otherwise specified by law or Articles of Incorporation, the election of the Company's directors shall proceed according to the regulations of the Rules.

Article 2: The Company's director election shall be handled at the shareholders' meeting.

Article 3: A competent individual who has reached the age of maturity can be elected as directors of the Company in accordance with the "Rules Governing the Election of Directors."

The Company's independent directors are subject to the eligibility criteria specified in Article 2, 3 and 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

The Company's independent directors are subject to the election criteria specified in Article 5, 6, 7, 8 and 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and shall be conducted based on Article 24 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."

Article 4: The election of the Company's independent directors shall be conducted based on the procedure of candidate nomination system specified in Article 192-1 of the Company Act.

Article 5: Unless otherwise specified in the laws, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for the election of two or more candidates.

For the election of the Company's directors, a shareholder may choose to exercise their voting rights by electronic means or by on-site voting.

The shareholders shall exercise their above-mentioned voting rights by electronic means on the electronic voting platform specified by the Company.

Article 6: A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect, until the number of director and supervisor seats mentioned in the Articles

of Incorporation are fully filled. If two or more candidates receive the same number of votes, they shall draw for the remaining seats available. The chairperson will draw on behalf of those who are absent during the meeting.

Article 7: The number of ballots prepared by the board of directors shall be the same as the number of the directors to be elected. Besides the company seal stamped on the ballots, the candidate's attendance card number and number of votes shall be detailed on the ballots to distribute to the shareholders attending the shareholders' meeting. The attendance card number on the ballot is used as the identifier for registered votes.

Article 8: Before the election, the chairperson shall appoint several vote monitoring and counting personnel to carry out various duties. However, monitoring personnel shall be appointed only from among shareholders.

Article 9: The ballot box shall be prepared by the board of directors and be openly inspected by the monitoring personnel before the voting.

Article 10: If the candidate is a shareholder, the elector shall state the candidate name and shareholder account number on each ballot; if the candidate is not a shareholder, the national ID and name of the candidate shall be detailed. If the candidate is the government or a juristic person, the name and representative of government agency or juristic person shall be stated in the candidate column of the ballot. In case there is more than one such authorized representatives, their names shall be specified respectively.

Article 11: Ballots that are found with any of the following are invalid.

I. Ballots as defined in accordance with the regulations of the Rules are not used.

II. Blank ballots without any handwriting cast in a ballot box.

III. Ballots with illegible writing.

IV. Any altered item written on the ballot, including the name, account number or ID number of the candidate and assigned number of votes.

V. If the candidate is a shareholder, the identity, name and shareholder account number are inconsistent with shareholders register; if the candidate is not a shareholder, the name and ID number are found to be inconsistent.

VI. The candidate name filled in the ballot is same as other shareholders but without the shareholder account number or ID number available for identification.

VII. Ballots that contain writing or drawings other than the candidate's name, shareholder account number and ID number.

VIII. Where the names of two or more candidates are written on the same ballot.

Ballots are to be counted openly and immediately after voting. The chairperson shall announce the outcome of the vote on the site, including the names of elected directors with the number of election powers so won by them.

The ballots for the aforementioned election shall be kept in the box, sealed and signed by the witness, and retained for at least one year. If an action is filed by shareholders pursuant to Article 189 of the Company Act, the records shall be retained until the conclusion of the action.

Article 12: Any matters not specified in the Rules shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 13: The Rules, and any amendments hereto, shall be implemented after adoption by the shareholders' meetings.

Article 14: Establishment and amendment

Establishment date: May 27, 1989.

The 1st amendment date: May 31, 2000.

The 2nd amendment date: May 30, 2002.

The 3rd amendment date: June 17, 2010.

The 4th amendment date: June 27, 2012.

The 5th amendment date: June 28, 2016.

The 6th amendment date: June 27, 2019.

# Articles of Incorporation of AGV Products Corporation

Amendment approved at the annual shareholders' meeting  
on June 27, 2019

## Chapter 1 General Rules

Article 1 The Company was organized in accordance with the regulations governing companies limited by shares in the Company Act and was named AGV Products Corporation.

Article 2 The business items of the Company are as follows:

- (1) Manufacturing, processing, and sales of canned foods, such as vegetables, fruit, meat, aquatic products, kelp, shellfish, beans, mushrooms, bamboo shoots, pickles, vegetable foods, thick soup, and congee.
- (2) Manufacturing, processing, and sales of fruit and vegetable juice, soft drinks, mineral water, packaged drinking water, sport drinks, coffee, tea, herbal tea, soy (rice) milk, and energy drinks.
- (3) Manufacturing, processing, and sales of frozen vegetables and fruit, meat, aquatic products, frozen noodle jelly, frozen dough, frozen mixed foods, and frozen prepared foods.
- (4) Manufacturing, processing, and sales of instant noodles, instant rice noodles, noodle or rice-made products and noodle jelly, as well as purveying, processing, and sales of instant foods.
- (5) Manufacturing, processing, and sales of fermented foods, soy sauce, miso, vinegar, condiment sauce (satay sauce, chili sauce, salad dressing, mayonnaise, barbecue sauce, fried pork paste, and peanut butter) and seasoning.
- (6) Manufacturing, processing, and sales of dairy products (fresh milk, long-life milk, dried milk, cheese, condensed milk and butter oil), flavored milk, fermented milk and iced desserts.
- (7) Manufacturing, processing, and sales of cooking oil, dehydrated or smoked foods, jam, pudding, jelly, fruit pectin foods, candies, cakes and pastries, and bread.
- (8) Manufacturing, processing, and sales of tea products, bean products, cereal products, and animal feed.
- (9) Manufacturing, processing, and sales of green and blue algae,

- chicken essence, garlic (essence), edible pollen, ganoderma lucidum, royal jelly, oligosaccharide, enzymes, and foods.
- (10)Export and import of the above-mentioned products and their materials.
  - (11)Sales, export, and import of beers, light wines, spirits, and alcohol.
  - (12)Operation of farms, fish farms, pastures, amusement parks, department stores, super markets, tourist hotels, and restaurants.
  - (13)Rental and sales of public housing and commercial buildings built by construction contractors
  - (14)Diagnosis, analysis, consultation, and advisement of business management (excluding CPA and security investment consultant businesses).
  - (15)Design of computer and peripheral software.
  - (16)Installation of vending machines.
  - (17)C802041 Manufacture of Drugs and Medicines.
  - (18)C802051 Manufacture of Chinese Medicines.
  - (19)CC01050 Data Storage Media Units Manufacturing.
  - (20)CC01060 Wired Communication Mechanical Equipment Manufacturing.
  - (21)CC01070 Wireless Communication Mechanical Equipment Manufacturing.
  - (22)CC01080 Electronics Components Manufacturing.
  - (23)CH01010 Sporting Goods Manufacturing.
  - (24)CK01010 Footwear Manufacturing.
  - (25)E605010 Computer Equipment Installation.
  - (26)E701010 Telecommunications Engineering.
  - (27)E701020 Satellite Television KU Channels and Channel C Equipment Installation.
  - (28)F102160 Wholesale of Assist Food Products.
  - (29)F104030 Wholesale of Shoes.
  - (30)F108011 Wholesale of Traditional Chinese Medicine.
  - (31)F108021 Wholesale of Western Pharmaceutical.
  - (32)F109030 Wholesale of Sporting goods.
  - (33)F204030 Retail sale of Shoes.
  - (34)F208011 Retail Sale of Traditional Chinese Medicine.
  - (35)F208021 Retail Sale of Western Pharmaceutical.

(36)F209020 Retail Sale of Sporting goods.

(37)I104010 Nutrition Advisors.

(38)I301020 Data Processing Services.

(39)I301030 Electronic Information Supply Services.

(40)F399010 Convenience Stores.

(41)F301020 Supermarkets.

(42)ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1 The Company may offer guarantees to foreign companies for business needs.

Article 3 The Company is located in Chiayi County of Taiwan. If necessary, a branch or factory may, at the resolution of the Broad of Directors, be established domestically or overseas. The same shall apply to the withdrawal or transfer.

Article 3-1 The Company shall not be a shareholder of unlimited liability in another company or a partner of a partnership enterprise. When the Company becomes a limited liability shareholder in other companies, the total amount of its investments in such other companies shall not be limited by the restriction of the total investment amount in Article 13 of the Company Act. However, the investment in long-term equity shall be determined by the responsible unit within the authorization scope and according to the Company's handling procedures of acquisition or disposition of assets.

Article 4 The Company's announcements shall be made in accordance with Article 28 of the Company Act.

## Chapter 2 Shares

Article 5 The total capital of the Company shall be in the amount of NTD 8.8 billion, divided into 880 million shares, at NTD 10 per share. The Broad of Directors shall be authorized to issue the unissued shares separately. Preferred shares worth up to the total amount mentioned above may be issued.

Article 5-1 The Company issues preferred shares B, and the rights, obligations, and other important matters are described as follows:

1. When there are surplus earnings after closing of the

accounts in a fiscal year, in addition to making up the accumulated losses from past years and paying all taxes, an amount equivalent to 10% of such surplus earnings shall be set aside as a legal reserve and a special reserve shall be appropriated according to the laws. The remaining balance shall be added to the accumulated undistributed earnings in the previous year to first distribute the current dividends and undistributed dividends of preferred shares B accumulated in previous years.

2. The Company's dividend for preferred shares B shall be determined at an annual percentage rate ranging from 2%~7%.
3. Preferred share dividends shall be calculated at the actual issue price. After the final accounting reports and statements are approved at an annual shareholders' meeting, the Board of Directors shall determine an ex-dividend date for preferred shares, following which the preferred share dividends in the previous year shall be distributed in cash, and the dividends in the issuance year shall be calculated based on the actual number of days after issuance of the preferred shares in the year. The capital increase record date shall be the date of issuance of the preferred shares.
4. If there are no earnings after closing of the accounts in a fiscal year or the earnings are insufficient for distribution of preferred share B dividends, the undistributed dividends or deficiency dividends shall be accumulated at a dividend rate compounded annually and shall, as a priority, be made up in a subsequent year with earnings.
5. Preferred shares B shall be due after three years from the date of issuance and shall be non-convertible before the expiration. The Company shall compulsorily convert one preferred share B into one ordinary share within three months after the expiration. After the preferred shares B are converted into ordinary shares according to this subparagraph, the accumulated undistributed dividends shall be made up first in a subsequent year with earnings



- 6.If preferred shares B are converted into ordinary shares before an ex-rights (ex-dividend) date, the shares shall participate in conversion of the earnings and capital reserves for distribution in the previous year with respect to the ordinary shares, which is resolved at the shareholders' meeting in the current year, and the preferred share dividends for distribution in the previous year resolved at the shareholders' meeting in the current year shall not be converted. When preferred shares B are converted into ordinary shares after an ex-rights (ex-dividend) date, the shares shall participate in the distribution of the preferred share dividends in the previous year resolved at the shareholders' meeting in the current year, and shall not participate in the conversion of the earnings and capital reserves for distribution in the previous year with respect to the ordinary shares, which is resolved at the shareholders' meeting in the current year. The preferred share dividends and ordinary share dividends in the same year shall not be re-distributed.
- 7.Except for preferred share dividends, preferred shares B shall not participate in the distribution of earnings and capital reserves with respect to ordinary shares.
- 8.The distribution of the Company's residual property for preferred shares B shall have priority over the same for ordinary shares and shall be limited to the amount of issuing the preferred shares.
- 9.The shareholders of preferred shares B have no voting rights or the right to elect directors in ordinary shareholders' meetings, but may be elected as directors.
- 10.When the Company issues new shares for cash, the shareholders of preferred shares B and the ordinary shareholders shall have the same preemptive rights.

Article 6 The shares of the Company shall be in registered form, shall be signed or sealed by the Director representing the Company, and may be issued after certification according to the laws. The shares may be issued without printing share certificates and shall be registered with a centralized securities depository enterprise.

- Article 7 Shareholders shall provide their names or titles and residences to the Company, fill out a seal and signature card, and submit it to the Company for future reference. In case of loss of the seal, a new seal may be substituted after the loss is reported to the Company in writing.
- Article 8 For transfer of shares, the assignor and assignee shall complete a form of “application for transfer of shares” and submit it together with the shares to the Company for transfer of ownership. After the information is recorded in the shareholders’ roster of the Company in accordance with the laws, the transfer may be set up against the Company.
- Article 9 In case of loss or damage of shares, the situation shall be handled in accordance with the Company Act and general regulations.
- Article 10 When processing a shareholder’s application to issue shares for replacement due to splits where such shares do not exceed 1,000 shares, the Company may charge a handling fee, except where the shares are obtained through inheritance. Other shareholder services shall be handled in accordance with the “Regulations Governing the Administration of Shareholder Services of Public Companies” announced by the competent authority.
- Article 11 The transfer of share ownership shall be suspended for sixty days prior to an annual shareholders’ meeting, for thirty days before convening an extraordinary shareholders’ meeting, or for five days prior to the target date fixed by the Company for distribution of dividends, bonuses, or other benefits.

### Chapter 3 Shareholders’ Meeting

- Article 12 The shareholder’s meetings are classified into annual meetings and extraordinary meetings. An annual meeting is held every year and shall be convened within six months after the end of each fiscal year, and the Board of Directors shall give notice to shareholders thirty days prior to the meeting. An extraordinary meeting may be held pursuant to the laws, if needed. Shareholders holding less than 1,000 registered shares may be informed with the announcement on the Market Observation Post System.

Article 13 Where a shareholder is unable to be present at a shareholders' meeting for whatever reasons, the shareholder may appoint a proxy by issuing the Company's proxy form with their signature or seal, which specifies the scope of authorization. In addition to Article 177 of the Company Act, shareholders' attendance by proxies shall be subject to the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" announced by the competent authority.

Article 14 The Chairman shall chair shareholders' meetings. In case the Chairman is on leave or cannot exercise his/her power and authority for whatever reasons, the Vice Chairman shall act on his or her behalf. In case the Vice Chairman is also on leave or unable to exercise his or her power and authority for whatever reasons, the Chairman shall designate one of the Directors, or where the Chairman does not designate a Director, the Directors shall elect from among themselves an acting Chairman.

Article 15 Unless otherwise specified in the laws, each shareholder of the Company shall have one voting right for each share held.

Article 16 Unless otherwise specified in the Company Act, resolutions in a shareholders' meeting shall be adopted by a majority vote in the meeting which is attended by shareholders representing a majority of the total issued shares.

The Company's shareholders may exercise their voting rights in electronic form, and shareholders exercising their voting rights in electronic form shall be deemed to attend the meeting in person. All relevant matters shall be handled in accordance with the regulations.

Article 17 Matters related to the resolutions of a shareholders' meeting shall be recorded in meeting minutes. The meeting minutes shall be signed or sealed by the Chairman of the meeting and shall be distributed to each shareholder within twenty days after the meeting.

The distribution of the meeting minutes may be effected by means of a public notice.

The meeting minutes shall record the date and place of the meeting, the name of the Chairman, the method of adopting

resolutions, and a summary of the essential points of the proceedings and the results. The minutes shall be kept persistently throughout the life of the Company. The attendance list bearing the signatures of shareholders present at the meeting and the power of attorney of the proxies shall be maintained for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the attendance list and the power of attorney shall be kept until the legal proceedings of the foregoing lawsuit are concluded.

#### Chapter 4 Directors and Audit Committee

- Article 18 The Company shall appoint seven to nine Directors, and the number of Independent Directors among the said Directors shall not be less than three and shall not be less than one-fifth of the total number of the Directors. The candidate nomination system shall be adopted for the election of all Directors, and the method of nomination shall be subject to Article 192-1 of the Company Act. The term of office of the Directors is three years and may be renewed by reelection in subsequent elections. The total number of registered shares holding by all Directors shall be subject to the regulations specified by the competent authority.
- Article 19 In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of the out-going directors shall be extended until the time new directors have been elected and assumed their office.
- Article 20 To organize the Board of Directors, a Chairman and a Vice Chairman shall be elected by a majority vote at a meeting attended by more than two-thirds of the Directors. Both shall implement all the matters of the Company pursuant to laws, regulations, Articles of Incorporation, and the resolutions of the shareholders' and Board of Directors' meetings
- Article 21 When the number of vacancies left by the discharged Directors equals one third of the number specified in the Articles of Incorporation, the Board of Directors shall call a shareholders' meeting to elect succeeding Directors to fill the vacancies. The term of office of the succeeding Directors shall be limited to

fulfilling the original term of office of the predecessor.

Article 22 The Board of Directors' meetings of the Company shall be convened at least once every quarter. The Board of Directors shall indicate the reasons for the convention and inform each Director 7 days beforehand. An extraordinary shareholders' meeting may be convened in emergency circumstances whenever necessary. The notice about convention of Board of Directors' meetings to Directors may be effected by letter, fax or e-mail. The Chairman shall convene and preside over the Company's Board of Directors' meeting. In case the Chairman is on leave or cannot exercise his/her power and authority for whatever reasons, the Vice Chairman shall act on his or her behalf. In case the Vice Chairman is also on leave or unable to exercise his or her power and authority for whatever reasons, the Chairman shall designate one of the Directors, or where the Chairman does not designated a Director, the Directors shall elect from among themselves an acting Chairman.

Article 23 Unless otherwise specified in the Company Act, the resolutions of the Board of Directors' meeting shall be passed by a majority vote at a meeting attended by more than half of the Directors. Any Directors, who are unable to be present at the meeting for whatever reasons, may appoint other directors to attend meetings on their behalf by issuing a proxy form detailing the extent of authorities delegated to the proxy attendant based on the reasons for the meeting. Each director may only accept the delegation from one director. Where a Board of directors' meeting is held in the form of a video conference, Directors attending the meeting through video conference shall be deemed to attend the meeting in person.

Article 24 Discussions at the Board of Directors' meeting shall be recorded in the meeting minutes. They shall be signed or stamped by the Chairman of the meeting and distributed to each Director within 20 says after close of the meeting. The meeting minutes shall record a summary of the essential points of the proceedings and the result of the discussion. The attendance list bearing the signatures of the Directors present at the meeting and the power of attorney of the proxies shall be maintained together with the meeting minutes in the

Company.

Article 25 The Company established an Audit Committee pursuant to Article 14-4 of the Securities and Exchange Act. The Audit Committee is comprised of all the Directors.

The Audit Committee is responsible for exercising the power of the Supervisors pursuant to the Company Act, Securities and Exchange Act and other laws and regulations, and shall observe relevant laws and the rules of the Company.

Article 26 The monthly transportation allowance for the Directors shall be paid with reference to the level of the peers in the practice without regard to profit and loss. The remuneration to the Chairman and Directors for their execution of duties for the Company shall be paid without regard to profit and loss. The Board of Directors is authorized to determine the remuneration based on their individual level of participation in and the value of contribution to the operation of the Company with reference to the level of peers in practice.

Article 26-1 The Company may obtain liability insurance for the Directors to secure them against potential responsibility that may be brought about during execution of their duties.

#### Chapter 5 Managers and Staff Members

Article 27 The Company may appoint managers. Appointment, discharge and remuneration of the managers are subject to Article 29 of the Company Act.

Article 28 The Company may hire consultants and important staff members after resolution at the Board of Directors' meeting.

#### Chapter 6 Final Accounts

Article 29 The Board of Directors is responsible for preparing the following statements and reports at the end of each financial year and submit them to the shareholders' meeting for approval.

(1) Business report

(2) Financial statements

(3) Proposal for distribution of surplus earnings or covering losses

Article 30 The Company shall set aside the annual profit, if any, at the

following rates as the remuneration to the Directors and Employees: (1) Remuneration to Directors: No more than 1% (included). (2) Remuneration for employees: No less than 1% (included) and distributed in the form of stock or cash; distribution of the remuneration to employees and Directors shall be approved by a majority vote at a meeting attended by more than two thirds of the Directors, and shall be reported to the shareholders' meeting. Where the Company has any cumulative loss, the profit shall be reserved to offset the loss before being allocated as the remuneration to the employees and Directors at the rates referred to in the preceding paragraph.

Article 30-1 When there is surplus earnings after closing of the accounts in a fiscal year, in addition to withholding payable taxes and make up the losses from past years, an amount equivalent to 10% of such surplus earnings shall be set aside as a legal reserve and the reductions of shareholders' equity occurring in the current year shall be provided or a special reserve shall be reversed. After the dividends to be allocated in the current distribution year of preferred shares and the accumulated undistributed dividends in previous years are distributed, the Board of Directors shall prepare a surplus distribution proposal and submit it to the shareholders' meeting, and shall distribute the balance, excluding the part reserved and not to be distributed, after the distribution is approved at the shareholders' meeting.

The food industry is in a changing environment and the Company is at the stage of stable growth. To meet the demand for operating funds as the business grows and develop long-term financial planning for sustainable development, dividends are distributed, in principle, based on the appropriation rate of more than 50% (included) from the distributable surplus. The Company distribute dividends in the form of stock and cash, and the former is preferred in consideration of the growth rate and capital expenditure of Company. The remaining dividends are distributed by cash at a rate not less than 10% (included) than the total distributable dividends in the current year. Dividends in cash will not be

distributed if the amount of the dividends distributable per share is less than NTD 0.1 and dividends in stock will be distributed as a replacement.

Article 30-2 The treasury stocks that the Company purchases legally may be transferred the employees of affiliated companies that satisfy certain criteria. These criteria and the purchase methods are determined by the Board of Directors.

When issuing new stocks, the employees of affiliated companies that satisfy certain criteria may purchase these stocks. These criteria and the purchase methods are determined by the Board of Directors.

#### Chapter 7 Supplemental Provisions

Article 31 The organizational charter of the Company and execution rules of the Company are established by the Board of Directors separately.

Article 32 Any matters not specified in these Articles of Incorporation shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 33 The Articles of Incorporation was established on June 14, 1971. The 1st amendment was made on August 17, 1972. The 2nd amendment was made on September 5, 1974. The 3rd amendment was made on September 5, 1975. The 4th amendment was made on July 29, 1980. The 5th amendment was made on August 15, 1982. The 6th amendment was made on September 6, 1983. The 7th amendment was made on October 20, 1983. The 8th amendment was made on April 15, 1974. The 9th amendment was made on April 10, 1985. The 10th amendment was made on December 30, 1985. The 11th amendment was made on April 29, 1986. The 12th amendment was made on August 1, 1986. The 13th amendment was made on May 24, 1988. The 14th amendment was made on May 27, 1989. The 15th amendment was made on May 21, 1990. The 16th amendment was made on May 21, 1991. The 17th amendment was made on June 16, 1992. The 18th amendment was made on June 5, 1993. The 19th amendment was made on May 26, 1994. The 20th amendment was made on May 25, 1995. The 21st amendment was made on May 22, 1997. The



22th amendment was made on May 27, 1998. The 23th amendment was made on May 27, 1999. The 24th amendment was made on December 14, 1999. The 25th amendment was made on May 31, 2000. The 26th amendment was made on May 29, 2001. The 27th amendment was made on May 30, 2002. The 28th amendment was amended on May 29, 2003. The 29th amendment was made on June 14, 2006. The 30th amendment was made on June 13, 2007. The 31st amendment was made on June 30, 2008. The 32nd amendment was made on June 19, 2009. The 33rd amendment was made on June 17, 2010. The 34th amendment was made on June 27, 2012. The 35th amendment was made on June 28, 2013. The 36th amendment was made on June 25, 2015. The 37th amendment was made on June 28, 2016. The 38th amendment was made on June 27, 2019.

## Shareholding Information of Directors

(I) The minimum shareholding required from all directors and statement of director shareholdings under the shareholders register:

Title	Minimum shareholding	Shareholdings under the shareholders register
Director	16,000,000 shares	34,292,769 shares

(II) Statement of director shareholdings:

Title	Name	Shareholders register Shares registered	Remarks
Chairman	Taiwan First Biotechnology Corp.	3,075,450	Representative: Kuan-Han Chen
Director	Tien-tao Chen Cultural & Educational Foundation	2,209,987	Representative: Je-Fang Chen
Vice Chairman	NICE Enterprise Co., Ltd.	20,780,494	Representative: Ching-jen Chen
Director	Yingjili International Consultant Co., Ltd.	3,122,007	Representative: Hsien-Chueh Hsieh
Director	Cunyuan Heye Co., Ltd.	2,982,196	Representative: Chih-Chan Chen
Director	Guozheng Investment Co., Ltd.	2,122,635	Representative: Huai-Hsin Liang
Independent Director	Yung-Chien Wu	0	None
Independent Director	Wei-Lung Chen	0	None
Independent Director	Yung-Fu Tseng	0	None

Note: The period of transfer suspension was April 24 to June 22, 2021.