

# Great Wall Enterprise Co., Ltd.

## Minutes for the 2020 General Shareholders Meeting

Time: Friday, 10 a.m. July 30, 2021.

Venue: 4F of Auditorium at the Company, No.3, Niaosong 2nd St., Yongkang Dist., Tainan City

Chairperson: Chia-Yau Han, the chairman of the board of directors. Recorder: Chia-Lun Lu.

The total shares issued: 827,339,086, Outstanding Shares: 781,976,653,

Total shares represented by shareholders present in person or by proxy: 487,136,861,

(402,125,247 shares exercised via electronic transmission),

Percentage of shares held: 62.29%.

Directors present: Chairman Chia-Yau Han, Director Chia-Yin Han, Chiao Thai Hsing Investment Company Limited, Representative: Director Tian-Xing Zhao, Independent Director Yu-Shan Ting (Chairman of the Audit Committee), Independent Director Chuang-Chen Tao, Independent Director Chien-Ming Wei.

Sit-in Members: Kun-Yen Chuang (President), Tan-Tan Chung (CPA), Zheng-Xian Lin (Attorney).

The aggregate shareholding of the shareholders present in person or proxy constituted a quorum. The chairman called the meeting to order.

A. Chairman's Address (omitted)

B. Report Items

I. 2020 Business Operation

II. Audit Committee's Review Report of 2020 Financial Statements

III. 2020 Employees' and Directors' Remuneration

IV. The Company's Endorsements and Guarantees

V. 2020 Cash Dividends Distribution

VI. Others

VII. Amendment of the Rules and Procedures of the Board of Directors

C. Ratifications

Report 1

proposed by the Board of Director

Subject: To ratify 2020 Financial Statements.

Description: I. The Company's 2020 parent-only and consolidated financial statements have been audited by Ms. Mei-Fang Chen and Ms. Tan-Tan Chung of KPMG.

II. The Business Report and the Financial Statements have been reviewed by the Audit Committee.

III. The Business Report (page 10) and the Financial Statements (page 16)

IV. Please ratify the proposal.

Resolution: Voting Result:

Shares represented at the time of voting: 487,136,861

Voting Results*		% of the total represented share present
Votes in favor	448,802,506votes (363,790,892votes)	92.13%
Votes against	82,554votes (82,554votes)	0.01%
Votes invalid	0votes (0votes)	0.00%
Votes abstained / No votes	38,251,801votes (38,251,801votes)	7.85%

\*including votes casted electronically (numbers in brackets)

The proposal was approved after voting.

Report 2

proposed by the Board of Director

Subject: To ratify 2020 Profit Distribution.

Description: I. To draft the Company's profit distribution in 2020 (please refer to page 36 of the Handbook)

II. NT\$2,233,815,532 from the 2020 distributable earnings is planned to be distributed as cash dividends, and the cash dividend per share is NT\$2.7. NT\$248,201,730 will be distributed as share dividends, with NT\$0.3 of dividend per share. Cash dividend be rounded down to NT\$1, and the aggregated amount of bonus less than NT\$1 will be included as other revenue of the Company.

III. After the report in the Shareholders' Meeting, the Board of Directors is authorized to set a separate ex-dividend date, distribution date, and other related matters.

IV. The Board of Directors is authorized to handle and adjust the dividend ratio of the aforementioned profit distribution due to the changes in laws or regulations or adjustments by the competent authority, or when the Company buys back shares, which affects the number of shares outstanding and other factors require adjustment of the distribution ratio.

V. Please ratify the proposal.

Resolution: Voting Result:

Shares represented at the time of voting: 487,136,861

Voting Results*		% of the total represented share present
Votes in favor	449,531,763votes (364,520,149votes)	92.28%
Votes against	241,627votes (241,627votes)	0.04%
Votes invalid	0votes (0votes)	0.00%
Votes abstained / No votes	37,363,471votes (37,363,471votes)	7.67%

\*including votes casted electronically (numbers in brackets)

The proposal was approved after voting.

#### D. Discussion

##### Report 1

proposed by the Board of Director

Subject: New share issuance by capital increase from profits. Please discuss the proposal.

Description: I. The current capital of the Company is NT\$8,273,390,860

II. NT\$248,201,730 from the distributable earnings is planned to be allocated to issue new shares for capital increase.

The issuance details are as follow:

1. Number of shares: 24,820,173.

2. Total amount: NT\$248,201,730 was distributed for the capital increase. 30 shares will be allocated to every thousand shares based on the shareholding ratio as recorded on the register of shareholders on the record date. Shareholders can combine fractional shares. If the combination process doesn't complete within a period of time, shareholders can buy shares at their par value from the company representative.

III. After the approval from the 2021 Shareholders' Meeting, the proposal will be submitted to the competent authority for approval. The Board of Directors will then set the ex-dividend date. The right and obligations of the new shares are the same as the original shares.

IV. The Board of Directors is authorized to handle and adjust the dividend ratio of the aforementioned capital increase due to the changes in laws or regulations or adjustments by the competent authority, or when the Company buys back shares, which affects the number of shares outstanding and other factors require adjustment of the distribution ratio.

V. The current capital of the Company is NT\$8,521,592,590 after the new shares are issued.

VI. Please discuss the item.

Resolution: Voting Result:

Shares represented at the time of voting: 487,136,861

Voting Results*		% of the total represented share present
Votes in favor	448,881,967votes (363,870,353votes)	92.14%
Votes against	353,872votes (353,872votes)	0.07%
Votes invalid	0votes (0votes)	0.00%
Votes abstained / No votes	37,901,022votes (37,901,022votes)	7.78%

\*including votes casted electronically (numbers in brackets)

The proposal was approved after voting.

E. Special Motion: None.

F. Adjournment.

# Chapter 1 Letter to Shareholders

Dear Shareholders,

First of all, I would like to thank you all for participating in our Shareholders' Meeting as the world is ravaged by COVID-19. I would also like to express my sincere gratitude to you who have been supported the Dachan Great Wall Group over the years.

In the past year, COVID-19 forced strict border control in most of the countries. Along with the Brexit, the trade war between China and the US, trade disputes in EU, trade protectionism, and African swine fever, Dachan encountered more violent fluctuations in business operation, raw material procurement, and currency swaps for risk hedging. Despite all the darkness over the past 12 months, the Company still created outstanding performance.

Adhering to business integrity, Dachan puts people's health in priority, providing healthy and trustworthy food products to customers. We also issue a Corporate Social Responsibility Report every year. We are dedicated to the adoption of traceable agricultural products (TAP) and implement the sales concept of "from farm to table". Dachan Quality Control Center even obtained the Food Safety Inspection Certification from the Ministry of Health and Welfare. By joining the Food Safety Alliance organized by the government, we hope that people can feel safe towards Dachan's food.

The Company's 2020 consolidated revenue was NT\$81.7 billion, increased by NT\$3.9 billion (5.0%) compared to the last year. 2020 profit attributed to the owner of the company amounted to NT\$3.12 billion, an increase of NT\$840 million (36.8%) compared to 2019.

Dachan's factories have obtained all domestic and global quality certifications, which include HACCP, ISO22000, and other food inspection certifications from the Ministry of Health and Welfare as well as the national laboratory. With the advanced facilities and well-established systems, Machouhou Food Processing Plant is about to operate. By collaborating with Showa Sangyo Co., Ltd., we conducted major investments in egg and flour businesses, such as Automatic Egg Washing & Sorting Plant and Liquid Egg Inventory Factory in Erlin Township, Changhua Country, hoping to enhance the quality and strengthen the relevant regulations on egg washing, sorting, and liquid egg production. We also improved the flour mixing technique and added on our edges to meet the highest standard of food safety. The Company builds the corporate image relentlessly so as to earn more trusts from our clients and customers.

## Business Operation Report

### I. 2020 Business and Financial Performance

#### (I) Business Performance

Unit: NT\$1,000

Items	2020	2019	Difference %
Business revenue	81,650,892	77,769,986	4.99%
Operating profit	4,211,948	3,721,214	13.19%
Profit(loss) before taxes	4,983,488	3,852,569	29.35%
EPS	NT\$3.99	NT\$2.93	36.18%

#### (II) Implementation of Business Plan and Budget

The Company didn't disclose financial analysis, and there was no major discrepancy between the business implementation and internal plan.

#### (III) Financial Position and Profitability Analysis

##### (1) Financial Position

(a) 2020 interest income amounted to NT\$ 16,558 thousand. The interest mainly came from saving and commercial papers.

(b) 2020 interest expense amounted to NT\$ 279,627 thousand. The expense mainly came from long and short term borrowings.

##### (2) Profitability

Items	2020	2019
Return on Assets (ROA) (%)	8.68%	7.35%
Return on Equity (ROE) (%)	15.6%	12.78%
Ratio of Income to Paid-in Capital (%)	50.91%	44.98%
Ratio of Net Profit Before Tax to Paid-in Capital (%)	60.24%	46.57%
Net Profit Margin (%)	4.99%	3.82%
EPS after taxes (NT\$)	NT\$3.99	NT\$2.93

#### (IV) Research and Development

Dachan has long been dedicated to the development of poultry, aquaculture, feed, oil, and eggs, acquiring a fundamental role in each market. The Company also pursues vertical integration to expand the market share and its scale. In recent year, Dachan heads toward food product image building, shaping its image as a safe, healthy, and delicious food provider as well as a reliable supplier of poultry, eggs, and household food. In addition, as people value more on green products and environmental sustainability, the Company invested in the development of agri-meat, and entered into new fields such as poultry wastes treatment and pet food production. Dachan hopes that through these efforts, we can recycle the resources, decrease the environmental burdens, and take real actions on sustainability.

In response to the Group business objectives, the research and development mainly focus on animal nutrition study. Other than that, animal health products, animal vaccines, pet food, waste treatment, waste reuse, and waste reduction have all been Dachan's emphasis.

To ensure the technology is the latest and state-of-the-art, experimenting facilities have been implemented other than R&D resources and talents. The facilities include egg-based vaccine production farm, poultry experimental farm, pig experimental farm, and aquaculture experimental farm. Collaborations with domestic/international research institutes, such as National Taiwan University, National Cheng Kung University, National Chung Hsing University, National Pingtung University of Science and Technology, National Taiwan Ocean University, Tainan Livestock Research Institute, Danshui National Institute for Animal Health, and Schothorst Feed Research, have been carried out to acquire key technologies and applications.

## II. 2021 Business Plan Overview

### (I) Operating Strategy

Dachan has long committed to feed products for poultry and aquaculture, meat, and the establishment of the restaurant brand. Its market share in complete feed and automated slaughtered chickens have outperformed its competitors. Other than the sales growth, the Company strictly controls the feed quality and puts customers' health at its priority. The Company also works in the biotech field to develop animal nutrition products for different animals in different environmental conditions. In terms of egg products, Dachan follows egg washing and sorting policies enacted by the government. From the extensive monitoring of feed nutrition, regular inspections on layer, sampling egg quality check, to final product review, the Company offers high-quality egg products to end customers with professional cold chain logistics. The Company also established Food Development Center to advance its technology in production facilities and production procedures, as well as the sales, marketing, and production of agri-meat. Pet food is another key development for Dachan .

In terms of value-added food plants, the new modern food processing plant in Machouhou Industrial Park is about to be completed this year. It will provide the safest and high-quality food products for people in Taiwan with functional machines in quality control, frying, grilling, steaming, stewing, and automatic filling and packaging.

In the spirit of corporate social responsibility, Dachan continues to focus on core businesses in agriculture and poultry. The Company will pursue its pioneering vision with honesty and humility by paying major contributions in vertical integration, safe product quality, and customer satisfaction.

### (II) Sales Volume Forecast and Its Basis

Based on the past performances and market change, the 2021 sales forecast is shown down below:

Items	Volume (ton)
Feed	<b>3,600,000</b>
Meat (broiler + indigenous chickens )	<b>400,000</b>
Bulk supplies	<b>514,000</b>

### (III) Important Sales Strategies

In the oil business, Dachan Oil is well-known for its good quality and oil products for commercial use are commonly used in night markets and different food vendors. The domestic demand for soybean has been stable. Despite the African swine fever, Taiwan successfully prevents the outbreak of the disease, which leads to solid growth of the porker industry and strong demand for soybean. COVID-19 once disrupted global logistics, which caused a short supply of soybean. However, after the relentless efforts made by the Company, we provided sufficient soybean to produce soy flour and soybean oil. This led to a steady profit.

In the Taiwan market, the competition is fierce as the free trade agreement allows free imports of poultry products and the demand for animal protein came to a downturn. The Company consolidates the resources in R&D, production, and marketing to enhance product quality, generate product differentiation, and overcome the low-price pressure. As the biotech center has been studied on animal protein, it is expected that Dachan will provide high-quality products without antibiotics.

In the porker business, the Company has offered technical supports to porker farmers to improve livestock management, in order to respond to the substitution effect of the imported pork. Leveraging the biotech department's products, the Company optimized the feeding efficiency and decreased the cost, ensuring the profit and labor cost on each porker is reasonable. A win-win situation for the Company and the farmers is what Dachan pursues.

In the indigenous chicken business, the Company consolidated the renowned food-processing technologies from broiler slaughtering plants and deli-meat processing plants, releasing products like sous vide chicken, chicken soup, and sugarcane chicken to satisfy Taiwanese's preference of eating indigenous chickens and providing more convenient ways to eat chicken. By leveraging the IoT network and various channels, Dachan promoted and sold Dachan Indigenous Chicken products to the malls and supermarkets with vertical integration.

In recent years, the Company stepped into the markets of lunar new year dishes ordering and home meal replacements. The brand, Yummy Dots, was therefore established and had made outstanding performance. In terms of food processing, food safety inspection and production techniques are planned to be improved, fulfilling the goals of safety and good taste. Due to the changes in consumer behavior, in addition to the traditional marketing channels, Dachan also sell its products via e-commerce platforms, and some products are the top-selling items online.

#### **(IV) Future Strategies**

1. As the domestic and global markets put more attention on clenbuterol, drug residue, and the pandemic, customers value more on food safety and health. Apart from the never-ending emphasis on food safety, the Company established Food Development Center to facilitate the update of machines and facilities, improvement of the production process, and production and sales of agri-meat.

For feed business, the Company will design a complete product structure to separate the operating risk. The Company will also adopt biotech products to enhance breeding efficiency; The Company will strengthen its role in the supply chain and stretch out to more industries. After long-term research and analysis, Dachan Feed didn't use any antibiotics in broiler feed, porkers, and chickens, fulfilling the goal of zero drug residue. This has pushed the Company and the whole industry to operate in a virtuous cycle, enhancing Dachan's competency in the feed business.

In the meat business, the Company adopts a vertical integration strategy in slaughtered meat. The brand, Dachan Chicken, handles each procedure from the breeding, contract farming, feed consulting, automated slaughter, final processing, and selling channels. This effectively reduces cost, guarantees quality, and ensure a stable chicken supply.

In terms of food processing, chicken processing can be divided into different types of products: room-temperature products, refrigerated products, and frozen products, which are sold to different channels nationwide.

2. Dachan not only continues to develop the animal businesses, it also combines existing R&D resources to develop biotechnology in replacing the usage of antibiotics. The Company also established aquaculture development plants and pilot plants for feed production and biotech research. Real-time ultrasound inspection technology was adopted to conduct carcass meat inspection in the pig farm. The study becomes the reference for breeding. Leveraging biotechnology, the Company maintains its advantage in technology by creating animal nutrition that balances and pre-digests protein to replace fishmeal, which is becoming more expensive. The high-quality protein has high peptide content, low anti-nutritional factors, and can be digested easily.

**(V) External Competitive Environment, Regulations, and Overall Economy**

Regional markets have been integrated as various trade agreements have been signed around the globe. Regional boundaries have been overcome as products, services, and information circulating seamlessly. Therefore, our rivals come from the globe. In addition to product competition in the market, the raw material must be sought from the world to reach low cost. In face of such fierce competition, Dachan leverages its edge in global procurement to reduce the material price, further enhancing the product quality and after-sales service.

As the consumers constantly worry about drug residue, avian flu, and food safety, the Company carries out vertical integration to separate the operating risk and maintain business profit. Dachan continues to promote traceable poultries, chickens, processing food, and eggs, taking pride in the spirit of "attentive journey, safe food." The outcomes have met the requirements set by the government and satisfied the needs of customers. We hope that with reliable products as our solid basis, Dachan can establish a positive image in food safety and gain more recognition from the customers.

We wish you good health, happiness, and success in the coming year.

Chairman: Han Chia-Yau

President: Chuang, Kun-Yen

Vice President: Liu, Chien-Chung

## Great Wall Enterprise Co., Ltd. Audit Committee Review Report

The Board of Directors has prepared the Company's 2020 Business Operation Report, Financial Statements and Proposal for Profit Distribution, among which the Financial Statements have been audited by KPMG, Taiwan, by whom an audit report has been issued accordingly. The Business Operation Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Convener of the Audit Committee: Ting Yu-Shan

Date: March 31, 2021

## Independent Auditors' Report

To the Board of Directors of Great Wall Enterprise Co., Ltd.:

### Opinion

We have audited the financial statements of Great Wall Enterprise Co., Ltd. ( "the Company" ), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

#### 1. Revenue recognition

Regarding the significant accounting policies for revenue recognition, please refer to Note 4(n) and Note 6(v) "Revenue from contracts with customers" from the financial statements.

Description of key audit matter:

Due to the industry characteristics of the Company and following the rules set by competent authorities to announce operating income monthly, revenue recognition timing risk is increased.

How the matter was addressed in our audit:

Our principal audit procedures include:

- Understanding whether the accounting policies and methods for revenue recognition of the audited company are appropriate

- Testing the Company' s controls and transaction cycle from order to payment regarding revenue recognition
  - Performing substantive procedure of revenue, and sampling payments or certified documents for sale transactions
  - Selecting the appropriate sample size from the detail in the ending balance of the trade receivable and sending external confirmations to debtors
  - Assessing whether revenues are recognized in the appropriate timing
2. Assessing impairment of investments accounted for using equity method

Please refer to Note 4(m) Impairment of Non-financial Assets in the financial report for the accounting policy for assessing impairment of investments accounted for using equity method. For accounting assumptions, judgements and estimation uncertainty regarding assessing impairment of investment accounted for using equity method, please refer to Note 5 in the financial statement.

Description of key audit matter:

Constituent entities of subsidiaries using the equity method have continuously incurred net losses in recent years, hence the management believes that there are signs of impairment in related assets. The management adopts the value-in-use method to estimate the future discounted cash flow to evaluate the recoverable amount of the identifiable cash-generating unit to which the relevant assets belong, and considers whether to reverse or increase the previous year's set amount. The preparation of future discounted cash flow data involves significant management judgments, especially when estimating the gross profit margin and revenue growth rate and determining its appropriate discount rate. Therefore, factors such as the gross profit margin, revenue growth rate and discount rate are inherently uncertain and involve possible management bias.

How the matter was addressed in our audit:

Our principal audit procedures include:

- Assessing the significant cash-generating units recognized by the management of the Company as showing signs of impairment
- Comparing the main financial information used for its future discounted cash flows with relevant information in the financial budget approved by the management authority, including operating income, operating costs and operating expenses; and then comparing the financial budget prepared in the previous year with the current year' s performance in order to evaluate the accuracy of its forecasts while discussing with the management the reasons for the significant differences, and whether it has been taken into consideration in this year' s budget
- Comparing the key assumptions used in estimating future discounted cash flows including the estimated long-term income growth rate and profit margin of each cash-generating unit with comparable companies in the industry and external market data, and appointing internal evaluation experts to evaluate whether the discount rate used for future cash flows falls within the range adopted by the industry
- Performing sensitivity analysis on key assumptions (including income growth rate and discount rate) adopted for future discounted cash flows to evaluate the impact each cash-generating unit has on the net present value; and evaluating the impact of changes in key assumptions on the conclusions obtained and whether there is management bias.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tan-Tan Chung and Mei-Fang Chen.

KPMG

Taipei, Taiwan (Republic of China)  
March 31, 2021

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**GREAT WALL ENTERPRISE CO., LTD.**

**Balance Sheets**

**December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
1100	Cash and cash equivalents (Note 6(a))	\$ 290,515	1	251,020	1						
1110	Current financial assets at fair value through profit or loss (Note 6(b))	20,454	-	439	-	2100	Short-term borrowings (Note 6(m))	\$ 4,638,406	15	4,116,166	16
1150	Notes receivable, net (Notes 6(d) and 7)	861,623	3	870,680	3	2110	Short-term notes and bills payable (Note 6(n))	1,700,000	6	1,800,000	7
1170	Trade receivable, net (Notes 6(d) and 7))	2,441,080	8	1,917,060	7	2120	Current financial liabilities at fair value through profit or loss (Note 6(l))	23,199	-	69,844	-
1210	Other receivables due from related parties (Note 7)	612,228	2	206,100	1	2150	Notes payable (Note 7)	30,369	-	375,183	1
130x	Inventories (Note 6(e))	1,698,474	6	2,139,985	9	2170	Trade payable (Note 7)	1,483,545	5	694,480	3
1400	Current biological assets (Note 6(f))	934,797	3	802,308	3	2200	Other payables (Note 7)	778,066	3	686,627	3
1410	Prepayments (Note 6(g))	110,565	-	86,911	-	2230	Current income tax liabilities	258,475	1	220,504	1
1476	Other current financial assets	23,865	-	50,309	-	2280	Current lease liabilities (Note 6(o))	46,575	-	45,908	-
1479	Other current assets, others	78,745	-	53,227	-	2399	Other current liabilities, others (Note 7)	338,746	1	213,941	1
		<u>7,072,346</u>	<u>23</u>	<u>6,378,039</u>	<u>24</u>			<u>9,297,381</u>	<u>31</u>	<u>8,222,653</u>	<u>32</u>
1517	Non-current financial assets at fair value through other comprehensive income (Notes 4 and 6(c))	2,277,088	8	1,946,129	7		<b>Non-Current liabilities:</b>				
						2570	Deferred income tax liabilities (Note 6(r))	69,203	-	53,287	-
1550	Investments accounted for using equity method (Note 6(h))	11,898,268	40	9,600,405	36	2580	Non-current lease liabilities (Note 6(o))	170,194	1	214,969	1
1600	Property, plant and equipment (Note 6(i))	7,415,968	25	7,350,717	27	2645	Guarantee deposits received	75,790	-	69,042	-
1755	Right-of-use assets (Notes 4 and 6(j))	213,834	1	259,080	1	2670	Other non-current liabilities, others	122,195	-	122,195	-
1760	Investment property, net (Note 6(k))	385,466	1	478,554	2			<u>437,382</u>	<u>1</u>	<u>459,493</u>	<u>1</u>
1830	Non-current biological assets (Note 6(f))	187,167	1	200,431	1		<b>Total liabilities</b>	<u>9,734,763</u>	<u>32</u>	<u>8,682,146</u>	<u>33</u>
1840	Deferred income tax assets (Note 6(r))	53,379	-	46,271	-		<b>Equity attributable to owners of parent:</b>				
1975	Net defined benefit asset, non-current (Note 6(q))	105,259	-	100,642	-	3110	Ordinary share	8,273,391	28	8,273,391	31
1990	Other non-current assets, others (Notes 4, 6(l) and 8)	307,066	1	549,008	2	3200	Capital surplus	3,179,626	11	3,011,373	11
		<u>22,843,495</u>	<u>77</u>	<u>20,531,237</u>	<u>76</u>	3300	Retained earnings (Note 6(s))	7,562,982	25	6,259,370	23
						3400	Other equity interest	1,384,211	5	902,128	3
						3500	Treasury shares	(219,132)	(1)	(219,132)	(1)
							<b>Total equity</b>	<u>20,181,078</u>	<u>68</u>	<u>18,227,130</u>	<u>67</u>
<b>Total assets</b>		<u>\$ 29,915,841</u>	<u>100</u>	<u>26,909,276</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 29,915,841</u>	<u>100</u>	<u>26,909,276</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)  
**GREAT WALL ENTERPRISE CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

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

		<u>2020</u>		<u>2019</u>	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(v) and 7)	\$ 27,173,338	100	27,785,090	100
5000	Operating costs (Notes 6(e) and 7)	23,121,741	85	23,991,737	86
5900	<b>Gross profit from operations</b>	<u>4,051,597</u>	15	<u>3,793,353</u>	14
6000	<b>Operating expenses:</b>				
6100	Selling expenses	1,507,123	6	1,508,256	5
6200	Administrative expenses	478,122	2	416,853	2
6300	Research and development expenses	91,346	-	94,237	-
6450	Expected credit impairment loss (Note 6(d))	24,290	-	24,840	-
	<b>Total operating expenses</b>	<u>2,100,881</u>	8	<u>2,044,186</u>	7
6900	<b>Net operating income</b>	<u>1,950,716</u>	7	<u>1,749,167</u>	7
7000	<b>Non-operating income and expenses: (Notes 6(w) and 7)</b>				
7100	Interest income	9,076	-	7,448	-
7020	Other gains and losses, net	419,117	2	228,005	1
7050	Finance costs	(78,141)	-	(80,193)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	1,272,239	5	777,315	3
	<b>Total non-operating income and expenses</b>	<u>1,622,291</u>	7	<u>932,575</u>	4
7900	<b>Profit from continuing operations before tax</b>	3,573,007	14	2,681,742	11
7950	<b>Less: Income tax expenses (Note 6(m))</b>	<u>450,936</u>	2	<u>398,141</u>	1
	<b>Profit</b>	<u>3,122,071</u>	12	<u>2,283,601</u>	10
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be subsequently reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	2,160	-	3,505	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	384,312	1	411,124	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	473	-	490	-
	Items that may not be subsequently reclassified to profit or loss	<u>385,999</u>	1	<u>414,139</u>	1
8360	<b>Items that may be subsequently reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	97,771	-	(271,538)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Items that may be subsequently reclassified to profit or loss	<u>97,771</u>	-	<u>(271,538)</u>	(1)
8300	<b>Other comprehensive income</b>	<u>483,770</u>	1	<u>142,601</u>	-
	<b>Total comprehensive income</b>	<u>\$ 3,605,841</u>	<u>13</u>	<u>2,426,202</u>	<u>10</u>
	<b>Basic earnings per share</b>				
	<b>Basic earnings per share (NT dollars)</b>	<u>\$ 3.99</u>		<u>2.93</u>	
	<b>Diluted earnings per share (NT dollars)</b>	<u>\$ 3.98</u>		<u>2.92</u>	

(English Translation of Financial Statements Originally Issued in Chinese)  
**GREAT WALL ENTERPRISE CO., LTD.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Share capital		Retained earnings					Other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares	Total equity	
<b>Balance on January 1, 2019</b>	\$ 7,879,420	2,595,445	2,053,459	42,994	3,444,626	5,541,079	(627,977)	1,390,519	762,542	(306,199)	16,472,287	
Profit for the year ended December 31, 2019	-	-	-	-	2,283,601	2,283,601	-	-	-	-	2,283,601	
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	3,015	3,015	(271,538)	411,124	139,586	-	142,601	
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	2,286,616	2,286,616	(271,538)	411,124	139,586	-	2,426,202	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	201,184	-	(201,184)	-	-	-	-	-	-	
Cash dividends of ordinary share	393,971	-	-	-	(393,971)	(393,971)	-	-	-	-	-	
Stock dividends of ordinary share	-	-	-	-	(1,181,913)	(1,181,913)	-	-	-	-	(1,181,913)	
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	363,674	-	-	-	-	-	-	-	87,067	450,741	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(10,749)	-	-	-	-	-	-	-	-	(10,749)	
Changes in ownership interests in subsidiaries	-	(1,801)	-	-	7,559	7,559	-	-	-	-	5,758	
Adjustment of capital surplus for company's cash dividends received by subsidiaries	-	64,804	-	-	-	-	-	-	-	-	64,804	
Balance on December 31, 2019	8,273,391	3,011,373	2,254,643	42,994	3,961,733	6,259,370	(899,515)	1,801,643	902,128	(219,132)	18,227,130	
Profit for the year ended December 31, 2020	-	-	-	-	3,122,071	3,122,071	-	-	-	-	3,122,071	
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	1,687	1,687	97,771	384,312	482,083	-	483,770	
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	3,123,758	3,123,758	97,771	384,312	482,083	-	3,605,841	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	229,418	-	(229,418)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(1,820,146)	(1,820,146)	-	-	-	-	(1,820,146)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,539	-	-	-	-	-	-	-	-	37,539	
Changes in ownership interests in subsidiaries	-	30,917	-	-	-	-	-	-	-	-	30,917	
Adjustment of capital surplus for company's cash dividends received by subsidiaries	-	99,797	-	-	-	-	-	-	-	-	99,797	
<b>Balance on December 31, 2020</b>	<b>\$ 8,273,391</b>	<b>3,179,626</b>	<b>2,484,061</b>	<b>42,994</b>	<b>5,035,927</b>	<b>7,562,982</b>	<b>(801,744)</b>	<b>2,185,955</b>	<b>1,384,211</b>	<b>(219,132)</b>	<b>20,181,078</b>	

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**GREAT WALL ENTERPRISE CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

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

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 3,573,007	2,681,742
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	460,928	512,222
Amortization expense	16,709	-
Expected credit impairment loss	24,290	24,840
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(66,660)	74,760
Interest expense	78,141	80,193
Interest income	(9,076)	(7,448)
Dividend income	(81,077)	(82,270)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(1,272,239)	(777,315)
Gain on disposal of property, plant and equipment	(27,535)	(22,678)
Net (reproductive) death changes in biological assets	(2,327,245)	(2,722,299)
<b>Total adjustments to reconcile profit (loss)</b>	(3,203,764)	(2,919,995)
<b>Changes in operating assets and liabilities:</b>		
Decrease in notes receivable	9,057	212,454
(Increase) decrease in trade receivable	(548,310)	22,651
Decrease (increase) in inventories	441,511	(394,256)
Decrease in biological assets	2,208,020	2,692,188
Increase in prepayments	(23,654)	(62,487)
(Increase) decrease in other current assets	(25,518)	12,714
Decrease (increase) in other financial assets	26,444	(3,039)
Increase in deferred debits	(2,254)	(5,420)
(Decrease) increase in notes payable	(344,814)	365,398
Increase (decrease) in trade payable	789,065	(462,693)
Increase in other payable	93,588	102,151
(Decrease) increase in other current liabilities	(9,195)	52,650
<b>Total changes in operating assets and liabilities</b>	2,613,940	2,532,311
<b>Total adjustments</b>	(589,824)	(387,684)
Cash inflow generated from operations	2,983,183	2,294,058
Interest received	9,076	7,448
Interest paid	(80,290)	(80,404)
Income taxes paid	(404,630)	(338,683)
<b>Net cash flows from operating activities</b>	2,507,339	1,882,419
<b>Cash flows used in investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,190	-
Acquisition of investments accounted for using equity method	(1,115,518)	(659,490)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	506	-
Proceeds from capital reduction of investments accounted for using equity method	65,000	-
Acquisition of property, plant and equipment	(1,121,361)	(2,494,950)
Proceeds from disposal of property, plant and equipment	761,349	115,887
Increase in other receivables due from related parties	(406,128)	70,600
Decrease (increase) in other non-current assets	225,233	(80,226)
Dividends received	422,449	318,110
<b>Net cash flows used in investing activities</b>	(1,166,280)	(2,730,069)
<b>Cash flows used in financing activities:</b>		
Increase in short-term loans	522,240	1,193,488
(Decrease) increase in short-term notes and bills payable	(100,000)	900,000
Increase in guarantee deposits received	6,748	2,123
Payment of lease liabilities	(44,406)	(47,237)
Increase in other non-current liabilities	134,000	61,000
Cash dividends paid	(1,820,146)	(1,181,913)
<b>Net cash flows (used in) from financing activities</b>	(1,301,564)	927,461
<b>Net increase in cash and cash equivalents</b>	39,495	79,811
<b>Cash and cash equivalents at beginning of period</b>	251,020	171,209
<b>Cash and cash equivalents at end of period</b>	\$ 290,515	251,020

## **Independent Auditors' Report**

To the Board of Directors of Great Wall Enterprise Co., Ltd.:

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

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

#### **1. Revenue recognition**

Regarding the significant accounting policies for revenue recognition, please refer to Note 4(p) and Note 6(aa) "Revenue from contracts with customers" from the financial statements.

Description of key audit matter:

Due to the industry characteristics of the Company and following the rules set by competent authorities to announce operating income monthly, revenue recognition timing risk is increased.

How the matter was addressed in our audit:

Our principal audit procedures include:

- Understanding whether the accounting policies and methods for revenue recognition of the audited company are appropriate
- Testing the Company's controls and transaction cycle from order to payment regarding revenue recognition
- Performing substantive procedure of revenue, and sampling payments or certified documents for sale transactions
- Selecting the appropriate sample size from the detail in the ending balance of the trade receivable and sending external confirmations to debtors
- Assessing whether revenues are recognized in the appropriate timing

## 2. Investment impairment using the equity method

Please refer to Note 4(o) Impairment of Non-financial Assets in the financial report for the accounting policy for assessing impairment of investments accounted for using equity method. For accounting assumptions, judgements and estimation uncertainty regarding assessing impairment of investment accounted for using equity method, please refer to Note 5 in the financial statement. For more information on asset impairment, please refer to Note 6(l) Property, plant, and equipment and Note 6(m) Right-of-use assets.

Description of key audit matter:

Constituent entities of subsidiaries using the equity method have continuously incurred net losses in recent years, hence the management believes that there are signs of impairment in related assets. The management adopts the value-in-use method to estimate the future discounted cash flow to evaluate the recoverable amount of the identifiable cash-generating unit to which the relevant assets belong, and considers whether to reverse or increase the previous year's set amount. The preparation of future discounted cash flow data involves significant management judgments, especially when estimating the gross profit margin and revenue growth rate and determining its appropriate discount rate. Therefore, factors such as the gross profit margin, revenue growth rate and discount rate are inherently uncertain and involve possible management bias.

How the matter was addressed in our audit:

Our principal audit procedures include:

- Assessing the significant cash-generating units recognized by the management of the Group as showing signs of impairment
- Comparing the main financial information used for its future discounted cash flows with relevant information in the financial budget approved by the management authority, including operating income, operating costs and operating expenses; and then comparing the financial budget prepared in the previous year with the current year's performance in order to evaluate the accuracy of its forecasts while discussing with the management the reasons for the significant differences, and whether it has been taken into consideration in this year's budget
- Comparing the key assumptions used in estimating future discounted cash flows including the estimated long-term income growth rate and profit margin of each cash-generating unit with comparable companies in the industry and external market data, and appointing internal evaluation experts to evaluate whether the discount rate used for future cash flows falls within the range adopted by the industry

- Performing sensitivity analysis on key assumptions (including income growth rate and discount rate) adopted for future discounted cash flows to evaluate the impact each cash-generating unit has on the net present value; and evaluating the impact of changes in key assumptions on the conclusions obtained and whether there is management bias.

### **Other Matter**

Great Wall Enterprise Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tan-Tan Chung and Mei-Fang Chen.

KPMG

Taipei, Taiwan (Republic of China)

March 31, 2021



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**GREAT WALL ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(v) and 7)	\$ 81,650,892	100	77,769,986	100
5000	Operating costs (Note 6(e) and 7)	69,388,663	85	66,038,732	85
5900	<b>Gross profit from operations</b>	<u>12,262,229</u>	<u>15</u>	<u>11,731,254</u>	<u>15</u>
6000	<b>Operating expenses:</b>				
6100	Selling expenses	5,460,747	7	5,435,266	7
6200	Administrative expenses	2,388,505	3	2,320,603	3
6300	Research and development expenses	169,130	-	166,024	-
6450	Expected credit impairment loss (Note 6(d))	31,899	-	88,147	-
	<b>Total operating expenses</b>	<u>8,050,281</u>	<u>10</u>	<u>8,010,040</u>	<u>10</u>
6900	<b>Net operating income (Note 6(ab) and 7)</b>	<u>4,211,948</u>	<u>5</u>	<u>3,721,214</u>	<u>5</u>
7100	Interest income	16,558	-	90,439	-
7020	Other gains and losses, net	1,018,574	1	367,533	-
7050	Finance costs	(279,627)	-	(407,490)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	16,035	-	80,873	-
	<b>Total non-operating income and expenses</b>	<u>771,540</u>	<u>1</u>	<u>131,355</u>	<u>(1)</u>
7900	<b>Profit from continuing operations before tax</b>	<u>4,983,488</u>	<u>6</u>	<u>3,852,569</u>	<u>4</u>
7950	<b>Less: Income tax expenses (Note 6(w))</b>	<u>911,142</u>	<u>1</u>	<u>878,542</u>	<u>1</u>
	<b>Profit</b>	<u>4,072,346</u>	<u>5</u>	<u>2,974,027</u>	<u>3</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be subsequently reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	2,160	-	3,505	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	384,312	-	411,124	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	473	-	490	-
	Items that may not be subsequently reclassified to profit or loss	<u>385,999</u>	<u>-</u>	<u>414,139</u>	<u>1</u>
8360	<b>Items that may be subsequently reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	243,593	-	(505,792)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Items that may be subsequently reclassified to profit or loss	<u>243,593</u>	<u>-</u>	<u>(505,792)</u>	<u>(1)</u>
8300	<b>Other comprehensive income</b>	<u>629,592</u>	<u>-</u>	<u>(91,653)</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 4,701,938</u>	<u>5</u>	<u>2,882,374</u>	<u>3</u>
	<b>Profit (loss), attributable to:</b>				
	Owners of parent	\$ 3,122,071	4	2,283,601	2
	Non-controlling interests	950,275	1	690,426	1
		<u>\$ 4,072,346</u>	<u>5</u>	<u>2,974,027</u>	<u>3</u>
	<b>Comprehensive income attributable to:</b>				
	Owners of parent	\$ 3,605,841	4	2,426,202	3
	Non-controlling interests	1,096,097	1	456,172	1
		<u>\$ 4,701,938</u>	<u>5</u>	<u>2,882,374</u>	<u>4</u>
	<b>Basic earnings per share (Note 6(z))</b>				
	<b>Basic earnings per share (NT dollars)</b>	<u>\$ 3.99</u>		<u>2.93</u>	
	<b>Diluted earnings per share (NT dollars)</b>	<u>\$ 3.98</u>		<u>2.92</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**GREAT WALL ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent												Non-controlling interests	Total equity
	Share capital	Retained earnings					Other equity interest			Treasury shares	Total equity attributable to owners of parent			
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			Total other equity interest		
<b>Balance on January 1, 2019</b>	\$ 7,879,420	2,595,445	2,053,459	42,994	3,444,626	5,541,079	(627,977)	1,390,519	762,542	(306,199)	16,472,287	5,750,346	22,222,633	
Profit for the year ended December 31, 2019	-	-	-	-	2,283,601	2,283,601	-	-	-	-	2,283,601	690,425	2,974,026	
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	3,015	3,015	(271,538)	411,124	139,586	-	142,601	(234,253)	(91,652)	
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	2,286,616	2,286,616	(271,538)	411,124	139,586	-	2,426,202	456,172	2,882,374	
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	201,184	-	(201,184)	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(1,181,913)	(1,181,913)	-	-	-	-	(1,181,913)	-	(1,181,913)	
Stock dividends of ordinary share	393,971	-	-	-	(393,971)	(393,971)	-	-	-	-	-	-	-	
Other changes in capital surplus:														
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	363,674	-	-	-	-	-	-	-	87,067	450,741	-	450,741	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(10,749)	-	-	-	-	-	-	-	-	(10,749)	(20,651)	(31,400)	
Changes in ownership interests in subsidiaries	-	(1,801)	-	-	7,559	7,559	-	-	-	-	5,758	2,641	8,399	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(91,119)	(91,119)	
Adjustment of capital surplus for company's cash dividends received by subsidiaries	-	64,804	-	-	-	-	-	-	-	-	64,804	-	64,804	
Balance on December 31, 2019	8,273,391	3,011,373	2,254,643	42,994	3,961,733	6,259,370	(899,515)	1,801,643	902,128	(219,132)	18,227,130	6,097,389	24,324,519	
Profit for the year ended December 31, 2020	-	-	-	-	3,122,071	3,122,071	-	-	-	-	3,122,071	950,275	4,072,346	
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	1,687	1,687	97,771	384,312	482,083	-	483,770	145,822	629,592	
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	3,123,758	3,123,758	97,771	384,312	482,083	-	3,605,841	1,096,097	4,701,938	
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	229,418	-	(229,418)	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(1,820,146)	(1,820,146)	-	-	-	-	(1,820,146)	-	(1,820,146)	
Other changes in capital surplus:														
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,539	-	-	-	-	-	-	-	-	37,539	(37,539)	-	
Changes in ownership interests in subsidiaries	-	30,917	-	-	-	-	-	-	-	-	30,917	-	30,917	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	549,727	549,727	
Adjustment of capital surplus for company's cash dividends received by subsidiaries	-	99,797	-	-	-	-	-	-	-	-	99,797	-	99,797	
<b>Balance on December 31, 2020</b>	<b>\$ 8,273,391</b>	<b>3,179,626</b>	<b>2,484,061</b>	<b>42,994</b>	<b>5,035,927</b>	<b>7,562,982</b>	<b>(801,744)</b>	<b>2,185,955</b>	<b>1,384,211</b>	<b>(219,132)</b>	<b>20,181,078</b>	<b>7,705,674</b>	<b>27,886,752</b>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
GREAT WALL ENTERPRISE CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 4,983,488	3,852,569
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	1,846,637	1,914,875
Amortization expense	44,790	39,190
Expected credit impairment loss	31,899	88,147
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(67,455)	84,807
Interest expense	279,627	407,490
Interest income	(16,558)	(90,439)
Dividend income	(96,564)	(176,149)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(16,035)	(80,873)
Gain on disposal of property, plant and equipment	(27,561)	(68,908)
Loss on disposal of investments accounted for using equity method	4,463	-
Impairment loss on property, plant and equipment	36,990	172,911
Gain on reversal for allowance for inventory write-down	17,163	(59,758)
Loss on disposal of inventory	13,356	55,000
Changes in fair value of biological assets	18,352	22,538
Net (reproductive) death changes in biological assets	(2,344,996)	(2,859,872)
<b>Total adjustments to reconcile profit (loss)</b>	(275,892)	(551,041)
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets or liabilities at fair value through profit or loss	5,164	15,228
(Increase) decrease in notes receivable	(80,181)	284,341
Decrease (increase) in trade receivable	131,780	(247,023)
Decrease (increase) in inventories	20,582	(182,119)
Decrease in biological assets	2,090,503	2,645,433
Increase in prepayments	(89,743)	(180,665)
Decrease in other current assets	461,950	102,431
Increase in other financial assets	(173,831)	(74,616)
Increase in notes payable	15,010	4,956
(Decrease) increase in trade payable	(93,610)	878
Increase in other payable	205,525	260,473
Increase in other current liabilities	113,710	21,578
Increase in provisions for employee benefits	1,341	1,843
<b>Total changes in operating assets and liabilities</b>	2,608,200	2,652,738
<b>Total adjustments</b>	2,332,308	2,101,697
Cash inflow generated from operations	7,315,796	5,954,266
Interest received	16,558	90,427
Income taxes paid	(863,455)	(660,534)
<b>Net cash flows from operating activities</b>	6,468,899	5,384,159
<b>Cash flows used in investing activities:</b>		
Acquisition of investment accounted for using equity method	(66,469)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,190	10,590
Proceeds from disposal of investments accounted for using equity method	-	1,974
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	506	-
Net cash flow from acquisition of subsidiaries	65,171	-
Acquisition of property, plant and equipment	(3,419,927)	(5,133,378)
Proceeds from disposal of property, plant and equipment	213,642	270,469
Increase in other non-current assets	(14,892)	(110,041)
Dividends received	94,374	182,595
<b>Net cash flows used in investing activities</b>	(3,125,405)	(4,777,791)
<b>Cash flows used in financing activities:</b>		
Increase in short-term loans	63,891,608	64,844,481
Decrease in short-term loans	(63,159,031)	(63,694,106)
Increase in short-term notes and bills payable	23,550,985	21,551,978
Decrease in short-term notes and bills payable	(23,689,000)	(20,644,000)
Proceeds from long-term debt	1,437,345	1,658,570
Repayments of long-term debt	(1,883,451)	(2,885,238)
Increase in guarantee deposits received	2,570	1,378
(Decrease) increase in other non-current liabilities	(8,344)	7,817
Cash dividends paid (Net cash flow from company's cash dividends received by subsidiaries)	(1,720,349)	(1,117,109)
Proceeds from disposal of company's share by subsidiaries recognized as treasury share transaction	-	450,741
Repayments of lease liabilities	(248,606)	(320,266)
Acquisition of ownership interests in subsidiaries	30,917	(31,400)
Interest paid	(282,764)	(407,490)
Change in non-controlling interests	348,999	(91,119)
<b>Net cash flows used in financing activities</b>	(1,729,121)	(675,763)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(68,629)	32,316
<b>Net increase (decrease) in cash and cash equivalents</b>	1,545,744	(37,079)
<b>Cash and cash equivalents at beginning of period</b>	2,942,742	2,979,821
<b>Cash and cash equivalents at end of period</b>	\$ 4,488,486	2,942,742

Great Wall Enterprise Co., Ltd.

Profit Distribution

2020

Currency Unit: NT\$

Balance as of January 1, 2020		1,912,167,314
Add (Less):		
Welfare project revaluation variable	1,686,957	
Income after taxes for the year	3,122,071,254	
Earnings available for distribution		5,035,925,525
Less (Add):		
Legal reserve	312,375,821	
Distribution items		
Shareholder dividends - share (NT\$0.3 per share).	248,201,730	
Shareholder dividends - cash (NT\$2.7 per share).	2,233,815,532	
Undistributed earnings at the end of the period		2,241,532,442

Note: (1) Dividend distribution for the year shall not exceed the amount available for distribution in the period.

(2) Dividends will be distributed preferentially based on the after-tax benefits in 2020.