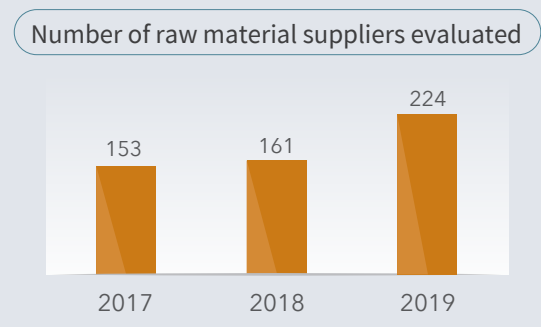
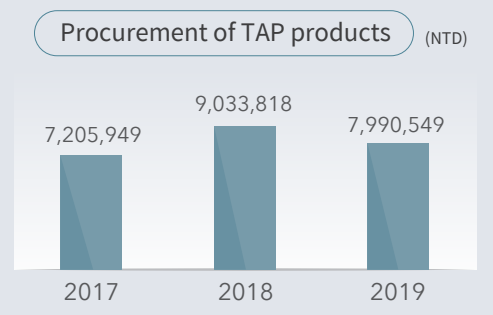
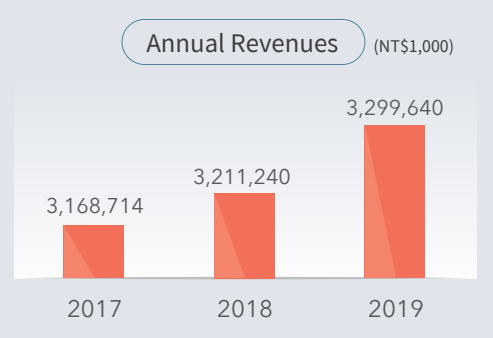


2

- 2.1 About Hsin Tung Yang
- 2.2 Industry Trends and Management Strategies
- 2.3 Corporate Governance
- 2.4 Risk Management
- 2.5 Customer Relations Management
- 2.6 Supply Chain Management
- 2.7 Sustainable Supply Chain

Corporate Governance

2 Corporate Governance



新東陽 Hsin Tung Yang **53** Years of Operation

Sold at **30,000+** Locations Worldwide

74 Direct Shops in Taiwan

Available at **15** Countries Worldwide

847 Products

- 👑 Our revenues exceeded NT\$3 billion for 3 consecutive years; average revenues grew by 2% for the past two years; and sold nearly 19.01 million products in 2019
- 👑 Revenues from Qingshui Service Area surpassed all other highway service areas in Taiwan for 11 consecutive years under our management
- 👑 Hsin Tung Yang has been available at Taoyuan International Airport (previously known as Chiang Kai-shek International Airport) since 1979; commenced operations and management of highway service areas since 1992 and we are the only private management team to win "Golden Thumb Award" for five times in Taiwan
- 👑 Fengshan Store was honored with "the 22nd TCFA Outstanding Store Manager Award" while Zhongzheng Store in Taichung was awarded "the 6th TCFA Best Services Award" from the Taiwan Chain Stores and Franchise Association in 2019
- 👑 Formed CSR Team in 2019 to take the initiative to prepare and publish our first CSR Report
- 👑 100% of purchased cardboard boxes are made from Green Mark-certified recycled cardboard boxes
- 👑 All new suppliers have undergone ESG screening

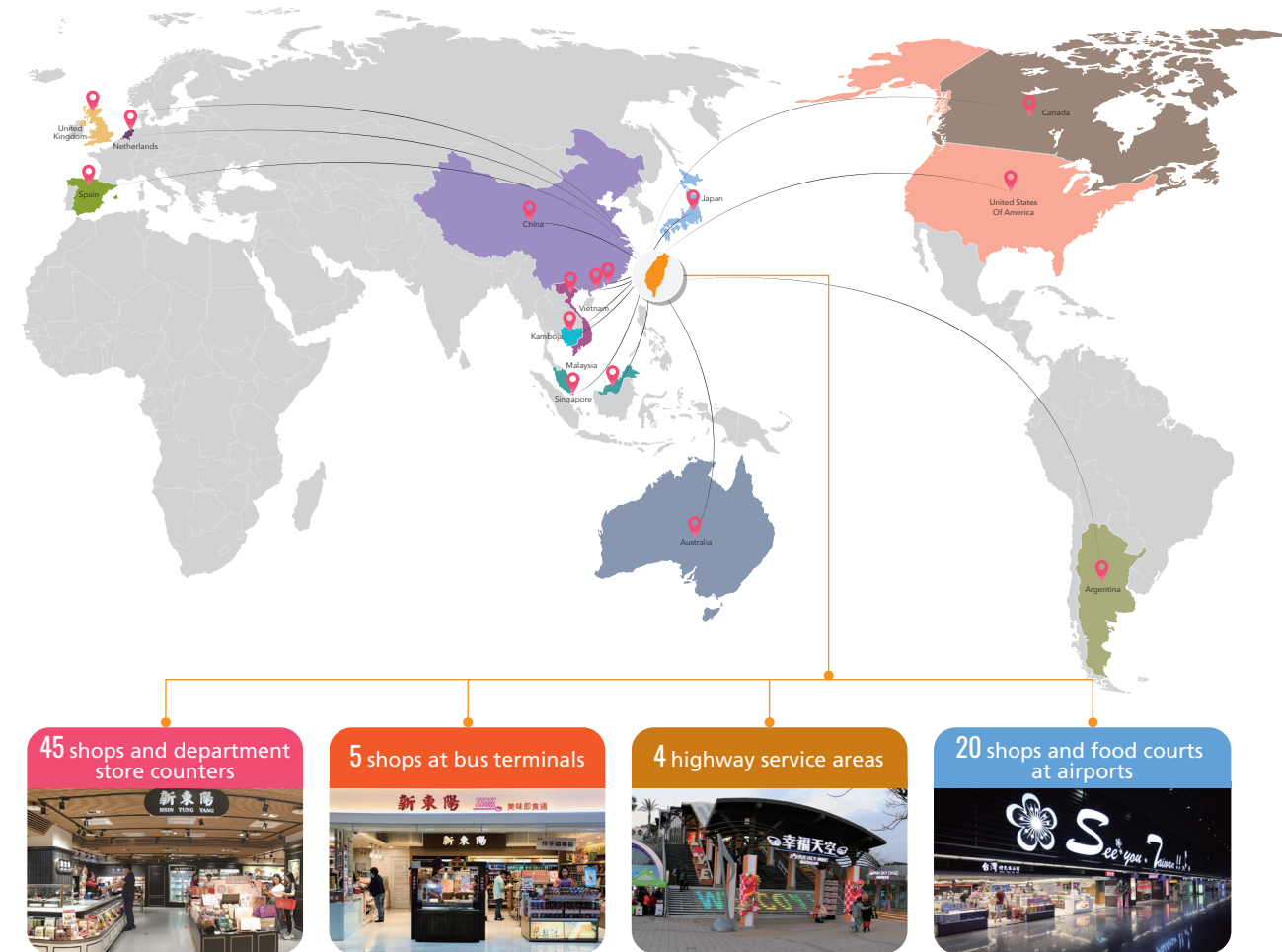
2.1 About Hsin Tung Yang



Global Strategic Blueprints

Headquartered at Taipei City, Hsin Tung Yang was founded more than 50 years ago in 1967 at a shop at Wuchang Street. Since then, we have gradually expanded our retail locations to supermarkets, convenience stores and hypermarkets throughout Taiwan. We have also expanded to special retail outlets at highway service areas and international airports. Priding ourselves on being "international spokespersons of the Chinese food culture," we export to over a dozen countries including the United States, Canada, UK, Spain, the Netherlands, Japan, Hong Kong, Macau, Australia, China, Argentina, Singapore, Malaysia, Vietnam, and Cambodia. Having set up more than 30,000 retail locations, we bring Chinese delicacies to all corners of the world step-by-step.

Over the past decades, Hsin Tung Yang has become the No. 1 brand to consumers with our "taste of gourmet, taste of class, taste of love". On top of classic, nostalgic flavors which accompanied many consumers' childhoods such as meat jerkies, shredded pork and fish, and canned pre-cooked delicacy, we also strive to research and develop various Chinese pastries and holiday gifts. We sell 847 products that span more than 14 categories, and also offer a selection of local specialties and unique imported foods to satisfy the one-stop-shop needs for the public. Not only have we become a popular destination for both international travelers to Taiwan and locals before going abroad, but also one of the best souvenir stores throughout Taiwan.

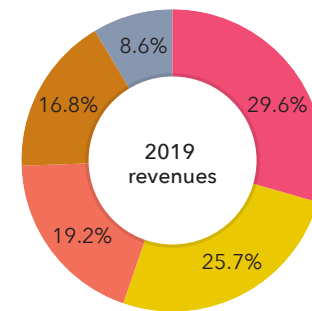


Hsin Tung Yang's Retail Venues



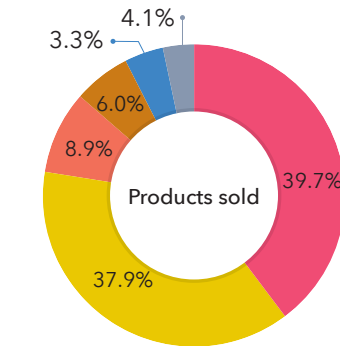
Value Creation

Composition of Sales Channels



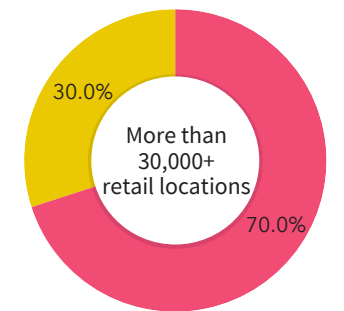
- Highway service areas
- Hsin Tung Yang Stores
- International airports shops
- Channel wholesale
- Others

Composition of Product Sales



- General merchandise
- Processed meat products
- Conffections
- Daily foods
- Gift boxes
- Others

Composition of Retail Locations



- Taiwan
- Overseas

Since our founding over 50 years ago, we have built a solid foundation in food production and gradually expanded to diversified operations, thereby building a complete value chain in the food industry. Net sales revenues have continuously grown for the past three years, and the total revenues in 2019 were nearly NT\$3.3 billion. Most of the revenues came from shops, highway service areas and airports, accounting for approximately 74.6% of all revenues.


Hsin Tung Yang has set up a physical presence at the Taoyuan International Airport (previously known as Chiang Kai-shek International Airport) since its commencement in 1979, and we expanded to highway service area management in 1992. As of December 31, 2019, Hsin Tung Yang has set up retail and food court services at Taoyuan, Taipei and Kaohsiung international airports, as well as Guanxi, Xihu, Qingshui, and Nantou highway service areas.

We have always prioritized consumers' food safety and quality. Hsin Tung Yang's rigorous and solid management mechanism has helped the company to stay clear of various food safety hazards and crises, and to continue to provide the best products and diverse services to consumers from various types of operations throughout the years.

Stages of Value Chain	Food R&D and production	Food processing	Warehousing, logistics and retail	Shop and special channel operations	
Hsin Tung Yang's Scope of Business	R&D → Material procurement	Outsourced processing In-house production OEM	Warehousing Logistics Channel wholesale Logistics providers Restaurant and roasted meat stores	Physical presence Stores Restaurants Virtual presence Online stores	Special channels Highway service areas Airport shops
Partner suppliers	Raw material suppliers	OEM factories	Logistics providers	Product OEM and suppliers	Retail space contractors
Types of Product/Service	Food products	Shops	Restaurant and roasted meat stores	Special channel operations	
Content	Hsin Tung Yang meat jerkies, pork floss, fish floss, canned foods, pastries, gift sets, and snacks	Hsin Tung Yang shops, department store counters, bus terminal stores	Mai's HK Roast Food, Mai's braised foods, Most Delicious Fried Chicken, Guanxi Bento, Hakka Restaurant	Highway service areas: Guanxi, Xihu, Qingshui and Nantou Airport shops: Taoyuan International Airport, Taipei International Airport, Kaohsiung International Airport	

Business Milestones

As a leader in the food industry, besides taking the lead to introduce ISO quality management system, product traceability system, processed food traceability system, clean production technologies, and green production processes to build the foundation for sustainable industry development, Hsin Tung Yang is also actively leading partners throughout the value chain to collectively promote sustainable development.

Sustainability Milestones	Awards
<ul style="list-style-type: none"> ◆ 1967 - The first Hsin Tung Yang store was founded. ◆ 1976 - The first production site was built at Sanchung District at New Taipei City. ● 1984 - Founded the Mai's Hsin Tung Yang Foundation. ▲ 1988 - Dayuan Factory began operation and the wastewater treatment system from the Netherlands was implemented. ● 1991 - Assisted in building the Hsin Fu Children's Home. ◆ 1992 - Expanded into management and operations of highway service areas. ◆ 1994 - Received "Certified Agricultural Standard (CAS)" from the Council of Agriculture. ◆ 1996 - Became Taiwan's first food company to receive ISO 9001 certification. ◆ 2002 - Received Hazard Analysis and Critical Control Points (HACCP) certification. 	<ul style="list-style-type: none"> ▲ Environmental ● Social ◆ Governance
<ul style="list-style-type: none"> ◆ 2008 - Selected as a model enterprise for "processed food traceability" and became the first meat processor in Taiwan to implement product traceability and processed food traceability systems. ◆ 2013 - Guanxi Service Area received the ISO 22000 food safety management system and HACCP international certification. ◆ 2013 - Increased traceable food products to 58 items and CAS certified categories to 7 categories. ▲ 2016 - ISO 22000 and FSSC 22000 food safety and health management system certification is received for all products produced in-house. 	<p>1967-2002</p>  <p>2004-2016</p> <ul style="list-style-type: none"> ▲ 2004 - Green packaging design received Taiwan Packaging Star Award and "Eco Packaging Design Award". ◆ 2004- Nantou Service Area honored with "Outstanding Private Management Team" from the "Golden Thumb Awards". ◆ 2010 - Hsin Tung Yang's product received "iF Design Award" and "Golden Pin Design Award". ◆ 2011 - Named "Top 100 Taiwan Brands" by the Bureau of Foreign Trade, Ministry of Economic Affairs. ◆ 2015 - Highway service area received "Excellent" rating for both restaurant and recreational area category from the Ministry of Interior's "Friendly Building" evaluation. ● 2016 - Healthy shredded meat products received "Top 10 Age-friendly Foods" by the Council of Agriculture, Executive Yuan.
<ul style="list-style-type: none"> ▲ Received ISO14064-1 Greenhouse Gas Inventory certificate. ▲ Received the Green Building Label. ▲ Received Clean Production certification. ▲ First in the food product industry to receive Green Factory Label in Taiwan. ▲ Received Talent Quality-management System (TTQS) certificate. ● Received ISO 50001 Energy Management Systems certificate. ◆ Hakka Restaurant at Guanxi Service Area and Taoyuan International Airport were recognized as "traceable restaurants" by the Agriculture Multi-Discipline Management of Technology (AMOT) in Taiwan. 	<p>2017</p> <ul style="list-style-type: none"> ● Shredded chicken floss was named a "Age-friendly food" by the Council of Agriculture, Executive Yuan.
<ul style="list-style-type: none"> ● Received ISO 45001 Occupational Health and Safety certificate. ● Received Taiwan Occupational Safety and Health Management System (TOSHMS/CNS15506) certificate. ◆ Hakka Restaurant received "3-star traceable restaurant" designation from AMOT. ▲ Received ISO 14001:2015 Environmental Management System certificate. 	<p>2018</p> <ul style="list-style-type: none"> ▲ Received "Bronze Medal in the 27th ROC Enterprise Environmental Protection Award" from the Environmental Protection Administration, Executive Yuan. ▲ Honored with Silver Medal from the Bureau of Energy's 2018 Energy Saving Leadership Award.
	<p>2019</p> <ul style="list-style-type: none"> ◆ Fengshan Store was honored with "the 22nd TCFA Outstanding Store Manager Award" and received said award from the Presidential Office. ◆ Zhongzheng Store in Taichung was awarded "the 6th TCFA Best Services Award" from the Taiwan Chain Stores and Franchise Association in 2019. ● Healthy Pure Shredded Pork Floss for Babies and Grilled Honey Pork Jerky were chosen to receive "age-friendly foods" designation from the Council of Agriculture, Executive Yuan.



Hsin Tung Yang's History

Vision and Core Values

"Where There is Chinese, There Shall be Hsin Tung Yang."

From the very beginning, Hsin Tung Yang has set a far-reaching goal of promoting exquisite Chinese delicacy to the international community. Having started out by ensuring outstanding food production and sales processes by advancing production technology, operation and management, and marketing techniques, we then set out to plan diverse channel blueprints via offering retail locations at stores and highway service areas throughout Taiwan, thereby strengthening our brand value and impact and setting strong foundations for the globalization of Taiwanese food. Furthermore, we became dedicated to developing local specialties to satisfy the souvenir needs for visitors to Taiwan or Taiwanese citizens traveling abroad. By managing channels at airport terminal shops, we offered accessible gift choices to travelers. In addition, by setting a business division in China and overseas branches, we also strengthened product exports starting from areas with overseas Chinese residents in Southeast Asia, Europe, and America. By offering quality products, Hsin Tung Yang wishes to convey the beauty of Chinese culture to the whole wide world!

Bringing Tastes to Your Life

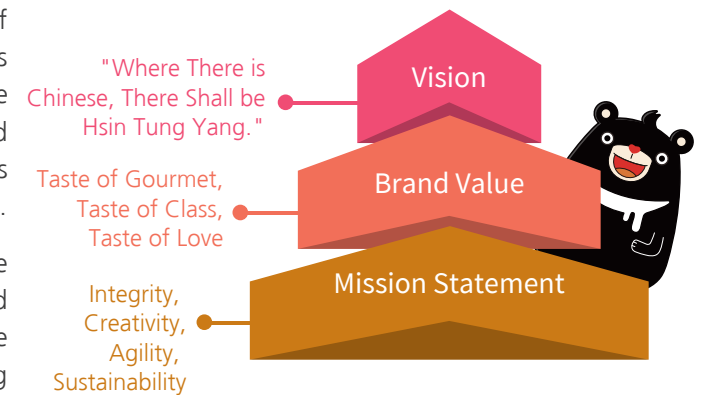
"Taste of Gourmet" In the pursuit of tasty foods, Hsin Tung Yang continues to innovate using traditional flavors. We continue to pass on unique Chinese food culture and to touch the hearts and souls of our consumers through tasty products.

"Taste of Class" In present days, people look beyond quality in food, and continue to pursue for an exquisite taste and lifestyle in what they eat. Hsin Tung Yang has never wavered in our pursuit for well-executed taste in life.

"Taste of Love" - Gift-giving creates a bond between the giver and the receiver. For the average conservative Chinese person who may shy away from expressing his/her emotions out loud, gift-giving is a way of conveying unspoken appreciation.

Integrity, Creativity, Agility, Sustainability

Hsin Tung Yang continues to operate on our four major management philosophies, "Integrity, Creativity, Agility, Sustainability" and to deliver our core brand values to each and every customer.



Hsin Tung Yang's Introduction



2.2 Industry Trends and Management Strategies

Analysis of Food Industry Development and Market Trends

Changes in population structure and eating habits

The market has become more segmented and niche, with a preference for customization, convenience, and social community. Population aging has led to changes in consumers' dietary habits and preferences. People are increasingly focused on health while searching for taste. In addition, people are also beginning to pay attention to environmental impacts from product life cycle, and more attention is being paid to sustainable products.

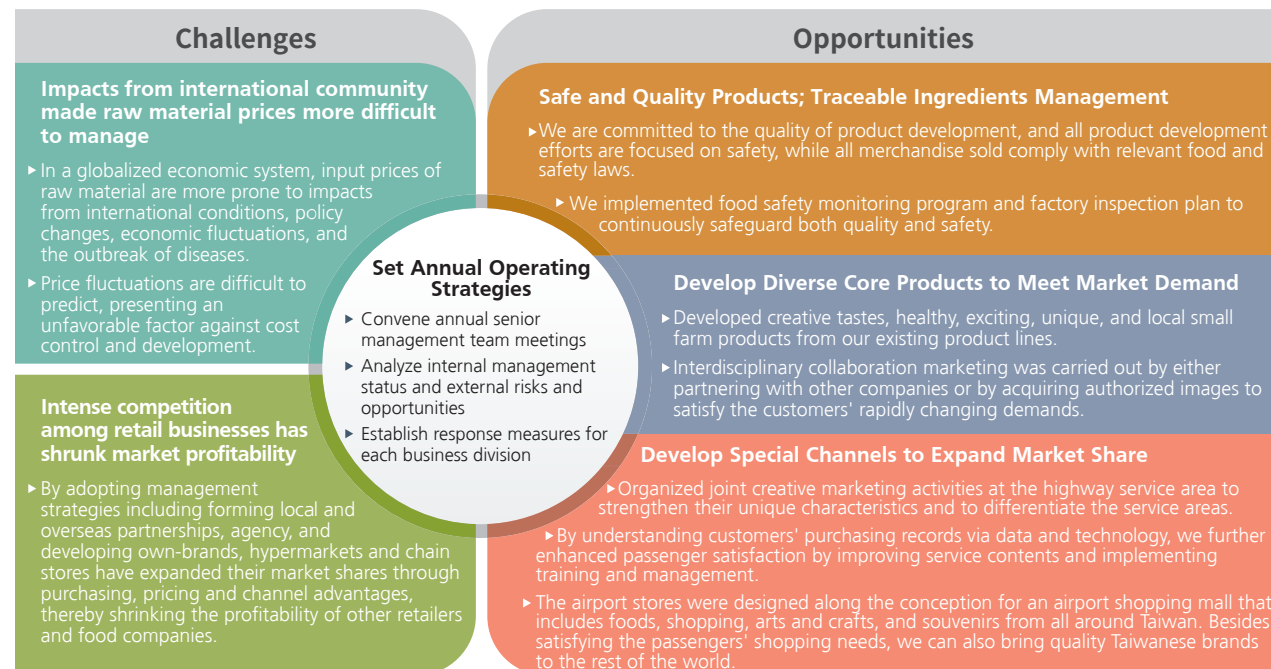
Inflation in pork prices

Compared to 2018, poultry prices have risen by 2.34% in Taiwan in 2019. The inflation was mostly attributable to the continuing African Swine Fever in China, which led to significant decreases in pork production and impacted global pork and other livestock markets and thereby increasing Taiwan's pork prices.



Challenges and Opportunities

Hsin Tung Yang has identified the following external challenges and analyzed business development opportunities:



Operating Strategies

Hsin Tung Yang organizes management conferences in each year to review the operating status of each business division. The overall economic environment, current food industry environment and developments, and market supply/demand and growth opportunities are analyzed, and risks and opportunities in developing our visions are also clarified, thus allowing us to form response strategies for each business division and an annual business plan to ensure the sustainable management of the Company. To respond to the aforementioned external trends and opportunities, Hsin Tung Yang will propose short- and long-term business development plans for channels and products and to conduct timely performance review and propose strategies accordingly. We will seize opportunities to create business value through our core strengths, and to maintain sound after-tax net profit.



Channel Strategies

- Continued to expand business locations
- Introduced creative services and differentiated products based on the nature of the channel.
- Encouraged the management officers to develop professional skills and enhanced quality

Acquire insights to consumers' diverse needs

By partnering our own channels with various industries, we can understand changes in consumer movements, purchasing behavior, and trends at each channel.

Enhance members' experiences and loyalty

By optimizing our smartphone app, we can strengthen interactions between members and increase customer adhesion. By understanding customer profile and consumer history, we can develop new retail through customer flow analysis system, and technology can also be used to enhance management effectiveness and precision marketing.

Create hot topics and trends via social media

We communicate with consumers via emerging and diverse media models, and also increase exposure through buzz marketing.

Promote creativity in merchandise and services

Enhance brand value by building diverse, fun, and thoughtful consumer experiences based on the nature of the channels.

Connect local small farmers to build a sustainable value chain

Nurture local small farmers and develop a platform between the farmers and consumers, where local agricultural specialties, foods, and ingredients can be introduced to each channel to realize a sustainable supply and demand system with unique local features, thereby enhancing the overall value of Taiwan's green industry.

Product Strategies

- Developed products based on market trends and target customer groups
- Launched optimized marketing plans based on the nature of channels and products
- Planned product launch for various channels to increase market share
- Utilized strengths in procurement and production technologies and continued to develop OEM market to enhance productivity and reduce cost

Understanding the needs of target consumers

Develop LOHAS, recreational, healthy, and age-friendly delicacy by analyzing consumption models and market trends. In addition, we can also enhance product quality and management through implementing the latest technologies and ingredients.

Strengthening segmentation by including local characteristics

We can generate buzz and enhance contents of products through collaborating with local farmers, and enhance visibility through channel and diversified marketing, thereby strengthening brand image and product value and increase consumer preference and recognition.

2.3 Corporate Governance



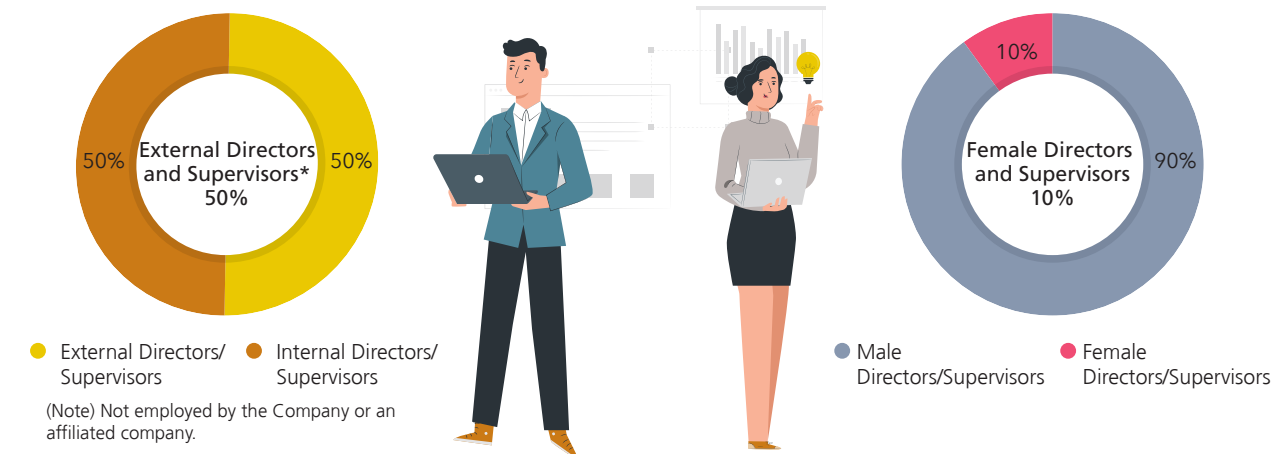
Organizational Structure

By building a positive governance system and sound supervision mechanism and implementing internal control, Hsin Tung Yang is committed to practicing the spirit of integrity in our day-to-day operations and internalizing integrity as our core corporate culture. Hsin Tung Yang has set up corresponding departments such as Product Business Division and Channel Business Division for different types of businesses ranging from food production to channel management. Please see the 2019 Annual Report for detailed information on organizational structure and roles and responsibilities of each department.

Board of Directors

Hsin Tung Yang is a publicly listed limited shares company. The Board of Directors is the highest decision-making governance body and is comprised of 7 Directors (one of whom is female) and 3 Supervisors. The composition of the Board is diverse, and for relevant information on the academic and work experiences, professional knowledge, remunerations, and concurrent positions of its members, please see the 2019 Annual Report for details.

The Board of Directors convenes at least 4 meetings in each year. Four Board meetings were convened in 2019 with 100% attendance rate from all Directors. Hsin Tung Yang has enacted the Regulations Governing Procedure for Board of Directors Meetings in line with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" as the guiding principles of procedures for such meetings. When convening a Board meeting, when a Director or Director holds either a self interest or an interest in the entity he/she represents in a proposal, pursuant to applicable regulations, the Director(s) must describe reasons for recusal, and to refrain from discussions or voting on the proposal to prevent conflicts of interest. The Board of Directors has set up a dedicated secretary to handle resolutions from the Board of Directors, and to evaluate the effectiveness and to follow-up on resolutions during each Board meeting. Standards of remuneration for Directors and Supervisors are in reference of industry standards, levels of contribution, and management performance.



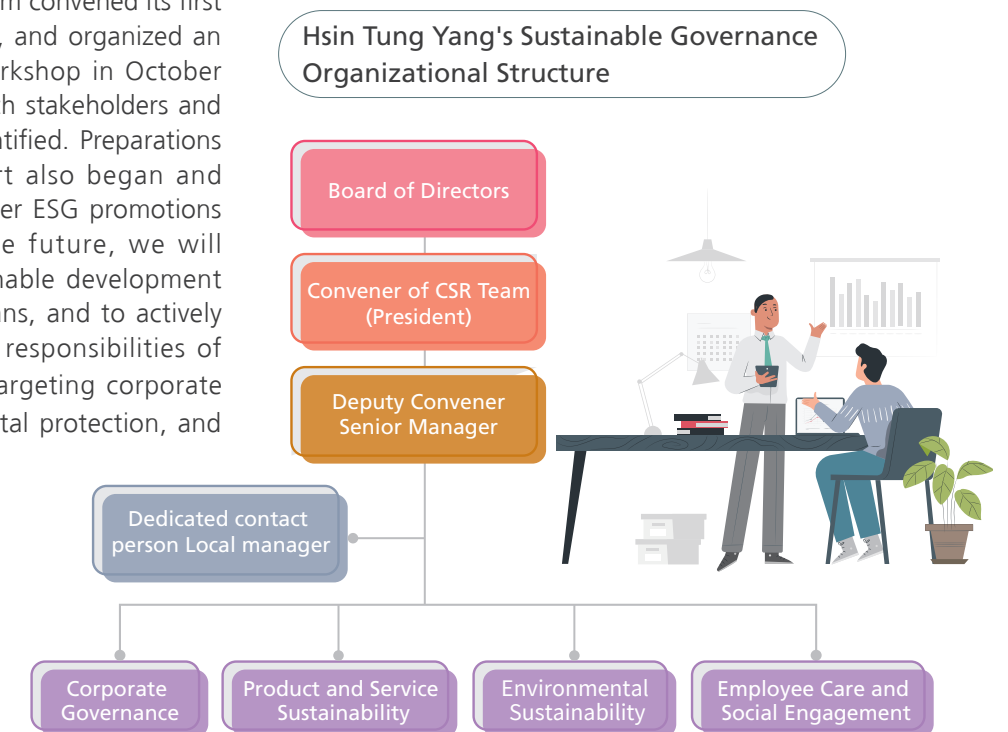
CSR Team

Hsin Tung Yang has formulated a CSR Team in 2019 in order to enhance the quality of information disclosures on sustainable business development and to build a long-term strategic and integrative environmental, social and governance (ESG) management mechanism. The CSR Team is headed by the President and a deputy convener and dedicated point of contact have also been designated. In addition, supervisors from each relevant business are responsible for topics on "corporate governance", "product and service sustainability", "environmental sustainability", and "employee care and social engagement". The highest-ranking managerial officer in the CSR Team is the President, who would submit key topics and aspects for ESG sustainable

developments, and corresponding strategies for the Sustainable Development Goals (SDGs) to the Board of Directors for approval.

In terms of the reporting processes of relevant sustainable development topics, based on our current organizational framework, staff from each business division will first report to the deputy convener, who would coordinate and report such information to the President, and finally, the President would report to the Board. In terms of action plans targeting each ESG topic and decision-making regarding material topics, senior managers and the CSR Team will either collectively handle related matters, or handle them by their functional authority. Decision-making regarding material topics would be the responsibility of the President, who would also report relevant decisions and implementation results to the Board of Directors.

Hsin Tung Yang's CSR Team convened its first meeting in August 2019, and organized an educational training workshop in October in the same year, in which stakeholders and material topics were identified. Preparations for the first CSR Report also began and systematic inventories over ESG promotions were conducted. In the future, we will continue to plan sustainable development strategies and action plans, and to actively promote and fulfill the responsibilities of a corporate citizen by targeting corporate governance, environmental protection, and social engagement.



Ethical Business Management

For more than 50 years, Hsin Tung Yang has persisted in ethical business management and fulfills our core business philosophies while responding to external trends and legal requirements, thereby formulating a corporate culture of integrity. To ensure ethical business management, we abide by relevant regulations and systems including the Statement of Internal Control approved by the Board of Directors. To implement risk control, the Statement has established the functional authority of each rank, employee work rules, and established an effective accounting system and internal control system.

Based on the aforementioned system, Hsin Tung Yang implements different functional authority by rank and reviews the effective management of the ethical management system through regular management conferences, annual performance reviews, and third-party CPA audit over the financial statements. In addition, personnel from the Audit Office are in charge of drafting and executing the annual internal audit plan and regularly verifies the status of compliance in each system and reports such findings to the Board of Directors. The Board of Directors shall carefully supervise the Company in the capacity of good administrators to prevent unethical conduct, and to review and to continuously improve the effectiveness of such implementations at all times.

Hsin Tung Yang has stipulated work rules that specify occupational ethics, service principles, and performance incentive and disincentive measures (including anticorruption Policies and Procedures). In addition, promotions and reminders of ethical business management are carried out through scheduled departmental meetings that include Board of Directors meetings, management conferences for senior managers, and monthly channel management meetings. To encourage employees' compliance and emulations, positive performances are rewarded, while unethical conduct is inhibited as a warning.

In case a violation has been found, employees or contractors can actively report such incident to appropriate supervisors, Audit Office, a senior manager, the President, a Director or a Supervisor. Hsin Tung Yang will incentivize whistleblowers through either recording a merit or by awarding bonuses based on the conditions of the incident. Externally, a dedicated service hotline, website, and mailbox have also been set up to receive whistleblowing incident. A public conference will be held to evaluate the incident by related units, and the result of which will be announced. Hsin Tung Yang has authorized each unit to receive whistleblowing incident and adopts rigorous measures to protect the confidentiality of the whistleblower to prevent any form of inappropriate treatment as a result of the whistleblowing incident. In 2019, no whistleblowing incident related to corruption and violation of integrity conduct or principle of ethical business management was received.

Participation in Associations/NGOs

Hsin Tung Yang actively participates in associations and organizations related to our industry and has formed positive interactions with the industry and relevant competent authorities. Through interacting with and learning from one another, we aim to promote co-prosperous partnerships in the industry. We will evaluate the possibility of joining organizations advocating for sustainable developments and to sign relevant initiatives in the future, where we will share our experiences with relevant promotions in order to mutually advance with sustainable benchmarks across all industries and to co-create sustainable values.

Name of association/organization that the Company participates in	Identity of participant	Hsin Tung Yang's topics of concern
Importers and Exporters Association of Taipei	Director	Corporate sustainability
Taiwan Frozen Meat Packers Association	Director	Food safety
Taiwan Visitors Association	Member	Corporate sustainability
Taipei Bakery Association	Member	Corporate sustainability
Taipei Department Store Commercial Association	Member	Corporate sustainability
GS1 Taiwan	Member	Corporate sustainability
New Taipei City Chamber of Commerce	Member	Corporate sustainability
Taiwan Cannery Association	Member	Corporate sustainability
Taiwan Chain Stores and Franchise Association (TCFA)	Member	Corporate sustainability
National Federal of Rice Business Association of the Republic of China	Member	Corporate sustainability
Food Association of Taiwan	Member	Food safety
International Life Sciences Institute Taiwan	Member	Food safety

2.4 Risk Management



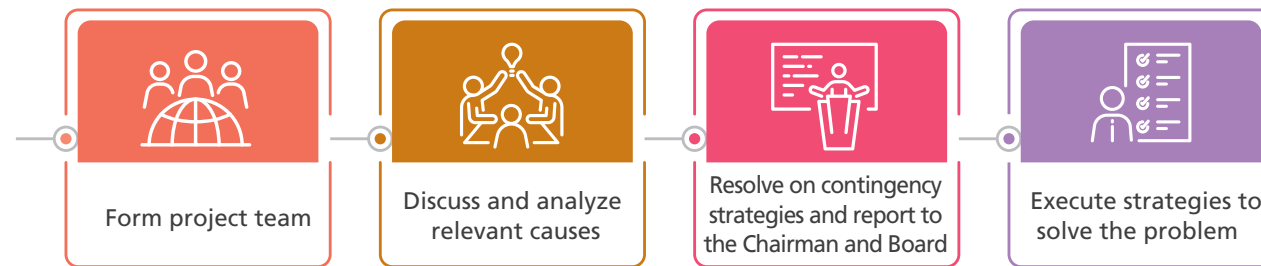
Risk Management Framework

For potential risks that Hsin Tung Yang may face during operations, the organization has adopts countermeasure management based on the nature of each type of risk to ensure effective risk management while also achieving operational strategies and goals. In terms of risk management, the following strategies and executions have been implemented by each respective functional unit:

Type of Risk	Implementation of risk management	Responsible unit
Climate change risks Climate change may impact the stability of raw materials in the supply chain, leading to increased energy, resource and environmental management costs, as well as changes in the market demand.	Hsin Tung Yang actively conducts environmental management measures, ranging from green factory processes during food production, introducing ISO energy management system, conducting greenhouse gas inventories, building renewable energy supplies, to reducing energy and resource consumption and environmental impacts. We are also aiming to build a sustainable supply chain through measures that include conducting supplier ESG screening and environmental impact risk assessment, as well as including sustainable concepts such as low-carbon vegetables and circular economy into creative product development.	All business units
Food safety risks The government and the public are increasingly strengthening their demand and regulations for food safety, and applicable laws are continuing to be amended. On top of compliance, food companies also need to actively protect the health and safety of customers in order to ensure sales volume and revenues, thereby strengthening brand reputation and achieving social responsibilities.	Management organization: each business division will regularly meet to monitor and track the current implementations of food safety through units which include the Food Safety Decision-making Team. Processes: To systematically control relevant risks, we would enact processing documents which include food safety monitoring plans and ensure that such documents are executed in actual operations. Source control: We implement supplier screening, scoring, auditing, and inspecting mechanism in practice. Product traceability: We have built a product traceability information chain system that ensures product traceability and timely response in case of emergency food safety crisis.	Food Safety Decision-making Team and all business units
Product and market risks Changes in industry and market demand lead to changes in companies' sales revenues and costs.	Each business division is responsible for analyzing relevant changes in laws and regulations and the market, and to evaluate and draft countermeasures. In case of emergency, senior managers and supervisors from relevant departments will form a special contingency team.	All business units
Financial, liquidity, and credit risks A company's capital movement and utilization can only be made in a manner that ensures stable organizational operations by controlling both capital and non-capital financial risks.	Our Finance Department is in charge of evaluating cash flow and financial risks, and executes relevant activities within its functional scope authorized by the Board of Directors. Relevant processing procedures have been enacted for high-risk investments or financial decisions based on the Securities and Exchange Act; in addition, firewalls and related mechanisms have been implemented for risk control for affiliated companies, and the Audit Office is in charge of supervising and verifying such implementations.	Finance and Accounting Department
Information security risks Digital transformation has increased the volume of information enterprises need to process, while the increasingly rigorous information security and Personal Data Protection Act also imply that businesses need to ensure compliance to prevent information security hazards from impacting their operations, customers' rights and interests, as well as their brand reputation and sales.	We have specified contracts with partner vendors including information systems to ensure information security and personal data protection. Personal data is acquired based on our privacy policy, and we also ensure that the processes of which comply with applicable laws. Internally, we classify the usage rights regarding personal data through access management and hierarchical management to prevent misappropriation. In addition, educational training on personal data protection is also implemented on relevant personnel.	Each relevant department
Occupational safety and health risks Occupational hazards could negatively affect the rights and interests of employees and impact the human capital and business capacity of an organization.	The ISO 45001 Occupational Health and Safety Management system has been implemented at Dayuan Plant, and the Occupational Safety Committee meets once every four months to ensure that relevant personnel have been trained and received occupational safety certificates. Seminars are organized to promote relevant awareness; while occupational safety risks at the workplace environment are identified to plan emergency response, and onsite patrols and human-factor inspections at the headquarters, channels, and factories are reinforced to ensure the effectiveness of occupational safety and health.	Dayuan Plant and related administrative departments at the headquarters

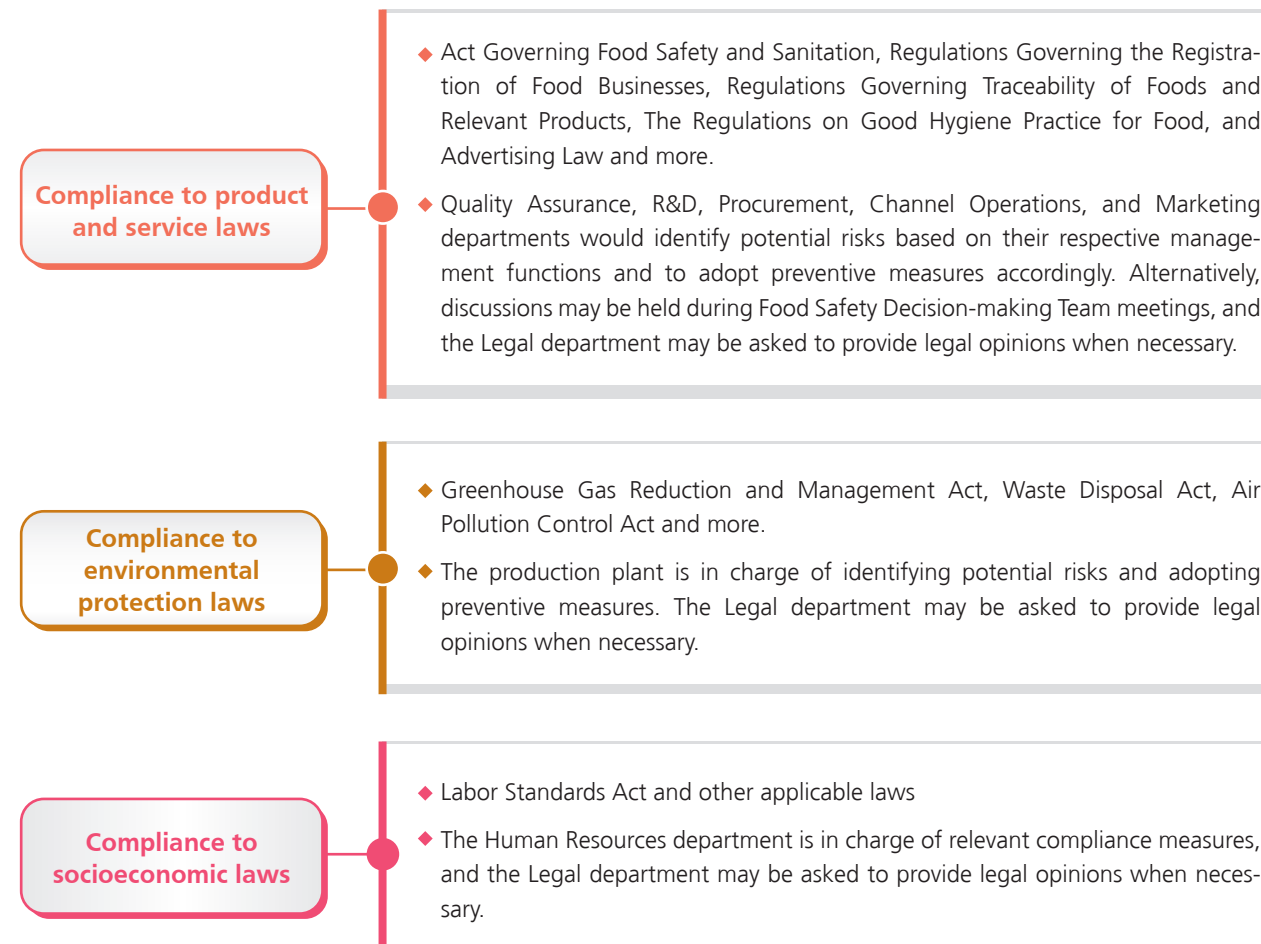
Crisis Management Mechanisms

To timely respond to and to appropriately handle various operational crisis, Hsin Tung Yang's President will form a project team with relevant units to discuss and resolve on contingency measures, as well as to immediately report to the Chairman and the Board of Directors in times of crisis.



Legal Compliance

Running diverse business operations means that Hsin Tung Yang has to comply with applicable laws from each field. To strengthen legal compliance and reduce risks, we have established multiple management mechanisms targeting diverse legal aspects and relevant operational management responsibilities. Key compliance items include the following:



2.5 Customer Relations Management

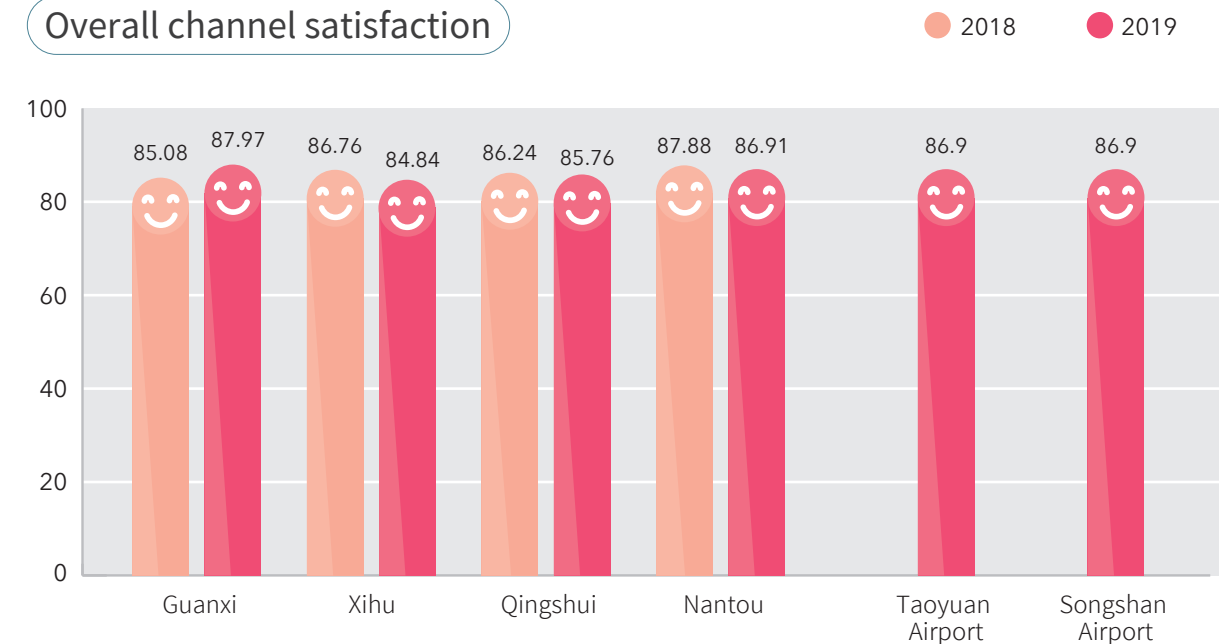
Enhancing Customer Satisfaction

To understand customer needs and to continuously improve product and service qualities, third-party agencies have been asked to conduct customer satisfaction survey for Hsin Tung Yang at highway service areas and airport shops since 2018. Through analyzing the results of such surveys, we can better understand consumer behavior of customers while using our service areas; we can understand customers' levels of satisfaction for various facilities, services, activities, dining, and spatial arrangement at the airport and highway service areas, as well as understand the nature of passenger travels and their consumption as basis for planning future marketing strategies. In addition, by coordinating passengers' topics of concern and needs, we can use such data as basis for decision-making in future service improvements.

In terms of the highway service areas, satisfaction surveys were conducted on all four service areas in 2018 and 2019. Aspects of the surveys included dining, convenience stores, souvenir counters, bathrooms, other environmental facilities, and customers' overall satisfaction.

Alternatively, for the airport shops, customer satisfaction surveys have been conducted at our shops at Terminal 1 of Taoyuan International Airport since 2018, and survey on shops at Taipei International Airport also began in 2019. Aspects of these surveys included: restaurants, souvenir counters, convenience stores, public areas, and unmanned stores. The average overall satisfaction for highway service areas has reached 86.4 points in recent years, while the overall satisfaction for airport shops has reached 86.9 points.

Overall channel satisfaction



Listening to the Voice of Customers

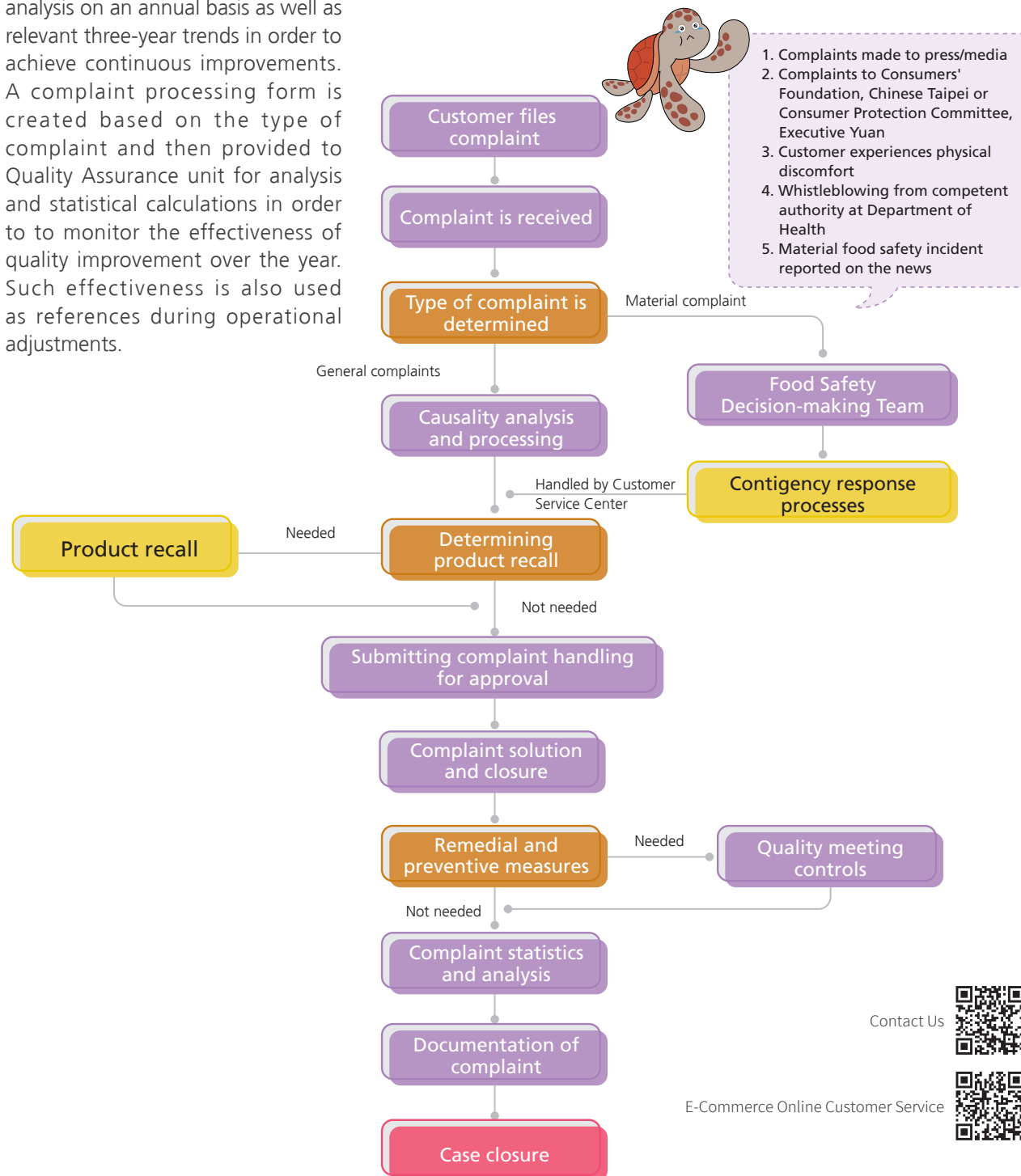
Hsin Tung Yang's customers include consumers and business entities. To obtain customers' real-time thoughts and opinions on our products and services, we strive to communicate with customers through diverse channels that include toll-free customer service hotline, channel mailboxes, customer satisfaction surveys, and paying visits to corporate customers.

When a customer has concerns over product or service flaws, feedback or complaints can be delivered through fluent customer service hotline and the point of contact on our website. In order to reflect customers' opinions to relevant business, logistics and production units, dedicated contact persons have been set up for four types of our products and services, namely merchandise, shops, businesses and trading. Customer opinions will

be submitted to our management when necessary, and would be processed after clarifying relevant causes to ensure customers could receive satisfactory solutions and response, thereby enhancing Hsin Tung Yang's trustworthiness.

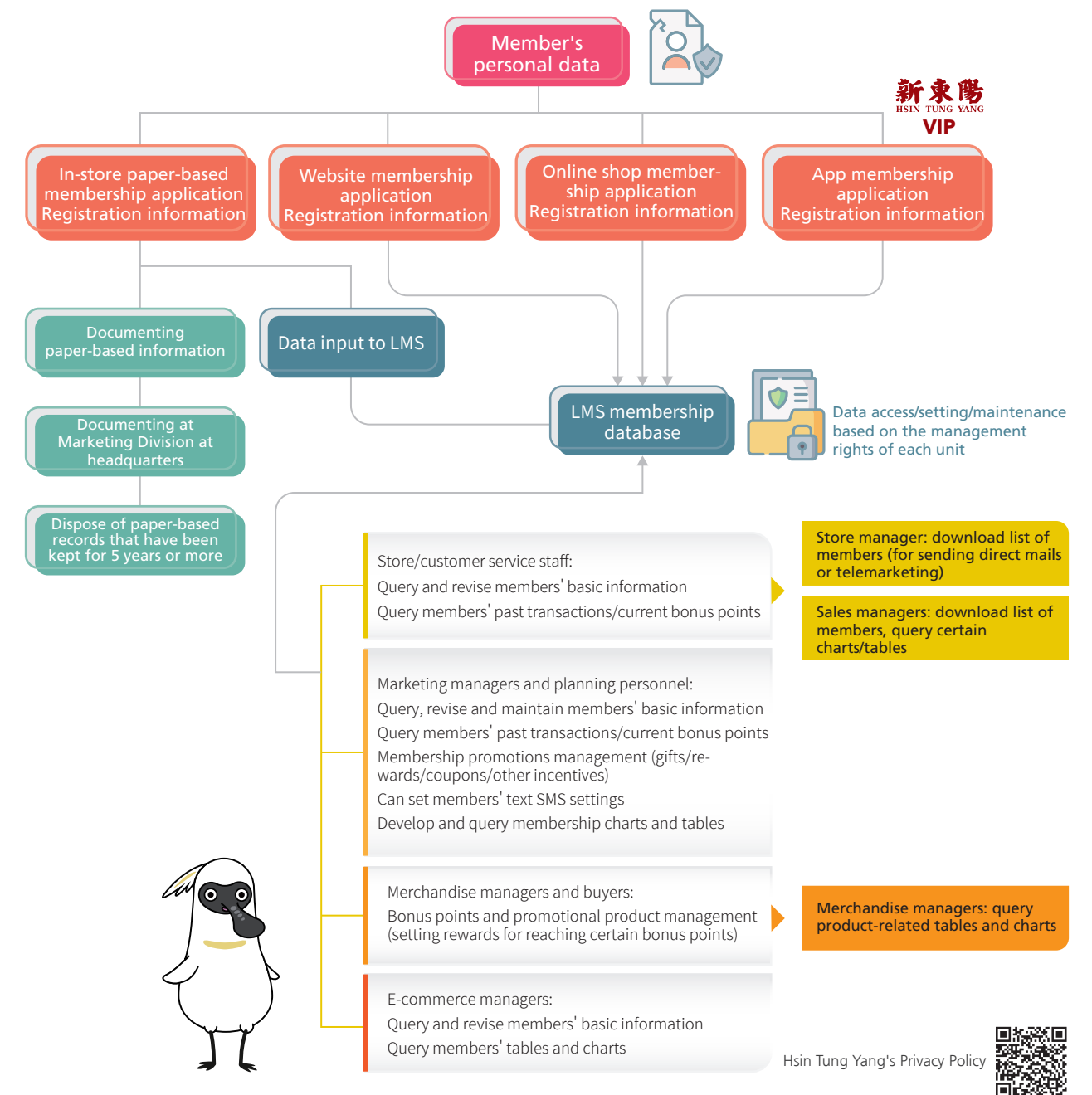
For instance, in case of flaws in products manufactured by Hsin Tung Yang, the Production Division would compile and analyze relevant customer complaints during monthly quality management meetings. Causes would be analyzed and changes in the ratio of complaints would be compared and contrasted with the previous month and on a month-on-month basis. In addition, remedial and preventive measures would be established to reduce occurrences of inferior products. In case of material complaint regarding food safety, the Food Safety Decision-making Team would immediately implement contingency processes, and relevant measures including product recall would be executed when necessary.

Hsin Tung Yang analyzes complaint analysis on an annual basis as well as relevant three-year trends in order to achieve continuous improvements. A complaint processing form is created based on the type of complaint and then provided to Quality Assurance unit for analysis and statistical calculations in order to monitor the effectiveness of quality improvement over the year. Such effectiveness is also used as references during operational adjustments.



Protecting Customer Privacy

Trustworthiness and security are the foundations to forming and strengthening long-term relations with customers to any brand; hence, Hsin Tung Yang is highly focused on customer privacy management, and achieves our commitment for protecting members' privacy against data leak through measures which include reinforced data protection and access control. Hsin Tung Yang acquires members' registration information via our online shop and store membership registration. All consumers are asked to review the privacy policy in "Hsin Tung Yang membership terms," and their consent is always achieved before collecting, processing, using, or documenting any member's information. Through access control and hierarchical management, usage rights related to members' information is segregated, and every department can only use such information in ways specified for their business needs. The use of specific data requires authorization from supervisors, and to strengthen supervision and control over information and to prevent data leak, all relevant salespersons are also required to undergo compulsory educational training for "Personal Data Protection Act". Hsin Tung Yang also specifies customer information protection regulations with information system vendors, and will also sign "Statement of Confidentiality" with data erase & disposal services in the future and to store "document disposal treatment records" in the future to ensure privacy protection.



2.6 Supply Chain Management



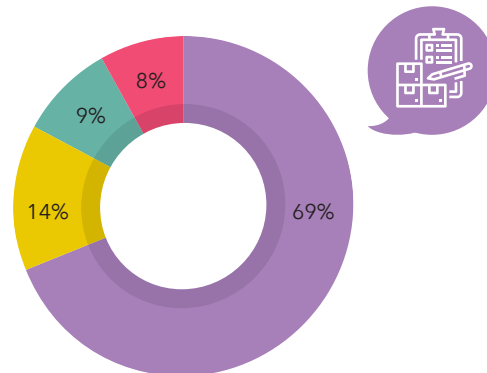
Hsin Tung Yang has established a comprehensive food value chain, and every supplier and vendor is a collective management partner who helps us to achieve co-prosperity. Through rigorous management measures, Hsin Tung Yang ensures food safety and achieves sustainability, and together, we are committed to enhancing brand image and product and service quality, and for providing the best customer experiences.

Types of Supplier

Suppliers of Hsin Tung Yang's own brands include raw material suppliers and OEM suppliers, while most of the suppliers for our stores are merchandise suppliers, and external vendors for highway service areas. Raw material suppliers include raw meat, ingredients, materials, and supplies, and we had 224 of such suppliers in 2019. In particular, 223 of which were Taiwanese manufacturers and trading companies, and only 1 was a foreign enterprise (a German importer of spices). The local raw material procurement ratio at Dayuan Plant has reached 99.9%. In terms of OEM, Hsin Tung Yang's Dayuan Plant has had 10 OEM suppliers in 2019, and all of which were food processing companies from Taiwan. We have had 524 suppliers to our shops; most of which were suppliers for food, agricultural produce, raw materials, importers, logistics, and distributors.

Distribution of Raw material Suppliers

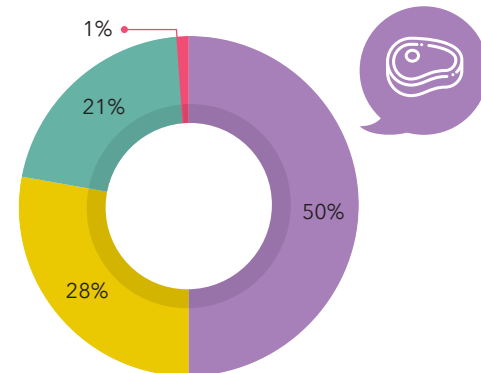
By Number of Suppliers



● Ingredients ● Materials ● Supplies ● Raw Meat

Distribution of Raw material Suppliers

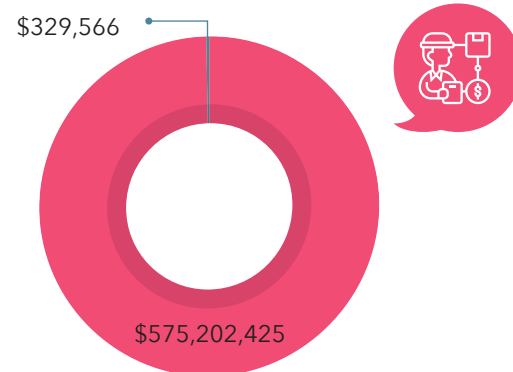
By Purchasing Value



● Raw Meat ● Ingredients ● Materials ● Supplies

Ratio of Raw Material Supplier

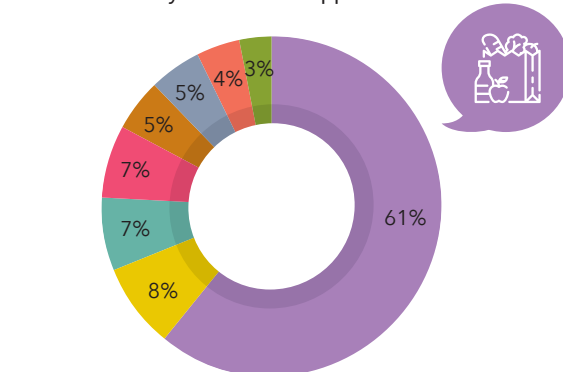
By Purchasing Value



● Domestic Procurement ● International Procurement

Distribution of Types of Supplier for Hsin Tung Yang Stores

By Number of Suppliers



● Food ● Agricultural Produce ● Distributors ● Importers ● Dealers ● OEM ● Raw Materials ● Packaging Materials

Sustainable Procurement

Hsin Tung Yang purchases environmentally-friendly and sustainable raw materials to ensure that environmental impacts are mitigated while being committed to the quality of products and services. Additionally, we also support suppliers of green products to promote sustainable transformation of the industry chain.

Roundtable on Sustainable Palm Oil

Starting in 2019, Hsin Tung Yang began to use oil products certified by the Roundtable on Sustainable Palm Oil (RSPO), an international product responsibility standard, as the raw materials for fruit fillings in pastries. RSPO certified products need to meet 8 principles and 144 indicators across 39 categories in order to ensure that legal compliance, information transparency, local environmental protection, biodiversity, and community and farmers' rights are all protected during palm production processes.

Statistics on RSPO Purchases

	Procurement amount (NTD)	Ratio
RSPO certified oils	4,134,976	14.29%
Total oil purchases	28,944,637	100%



Green Mark Certified Cardbord Boxes

Hsin Tung Yang collaborates with suppliers who have achieved the government's Green Mark designation in terms of cardboard box procurement in order to achieve circular economy and to reduce deforestation. We only use cardboard boxes made from recycled papers, and total cardboard box procurement in 2019 had been 842,492 boxes, or NT\$7.81 million.

Colorful Box Printing from Soy Ink

Starting in 2004, to mitigate environmental impacts and to promote environmental protection, all of the color ink used to print Hsin Tung Yang's colored boxes has been soy-based ink in place of petroleum-based ink. The number of colored boxes printed via soy-based ink in 2019 has been 2,963,057 boxes, and related procurement has exceeded NT\$34.30 million.

Carbon Footprint Products

In response of sustainable consumption practices, Hsin Tung Yang prioritizes procurement of carbon footprint certified products for our highway service areas and airport shops. Carbon footprint products purchased in 2019 included FIN Healthy-Support Drink, Coca-Cola, Taishan Pure Water, HeySong Sarsaparilla, HeySong Camellia Green Tea, Minute Maid Aloe & White Grape and more. Total procurement was approximately NT\$4.7 million, and with the exception of Taisun Pure Water, which is sold exclusively at highway service areas and bus terminal, all certified products are sold in all Hsin Tung Yang channels throughout Taiwan.

Traceable Agricultural Products

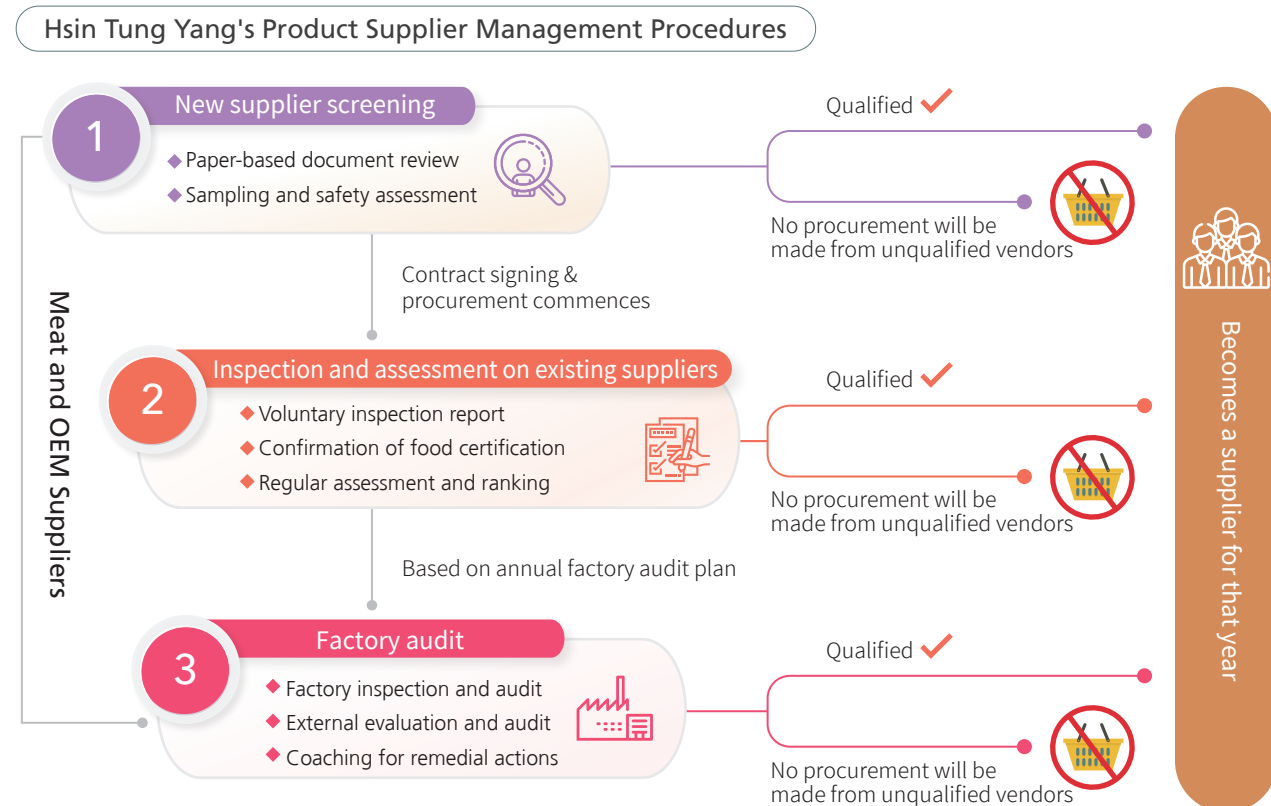
To promote transparency in the agricultural product supply chain and local agricultural development, Hsin Tung Yang has also actively purchased products with Traceable Agricultural Products (TAP) certification on top of establishing the product traceability system. Procurement of TAP products has exceeded NT\$7 million in each year over the past three years.

Hsin Tung Yang's Total TAP Procurement Over the Past Three Years

	2017	2018	2019
Procurement (in kg)	33,778	44,600	38,971
Procurement amount (NTD)	7,205,949	9,033,818	7,990,549

Product Supplier Management

Suppliers for Hsin Tung Yang's branded and in-store products include raw material suppliers, OEM suppliers, store merchandise suppliers. Suppliers are managed in line with "Supplier Management Procedures" to ensure product quality and compliance with food safety and health laws, thereby protecting brand reputation and protecting the rights and interests of consumers.



Step 1 New Supplier Screening

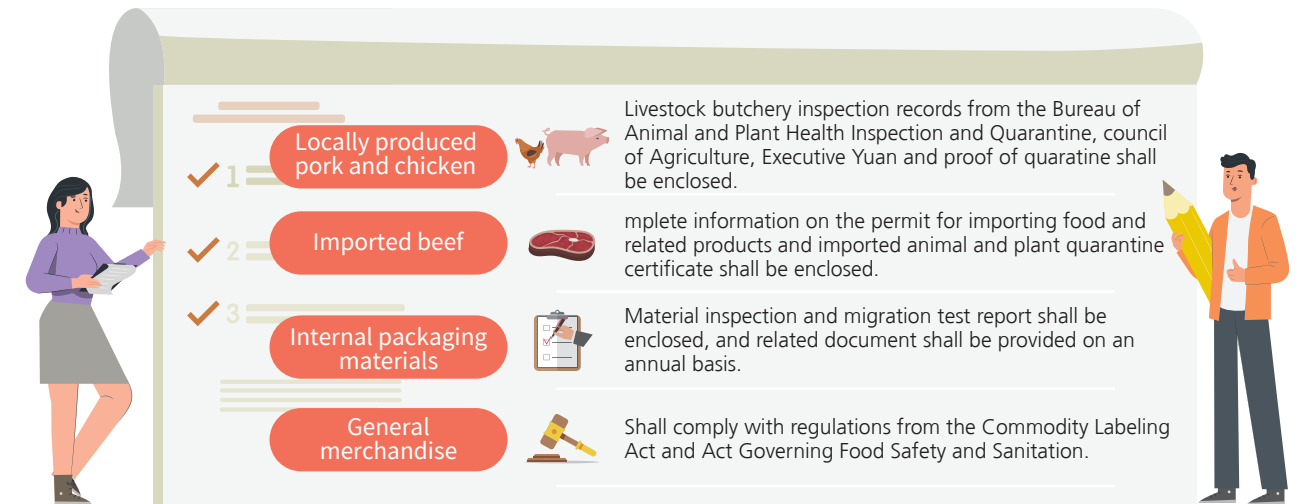
Hsin Tung Yang adopts the following processes to manage new supplier screening:

- Paper-based document:** confirmation of basic information such as vendor and factory registration, and meat suppliers need to be qualified butchers approved by competent authority and to pass butchery hygiene and sanitation inspection. Food suppliers need to be registered food companies.
- Factory inspection:** Quality Assurance unit will conduct onsite inspection to further understand the suppliers' product quality, production processes and technologies, and services, and to confirm that the suppliers are actively managing their environmental impacts.
- Sampling and safety assessment:** samples would be tested by the R&D unit for evaluation of safety and characteristics. After confirming its safety, our design unit, production unit, or R&D unit will also determine its qualification.
- Supplier evaluation:** After compiling the aforementioned information, the suppliers would be comprehensively evaluated on factors including paper-based review, quality control, and service quality based on our "Supplier Review Table". Raw material and merchandise suppliers who achieve 70 points total, and OEM suppliers who achieve 80 points or more, can become qualified Hsin Tung Yang suppliers.

Step 2 Supplier Assessment and Ranking

Food certification and voluntary inspection report

To ensure the quality and safety of raw materials, we require suppliers to enclose relevant voluntary inspection reports during product delivery. Examples of requirements for various products are as follows:



To ensure that raw material and OEM products from suppliers can meet Hsin Tung Yang's quality, quantity and delivery standards, we regularly score our suppliers with the following criteria: product quality standard, timeliness of delivery, and stability of supply. The following are frequency of assessment, ranking, and incentive/disincentive methods for various suppliers:

Assessment and Ranking of Raw Material Suppliers

Hsin Tung Yang scores and ranks raw material suppliers in every two months. Suppliers are classified into five ranks and corresponding measures would be taken based on their total scores. The number of suppliers being assessed has continued to increase over the past three years. In 2019, 224 suppliers were assessed, accounting for 100% of all raw material suppliers. The following table indicates assessment results in recent years; the ratio of suppliers who achieved A ranking in 2019 has been 97.8%.

2019 Raw Material Supplier Assessment Results

Number of suppliers Ranking	2019	Reward/disincentive method
AA	122	<ul style="list-style-type: none"> Increase order volume Supplier would be prioritized when new product (or new material) was to be produced
A	97	Maintaining status quo
B	5	<ul style="list-style-type: none"> Order volume may be reduced Supplier required to improve within a deadline and factory visit would be made to understand its current conditions Suggestions for improvement and continuous coaching/observation for one month
C	0	Transaction to be paused for three months in case a supplier receives C ranking during two consecutive assessments
D	0	Transaction to be paused for five months after receiving D on any single assessment
Number of suppliers assessed	224	

| Assessment and Ranking of OEM Suppliers

OEM suppliers of Dayuan Plant would be scored and ranked once every two months. Evaluation criteria include: product quality standards, timeliness of delivery, and stability of supply. Suppliers would be divided into five ranks, and corresponding measures would be adopted based on their total scores. In 2019, 10 suppliers were assessed, accounting for 100% of all factory OEM suppliers. The following table indicates assessment results in recent years; the ratio of suppliers who achieved A ranking in 2019 has been 100%.

2019 OEM Supplier Assessment Results

Ranking	Number of suppliers	Reward/disincentive method
AA	0	<ul style="list-style-type: none"> ◆ Increase order volume ◆ Supplier would be prioritized when new product (or new material) was to be produced
A	10	Maintaining status quo
B	0	<ul style="list-style-type: none"> ◆ Order volume may be reduced ◆ Supplier required to improve within a deadline and factory visit would be made to understand its current conditions ◆ Suggestions for improvement and continuous coaching/observation for one month
C	0	Transaction to be paused for three months in case a supplier receives C ranking during two consecutive assessments
D	0	Transaction to be paused for five months after receiving D on any single assessment
Number of suppliers assessed	10	

• Step 3 Factory Visit & Audit

Hsin Tung Yang establishes annual audit (factory inspection) plan, and the list of suppliers to be audited is determined based on factors that include annual transaction volume, product significance, customer complaints, and special circumstances. The types of factory audits include: factory certification, raw material management, processing and finished goods management, factory quality system, and onsite personnel and environmental inspection and more. The purpose of such audits is to understand product quality, production technologies, and to ensure food safety.

| Raw material Factory Inspection and Audit

We planned and actually carried out the audit for 24 raw material suppliers in 2019, accounting for 17.9% of all suppliers whose transaction volume reached NT\$200,000 or above. For 2020, we plan to audit (or visit the factories of) an average of 2 suppliers in each month, and are expected to visit 24 suppliers throughout the year.

Raw Material Suppliers Audited/Inspected For the Past Three Years

Year	2017	2018	2019
Number of transacting suppliers (NT\$200,000 or above)	121	131	134
Actual number of suppliers audited/inspected	23	33	24
Number of qualified suppliers	21	33	21

| Supplier Coaching and Improvements

For suppliers with quality concerns, our Quality Assurance unit will also participate in the factory inspection/audit and to propose a "Supplier Audit Report" (including supplier deficiencies and supplier's response and proposed improvements) for deficiencies found during our onsite inspections. Hsin Tung Yang will work with the supplier to find underlying reasons and guide the supplier through the "supplier deficiencies and supplier's response" form to make necessary improvements within a given deadline. Additionally, unqualified suppliers may be replaced. Audit results will also be provided to procurement unit as references for continued partnership.

● Channel Contractor Management

Hsin Tung Yang views all contractors across all highway and airport channels as our management partners toward co-prosperity, and we are mutually dedicated to enhancing brand image and service quality via coaching and management at each stage along the way.



• Step 1 Preemptive Management

To ensure customer safety, Hsin Tung Yang's Business Development Division at our headquarters will confirm product-related certificates or approved inspections for vendors who wish to collaborate with us. In terms of contract agreements, our court-notarized agreements are based on relevant procedures enacted by government agencies including the Freeway Bureau, MOTC, and we require vendors to strictly abide by contents of the agreements. In case the contractor experiences management issues or commits a major contract violation during the operating period, as a good administrator, Hsin Tung Yang will assist the contractor to retreat from the service area operations based on contract terms and on a principle of fairness and integrity.

before the contracted vendor enters the service area, our Highway Service Area Division will organize internal educational training to ensure the vendor's understanding of relevant regulations and service needs.

• Step 2 Day-to-Day Operations Audit

Hsin Tung Yang has established the "Retail Space Management Regulation" that specifies the principles of "personnel management, product management, sales management, and venue management" for retail space, and disincentive measures are stipulated for violations. The audit mechanism covers three major aspects, and responsible units include service area managers, on-duty supervisors, Audit Office at headquarters, Customer Satisfaction Team, Highway Service Area Division, and the Freeway Bureau, MOTC. The service quality, management performance, and operational quality of contractors are confirmed through various investigation methods ranging from regular reviews, audits, to mystery shoppers.



Key Channel Audit Items



Moreover, Hsin Tung Yang also confirms the cleanliness, sanitation, and service quality of the retail space via periodic scoring systems. Scoring items include the cleanliness and sanitation of personnel, counter area and space, and equipment and facilities, and deficiencies found are tracked for improvement progress. Scoring results are compiled and submitted to the headquarters for inspection and documentation on a monthly basis.

2019 Highway Service Area Retail Space Scoring Results

(Average Results of Monthly Scores from Jan to Dec)

Score	Guanxi Service Area		Xihu Service Area		Qingshui Service Area		Nantou Service Area	
	Number of retail counters	Ratio	Number of retail counters	Ratio	Number of retail counters	Ratio	Number of retail counters	Ratio
Outstanding	4	23%	7	37%	13	39%	4	29%
Good	6	33%	3	13%	5	16%	6	38%
Qualified	8	45%	10	50%	15	45%	5	32%
Total	18	100%	20	100%	33	100%	15	100%

Step 3 Contractors' Retail Space Evaluation and Incentives

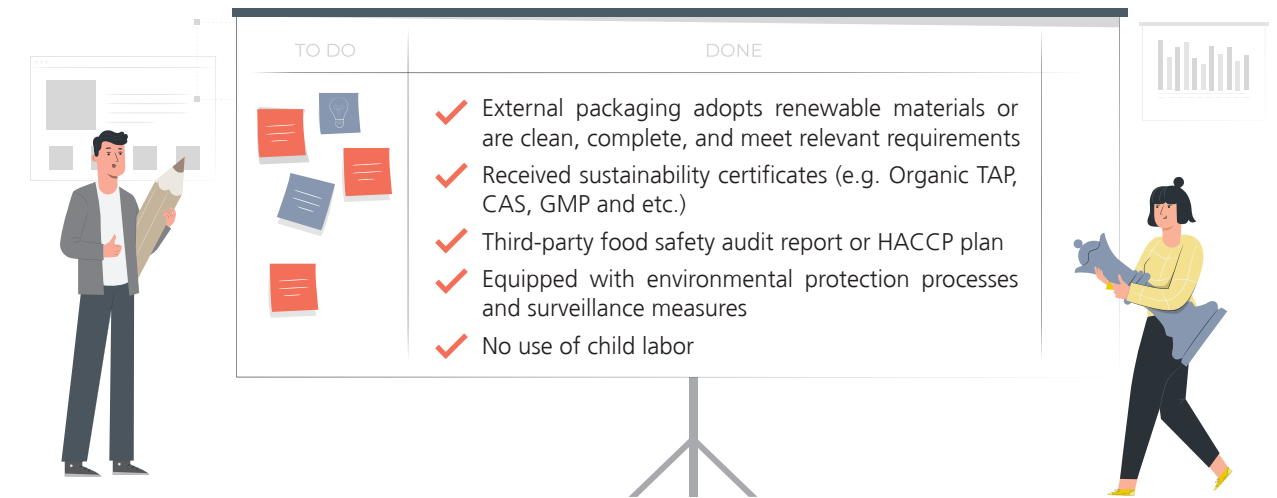
To encourage contractors to enhance their service quality and to ensure food safety, Hsin Tung Yang has been implementing the "contractors' retail space evaluation system" in as early as 2009. Relative weights are given for criteria that include "daily operations," "food safety evaluation," and "percentage of revenue from retail space," and contractors with scores above 70 points are qualified, while "good" indicates a contractor that scores more than 80%, and "outstanding" contractors are those who score above 85 points. Seals are placed at obvious locations at the retail space, thereby enhancing contractors' sense of accomplishment and pride, and high-performing contractors will also be prioritized in future contract renewals.

Evaluation items	Evaluation unit	Evaluation method	Weight	Evaluation results
Daily operations	On-duty supervisors	Based on the table of retail space evaluation	30%	"Qualified" for 70 points or above, "Good" for 80 points or above, and "Outstanding" for 85 points or above
Food safety evaluation	Impartial third-party	From time to time in each month	40%	
Percentage of revenue growth from retail space	Service Area managers	Compared with sales revenues from the previous year	30%	

2.7 Sustainable Supply Chain

ESG Management

To encourage raw material suppliers to join us in sustainable development and clean production processes, Hsin Tung Yang has incorporated ESG criteria in the criteria for "Supplier Review Table," where such criteria account for 35% weight. Suppliers that meet three or more of the following criteria will be deemed as "green suppliers," and procurement from such suppliers would be prioritized. Between 2017 to 2019, all of Hsin Tung Yang's new suppliers have passed the ESG screening process.



	2017	2018	2019
Number of new suppliers	11	23	17
Number of suppliers screened using ESG standards	11	23	17
Ratio of new suppliers that passed the ESG screening standards	100%	100%	100%
Number of physically inspected suppliers	9	9	2

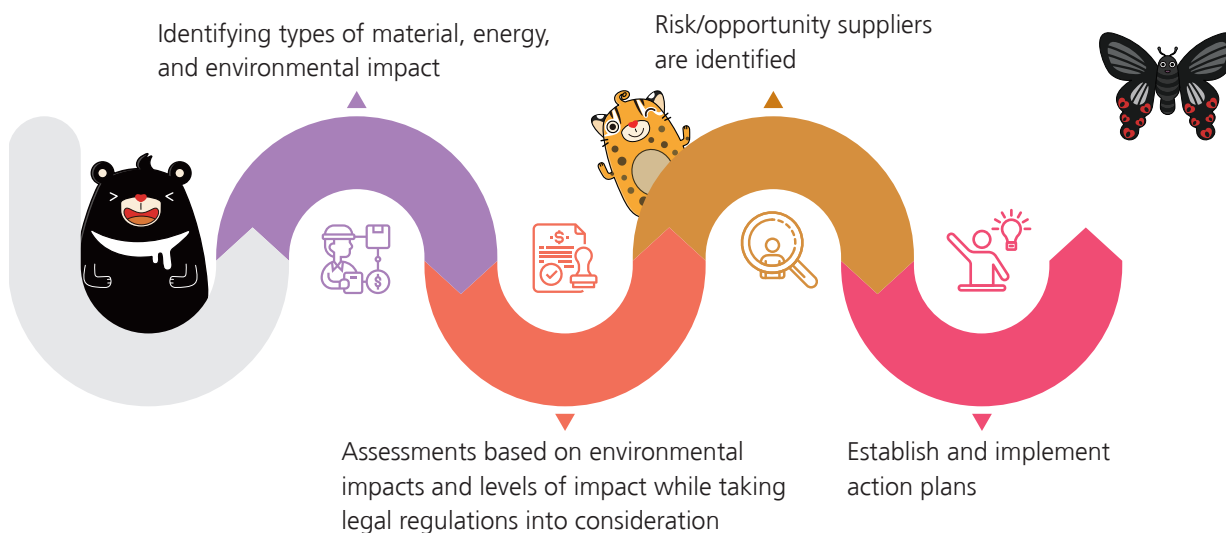
Suppliers' Statement of Environmental Sustainability

Hsin Tung Yang has established sustainable development terms and invited our raw material suppliers to sign and to conform to such terms. Besides specifying regulations for products' conformity to the Act Governing Food Safety and Sanitation, our procurement contracts also stipulate the following: To promote conservation of the Earth's environment and reduce impacts on the ecosystem as well as an awareness for sustainable consumption and recycling, the supplier shall comply with applicable laws and to promote relevant environmental protection awareness including energy conservation, carbon reduction, and to protect the planet. Starting from 2019, Hsin Tung Yang has signed the aforementioned statement with 165 raw material suppliers, which accounts for nearly 74% of all raw material suppliers.

Environmental Impact Risk Assessment

To understand the risks of environmental impact in our supply chain, Hsin Tung Yang has carried out the identification of non-manufacturing environmental factors based on 49 of our existing raw material suppliers. Eight high-risk suppliers have been identified, and relevant action plans have been drafted. The procurement unit will audit the high-risk suppliers, and 50% of such audits are expected to be completed in 2020.

Suppliers' Environmental Risk Management Procedures



Supplier Certification and Advocacy for Sustainability

On top of ESG screening, signing the statement of sustainability, and environmental impact risk assessment, Hsin Tung Yang also conducts general inspections overall raw material suppliers in each year. We encourage our suppliers to receive international certifications on food safety and environmental sustainability, such as ISO, HACCP, product traceability system, organic certifications, and the Green Mark.

Certification standards	Number of raw material suppliers	Percentage
HACCP certification	73	54%
ISO 22000 certification	65	49%
Hsin Tung Yang's green suppliers	99	74%
Number of all transacting suppliers*	134	100%

*Cumulative transactions reach NT\$200,000 in a year

Additionally, to promote a green supply chain, Hsin Tung Yang organized the Supplier Sustainability Forum in 2018, where we joined Foundation of Taiwan Industry Service in discussing and sharing our experiences related to the theme, "Responding to International Sustainability Trends and Green Factory Promotional Strategies". The forum was participated by 32 companies. Hsin Tung Yang will continue to advocate to and to interact with suppliers based on our commitment to achieve sustainability, and we aspire to join all vendors throughout our industry chain to build a green food value chain.