

**NAMCHOW HOLDINGS CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Namchow Holdings Co., Ltd. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Namchow Holdings Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Namchow Holdings Co., Ltd.

Chairman: Fei-Lung Chen

Date: March 12, 2021



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Namchow Holdings Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Namchow Holdings Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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 Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 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"), interpretation developed by the International Financial Reporting Interpretation 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 audits 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. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

1. Impairment of trades receivable

Please refer to note 4(g) "Financial instrument" for accounting policies, note 5(a) for accounting assumptions, judgment and estimation uncertainty of impairment of trade receivable, and note 6(d) for the disclosure related to impairment of trade receivable of the consolidated financial statements.

Description of key audit matter:

The Group does not concentrate on any individual customer or any specific region, therefore, the Group needs to establish a policy on its allowance for impairment in order to evaluate its customers' financial status, as well as the political and economic environment. Therefore, the impairment of trades receivable is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principle audit procedures for the assessment of the Group's accounting policy, included evaluating the receivables credit conditions and allowance for impairment policy; analyzing the accounts receivable relevant with the allowance for impairment; obtaining document for the calculation of the rate of expected credit loss of accounts receivable to determine whether if its appropriate, obtaining aging analysis of accounts receivable and examining relevant documents to verify the accuracy aging period; understanding the recovery of the past due accounts and for the aging of the long-term accounts receivable, such as those past due for 120 days; inspecting whether the Group has taken the appropriate procedures on the litigation or negotiation of the Group subsequent to the financial year end, and verifying the adequacy of impairment assessment of accounts receivable; verifying the reasonableness of the management's assessment on the Group's disclosure on the impairment of trades receivable.

2. Valuation of inventories

Please refer to note 4(h) "Inventories" for accounting policies, note 5(b) for accounting assumptions, judgment and estimation uncertainty of valuation of inventories, and note 6(f) for the disclosure related to valuation of inventories of the financial statements.

Description of key audit matter:

The Group's main inventories are edible and non-edible oil products, frozen dough and frozen food, as well as dish and laundry liquid detergent.

The value of edible and non-edible oil products and laundry liquid detergent products are affected by the international oil price, which may result in the inventory cost exceed its net realizable value; frozen dough and frozen food due to shelf life, resulting in the inventory age has significant risk. Therefore, the valuation of inventories is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included

Our principle audit procedures for the assessment of the Group' accounting policy included understanding the policies of evaluating the inventories; performing the analytical procedures about the relation between the balance of inventory and provision on inventory market price decline; verifying the change of provision on inventory valuation and evaluating where it is reasonable; understanding the net realizable values used by management and the variation of the prices in a period after the reporting date to ensure the appropriateness of the valuation price; obtaining the aging report and inspecting the inventory aging processing after the reporting date, as well as understanding the net realizable values used by the management to access whether the net realizable value and the allowance for inventories are reasonable; assessing whether the disclosure on the provision for inventory valuation and obsolescence was appropriate.

3. Revenue recognition — customer loyalty program

Please refer to note 4(p) "Revenue" for accounting policies, note 5(c) for accounting assumptions, judgment and estimation uncertainty of revenue recognition and note 6(s) for the disclosure related to revenue of the financial statements.

Description of key audit matter:

The revenue arising from the bonus points shall be calculated by using the fair values, based on the amounts of sales and points earned in the previous year, to be recognized as contract liabilities. Revenue is the main indicator for the Group management and investors to evaluate the Group' s financial and business performance. Therefore, the revenue recognition is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

The key audit procedures performed included understanding and assessing the design and implementation of the bonus points; assessing the management' s judgments and estimating the rationality of the bonus points and recalculating them to ensure the sales revenue are recognized; performing the analytical procedures of sales revenue; assessing the appropriateness of the contract liabilities of the relevant incentive points, whether it is recorded correctly in the system, and whether it has been disclosed in the appropriate notes to the financial statements.

Other Matter

Namchow Holdings 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 unqualified 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 (including 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 auditor's 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 auditor's 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 auditor's 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 auditor's 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 Po-Shu Huang and Chung-Shun Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents (note 6(a))	\$ 5,721,627	23	4,623,715	19	2100	Short-term borrowings (note 6(k))	\$ 2,998,640	12	3,642,940	15
1110	Financial assets at fair value through profit or loss — current (note 6(b))	227,426	1	218,568	1	2110	Short-term commercial paper payable (note 6(k))	89,962	-	-	-
1150	Notes receivable, net (note 6(d))	184,286	1	166,114	1	2321	Bonds payable current portion (note 6(l))	3,980,298	16	-	-
1170	Accounts receivable, net (note 6(d))	1,556,201	6	1,574,372	7	2322	Current portion of long-term borrowings (notes 6(k) and 8)	214,175	1	444,141	2
1200	Other receivables (note 6(e))	57,140	-	45,904	-	2130	Contract liabilities (note 6(s))	574,384	2	443,417	2
1220	Current income tax assets	200,582	1	188,552	1	2170	Accounts payable	1,161,973	5	968,336	4
130x	Inventories (note 6(f))	2,451,446	10	2,222,431	9	2219	Other payables (notes 6(t) and 9)	1,503,216	6	1,419,633	5
1410	Prepayments	331,887	1	403,815	2	2230	Current income tax liabilities	267,772	1	137,609	1
1470	Other current assets	66,255	-	69,148	-	2280	Current lease liabilities (notes 6(n) and 7)	192,377	1	228,455	1
Total current assets		10,796,850	43	9,512,619	40	2399	Other current liabilities	61,141	-	62,619	-
Non-current assets:							Total current liabilities	11,043,938	44	7,347,150	30
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(c))	19,822	-	43,623	-	2530	Non-Current liabilities:				
1600	Property, plant and equipment (notes 6(g), 8 and 9)	12,749,928	50	12,408,247	52	2540	Bonds payable (note 6(l))	-	-	3,958,804	17
1755	Right-of-use assets (notes 6(h) and 7)	1,225,544	5	1,424,126	6	2550	Long-term borrowings (notes 6(k) and 8)	4,859,016	19	3,717,266	16
1760	Investment property (note 6(i))	39,813	-	42,362	-	2580	Provision liabilities — non-current (note 6(m))	12,134	-	15,784	-
1805	Goodwill (note 6(j))	105,417	-	105,417	-	2570	Lease liabilities — non-current (notes 6(n) and 7)	859,764	3	962,190	4
1840	Deferred income tax assets (note 6(p))	281,628	1	174,721	1	2640	Deferred income tax liabilities (note 6(p))	1,292,405	5	1,134,582	5
1915	Prepayments for equipment	16,234	-	36,948	-	2670	Accrued pension liabilities — non-current (note 6(o))	260,572	1	251,229	1
1990	Other non-current assets (note 8)	105,248	1	107,119	1		Other non-current liabilities	57,266	-	48,164	-
Total non-current assets		14,543,634	57	14,342,563	60		Total non-current liabilities	7,341,157	28	10,088,019	43
							Total liabilities	18,385,095	72	17,435,169	73
Equity attributable to shareholders of parent (notes 6(c) and (q)):											
						3100	Common stock	2,941,330	12	2,941,330	12
						3200	Capital surplus	1,214,039	5	1,136,347	5
							Retained earnings:				
						3310	Legal reserve	838,824	4	740,987	3
						3320	Special reserve	1,286,181	5	1,071,360	4
						3350	Unappropriated earnings	1,596,003	6	1,562,023	7
								3,721,008	15	3,374,370	14
							Other equity:				
						3410	Financial statement translation differences for foreign operations	(681,563)	(3)	(725,159)	(3)
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(45,154)	-	(48,516)	-
								(726,717)	(3)	(773,675)	(3)
						3500	Treasury stock	(530,114)	(2)	(576,860)	(2)
							Total equity attributable to shareholders of parent	6,619,546	27	6,101,512	26
						36xx	Non-controlling interests	335,843	1	318,501	1
							Total equity	6,955,389	28	6,420,013	27
Total assets		\$ 25,340,484	100	23,855,182	100		Total liabilities and equity	\$ 25,340,484	100	23,855,182	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NAMCHOW HOLDINGS 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(s))	\$ 17,621,763	100	18,343,979	100
5000	Operating costs (notes 6(f), (g), (h), (m), (n), (o) and 9)	11,682,430	66	11,918,057	65
5900	Gross profit	5,939,333	34	6,425,922	35
6000	Operating expenses (notes 6(d), (e), (g), (h), (n), (o), (t) and 7):				
6100	Selling expenses	2,456,917	14	2,924,778	16
6200	General and administrative expenses	1,348,211	7	1,404,245	8
6300	Research and development expenses	445,267	3	422,742	2
6450	Expected credit loss	11,193	-	3,069	-
	Total operating expenses	4,261,588	24	4,754,834	26
6900	Operating profit	1,677,745	10	1,671,088	9
7000	Non-operating income and expenses (notes 6(i), (n), (u) and 7):				
7100	Interest income	87,222	-	74,178	-
7010	Other income	150,474	1	169,706	1
7020	Other gains and losses	816	-	(49,891)	-
7050	Finance costs	(259,606)	(1)	(262,612)	(1)
	Total non-operating income and expenses	(21,094)	-	(68,619)	-
7900	Profit from continuing operations before tax	1,656,651	10	1,602,469	9
7950	Less: Income tax expenses (note 6(p))	661,050	4	589,162	3
	Profit	995,601	6	1,013,307	6
8300	Other comprehensive income (notes 6(p) and (q)):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans	(25,941)	-	14,251	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	9,606	-	3,362	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,372)	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(13,963)	-	17,613	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	16,082	-	(239,147)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	16,082	-	(239,147)	(1)
8300	Other comprehensive income	2,119	-	(221,534)	(1)
	Total comprehensive income	<u>\$ 997,720</u>	<u>6</u>	<u>791,773</u>	<u>5</u>
	Net income attributable to:				
8610	Shareholders of the parent	\$ 950,697	6	964,149	6
8620	Non-controlling interests	44,904	-	49,158	-
		<u>\$ 995,601</u>	<u>6</u>	<u>1,013,307</u>	<u>6</u>
	Total Comprehensive income attributable to:				
8710	Shareholders of the parent	\$ 980,378	6	763,548	5
8720	Non-controlling interests	17,342	-	28,225	-
		<u>\$ 997,720</u>	<u>6</u>	<u>791,773</u>	<u>5</u>
9750	Basic earnings per share (in New Taiwan dollars) (note 6(r))	<u>\$ 3.84</u>		<u>3.90</u>	
9850	Diluted earnings per share (in New Taiwan dollars) (note 6(r))	<u>\$ 3.83</u>		<u>3.89</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NAMCHOW HOLDINGS 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												
	Retained earnings						Total other equity interest				Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
							Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury stock			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total							
Balance at January 1, 2019	\$ 2,941,330	1,011,972	639,714	512,508	2,035,934	3,188,156	(506,975)	(51,878)	(558,853)	(576,860)	6,005,745	290,276	6,296,021
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	101,273	-	(101,273)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	558,852	(558,852)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	(668,280)	-	(668,280)
Other changes in capital surplus	-	499	-	-	-	-	-	-	-	-	499	-	499
Net income	-	-	-	-	964,149	964,149	-	-	-	-	964,149	49,158	1,013,307
Other comprehensive income (loss)	-	-	-	-	14,221	14,221	(218,184)	3,362	(214,822)	-	(200,601)	(20,933)	(221,534)
Total comprehensive income (loss)	-	-	-	-	978,370	978,370	(218,184)	3,362	(214,822)	-	763,548	28,225	791,773
Balance at December 31, 2019	2,941,330	1,136,347	740,987	1,071,360	1,562,023	3,374,370	(725,159)	(48,516)	(773,675)	(576,860)	6,101,512	318,501	6,420,013
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	97,837	-	(97,837)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	214,821	(214,821)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	91,760	-	-	(586,782)	(586,782)	-	-	-	-	(495,022)	-	(495,022)
Other changes in capital surplus	-	968	-	-	-	-	-	-	-	-	968	-	968
Net income	-	-	-	-	950,697	950,697	-	-	-	-	950,697	44,904	995,601
Other comprehensive income (loss)	-	-	-	-	(23,521)	(23,521)	43,596	9,606	53,202	-	29,681	(27,562)	2,119
Total comprehensive income (loss)	-	-	-	-	927,176	927,176	43,596	9,606	53,202	-	980,378	17,342	997,720
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	6,244	6,244	-	(6,244)	(6,244)	-	-	-	-
Disposal of treasury stock	-	(15,036)	-	-	-	-	-	-	-	46,746	31,710	-	31,710
Balance at December 31, 2020	\$ 2,941,330	1,214,039	838,824	1,286,181	1,596,003	3,721,008	(681,563)	(45,154)	(726,717)	(530,114)	6,619,546	335,843	6,955,389

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NAMCHOW HOLDINGS 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
Cash flows from operating activities:		
Consolidated net income before tax	\$ 1,656,651	1,602,469
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	1,091,819	1,041,897
Expected credit loss	11,193	3,069
Gains on financial assets at fair value through profit or loss	(8,388)	(3,444)
Interest expense	259,606	262,612
Interest income	(87,222)	(74,178)
Losses on disposal of property, plant and equipment	6,777	19,502
Property, plant and equipment transferred to expenses	5,078	19,571
Losses (gains) on lease modification	(874)	79
Total adjustments to reconcile profit	<u>1,277,989</u>	<u>1,269,108</u>
Changes in assets / liabilities relating to operating activities:		
Changes in operating assets:		
Notes receivable	(18,172)	46,811
Accounts receivables	6,823	32,306
Other receivables	(11,394)	9,080
Inventories	(228,853)	(11,027)
Prepayments	71,928	129,990
Other current assets	2,893	(322)
Total changes in operating assets, net	<u>(176,775)</u>	<u>206,838</u>
Changes in operating liabilities:		
Contract liabilities	130,967	(67,718)
Notes payable	-	(7,040)
Accounts payable	193,637	30,504
Other payables	75,746	66,622
Provisions liabilities	(3,650)	1,525
Other current liabilities	(1,478)	29,134
Net defined benefit liabilities	(14,226)	10,885
Total changes in operating liabilities, net	<u>380,996</u>	<u>63,912</u>
Total changes in operating assets / liabilities, net	<u>204,221</u>	<u>270,750</u>
Total adjustments	<u>1,482,210</u>	<u>1,539,858</u>
Cash provided by operating activities	3,138,861	3,142,327
Interest income received	87,222	74,178
Interest paid	(188,110)	(201,791)
Income taxes paid	(492,001)	(474,922)
Net cash provided by operating activities	<u>2,545,972</u>	<u>2,539,792</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(470)	-
Return from capital reduction of financial assets at fair value through other comprehensive income	33,410	-
Acquisition of financial assets designated at fair value through profit or loss	-	(215,124)
Acquisition of property, plant and equipment	(1,129,063)	(1,681,900)
Proceeds from disposal of property, plant and equipment	6,878	4,268
Acquisition of right-of-use assets	-	(415)
Decrease (increase) in other non-current assets	1,871	(30,710)
Net cash used in investing activities	<u>(1,087,374)</u>	<u>(1,923,881)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	14,014,964	15,964,091
Decrease in short-term borrowings	(14,679,830)	(16,312,691)
Increase in short term commercial paper payable	90,000	-
Proceeds from long-term borrowings	10,152,400	8,270,512
Repayments of long-term borrowings	(9,249,249)	(7,685,055)
Payment of lease liabilities	(217,898)	(220,445)
Increase (decrease) in other non-current liabilities	9,102	(7,359)
Cash dividends paid	(495,022)	(668,280)
Proceeds from disposal of treasury shares	31,710	-
Interest paid	(50,221)	(39,328)
Overaging unclaimed dividends	968	499
Net cash used in financing activities	<u>(393,076)</u>	<u>(698,056)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>32,390</u>	<u>(2,702)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,097,912</u>	<u>(84,847)</u>
Cash and cash equivalents at beginning of period	<u>4,623,715</u>	<u>4,708,562</u>
Cash and cash equivalents at end of period	<u>\$ 5,721,627</u>	<u>4,623,715</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Namchow Holdings Co., Ltd. (formerly called Namchow Chemical Industrial Co., Ltd.) (the Company) was incorporated on March 29, 1952 as a corporation limited by shares under the laws of the Republic of China (R.O.C.). The consolidated financial statements comprise the Company and its Subsidiaries (the Group). The Group is engaged in the manufacture, sale, and processing of edible and non-edible oil products and frozen dough, as well as dish and laundry liquid detergent, it also provides management consulting services.

In order to improve its business performance and competitiveness, the Company decided to conduct a group restructuring and division of profession. On May 31, 2017, the shareholders of the Company decided to divide its entire departments and categorize them into two, then transfer them to two of its subsidiaries. The Department of Edible Products, which includes frozen dough items, will be transferred to Namchow Oil and Fat Co., Ltd. and the Department of Non-Edible Products will be transferred to Huaciang Industry Co., Ltd.. Both entities are 100% owned by the Company, with a record date of August 1, 2017.

For the purpose of transforming into a holding company, the Company, which was formerly named as Namchow Chemical Industrial Co., Ltd. is renamed as Namchow Holdings Co., Ltd. After the spin-off, the Company only engaged in investment holding.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations) and the IFRSs endorsed by the FSC.

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis, unless, otherwise stated (please refer to the summary of the significant accounting policies).

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if the non-controlling interests have a deficit balance.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent.

(ii) List of the subsidiaries included in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2020	December 31, 2019	
The Company	Namchow (Thailand) Ltd. (Namchow Thailand)	Manufacturing and selling of instant noodles and rice cracker	100.00 %	100.00 %	
The Company	Mostro (Thailand) Ltd. (Mostro)	Manufacturing and selling of food	100.00 %	100.00 %	

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2020	December 31, 2019	
The Company	Nacia International Corp. (Nacia Co.)	Holding of investments	100.00 %	100.00 %	
The Company	Chow Ho Enterprise Co., Ltd. (Chow Ho Co.)	Catering services, food and beverage retailing, and frozen food manufacturing	100.00 %	100.00 %	
The Company	Lucky Royal Co., Ltd. (Lucky Co.)	Manufacturing, selling and processing of various food and beverage products	99.65 %	99.65 %	
The Company	Nankyo Japan Co., Ltd. (Nankyo Japan Co.)	Catering services, Bistro and wine-selling	100.00 %	100.00 %	
The Company	Namchow Consulting Company, Ltd. (Namchow Consulting Co.)	Catering services, food and beverage retailing and other consulting services	100.00 %	100.00 %	
The Company	Chow Food Biotechnology Co., Ltd. (Chow Food Co.)	Development of biotechnology products	100.00 %	100.00 %	
The Company	Namchow Oil and Fat Co., Ltd. (Namchow Oil and Fat Co.)	Manufacturing, processing and selling of edible oil and frozen dough	100.00 %	100.00 %	
The Company	Huaciang Industry Co., Ltd. (Huaciang Co.)	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	100.00 %	100.00 %	
The Company and Lucky Co.	Navigator Business Publications Co., Ltd. (NBP Co.)	Publishing, distributing and selling of printed publications	89.97 %	89.97 %	Notes 1
Lucky Co.	Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Holding of investments	90.39 %	90.39 %	
Lucky Co.	Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Liquor importing and retailing, and catering services	99.65 %	99.65 %	Notes 2
Lucky Co.	Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Catering services and food consulting services	99.65 %	99.65 %	Notes 2
Namchow BVI Co.	Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Multinational eateries, and the promotion and management of craft beers	90.39 %	90.39 %	
Nacia Co.	Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Holding of investments	100.00 %	100.00 %	
Shanghai Qiaohao Co.	Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qiaohao Co.	Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	Note 3
Shanghai Qiaohao Co.	Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	
Namchow Cayman Co.	Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Holding of investments and international trade	100.00 %	100.00 %	
Namchow Cayman Co.	Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qizhi Co.	Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Food packaging, dairy product and product purchasing management and selling	96.15 %	96.15 %	
Namchow Cayman Co. and Namchow Food Co.	Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Selling, developing, manufacturing and processing of fats and frozen food.	96.15 %	96.15 %	
Namchow Food Co.	Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Manufacturing, and selling of edible fat	96.15 %	96.15 %	
Namchow Food Co.	Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Manufacturing, and selling of edible fat	96.15 %	96.15 %	
Namchow Food Co.	Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Food packaging, dairy product and product purchasing management and selling	96.15 %	96.15 %	
Namchow Food Co.	Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	The technical service of baking oil and fat product	96.15 %	96.15 %	Note 4

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2020	December 31, 2019	
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	96.15 %	96.15 %	
Tianjin Yoshi Yoshi Co.	Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	96.15 %	96.15 %	

Note 1: The Company, directly or indirectly, holds 89.97% shares of NBP Co.

Note 2: The Company, directly or indirectly, holds 99.65% shares of Dian Shui Lou Co. and Namchow Gastronomy Consulting Co.

Note 3: Shanghai Qiaohao Food Co. applied for a capital injection on April 15, 2019, wherein Namchow Cayman subscribed 46.67% of the entire shares, resulting in Shanghai Qiaohao Company's shares to decline from 100% to 53.33%.

Note 4: The subsidiary was established on October 29, 2019.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Classification of current and non current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short term cash commitment rather than investment.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On initial recognition, a financial assets is classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

3) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted average method.

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	3~65 years
Machinery equipment	1~25 years
Other equipment	1~20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprised the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying assets purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss, if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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The Group has elected not to recognize its right-of-use assets and lease liabilities for the short-term leases of its machinery and leases of its IT equipment that have a lease term of 12 months or less, and leases of its low-value assets, including its IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Intangible assets — Goodwill

(i) Recognition

Upon conversion to the IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Group can choose to restate all its business combinations that occurred on and after January 1, 2012. For those acquisitions that occurred prior to January 1 2012, any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets recognized at the date of acquisition is recognized as goodwill.

(ii) Measurement

Goodwill is measured at cost, less, accumulated impairment losses.

Goodwill is not amortized. Instead, it is tested for impairment annually, or more frequently, when there is an indication that the cash generating unit may be impaired.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Site restoration reservation is the obligation of removal, moving and reinstatement after the Group obtained or has used the lease asset for a while. The Group recognized its related cost as expense during the lease term.

(o) Treasury stock

Under the cost method, the treasury stock account is debited for the cost of the Group's shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus—treasury stock; otherwise, the excess of the cost over the price is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted average cost and is calculated by each group according to the reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

The shares that are owned by the Company's subsidiaries are seen as treasury stock.

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Some contracts have already received partial considerations from clients but have not fulfilled the obligations, and they are required to recognize contractual liabilities after the initial application date.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Customer loyalty program

The Group operates a customer loyalty program to its customers. The customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

(q) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grant that compensates the Group for expenses or losses incurred is recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
 - 1) the same taxable entity or
 - 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after the adjustment on the effects of all dilutive potential ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and each operating segment consists of standalone financial information. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivable

The Group has estimated the loss allowance of trades receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions, and forward-looking information at the reporting date, to determine the assumptions to be used in calculating its impairments and selected inputs. For the relevant assumptions and input values, please refer to note 6(d).

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

(c) Revenue recognition—customer loyalty program

The Group records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and evolution of technology could result in significant adjustments to the provision made.

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 11,862	15,832
Savings and checking deposits	5,075,741	4,343,602
Time deposits	599,008	242,756
Cash equivalents	35,016	21,525
Total	<u><u>\$ 5,721,627</u></u>	<u><u>4,623,715</u></u>

The Group's exposure to interest rate risk and the sensitivity analysis on the financial instruments held by the Group are disclosed in note 6(v).

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Structured deposits	\$ 227,426	218,568

For the net gain or loss on fair value of financial instruments at FVTPL please refer to note 6(u).

(c) Financial assets at fair value through other comprehensive income — non-current

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ 19,822	16,457
Stocks unlisted on domestic markets	-	27,166
Total	\$ 19,822	43,623

(i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

The domestic non-listed company, Huanhua Co., Ltd., resolved to reduce its capital by cash at rate of 95.34%, through the special shareholders' meeting on January 14, 2020 and the Company received the amount of \$33,410 thousand. The liquidation process was completed at December 8, 2020, resulting in the cumulative dispose benefit of \$6,244, which was reclassified from other equity items to retained earnings.

No strategic investments were disposed for the years ended December 31, 2020 and 2019, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

(ii) Credit risk (including depreciation of debt instrument investment) and market risk, please refer to note 6(v).

(iii) The aforesaid financial assets were not pledged as collateral.

(d) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 184,286	166,114
Accounts receivable	1,581,183	1,589,285
Less: allowance for impairment	24,982	14,913
	\$ 1,740,487	1,740,486

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The allowance for impairment was determined as follows:

December 31, 2020			
	Gross carrying amount	Weighted- average expected credit loss rate (%)	Loss allowance provision
Not overdue	\$ 1,638,302	0~0.74	4,654
Overdue 1~30 days	94,974	0.34~12.37	3,049
Overdue 31~60 days	8,144	0.77~62.26	985
Overdue 61~90 days	846	0.00~100.00	228
Overdue 91~180 days	18,412	0.00~100.00	11,896
Overdue 181~365 days	2,153	96.13	2,069
Overdue 365 days past due	2,638	100.00	2,638
	\$ 1,765,469		25,519

December 31, 2019			
	Gross carrying amount	Weighted- average expected credit loss rate (%)	Loss allowance provision
Not overdue	\$ 1,584,072	0~0.64	2,397
Overdue 1~30 days	144,172	0.18~11.71	1,990
Overdue 31~60 days	14,523	0.24~60.59	860
Overdue 61~90 days	1,430	1.01~100.00	469
Overdue 91~180 days	4,374	1.00~100.00	3,243
Overdue 181~365 days	3,532	1.01~75.53	2,658
Overdue 365 days past due	3,296	100.00	3,296
	\$ 1,755,399		14,913

The movement in the allowance for notes receivable and accounts receivable were as follows:

	2020	2019
Balance on January 1	\$ 14,913	19,036
Impairment losses recognized	11,044	2,669
Amounts written off	(1,279)	(6,575)
Effect of changes in exchange rates	304	(217)
Balance on December 31	\$ 24,982	14,913

The Group has not provided the notes and accounts receivable as collateral or factored them for cash.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(e) Other receivables

	December 31, 2020	December 31, 2019
Other receivables	\$ 57,683	46,289
Less: loss allowance	543	385
	<u>\$ 57,140</u>	<u>45,904</u>

The Group's other receivables which were overdue on December 31, 2020 and 2019, have been assessed for impairment losses.

The movement in the allowance for other receivables were as follows:

	2020	2019
Balance on January 1	\$ 385	15,119
Impairment loss recognized	149	400
Amounts written off	-	(15,119)
Effect of changes in exchange rates	9	(15)
Balance on December 31	<u>\$ 543</u>	<u>385</u>

(f) Inventories

The components of the Group's inventories were as follows:

	December 31, 2020	December 31, 2019
Merchandise	\$ 46,776	57,336
Finished goods	1,014,130	974,280
Work in progress	114,654	85,530
Raw materials	718,982	730,029
Supplies	377,610	237,269
Goods in transit	179,294	137,987
Total	<u>\$ 2,451,446</u>	<u>2,222,431</u>

As of December 31, 2020 and 2019, the Group's inventories were not provided as pledged assets.

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating cost were as follows:

	2020	2019
Loss on (reversal of) decline in market value of inventory	\$ 11,423	(1,260)
Loss on physical count, net	1,856	2,976
Loss on scrap of inventory	15,960	9,482
Income from sale of scrap	(17,029)	(17,834)
Total	<u>\$ 12,210</u>	<u>(6,636)</u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Other equipment	Unfinished construction	Total
Cost and revaluation:						
Balance at January 1, 2020	\$ 2,895,069	5,570,522	6,590,667	3,984,357	1,444,485	20,485,100
Additions	-	8,506	50,520	148,445	918,134	1,125,605
Disposals	-	(370)	(35,205)	(161,092)	(1,943)	(198,610)
Reclassification	-	1,056,593	736,825	244,064	(2,005,061)	32,421
Effect of changes in exchange rates	(7,141)	55,547	(23,926)	23,664	(45,557)	2,587
Balance at December 31, 2020	<u>\$ 2,887,928</u>	<u>6,690,798</u>	<u>7,318,881</u>	<u>4,239,438</u>	<u>310,058</u>	<u>21,447,103</u>
Balance at January 1, 2019	\$ 2,892,515	4,989,234	6,523,477	3,955,228	828,149	19,188,603
Additions	-	20,404	57,510	128,591	1,440,583	1,647,088
Disposals	-	(22,757)	(7,226)	(32,667)	(740)	(63,390)
Reclassification	-	717,242	59,344	(79)	(813,074)	(36,567)
Effect of changes in exchange rates	2,554	(133,601)	(42,438)	(66,716)	(10,433)	(250,634)
Balance at December 31, 2019	<u>\$ 2,895,069</u>	<u>5,570,522</u>	<u>6,590,667</u>	<u>3,984,357</u>	<u>1,444,485</u>	<u>20,485,100</u>
Depreciation and impairment loss:						
Balance at January 1, 2020	\$ 31,953	1,462,396	3,985,497	2,597,007	-	8,076,853
Depreciation	-	191,272	294,990	324,222	-	810,484
Disposal	-	(370)	(31,247)	(153,338)	-	(184,955)
Reclassification	-	-	-	2,204	-	2,204
Effect of changes in exchange rates	-	7,394	(29,854)	15,049	-	(7,411)
Balance at December 31, 2020	<u>\$ 31,953</u>	<u>1,660,692</u>	<u>4,219,386</u>	<u>2,785,144</u>	<u>-</u>	<u>8,697,175</u>
Balance at January 1, 2019	\$ 31,953	1,333,606	3,686,267	2,343,318	-	7,395,144
Depreciation	-	160,087	296,811	326,537	-	783,435
Disposal	-	(9,055)	(5,823)	(24,742)	-	(39,620)
Reclassification	-	-	14,239	(6,363)	-	7,876
Effect of changes in exchange rates	-	(22,242)	(5,997)	(41,743)	-	(69,982)
Balance at December 31, 2019	<u>\$ 31,953</u>	<u>1,462,396</u>	<u>3,985,497</u>	<u>2,597,007</u>	<u>-</u>	<u>8,076,853</u>
Carrying value:						
December 31, 2020	<u>\$ 2,855,975</u>	<u>5,030,106</u>	<u>3,099,495</u>	<u>1,454,294</u>	<u>310,058</u>	<u>12,749,928</u>
December 31, 2019	<u>\$ 2,863,116</u>	<u>4,108,126</u>	<u>2,605,170</u>	<u>1,387,350</u>	<u>1,444,485</u>	<u>12,408,247</u>
January 1, 2019	<u>\$ 2,860,562</u>	<u>3,655,628</u>	<u>2,837,210</u>	<u>1,611,910</u>	<u>828,149</u>	<u>11,793,459</u>

(i) Impairment loss and subsequent reversal

	2020	2019
Ending balance (Beginning balance)	<u>\$ 243,114</u>	<u>243,114</u>

(ii) Collateral

Please refer to note 8 for information on pledged property, plant and equipment as of December 31, 2020 and 2019.

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(h) Right-of-use assets

The Group leases many assets including land, buildings and transposition equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transposition equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 326,205	1,340,261	75,589	1,742,055
Additions	-	71,274	41,409	112,683
Modification	-	(58,241)	(27,607)	(85,848)
Reclassification	-	-	(5,893)	(5,893)
Effect of changes in exchange rates	5,455	18,292	(73)	23,674
Balance at December 31, 2020	<u>\$ 331,660</u>	<u>1,371,586</u>	<u>83,425</u>	<u>1,786,671</u>
Balance at January 1, 2019	\$ 338,858	1,021,232	66,323	1,426,413
Additions	-	381,577	20,331	401,908
Modification	-	(18,954)	-	(18,954)
Reclassification	-	-	(11,172)	(11,172)
Effect of changes in exchange rates	(12,653)	(43,594)	107	(56,140)
Balance at December 31, 2019	<u>\$ 326,205</u>	<u>1,340,261</u>	<u>75,589</u>	<u>1,742,055</u>
Accumulated depreciation:				
Balance at January 1, 2020	\$ 77,379	211,865	28,685	317,929
Depreciation	6,837	243,863	27,449	278,149
Modification	-	(15,876)	(25,182)	(41,058)
Reclassification	-	-	(2,607)	(2,607)
Effect of changes in exchange rates	1,447	7,230	37	8,714
Balance at December 31, 2020	<u>\$ 85,663</u>	<u>447,082</u>	<u>28,382</u>	<u>561,127</u>
Balance at January 1, 2019	\$ 73,239	-	6,205	79,444
Depreciation	7,136	220,798	27,202	255,136
Modification	-	(2,292)	-	(2,292)
Reclassification	-	-	(4,712)	(4,712)
Effect of changes in exchange rates	(2,996)	(6,641)	(10)	(9,647)
Balance at December 31, 2019	<u>\$ 77,379</u>	<u>211,865</u>	<u>28,685</u>	<u>317,929</u>
Carrying value:				
December 31, 2020	<u>\$ 245,997</u>	<u>924,504</u>	<u>55,043</u>	<u>1,225,544</u>
December 31, 2019	<u>\$ 248,826</u>	<u>1,128,396</u>	<u>46,904</u>	<u>1,424,126</u>
January 1, 2019	<u>\$ 265,619</u>	<u>1,021,232</u>	<u>60,118</u>	<u>1,346,969</u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investment property

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2020	\$ 71,197
Effect of changes in exchange rates	<u>1,190</u>
Balance as at December 31, 2020	<u>\$ 72,387</u>
Balance as at January 1, 2019	\$ 73,959
Effect of changes in exchange rates	<u>(2,762)</u>
Balance as at December 31, 2019	<u>\$ 71,197</u>
Depreciation:	
Balance as at January 1, 2020	\$ 28,835
Depreciation	3,186
Effect of changes in exchange rates	<u>553</u>
Balance as at December 31, 2020	<u>\$ 32,574</u>
Balance as at January 1, 2019	\$ 26,626
Depreciation	3,326
Effect of changes in exchange rates	<u>(1,117)</u>
Balance as at December 31, 2019	<u>\$ 28,835</u>
Carrying value:	
Balance as at December 31, 2020	<u>\$ 39,813</u>
Balance as at December 31, 2019	<u>\$ 42,362</u>
Balance as at January 1, 2019	<u>\$ 47,333</u>
Fair value:	
Balance as at December 31, 2020	<u>\$ 77,385</u>
Balance as at December 31, 2019	<u>\$ 75,420</u>
Balance as at January 1, 2019	<u>\$ 73,561</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(u) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by the management of the Group. The range of yields applied to the net annual rentals to determine the fair value of the property was as follows:

<u>Region</u>	<u>2020</u>	<u>2019</u>
Xuhui Dist., Shanghai	3.97%	4.27%

As of December 31, 2020 and 2019, the Group's investment properties were not provided as pledged assets.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Goodwill

Goodwill arising from the merger were as follows:

Fair value of consideration transferred	\$ 721,574
Less: Fair value of identifiable net assets	<u>571,794</u>
	<u>\$ 149,780</u>

The cost and accumulated amortization was as follows:

	December 31, 2020	December 31, 2019
Cost	\$ 149,780	149,780
Less: Accumulated amortization	<u>44,363</u>	<u>44,363</u>
Carrying value	<u>\$ 105,417</u>	<u>105,417</u>

Nacia Co. acquired 50% of Namchow International Co.'s equity on July 15, 2010. Nacia Co. recognized a goodwill of \$9,687.

Namchow International Co. invested in Namchow Cayman Co. and acquired 19.35% of its equity in June 2004. Namchow International Co. recognized a goodwill of \$140,093. The goodwill was amortized in five years which had ceased since 2006.

(k) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

December 31, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	RMB	3.00~4.57	2021	\$ 2,043,228
Unsecured loans	EUR	0.37~1.50	2021	28,257
Unsecured loans	USD	0.64~2.10	2021	269,604
Unsecured loans	TWD	0.90~0.92	2021	313,557
Unsecured loans	JPY	0.56~0.98	2021	<u>343,994</u>
Total				<u>\$ 2,998,640</u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	RMB	2.24~4.70	2020	\$ 2,021,548
Unsecured loans	EUR	0.84	2020	24,192
Unsecured loans	USD	4.22	2020	192,197
Unsecured loans	TWD	0.85~1.00	2020	827,000
Unsecured loans	JPY	0.95	2020	458,160
Unsecured loans	THB	0.7	2020	119,843
Total				\$ 3,642,940

As of December 31, 2020 and 2019, the unused credit facilities amounted to \$17,885,356 thousand and \$16,956,668 thousand, respectively.

(ii) Short-term commercial paper payable

December 31, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Commercial paper payable	TWD	0.63~0.73	2021	\$ 90,000
Discount				(38)
Total				\$ 89,962

The Group did not pledge assets against the short-term commercial paper payable.

As of December 31, 2020 and 2019, the unused credit facilities amounted to \$640,000 thousand and \$510,000 thousand, respectively.

(iii) Long-term borrowings

December 31, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	JPY	1.275	2038~2039	\$ 1,058,554
Secured loans	TWD	1.0300~1.0500	2022	605,000
Unsecured loans	JPY	0.98818	2021	27,630
Unsecured loans	THB	1.93	2025	573,360
Unsecured loans	TWD	0.9000~1.1400	2021~2023	2,542,000
Unsecured loans	RMB	4.2750~4.7500	2023	266,647
Total				\$ 5,073,191
Current				\$ 214,175
Non-current				4,859,016
Total				\$ 5,073,191

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	JPY	1.275	2021~2039	\$ 1,092,540
Unsecured loans	TWD	0.8885~1.2503	2020~2022	2,640,000
Unsecured loans	RMB	4.2750~4.7500	2020~2023	428,867
Total				\$ 4,161,407
Current				\$ 444,141
Non-current				3,717,266
Total				\$ 4,161,407

As of December 31, 2020 and 2019, the unused credit facilities amounted to \$2,920,966 thousand and \$4,566,309 thousand, respectively.

The Group has disclosed the related risk exposure to the financial instruments in note 6(v).

The Group has pledge certain assets against the loans; please refer to note 8 for additional information.

(l) Bonds payable

(i) The details of bonds payable were as follows:

	December 31, 2020	December 31, 2019
Secured bonds	\$ 4,000,000	4,000,000
Less: discounts on bonds payable	19,702	41,196
Less: current portion of bonds payable	3,980,298	-
Total	\$ -	3,958,804

(ii) As November 29, 2016, the Group issued its 1st domestic secured bonds, and its major obligations are as follows:

Item	1st domestic secured bonds
1) Issue date	November 29, 2016
2) Issue period	5 years, commencing from November 29, 2016 and matured on November 29, 2021.
3) Offering amount	4,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 400 bonds
5) Coupon Rate	Annual interest rate 0.75%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On March 12, 2021, the Company's Board of Directors resolved to issue the domestic secured bonds within the limit of \$5 billion.

(m) Provisions

The information of the Group's provisions for the years ended December 31, 2020 and 2019 were as follows:

	Site restoration
Balance as of January 1, 2020	\$ 15,784
Provisions reversed during the year	<u>(3,650)</u>
Balance as of December 31, 2020	<u>\$ 12,134</u>
Balance as of January 1, 2019	\$ 14,259
Provisions made during the year	<u>1,525</u>
Balance as of December 31, 2019	<u>\$ 15,784</u>

The provision was the estimation for removing, moving and restoring the lease assets according to the lease, which was recognized as long-term liability. The future cost shall result in an uncertainty of provision due to the long-term lease of the restaurant. Related costs are expected to paid in full after the lease term reaches its maturity.

(n) Lease liabilities

The carrying amounts of lease liabilities for the Group were as follows:

	December 31, 2020	December 31, 2019
Current	<u>\$ 192,377</u>	<u>228,455</u>
Non-current	<u>\$ 859,764</u>	<u>962,190</u>

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 50,040</u>	<u>45,385</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 41,158</u>	<u>39,954</u>
Income from sub-leasing right-of-use assets	<u>\$ (1,210)</u>	<u>(1,462)</u>
Expenses relating to short-term leases	<u>\$ 125,853</u>	<u>47,498</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 6,498</u>	<u>93,052</u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in the statement of cash flows for the Group were as follows:

	2020	2019
Total cash outflow for leases	\$ 440,237	444,872

(o) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31, 2020	December 31, 2019
The present value of the defined benefit obligations	\$ 571,608	541,344
Fair value of plan assets	(311,036)	(290,115)
The net defined benefit liability	\$ 260,572	251,229

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$311,036 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Defined benefit obligation at 1 January	\$ 541,344	531,868
Current service costs and interest	11,306	17,213
Remeasurements of the net defined benefit liability		
— Due to changes in financial assumption of actuarial gains	35,173	(4,648)
Past services cost and settlement losses	-	12,064
Benefits paid by the plan	(16,215)	(15,153)
Defined benefit obligation at 31 December	<u>\$ 571,608</u>	<u>541,344</u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Fair value of plan assets, January 1	\$ 290,115	277,273
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	2,583	2,882
— Due to changes in financial assumption of actuarial gains	9,232	9,603
Contributions made	22,377	14,715
Benefits paid by the plan	(13,271)	(14,358)
Fair value of plan assets, December 31	<u>\$ 311,036</u>	<u>290,115</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Current service cost	\$ 5,503	7,544
Net interest on the defined benefit liability (asset)	3,220	3,792
Past services cost and settlement losses	-	12,064
	<u>\$ 8,723</u>	<u>23,400</u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2020	2019
Operating costs	\$ 4,246	9,466
Selling expenses	1,119	1,623
General and administration expenses	3,305	12,225
Research and development expenses	53	86
	<u><u>\$ 8,723</u></u>	<u><u>23,400</u></u>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	2020	2019
Discount rate	0.625~1.125%	1.000~1.125%
Future salary increases rate	1.000~2.000%	1.000~2.000%

The Group expects to make contributions of \$9,049 thousand to the defined benefit plans in the next year starting from the reporting date of 2020.

The weighted average duration of the defined benefit obligation is 9.34~14.10 years.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group uses judgments and estimations to determine the related actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2020 and 2019, the present value of defined benefit obligation impact was as follow:

	The impact of defined benefit obligation	
	Increase	Decrease
December 31, 2020		
Discount rate (0.25%)	\$ (9,178)	9,483
Future salary increase rate (0.25%)	9,107	(8,861)
December 31, 2019		
Discount rate (0.25%)	(9,408)	9,731
Future salary increase rate (0.25%)	9,388	(9,125)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company and its subsidiaries in Taiwan have made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Subsidiaries in China have made monthly contributions equal to 20% of each employee's monthly wages to China Social Security Fund in accordance with the provisions of the Endowment Insurance of the People's Republic of China. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance and China Social Security Fund without additional legal or constructive obligations.

The Group's pension costs under the defined contribution plan were \$110,015 thousand and \$168,109 thousand for the years ended December 31, 2020 and 2019, respectively.

(p) Income tax

i) Income tax expenses

The components of income tax for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expenses		
Current period	\$ 616,320	422,153
Adjustment for prior period	<u>(10,413)</u>	<u>17,952</u>
	<u>605,907</u>	<u>440,105</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>55,143</u>	<u>149,057</u>
Income tax on continuing operations	<u><u>\$ 661,050</u></u>	<u><u>589,162</u></u>

The amount of the Group's income tax recognized in other comprehensive income for 2020 and 2019 was as follows :

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u><u>\$ 2,372</u></u>	<u><u>-</u></u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliations of the Group's income tax expense and the profit before tax for 2020 and 2019 were as follows:

	2020	2019
Income before tax	\$ 1,656,651	1,602,469
Income tax calculated on pretax accounting income at statutory rate	\$ 331,330	320,494
Effect of tax rates in foreign jurisdiction	299,563	357,588
Adjustment for prior periods	(10,413)	17,952
Non-deduction expenses	(8,370)	32,748
Tax-exempt expense	(848)	(199)
Investment income	(109,048)	(141,947)
Estimated withholding tax of attributable earnings of subsidiaries in Mainland China	80,869	21,044
Current-year losses for which no deferred income tax assets was recognized	66,484	-
Surtax on undistributed earnings	2,257	2,649
Others	9,226	(21,167)
Total	\$ 661,050	589,162

ii) Recognized deferred tax assets and liabilities

i. Unrecognized deferred income tax assets

The Deferred income tax assets that have not been recognized by the Group are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	\$ 1,158	1,348
Impairment loss	9,264	11,526
Tax losses	80,992	14,451
	\$ 91,414	27,325

Tax losses are applied to Income Tax Act that can be carried forward for ten years, after assessed by tax authority, to offset taxable income before apply to tax rate. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefore.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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As of December 31, 2020, the amount of tax losses not yet recognized as deferred tax assets and their last year for credit is as follows:

Year	Amount	Year of expiration
2011	\$ 2,981	2021
2012	21,537	2022
2013	8,252	2023
2014	5,988	2024
2015	4,490	2025
2016	4,302	2026
2017	7,592	2027
2018	5,552	2028
2019	5,378	2029
2020	289,431	2030
	<u><u>\$ 355,503</u></u>	

ii. Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets:

	Loss carryforward	Other	Total
Balance at January 1, 2020	\$ 126,215	48,506	174,721
Recognized in profit or loss	44,222	57,182	101,404
Recognized in other comprehensive income	-	2,372	2,372
Foreign currency translation differences for foreign operations	2,342	789	3,131
Balance at December 31, 2020	<u><u>\$ 172,779</u></u>	<u><u>108,849</u></u>	<u><u>281,628</u></u>
Balance at January 1, 2019	\$ 112,170	79,203	191,373
Recognized in profit or loss	14,045	(30,697)	(16,652)
Balance at December 31, 2019	<u><u>\$ 126,215</u></u>	<u><u>48,506</u></u>	<u><u>174,721</u></u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred tax liabilities:

	Withholding tax of attributable earnings of subsidiaries in Mainland China	Foreign investment income accounted for using equity method	Depreciation difference between financial and tax reporting and other	Land value increment tax	Total
Balance at January 1, 2020	\$ 184,038	609,967	36,005	304,572	1,134,582
Recognized in profit or loss	16,114	146,162	(5,729)	-	156,547
Foreign currency translation differences for foreign operations	3,248	-	(1,972)	-	1,276
Balance at December 31, 2020	\$ 203,400	756,129	28,304	304,572	1,292,405
Balance at January 1, 2019	\$ 144,961	501,350	51,294	304,572	1,002,177
Recognized in profit or loss	39,077	108,617	(15,289)	-	132,405
Balance at December 31, 2019	\$ 184,038	609,967	36,005	304,572	1,134,582

iii) Examination and approval

The tax returns of the Company have been examined and approved by the tax authorities through 2017.

(q) Capital and other equity

As of December 31, 2020 and 2019, the total value of authorized ordinary shares amounted to \$4,000,000 thousand, with par value of \$10 per share, of which 400,000 thousand shares, 294,133 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

The components of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Share premium	\$ 1,280	1,280
Overaging unclaimed dividends	2,807	1,839
Treasury stock	1,092,060	1,015,336
Recognize changes in all equity in subsidiaries	117,892	117,892
	\$ 1,214,039	1,136,347

The Company's subsidiary, Lucky Co., was awarded with cash dividends on 2019 and 2018 amounting to \$91,760 thousand and \$123,876 thousand, and they were recognized as capital surplus-treasury stock transactions.

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(ii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The dividend policy of the Company reflects its current and future development plans and takes into accounts factors such as investment climate, funding demand, and domestic and international competition as well as shareholders' interests. Each year, no less than 30% of earnings available for distribution are assigned to shareholders as dividend bonus. The dividend bonus may be done in case or in the form of stock. When it is done in cash, the value may not exceed 10% of the overall dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting distribute its legal reserve by issuing new shares or by distribute cash and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special earnings reserve

As the Company opted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of \$512,508 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No.1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of above mentioned special reserve amounted to \$512,508 thousand as of December 31, 2020 and 2019.

For the regulatory permission mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of the above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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3) Distribution of retained earnings

On March 26, 2020, the Company's board of directors resolved to appropriate the 2019 earnings. On May 30, 2019, the shareholder's meetings resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

	2019		2018	
	Amount per share (NTD)	Total Amount	Amount per share (NTD)	Total Amount
Dividends distributed to ordinary stockholders:				
Cash	\$ 2.00	<u><u>586,782</u></u>	2.70	<u><u>792,156</u></u>

On March 12, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 2.00	<u><u>588,266</u></u>

(iii) Treasury stock

None shares were purchased by the Company and its subsidiaries during the years ended December 31, 2020 and 2019. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of December 31, 2020 and 2019, the subsidiaries held the Company's shares as follows:

December 31, 2020					
Subsidiary name	Number of shares (in thousand)	Market price per share	Adjusted cost per share	Total market value	Total treasury stock
Lucky Co.	46,041	47.00	11.51	<u><u>\$ 2,163,939</u></u>	<u><u>530,114</u></u>

December 31, 2019					
Subsidiary name	Number of shares (in thousand)	Market price per share	Adjusted cost per share	Total market value	Total treasury stock
Lucky Co.	46,041	50.30	11.51	<u><u>\$ 2,343,500</u></u>	<u><u>530,114</u></u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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In pursuant to Article 12 of the Business Mergers and Acquisition Act, a resolution was made by the Board of the Company to repurchase 742 thousand treasury stock amounting to \$46,746 thousand from the shareholders who objected on the share swap agreement in August 2017. As of December 31, 2020, the above mentioned treasury stocks had been fully disposed, wherein the proceeds from disposal amounted to \$31,710 thousand. The difference which had been fully offset against the capital surplus arising from the same type of treasury stocks amounting to \$15,036 thousand was due to the selling price being lower than the book value.

Under the Business Mergers and Acquisitions Act, the treasury stock held by the Company shall not be pledged nor be entitled to any distribution of dividends or voting rights.

(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2020	\$ (725,159)	(48,516)	189,614	(584,061)
Foreign exchange differences arising from foreign operations	(109,176)	-	(27,514)	(136,690)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	152,772	-	-	152,772
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	8,970	-	8,970
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	(6,244)	-	(6,244)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	636	-	636
Balance as of December 31, 2020	<u>\$ (681,563)</u>	<u>(45,154)</u>	<u>162,100</u>	<u>(564,617)</u>
Balance as of January 1, 2019	\$ (506,975)	(51,878)	210,577	(348,276)
Foreign exchange differences arising from foreign operations	103,478	-	(20,963)	82,515
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(321,662)	-	-	(321,662)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,727	-	2,727
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	635	-	635
Balance as of December 31, 2019	<u>\$ (725,159)</u>	<u>(48,516)</u>	<u>189,614</u>	<u>(584,061)</u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(r) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019, were as follows:

(i) Basic earnings per share

	Unit: thousand of shares	
	2020	2019
Net income attributable to common shareholders of the Company	\$ <u>950,697</u>	<u>964,149</u>
Weighted-average number of common shares	<u>247,688</u>	<u>247,350</u>
Basic earnings per share (in NT dollars)	\$ <u>3.84</u>	<u>3.90</u>

ii) Diluted earnings per share

	Unit: thousand of shares	
	2020	2019
Net income attributable to common shareholders of the Company (diluted)	\$ <u>950,697</u>	<u>964,149</u>
Weighted-average number of common shares (basic)	247,688	247,350
Impact of potential common shares:		
Effect of employees' remuneration	307	274
Weighted-average number of shares outstanding (diluted)	<u>247,995</u>	<u>247,624</u>
Diluted earnings per share (in NT dollars)	\$ <u>3.83</u>	<u>3.89</u>

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NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020							
	Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
Area of distribution:								
China	\$ 9,446,209	-	490,373	-	10,659	524,206	18,143	10,489,590
Taiwan	1,128,201	555,060	518,452	1,065,465	460,078	414,165	10,661	4,152,082
Thailand	-	-	-	-	192,648	-	1,181	193,829
New Zealand and Australia	-	-	-	-	1,089,310	-	1,118	1,090,428
United states	-	-	-	-	774,052	-	622	774,674
Europe	-	-	-	-	579,907	-	-	579,907
Others	27,127	-	-	-	295,310	18,605	211	341,253
	\$ 10,601,537	555,060	1,008,825	1,065,465	3,401,964	956,976	31,936	17,621,763

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NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
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		2019							
		Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
Area of distribution:									
China	\$	10,267,202	917	279,985	-	23,589	694,487	5,538	11,271,718
Taiwan		1,162,771	527,034	549,206	925,085	426,912	610,535	11,001	4,212,544
Thailand		-	-	-	-	249,482	-	1,800	251,282
New Zealand and Australia		-	-	-	-	986,206	-	1,587	987,793
United states		-	-	-	-	612,246	-	540	612,786
Europe		-	-	-	-	583,284	-	-	583,284
Others		19,336	-	-	-	391,426	13,331	479	424,572
	\$	11,449,309	527,951	829,191	925,085	3,273,145	1,318,353	20,945	18,343,979

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liability	\$ <u>574,383</u>	<u>443,417</u>	<u>511,135</u>

The amount of revenue recognized (reversed) for the December 31, 2020 and 2019, that was included in the contract liability balance at the beginning of the period was \$265,317 thousand and \$368,036 thousand, respectively.

(t) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company shall set aside no less than 1% of its profit as for employee remuneration and no more than 5% as directors' remuneration. However, priority shall be given to covering cumulative losses, if any.

Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

The Company estimated its remuneration to employees amounting to \$11,065 thousand and \$11,812 thousand, as well as its directors' \$44,261 thousand and \$47,248 thousand for the years 2020 and 2019, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's consolidated financial statements.

(u) Non-operating income and expenses

(i) Interest income

	2020	2019
Interest income from bank deposits	\$ <u>87,222</u>	<u>74,178</u>

(ii) Other income

	2020	2019
Rental income	\$ 8,756	8,312
Other income — other		
Government grants	85,508	117,887
Others	<u>56,210</u>	<u>43,507</u>
Total other income — Other	<u>141,718</u>	<u>161,394</u>
Total other income	\$ <u>150,474</u>	<u>169,706</u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

	2020	2019
Losses on disposal of property, plant and equipment	\$ (6,777)	(19,502)
Gains on lease modification	874	-
Gains (losses) foreign exchange	14,134	(11,688)
Gains on financial assets at fair value through profit or loss	8,388	3,444
Others	(15,803)	(22,145)
Net other gains and losses	<u><u>\$ 816</u></u>	<u><u>(49,891)</u></u>

(iv) Finance costs

	2020	2019
Interest expense	<u><u>\$ 259,606</u></u>	<u><u>262,612</u></u>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount.

2) Concentration of credit risk

The Group's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Group deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Group concluded that it is not exposed to credit risk.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	More than 5 years
December 31, 2020						
Non-derivative financial liabilities						
Secured loans	\$ 1,663,554	1,796,905	50,636	739,933	197,720	808,616
Unsecured loans	6,408,277	6,564,476	3,215,045	1,946,806	1,402,625	-
Short-term commercial paper payable	89,962	90,000	90,000	-	-	-
Accounts payable	1,161,973	1,161,973	1,161,973	-	-	-
Other payables	1,503,216	1,503,216	1,503,216	-	-	-
Bonds payable(including related parties)	3,980,298	4,000,000	4,000,000	-	-	-
Lease liabilities	1,052,141	1,235,604	234,620	232,814	400,723	367,447
Guarantee deposits received	50	50	50	-	-	-
	<u><u>\$ 15,859,471</u></u>	<u><u>16,352,224</u></u>	<u><u>10,255,540</u></u>	<u><u>2,919,553</u></u>	<u><u>2,001,068</u></u>	<u><u>1,176,063</u></u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	More than 5 years
December 31, 2019						
Non-derivative financial liabilities						
Secured loans	\$ 1,727,541	1,923,850	20,326	647,946	38,689	1,216,889
Unsecured loans	6,076,806	6,173,261	4,088,075	1,004,359	1,080,827	-
Accounts payable	968,336	968,336	968,336	-	-	-
Other payables	1,419,633	1,419,633	1,419,633	-	-	-
Bonds payable	3,958,804	4,000,000	-	4,000,000	-	-
Lease liabilities	1,190,645	1,416,048	276,370	224,430	458,850	456,398
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 15,341,815</u>	<u>15,901,178</u>	<u>6,772,790</u>	<u>5,876,735</u>	<u>1,578,366</u>	<u>1,673,287</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Risk exposure

The Group's financial assets and financial liabilities exposed to significant currency risk were as follows:

	Foreign currency	Exchange rate	TWD
December 31, 2020			
Financial assets:			
Monetary assets:			
USD	\$ 2,391	28.48	68,104
Financial liabilities:			
Monetary liabilities:			
USD	\$ 10,704	28.48	304,842
EUR	\$ 5,399	35.02	189,058
December 31, 2019			
Financial assets:			
Monetary assets:			
USD	\$ 6,255	29.98	187,540
Financial liabilities:			
Monetary liabilities:			
USD	\$ 11,090	29.98	332,469
EUR	\$ 5,146	33.59	172,837

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivables, other receivables, loans and borrowings, accounts payable and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the TWD against the USD, and EUR as of December 31, 2020 and 2019 would have increased (decreased) the net income after tax for the years ended December 31, 2020 and 2019 by \$4,258 thousand and \$3,178 thousand, respectively. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the December 31, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized abortions) amounted to \$14,134 thousand and \$(11,688) thousand, respectively.

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting to the management internally, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have decreased / increased by \$74,728 thousand and \$75,616 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing and time deposits at floating rates.

(v) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

December 31, 2020					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 227,426	-	227,426	-	227,426
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	19,822	19,822	-	-	19,822
Total	\$ 247,248	19,822	227,426	-	247,248
December 31, 2019					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 218,568	-	218,568	-	218,568
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	16,457	16,457	-	-	16,457
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
Subtotal	43,623	16,457	-	27,166	43,623
Total	\$ 262,191	16,457	218,568	27,166	262,191

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques and assumptions used in fair value determination— Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

Stocks of listed Companies and open-ended funds are financial assets possessing standard provision and trading in active markets. The fair values are determined based on the market quotes and net assets value, respectively.

When the financial instrument of the Group is not traded in an active market, its fair value is determined based on the ratio of the quoted market price of the comparative listed company, and the main assumption for the model basis of both the net equity value of the equity of the investee and the equity multiplier derived from the quoted market price of the comparative listed company. The estimated adjustments of the fair value is discounted for its lack of liquidity in the market.

Fair value of structured investment product is measured based on the discounted future cash flows arising from principal consideration and probable gains estimated to be received.

3) Fair value hierarchy

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2020 and 2019.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
January 1, 2020	\$ 27,166
Return from capital reduction and liquidation	(27,166)
December 31, 2020	\$ -
December 31, 2019 (same as January 1, 2019)	\$ 27,166

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> Multiplier of price-to-earnings ratio (As of December 31, 2019 was 0.93) Market illiquidity discount rate (As of December 31, 2019 was 20%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> the multiplier were higher (lower) the market illiquidity discount were lower (higher)

7) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

			Other comprehensive income	
	Input	Assumptions	Favorable	Unfavorable
December 31, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	6.25%	1,730	(1,730)

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(w) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2020 and 2019, there was no geographical concentration of credit risk regarding the Group's revenue.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group have established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investment and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, there are no non-compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2020 and 2019, the Group did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted. The Group has unused short term bank facilities of \$21,446,322 thousand and \$22,032,977 thousand on December 31, 2020 and 2019, respectively.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily TWD, CNY, JPY and THB. The currencies used in these transactions are the TWD, USD, THB, JPY and CNY.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Group's operating cash flow, primarily consisting of TWD, USD, THB, CNY, and JPY.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Group relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

2) Interest rate risk

The interest rates of the Group's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Group's finance department monitors and measures potential changes in market conditions to achieve a fixed interest rate on the Group's loans.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(x) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 18,385,095	17,435,169
Less: cash and cash equivalents	5,721,627	4,623,715
Net debt	<u>\$ 12,663,468</u>	<u>12,811,454</u>
Total equity	<u>\$ 6,955,389</u>	<u>6,420,013</u>
Debt-to-adjusted-capital ratio	<u>182 %</u>	<u>200 %</u>

As of December 31, 2020, there were no changes in the Group's approach of capital management.

- (y) Investing and financing activities not affecting current cash flow

The Group did not have any non-cash flow transactions on the investing and financing activities for the years ended December 31, 2020 and 2019.

- (z) The reconciliation of liabilities arising from financing activities

For the year ended December 31, 2020 and 2019, the reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Others	
Long-term borrowings (including current portion)	\$ 4,161,407	903,151	8,633	-	5,073,191
Short-term borrowings	3,642,940	(664,866)	20,566	-	2,998,640
Short-term commercial paper payable	-	90,000	-	(38)	89,962
Lease liabilities	1,190,645	(268,119)	12,556	117,059	1,052,141
Total liabilities from financing activities	<u>\$ 8,994,992</u>	<u>60,166</u>	<u>41,755</u>	<u>117,021</u>	<u>9,213,934</u>

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Foreign exchange movement	Others	
Long-term borrowings (including current portion)	\$ 3,601,960	585,457	(26,010)	-	4,161,407
Short-term borrowings	3,933,410	(348,600)	58,130	-	3,642,940
Lease liabilities	1,065,090	(220,445)	(38,831)	384,831	1,190,645
Total liabilities from financing activities	<u>\$ 8,600,460</u>	<u>16,412</u>	<u>(6,711)</u>	<u>384,831</u>	<u>8,994,992</u>

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Chen Fei Lung	Key management personnel
Chen Fei Peng	"

(b) Significant transactions with related parties — leases

The Group entered into a two-year lease agreement with its key management personnel for a building to be used for its business operation, with a rental fee based on the rental rates within the vicinity. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction both recognized an additional amount of \$4,354 thousand of right-of-use assets and lease liabilities. For the years ended December 31, 2020 and 2019, the Group recognized the amount of \$38 thousand and \$33 thousand as interest expense, respectively. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to \$0 thousand and \$8,328 thousand, respectively.

(c) Personnel transactions from key management

The compensation of the key management personnel comprised as the following:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 222,816	209,481
Post-employments benefits	1,989	1,894
	<u><u>\$ 224,805</u></u>	<u><u>211,375</u></u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other non-current assets:			
Time deposits	Operating lease deposits	\$ -	124
Property, plant and equipment:			
Land	Long-term borrowings	1,802,421	1,801,641
Buildings	Long-term borrowings	805,826	868,447
		<u><u>\$ 2,608,247</u></u>	<u><u>2,670,212</u></u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

(a) Major contracts not recognized the commitment:

(i) The Group's unrecognized contractual commitments were as follows:

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment	\$ <u>26,139</u>	<u>57,847</u>

(ii) The Group's unused letters of credit for purchases of materials:

	December 31, 2020	December 31, 2019
Unused letters of credit for purchases of materials	\$ <u>966,951</u>	<u>131,513</u>

(iii) Long-term letters of credit guarantee bill:

	December 31, 2020	December 31, 2019
Long-term letters of credit guarantee bill	\$ <u>392,000</u>	<u>392,000</u>

(b) Lucky Co., Namchow BVI Co. and Paulaner Brauhaus Consult GmbH (PBCG) have entered into a contract for the use of the PBCG brand name and beer brewing techniques. In accordance with the contract, PBCG has to provide the right to use its brand name and its management consultation service for restaurant management, information service. The contract lasts for 10 years, starting from October 1, 2019 to September 30, 2029, with the option of extending it for an additional of 10 years, and there will be an automatic renewal for five years after the first renewal.

	December 31, 2020
One year	\$ 840
Less than five years	3,362
More than five years	<u>3,152</u>
	\$ <u>7,354</u>

(c) Dian Shui Lou Co. entered into an agreement with several malls, it is agreed to take a certain percentage according to the turnover of each store.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By nature	Years ended December 31, 2020			Years ended December 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	1,008,258	1,414,291	2,422,549	1,014,919	1,418,961	2,433,880
Labor and health insurance	319,099	110,749	429,848	301,788	140,459	442,247
Pension	41,513	77,225	118,738	70,169	121,340	191,509
Remuneration of directors	-	48,487	48,487	-	49,393	49,393
Others	78,163	111,913	190,076	90,690	120,095	210,785
Depreciation (note 1)	730,482	358,151	1,088,633	677,201	361,370	1,038,571
Amortization	-	-	-	-	-	-

Note 1: Depreciation expenses for investment property recognized under non-operating income and expenses — other gains and losses amounting to \$3,186 thousand and \$3,326 thousand for the years ended December 31, 2020 and 2019 were not excluded, respectively.

(Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2020:

(i) Loans extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance	Amount actually drawn (Note 3)	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Guangzhou Namchow Co.	Shanghai Namchow Co.	Other long term accounts receivable—related parties	Yes	648,600	-	-	4%	Short term financing	-	Capital for operation	-	-	-	2,289,132 (Note 1)	2,289,132 (Note 1)
2	Lucky Co.	Namchow BVI Co.	Other accounts receivable—related parties	Yes	58,928	57,672	57,672	(Note 4)	Short term financing	-	(Note 4)	-	-	-	1,108,817 (Note 2)	1,108,817 (Note 2)

Note 1: Base on the Guangzhou Namchow Co.'s guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 100% of the Guangzhou Namchow Co.'s stockholder's equity.

Note 2: Base on the Lucky Co.'s guidelines, the allowable aggregate amount of financing provided to others and the maximum financing provided to an individual company cannot exceed 40% of the Lucky Co.'s stockholder's equity.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

Note 4: Dividend receivable transferred to the loan extended with no cash outflow.

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the period	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Nankyo Japan Co.	2	6,619,546	1,683,223	1,638,995	725,613	-	24.76 %	6,619,546	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company that has business transaction with another company.
- (2) A public company which, directly or indirectly, holds more than 50 percent of the voting shares.
- (3) A company that, directly or indirectly, holds more than 50 percent of the voting shares in the public company.
- (4) A public company which, directly or indirectly, holds 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company wherein all its capital contributing shareholders can make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies within the same industry that provide joint and several security among themselves for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 2: According to the Company's guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of the Company's net worth, while the total guarantees and endorsements for an individual party not exceed 100% of the Company's net worth.

(iii) Securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars/thousand of shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2020	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	1,185	16,062	0.05 %	16,062	16,062	
Lucky Co., Ltd.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income—non-current	46,041	2,163,939	15.65 %	2,163,939	530,114	Note 1
Lucky Co., Ltd.	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	277	3,760	0.01 %	3,760	3,760	
Guangzhou Namchow Co.	Structured deposits: Cathay United Bank structured deposits	—	Financial assets at fair value through profit or loss—current	-	227,426	- %	227,426	227,426	

Note 1: The stated book value is after subtraction of the amount being reclassified treasury stock.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Lucky Co.	Huaciang Co.	Subsidiary	Purchase	296,703	39 %	Note 1	-		(57,225)	(53) %	Note 2
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	(296,703)	(28) %	Note 1	-		57,225	32 %	Note 2
Huaciang Co.	Namchow Oil and Fat Co.	Subsidiary	Purchase	100,918	25 %	Note 1	-		(17,203)	(5) %	Note 2
Namchow Oil and Fat Co.	Huaciang Co.	Subsidiary	(Sales)	(100,918)	(6) %	Note 1	-		17,203	22 %	Note 2
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	135,984	(63) %	Note 1	-		(146,119)	90 %	Note 2
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(135,984)	(7) %	Note 1	-		146,119	31 %	Note 2
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,411,447	(22) %	Note 1	-		(291,691)	22 %	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,411,447)	(76) %	Note 1	-		291,691	61 %	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,122,019	(18) %	Note 1	-		(355,035)	26 %	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,122,019)	(48) %	Note 1	-		355,035	66 %	Note 2
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	205,219	(3) %	Note 1	-		-	- %	Note 2
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(205,219)	(77) %	Note 1	-		-	- %	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	1,601,612	(25) %	Note 1	-		(371,323)	27 %	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,601,612)	(81) %	Note 1	-		371,323	82 %	Note 2
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	244,392	(8) %	Note 1	-		(32,437)	8 %	Note 2
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(244,392)	(13) %	Note 1	-		32,437	7 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	283,038	(9) %	Note 1	-		(64,778)	16 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(283,038)	(14) %	Note 1	-		64,778	14 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	800,610	(26) %	Note 1	-		(107,671)	26 %	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(800,610)	(34) %	Note 1	-		107,671	20 %	Note 2
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	348,861	(65) %	Note 1	-		(70,761)	57 %	Note 2
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(348,861)	(15) %	Note 1	-		70,761	13 %	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	593,122	(9) %	Note 1	-		(206,395)	15 %	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(593,122)	(67) %	Note 1	-		206,395	83 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	293,389	(10) %	Note 1	-		(41,625)	10 %	Note 2
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(293,389)	(33) %	Note 1	-		41,625	17 %	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	840,213	(13) %	Note 1	-		(129,491)	10 %	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(840,213)	(24) %	Note 1	-		129,491	24 %	Note 2

Note 1: Depending on capital movement motor adjustment.

Note 2: All intercompany accounts and transactions are eliminated.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	355,035	2.83	-		342,504 (As of March 12, 2021)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	291,691	3.44	-		291,691 (As of March 12, 2021)	-
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	146,119	0.81	-		- (As of March 12, 2021)	-
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	107,671	6.97	-		107,671 (As of March 12, 2021)	-
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	206,395	2.78	-		171,252 (As of March 12, 2021)	-
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	371,323	6.04	-		371,323 (As of March 12, 2021)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	129,491	4.16	-		128,439 (As of March 12, 2021)	-

Note: The transactions within the Group were eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Sales revenue	135,984	No significant differences	0.77 %
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Accounts receivable	146,119	No significant differences	0.58 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Sales revenue	1,411,447	No significant differences	8.01 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Accounts receivable	291,691	No significant differences	1.15 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	244,392	No significant differences	1.39 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	32,437	No significant differences	0.13 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Sales revenue	1,122,019	No significant differences	6.37 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Accounts receivable	355,035	No significant differences	1.40 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	800,610	No significant differences	4.54 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	107,671	No significant differences	0.42 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Sales revenue	348,861	No significant differences	1.98 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Accounts receivable	70,761	No significant differences	0.28 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	205,219	No significant differences	1.16 %
4	Mostro	Namchow Thailand	3	Sales revenue	69,599	No significant differences	0.39 %
5	Shanghai Namchow Co.	Namchow Food Co.	3	Sales revenue	1,601,612	No significant differences	9.09 %

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
5	Shanghai Namchow Co.	Namchow Food Co.	3	Accounts receivable	371,323	Determined capital demand	1.47 %
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	283,038	No significant differences	1.61 %
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	64,778	No significant differences	0.26 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	593,122	No significant differences	3.37 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	206,395	No significant differences	0.81 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	293,389	No significant differences	1.66 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	41,625	No significant differences	0.16 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Sales revenue	840,213	No significant differences	4.77 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Accounts receivable	129,491	No significant differences	0.51 %
8	Namchow Oil and Fat Co.	Huaciang Co.	3	Sales revenue	100,918	No significant differences	0.57 %
8	Namchow Oil and Fat Co.	Huaciang Co.	3	Accounts receivable	17,203	No significant differences	0.07 %
9	Huaciang Co.	Lucky Co.	3	Sales revenue	296,703	No significant differences	1.68 %
9	Huaciang Co.	Accounts receivable	3	Accounts receivable	57,225	No significant differences	0.23 %
10	Lucky Co.	Namchow BVI Co.	3	Long-term other accounts receivable-related parties	57,672	Dividend receivable transferred to the loan extended with no cash outflow	0.23 %

Note 1: Company numbering is as follows:

- (1) Parent company - 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

Note 3: Disclose that the individual amount record under the assets and liabilities are greater than \$20,000 thousand; profit and loss are greater than \$50,000 thousand.

Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance		Maximum investment amount in 2020	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership				
The Company	Namchow Thailand	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100.00 %	2,338,765	1,027,405	373,990	Note 3
The Company	Mostro	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100.00 %	32,890	10,201	1,683	Note 3
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100.00 %	8,865,196	343,443	1,062,674	Note 3
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	119,000	119,000	2,500	100.00 %	10,941	119,000	(8,038)	Note 3
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99.65 %	566,317	938,438	(11,525)	Note 3
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80.00 %	173	763	60	Note 3
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	446,180	308,530	- (Note 2)	100.00 %	124,808	446,180	(120,539)	Notes 3

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Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2020	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Book value				
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	5,000	5,000	500	100.00 %	950	5,000	(737)	(737)	Note 3
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	39,000	39,000	2,200	100.00 %	1,206	39,000	(10,777)	(10,755)	Note 3
The Company	Namchow Oil and Fat Co.	Taipei, Taiwan	Manufacturing, processing and selling of edible oil and frozen dough	411,731	411,731	41,173	100.00 %	641,308	411,731	174,271	175,214	Note 3
The Company	Huaciang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	392,341	30,000	100.00 %	262,963	392,341	(13,677)	(12,120)	Note 3
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	228,970	228,970	4,680	90.70 %	50,416	228,970	(84,078)	(76,257)	Notes 1 and 3
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	222,000	222,000	10,400	100.00 %	35,353	222,000	(86,848)	(86,813)	Notes 1 and 3
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	14,000	14,000	500	100.00 %	2,641	14,000	(1,792)	(1,792)	Note 3
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10.00 %	22	100	60	6	Note 3
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies.	Holding of investments	2,522,207	2,522,207	35,378	100.00 %	8,856,749	2,522,207	1,063,647	1,063,647	Note 3

Note 1: Its investment gain and loss are also recognized by parent company.

Note 2: The Company holds the shares in subsidiaries Nankyo Japan Co. totaling 3 shares.

Note 3: All intercompany accounts and transactions are eliminated.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2020	Investment income (loss) (note 2)	Book value as of December 31, 2020	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	-	(123,905)	100.00 %	669,270	(123,903) ((2)b.)	284,781	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00 %	961	- ((2)b.)	875	-
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(58,566)	100.00 %	704,181	(58,566) ((2)b.)	455,383	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(11,045)	100.00 %	90,836	(11,045) ((2)b.)	44,631	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	856,481	(3)	-	-	-	-	1,370,913	96.15 %	856,481	1,318,186 ((2)a.)	8,162,157	60,491
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	269,070	96.15 %	756,875	258,711 ((2)a.)	1,898,747	30,245
Tianjin Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	141,725	96.15 %	121,100	136,269 ((2)a.)	688,698	-
Guangzhou Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	169,021	96.15 %	452,150	162,514 ((2)a.)	633,566	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	258,696	96.15 %	544,950	248,736 ((2)a.)	2,201,000	90,736
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	-	151,234	96.15 %	676,597	145,412 ((2)a.)	800,514	-
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	312,252	96.15 %	94,200	300,230 ((2)a.)	596,113	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	(9,195)	96.15 %	215,250	(8,841) ((2)a.)	201,268	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	428	100.00 %	4,541	428 ((2)b.)	7,856	-
Bao Lai Na Co.	Multinational eateries, and the promotion, and management of self-made beers	112,018	(3)	79,468	-	-	79,468	(87,639)	90.39 %	112,018	(79,217) ((2)c.)	96,753	35,967

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: Amount of investment income (loss) was recognized base on:

- (1) There is no investment income for the preparatory case.
- (2) Investment gains and losses were based on three basic:
 - a. The financial statements audited by an international accounting firm that has a cooperative relationship with accounting firms of the Republic of China.
 - b. The financial statements audited by the auditors of the parent company.
 - c. Others: the financial statements audited by the auditors of the local accounting firm, and the working papers were reviewed by the auditors of the parent company.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2020	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	372,813	3,373,763	3,971,728
Lucky Co.	226,649	194,406	1,663,226

(iii) Significant transactions with investees in Mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Lucky Royal Co., Ltd.		46,041,259	15.65 %
Chen Fei Peng		37,537,995	12.76 %
Chen Fei Lung		33,814,934	11.49 %

(14) Segment information

(a) General information

There are seven service departments which should be reported: Edible and non-edible oil department, frozen dough department, detergent department, ice cream department, food department, catering department and management and rental revenue department and other departments. The Edible and non-edible oil department provides manufacturing and selling of edible oil; frozen dough department provides manufacturing and selling of frozen dough; detergent department provides manufacturing and selling of detergent; ice cream department provides manufacturing and selling of variant ice cream; food department provides manufacturing and selling of instant noodles and rice cracker; catering department provides liquor importing and retailing and management and rental revenue department and other department provides business management and investment consulting services.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed.

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report and the chief operating decision maker reviews the basis to determine allocation of resource and makes a performance evaluation. The internal management report includes profit before taxation, but not includes any extraordinary activity. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions and are measured at market price.

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NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
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Information on reportable segments and reconciliation for the Group is as follows:

Years ended December 31, 2020									
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Revenue:									
Revenue from external customers	\$ 10,601,537	555,060	1,008,825	1,065,465	3,401,964	956,976	31,936	-	17,621,763
Inter-segment revenues	160,914	-	5,339	27,534	320,519	14,685	228,803	(757,794)	-
Total revenue	\$ 10,762,451	555,060	1,014,164	1,092,999	3,722,483	971,661	260,739	(757,794)	17,621,763
Reportable segment profit or loss	<u>\$ 1,590,155</u>	<u>42,123</u>	<u>70,888</u>	<u>44,926</u>	<u>419,157</u>	<u>(296,737)</u>	<u>(180,525)</u>	<u>(12,242)</u>	1,677,745
Interest income and other income									237,696
Other gains and losses									816
Finance costs									(259,606)
Net income before tax									<u><u>\$ 1,656,651</u></u>

Years ended December 31, 2019									
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Revenue:									
Revenue from external customers	\$ 11,449,309	527,951	829,191	925,085	3,273,145	1,318,353	20,945	-	18,343,979
Inter-segment revenues	130,441	-	2,562	27,332	313,002	32,938	233,319	(739,594)	-
Total revenue	\$ 11,579,750	527,951	831,753	952,417	3,586,147	1,351,291	254,264	(739,594)	18,343,979
Reportable segment profit or loss	<u>\$ 1,569,476</u>	<u>13,289</u>	<u>(34,738)</u>	<u>14,153</u>	<u>361,144</u>	<u>(68,542)</u>	<u>(175,898)</u>	<u>(7,796)</u>	1,671,088
Interest income and other income									243,884
Other gains and losses									(49,891)
Finance costs									(262,612)
Net income before tax									<u><u>\$ 1,602,469</u></u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) In 2020 and 2019, inter-segment revenues of \$757,794 thousand and \$739,594 thousand respectively, should be eliminated from total revenue.
- (ii) Share of associate profit under equity method amounting to \$(12,242) thousand and \$(7,796) thousand, respectively, should be eliminated.

(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

<u>Products and services</u>	<u>2020</u>	<u>2019</u>
Baking oil, cooking oil and industrial oil	\$ 10,601,537	11,449,309
Frozen dough, noodles and cooked rice	4,410,789	4,102,336
Restaurant Business	956,976	1,318,353
Ice cream products	1,065,465	925,085
Others	586,996	548,896
Total	<u><u>\$ 17,621,763</u></u>	<u><u>18,343,979</u></u>

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2020</u>	<u>2019</u>
Revenue from external customers:		
China	\$ 9,997,542	10,954,731
Taiwan	4,762,555	4,682,487
Thailand	2,861,666	2,706,781
Total	<u><u>\$ 17,621,763</u></u>	<u><u>18,343,999</u></u>

<u>Geographical information</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current assets:		
Taiwan	\$ 3,402,358	3,504,242
China	5,821,491	5,843,702
Thailand	2,031,758	1,618,977
Japan	1,678,848	1,646,428
Total	<u><u>\$ 12,934,455</u></u>	<u><u>12,613,349</u></u>

Non-current assets include investment accounted for under the equity method, property, plant and equipment, investment property.

(e) Information about major customers

For the years 2020 and 2019, the Group had no major customer who constituted 10% or more of net sales.