

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

Address: No. 100, Yanping N. Rd., Sec 4., Taipei, Taiwan R.O.C
Telephone: (02)2535-1251

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Namchow Holdings Co., Ltd. ("the Company") and its subsidiaries ("the Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$4,619,293 thousand and \$3,345,574 thousand, constituting 20% and 14% of consolidated total assets as of March 31, 2020 and 2019, respectively, total liabilities amounting to \$2,490,920 thousand and \$2,794,117 thousand, constituting 14% and 17% of consolidated total liabilities as of March 31, 2020 and 2019, respectively, and total comprehensive income (loss) amounting to \$(150,826) thousand and \$(30,651) thousand, constituting 72% and (7)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Po-Shu Huang and Chung-Shun Wu.

KPMG

Taipei, Taiwan (Republic of China)
May 14, 2020

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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2020 and 2019

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31 and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | March 31, 2020 | | December 31, 2019 | | March 31, 2019 | | | | Liabilities and Equity | | March 31, 2020 | | December 31, 2019 | | March 31, 2019 | |
|--------------------------|--|----------------|------------|-------------------|------------|----------------|------------|------|---|--|-------------|----------------|-----------|-------------------|-----------|----------------|-----|
| | | Amount | % | Amount | % | Amount | % | | | | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ | 4,344,659 | 18 | 4,623,715 | 19 | 5,231,642 | 23 | 2100 | Short-term borrowings (note 6(k)) | \$ | 4,956,873 | 21 | 3,642,940 | 15 | 3,697,936 | 16 |
| 1110 | Financial assets at fair value through profit or loss— current (note 6(b)) | | 214,640 | 1 | 218,568 | 1 | - | - | 2110 | Short-term commercial paper payable (note 6(k)) | | 219,904 | 1 | - | - | 279,893 | 1 |
| | | | | | | | | | 2322 | Current portion of long-term borrowings (notes 6(k) and 8) | | 434,726 | 2 | 444,141 | 2 | 1,561,202 | 7 |
| 1150 | Notes receivable, net (note 6(d)) | | 175,036 | 1 | 166,114 | 1 | 192,014 | 1 | 2130 | Contract liabilities (note 6(s)) | | 472,408 | 2 | 443,417 | 2 | 543,435 | 2 |
| 1170 | Accounts receivable, net (note 6(d)) | | 1,550,257 | 7 | 1,574,372 | 7 | 1,451,802 | 6 | 2150 | Notes payable | | - | - | - | - | 7,040 | |
| 1200 | Other receivables (note 6(e)) | | 42,476 | - | 45,904 | - | 52,482 | - | 2170 | Accounts payable | | 779,098 | 3 | 968,336 | 4 | 968,981 | 4 |
| 1220 | Current income tax assets | | 228,444 | 1 | 188,552 | 1 | 195,979 | 1 | 2216 | Dividend payables (note 6(q)) | | 495,022 | 2 | - | - | - | - |
| 130x | Inventories (note 6(f)) | | 2,168,180 | 9 | 2,222,431 | 9 | 2,164,107 | 9 | 2219 | Other payables (notes 6(t) and 9) | | 1,044,895 | 5 | 1,419,633 | 5 | 1,074,812 | 5 |
| 1410 | Prepayments | | 381,544 | 2 | 403,815 | 2 | 533,511 | 2 | 2230 | Current income tax liabilities | | 182,839 | 1 | 137,609 | 1 | 199,636 | 1 |
| 1470 | Other current assets | | 50,629 | - | 69,148 | - | 77,465 | - | 2280 | Current lease liabilities (notes 6(n) and 7) | | 220,866 | 1 | 228,455 | 1 | 218,758 | 1 |
| Total current assets | | | 9,155,865 | 39 | 9,512,619 | 40 | 9,899,002 | 42 | 2399 | Other current liabilities | | 55,593 | - | 62,619 | - | 32,461 | - |
| Non-current assets: | | | | | | | | | | Total current liabilities | | 8,862,224 | 38 | 7,347,150 | 30 | 8,584,154 | 37 |
| 1517 | Financial assets at fair value through other comprehensive income— non-current (note 6(c)) | | 14,988 | - | 43,623 | - | 41,210 | - | 2530 | Non-Current liabilities: | | | | | | | |
| 1600 | Property, plant and equipment (notes 6(g), 8 and 9) | | 12,516,112 | 53 | 12,408,247 | 52 | 11,761,464 | 50 | 2540 | Bonds payable (note 6(l)) | | 3,964,178 | 17 | 3,958,804 | 17 | 3,942,684 | 17 |
| 1755 | Right-of-use assets (notes 6(h) and 7) | | 1,330,415 | 6 | 1,424,126 | 6 | 1,310,106 | 6 | 2550 | Long-term borrowings (notes 6(k) and 8) | | 2,652,146 | 11 | 3,717,266 | 16 | 2,131,784 | 8 |
| 1760 | Investment property (note 6(i)) | | 41,078 | - | 42,362 | - | 47,624 | - | 2580 | Provision liabilities— non-current (note 6(m)) | | 12,134 | - | 15,784 | - | 13,959 | - |
| 1805 | Goodwill (note 6(j)) | | 105,417 | - | 105,417 | - | 105,417 | - | 2570 | Lease liabilities— non-current (notes 6(n) and 7) | | 908,037 | 4 | 962,190 | 4 | 814,711 | 3 |
| 1840 | Deferred income tax assets | | 232,515 | 1 | 174,721 | 1 | 193,140 | 1 | 2570 | Deferred income tax liabilities | | 1,135,630 | 5 | 1,134,582 | 5 | 995,459 | 4 |
| 1915 | Prepayments for equipment | | 38,918 | - | 36,948 | - | 57,623 | - | 2640 | Accrued pension liabilities— non-current | | 234,966 | 1 | 251,229 | 1 | 256,552 | 1 |
| 1990 | Other non-current assets (note 8) | | 108,776 | 1 | 107,119 | 1 | 101,011 | 1 | 2670 | Other non-current liabilities | | 59,207 | - | 48,164 | - | 55,252 | - |
| Total non-current assets | | | 14,388,219 | 61 | 14,342,563 | 60 | 13,617,595 | 58 | | Total non-current liabilities | | 8,966,298 | 38 | 10,088,019 | 43 | 8,210,401 | 33 |
| | | | | | | | | | | Total liabilities | | 17,828,522 | 76 | 17,435,169 | 73 | 16,794,555 | 70 |
| | | | | | | | | | | Equity attributable to shareholders of parent (note 6(q)): | | | | | | | |
| | | | | | | | | 3100 | Common stock | | 2,941,330 | 12 | 2,941,330 | 12 | 2,941,330 | 13 | |
| | | | | | | | | 3200 | Capital surplus | | 1,229,087 | 5 | 1,136,347 | 5 | 1,012,449 | 4 | |
| | | | | | | | | | Retained earnings: | | | | | | | | |
| | | | | | | | | 3310 | Legal reserve | | 740,987 | 3 | 740,987 | 3 | 639,714 | 3 | |
| | | | | | | | | 3320 | Special reserve | | 1,071,360 | 5 | 1,071,360 | 4 | 512,508 | 2 | |
| | | | | | | | | 3350 | Unappropriated earnings | | 1,050,946 | 4 | 1,562,023 | 7 | 2,233,128 | 9 | |
| | | | | | | | | | | | 2,863,293 | 12 | 3,374,370 | 14 | 3,385,350 | 14 | |
| | | | | | | | | | Other equity: | | | | | | | | |
| | | | | | | | | 3410 | Financial statement translation differences for foreign operations | | (993,121) | (4) | (725,159) | (3) | (286,680) | (1) | |
| | | | | | | | | 3420 | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | | (51,250) | - | (48,516) | - | (50,928) | - | |
| | | | | | | | | | | | (1,044,371) | (4) | (773,675) | (3) | (337,608) | (1) | |
| | | | | | | | | 3500 | Treasury stock | | (576,860) | (2) | (576,860) | (2) | (576,860) | (1) | |
| | | | | | | | | | Total equity attributable to shareholders of parent | | 5,412,479 | 23 | 6,101,512 | 26 | 6,424,661 | 29 | |
| | | | | | | | | 36xx | Non-controlling interests | | 303,083 | 1 | 318,501 | 1 | 297,381 | 1 | |
| | | | | | | | | | Total equity | | 5,715,562 | 24 | 6,420,013 | 27 | 6,722,042 | 30 | |
| Total assets | | \$ | 23,544,084 | 100 | 23,855,182 | 100 | 23,516,597 | 100 | | Total liabilities and equity | \$ | 23,544,084 | 100 | 23,855,182 | 100 | 23,516,597 | 100 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

| | | For the three months ended March 31 | | | |
|------|--|-------------------------------------|-----|-----------|-----|
| | | 2020 | | 2019 | |
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (note 6(s)) | \$ 3,616,096 | 100 | 4,218,239 | 100 |
| 5000 | Operating costs (notes 6(f), (g), (h), (n), (o) and 9) | 2,501,341 | 69 | 2,804,117 | 66 |
| 5900 | Gross profit | 1,114,755 | 31 | 1,414,122 | 34 |
| 6000 | Operating expenses (notes 6(d), (e), (g), (h), (n), (o), (t) and 7): | | | | |
| 6100 | Selling expenses | 575,335 | 16 | 685,306 | 16 |
| 6200 | General and administrative expenses | 328,910 | 9 | 335,415 | 8 |
| 6300 | Research and development expenses | 53,184 | 2 | 63,078 | 1 |
| 6450 | Expected credit loss for bad debt expense | 9,122 | - | 2,915 | - |
| | Total operating expenses | 966,551 | 27 | 1,086,714 | 25 |
| 6900 | Operating profit | 148,204 | 4 | 327,408 | 9 |
| 7000 | Non-operating income and expenses (notes 6(c), (i), (n), (u) and 7): | | | | |
| 7010 | Other income | 71,348 | 2 | 61,724 | 1 |
| 7020 | Other gains and losses | (122) | - | 11,526 | - |
| 7050 | Finance costs | (64,450) | (2) | (65,113) | (2) |
| | Total non-operating income and expenses | 6,776 | - | 8,137 | (1) |
| 7900 | Profit from continuing operations before tax | 154,980 | 4 | 335,545 | 8 |
| 7950 | Less: Income tax expenses (note 6(p)) | 77,770 | 2 | 129,551 | 3 |
| | Profit | 77,210 | 2 | 205,994 | 5 |
| 8300 | Other comprehensive income (note 6(q)): | | | | |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (2,734) | - | 950 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | Components of other comprehensive income that will not be reclassified to profit or loss | (2,734) | - | 950 | - |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (284,885) | (8) | 218,600 | 5 |
| 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 | (284,885) | (8) | 218,600 | 5 |
| 8300 | Other comprehensive income | (287,619) | (8) | 219,550 | 5 |
| | Total comprehensive income | \$ (210,409) | (6) | 425,544 | 10 |
| | Net income attributable to: | | | | |
| 8610 | Shareholders of the parent | \$ 75,705 | 2 | 197,194 | 5 |
| 8620 | Non-controlling interests | 1,505 | - | 8,800 | - |
| | | \$ 77,210 | 2 | 205,994 | 5 |
| | Total Comprehensive income attributable to: | | | | |
| 8710 | Shareholders of the parent | \$ (194,991) | (6) | 418,439 | 10 |
| 8720 | Non-controlling interests | (15,418) | - | 7,105 | - |
| | | \$ (210,409) | (6) | 425,544 | 10 |
| 9750 | Basic earnings per share (in New Taiwan dollars) (note 6(r)) | \$ 0.31 | | 0.80 | |
| 9850 | Diluted earnings per share (in New Taiwan dollars) (note 6(r)) | \$ 0.31 | | 0.80 | |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | | |
|--|---|------------------|----------------|------------------|-------------------------|------------------|---|---|--------------------|------------------|---|---------------------------|------------------|
| | Retained earnings | | | | | | Total other equity interest | | | | | | |
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Total | Financial statements translation differences for foreign operations | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total | Treasury stock | Total equity attributable to shareholders of the parent | Non-controlling interests | Total equity |
| 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 |
| Other changes in capital surplus | - | 477 | - | - | - | - | - | - | - | - | 477 | - | 477 |
| Net income | - | - | - | - | 197,194 | 197,194 | - | - | - | - | 197,194 | 8,800 | 205,994 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 220,295 | 950 | 221,245 | - | 221,245 | (1,695) | 219,550 |
| Total comprehensive income (loss) | - | - | - | - | 197,194 | 197,194 | 220,295 | 950 | 221,245 | - | 418,439 | 7,105 | 425,544 |
| Balance at March 31, 2019 | <u>\$ 2,941,330</u> | <u>1,012,449</u> | <u>639,714</u> | <u>512,508</u> | <u>2,233,128</u> | <u>3,385,350</u> | <u>(286,680)</u> | <u>(50,928)</u> | <u>(337,608)</u> | <u>(576,860)</u> | <u>6,424,661</u> | <u>297,381</u> | <u>6,722,042</u> |
| Balance at January 1, 2020 | \$ 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: | | | | | | | | | | | | | |
| Cash dividends of ordinary share | - | 91,760 | - | - | (586,782) | (586,782) | - | - | - | - | (495,022) | - | (495,022) |
| Other changes in capital surplus | - | 980 | - | - | - | - | - | - | - | - | 980 | - | 980 |
| Net income | - | - | - | - | 75,705 | 75,705 | - | - | - | - | 75,705 | 1,505 | 77,210 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (267,962) | (2,734) | (270,696) | - | (270,696) | (16,923) | (287,619) |
| Total comprehensive income (loss) | - | - | - | - | 75,705 | 75,705 | (267,962) | (2,734) | (270,696) | - | (194,991) | (15,418) | (210,409) |
| Balance at March 31, 2020 | <u>\$ 2,941,330</u> | <u>1,229,087</u> | <u>740,987</u> | <u>1,071,360</u> | <u>1,050,946</u> | <u>2,863,293</u> | <u>(993,121)</u> | <u>(51,250)</u> | <u>(1,044,371)</u> | <u>(576,860)</u> | <u>5,412,479</u> | <u>303,083</u> | <u>5,715,562</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | For the three months ended March 31 | |
|--|--|------------------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Consolidated net income before tax | \$ 154,980 | 335,545 |
| Adjustments: | | |
| Adjustments to reconcile profit and loss: | | |
| Depreciation | 263,285 | 261,148 |
| Expected credit loss for bad debt expense | 9,122 | 2,693 |
| Gains on financial assets at fair value through profit or loss | (1,913) | - |
| Interest expense | 64,450 | 65,113 |
| Interest income | (16,658) | (19,106) |
| Dividend income | (7,831) | - |
| Losses (gains) on disposal of property, plant and equipment | (300) | 794 |
| Total adjustments to reconcile profit | 310,155 | 310,642 |
| Changes in assets / liabilities relating to operating activities: | | |
| Changes in operating assets: | | |
| Notes receivable | (8,922) | 20,911 |
| Accounts receivables | 15,241 | 154,389 |
| Other receivables | 3,742 | 2,887 |
| Inventories | 54,251 | 47,297 |
| Prepayments | 22,271 | 819 |
| Other current assets | 18,195 | (8,629) |
| Total changes in operating assets, net | 104,778 | 217,674 |
| Changes in operating liabilities: | | |
| Contract liabilities | 28,991 | 32,300 |
| Accounts payable | (189,238) | 31,149 |
| Other payables | (325,462) | (249,918) |
| Provisions liabilities | (3,650) | (300) |
| Other current liabilities | (7,026) | (438) |
| Net defined benefit liabilities | (16,263) | 1,957 |
| Total changes in operating liabilities, net | (512,648) | (185,250) |
| Total changes in operating assets / liabilities, net | (407,870) | 32,424 |
| Total adjustments | (97,715) | 343,066 |
| Cash provided by operating activities | 57,265 | 678,611 |
| Interest income received | 16,658 | 19,106 |
| Interest paid | (46,247) | (49,570) |
| Income taxes paid | (129,178) | (118,253) |
| Net cash provided by (used in) operating activities | (101,502) | 529,894 |
| Cash flows from investing activities: | | |
| Return from capital reduction of financial assets at fair value through other comprehensive income | 33,410 | - |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | 5,841 | - |
| Acquisition of property, plant and equipment | (534,162) | (55,569) |
| Proceeds from disposal of property, plant and equipment | 2,530 | 3,108 |
| Decrease in other non-current assets | (1,657) | (23,853) |
| Net cash used in investing activities | (494,038) | (76,314) |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 4,706,284 | 3,100,465 |
| Decrease in short-term borrowings | (3,361,518) | (3,057,378) |
| Increase in short term commercial paper payable | 219,904 | 279,893 |
| Proceeds from long-term borrowings | 2,190,000 | 1,878,263 |
| Repayments of long-term borrowings | (3,270,769) | (2,093,533) |
| Payment of lease liabilities | (40,865) | (50,136) |
| Increase (decrease) in other non-current liabilities | 11,043 | (270) |
| Interest paid | (12,279) | (11,686) |
| Overaging unclaimed dividends | 980 | 477 |
| Net cash used in financing activities | 442,780 | 46,095 |
| Effect of exchange rate changes on cash and cash equivalents | (126,296) | 23,405 |
| Net increase (decrease) in cash and cash equivalents | (279,056) | 523,080 |
| Cash and cash equivalents at beginning of period | 4,623,715 | 4,708,562 |
| Cash and cash equivalents at end of period | \$ 4,344,659 | 5,231,642 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 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 reported to the Board of Directors and issued on May 14, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|--|--------------------------------|
| Amendments to IFRS 3 “Definition of a Business” | January 1, 2020 |
| Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform” | January 1, 2020 |
| Amendments to IAS 1 and IAS 8 “Definition of Material” | January 1, 2020 |

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|--|---|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture” | Effective date to be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2021 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2022 |

Those which may be relevant to the Group are set out below:

| Issuance / Release Dates | Standards or Interpretations | Content of amendment |
|-------------------------------------|---|---|
| January 23, 2020 | Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | 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. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. |

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.

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

(4) Summary of significant accounting policies

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statement for the year ended December 31, 2019.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" ("the Regulations") and IAS 34 Interim Financial Reporting endorsed by the FSC, and do not present all the disclosures required for a complete set of annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards, International Accounting Statements, IFRIC Interpretations, or SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(b) Basis of consolidation

List of the subsidiaries included in the consolidated financial statements:

| Name investor | Name of investee | Scope of business | Percentage of ownership | | | Description |
|---------------------------|---|---|-------------------------|-------------------|----------------|-------------|
| | | | March 31, 2020 | December 31, 2019 | March 31, 2019 | |
| The Company | Namchow (Thailand) Ltd. (Namchow Thailand) | Manufacturing and selling of instant noodles and rice cracker | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Mostro (Thailand) Ltd. (Mostro) | Manufacturing and selling of food | 100.00 % | 100.00 % | 100.00 % | Note 5 |
| The Company | Nacia International Corp. (Nacia Co.) | Holding of investments | 100.00 % | 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 % | 100.00 % | Note 5 |
| The Company | Lucky Royal Co., Ltd. (Lucky Co.) | Manufacturing, selling and processing of various food and beverage products | 99.00 % | 99.00 % | 99.00 % | |
| The Company | Nankyo Japan Co., Ltd. (Nankyo Japan Co.) | Catering services, Bistro and wine-selling | 100.00 % | 100.00 % | 100.00 % | Note 5 |
| The Company | Namchow Consulting Company, Ltd. (Namchow Consulting Co.) | Catering services, food and beverage retailing and other consulting services | 100.00 % | 100.00 % | 100.00 % | Note 5 |
| The Company | Chow Food Biotechnology Co., Ltd. (Chow Food Co.) | Development of biotechnology products | 100.00 % | 100.00 % | 100.00 % | Note 5 |
| 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 % | 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 % | 100.00 % | |
| The Company and Lucky Co. | Navigator Business Publications Co., Ltd. (NBP Co.) | Publishing, distributing and selling of printed publications | 90.00 % | 90.00 % | 90.00 % | Notes 1, 5 |
| Lucky Co. | Namchow (British Virgin Island) Ltd. (Namchow BVI Co.) | Holding of investments | 90.00 % | 90.00 % | 90.00 % | Note 5 |
| Lucky Co. | Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.) | Liquor importing and retailing, and catering services | 99.00 % | 99.00 % | 99.00 % | Notes 2, 5 |

(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 |
|---|---|--|-------------------------|-------------------|----------------|-------------|
| | | | March 31, 2020 | December 31, 2019 | March 31, 2019 | |
| Lucky Co. | Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.) | Catering services and food consulting services | 99.00 % | 99.00 % | 99.00 % | Notes 2, 5 |
| Namchow BVI Co. | Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.) | Multinational eateries, and the promotion and management of craft beers | 90.00 % | 90.00 % | 90.00 % | Note 5 |
| Nacia Co. | Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.) | Holding of investments | 100.00 % | 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 % | 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 % | 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 % | 100.00 % | |
| Namchow Cayman Co. | Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.) | Holding of investments and international trade | 100.00 % | 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 % | 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 % | 96.15 % | |
| Namchow Cayman Co. and Namchow Food Co. | Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.) | Developing, manufacturing, processing and selling of edible oil, and frozen food manufacturing | 96.15 % | 96.15 % | 96.15 % | |
| Namchow Food Co. | Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.) | Manufacturing, and selling of edible oil and related services | 96.15 % | 96.15 % | 96.15 % | |
| Namchow Food Co. | Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.) | Manufacturing, and selling of edible oil and related services | 96.15 % | 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 % | 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 |
| 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 % | 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 % | 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.

Note 5: It is a non-significant subsidiary, and its financial statements have not been reviewed.

(c) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year plus any adjustments for significant post-market fluctuations, curtailments, settlements, or other one-time events.

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

(d) Income tax

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying pretax income of the reporting period by the effective annual tax rate which was forecasted by the management. The outcome is then fully recognized as current tax expense or deferred income tax benefit.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated financial statements is in conformity with IAS 34 "Interim Financial Reporting" endorsed by FSC. The standard requires management to make judgments, estimations 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.

During the preparation of the consolidated financial statements, the management adopts similar method used in accounting policy judgments and assumptions which are in conformity with note 5 of the consolidated financial statement for the year ended December 31, 2019.

(6) Explanation of significant accounts

Except as explained in the following paragraphs, there are no significant differences in description of significant accounts from financial statements as of December 31, 2019. For related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-------------------------------|-----------------------|--------------------------|-----------------------|
| Cash on hand | \$ 13,513 | 15,832 | 13,127 |
| Savings and checking deposits | 3,956,724 | 4,343,602 | 4,178,840 |
| Time deposits | 353,147 | 242,756 | 1,039,675 |
| Cash equivalents | 21,275 | 21,525 | - |
| Total | <u>\$ 4,344,659</u> | <u>4,623,715</u> | <u>5,231,642</u> |

(b) Financial assets and liabilities at fair value through profit or loss

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--|-----------------------|--------------------------|-----------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Structured deposits | <u>\$ 214,640</u> | <u>218,568</u> | <u>-</u> |

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

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

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|---|-----------------------|------------------------------|-----------------------|
| Equity investments at fair value through other comprehensive income | | | |
| Stocks listed on domestic markets | \$ 13,723 | 16,457 | 14,044 |
| Stocks unlisted on domestic markets | <u>1,265</u> | <u>27,166</u> | <u>27,166</u> |
| Total | <u>\$ 14,988</u> | <u>43,623</u> | <u>41,210</u> |

(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 the capital by cash at rate of 95.34%, through the special shareholders' meeting on January 14, 2020 and the Company received \$33,410 thousand. The original capital cost is \$25,901 thousand, the amount exceeded the original capital cost amounting to \$7,509 is recorded under other income — dividend income, the aforementioned amount has been received by March 31, 2020.

No strategic investments were disposed for the three months ended March 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

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|--------------------------------|-----------------------|------------------------------|-----------------------|
| Notes receivable | \$ 175,036 | 166,114 | 192,014 |
| Accounts receivable | 1,574,026 | 1,589,285 | 1,467,063 |
| Less: allowance for impairment | <u>23,769</u> | <u>14,913</u> | <u>15,261</u> |
| | <u>\$ 1,725,293</u> | <u>1,740,486</u> | <u>1,643,816</u> |

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

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:

| | March 31, 2020 | | |
|---------------------------|------------------------------|---|---------------------------------|
| | Gross carrying amount | Weighted-average expected credit loss rate | Loss allowance provision |
| Not overdue | \$ 1,416,591 | 0~0.80% | 2,489 |
| Overdue 1~30 days | 181,782 | 0.25~12.57% | 2,241 |
| Overdue 31~60 days | 99,654 | 0.13~60.49% | 3,186 |
| Overdue 61~90 days | 36,367 | 1.00~100.00% | 5,643 |
| Overdue 91~180 days | 7,356 | 1.25~100.00% | 5,164 |
| Overdue 181~365 days | 3,899 | 1.00~73.20% | 1,633 |
| Overdue 365 days past due | 3,413 | 100.00% | 3,413 |
| | \$ 1,749,062 | | 23,769 |
| | 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 |

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

| | March 31, 2019 | | |
|---------------------------|------------------------------|---|---------------------------------|
| | Gross carrying amount | Weighted-average expected credit loss rate | Loss allowance provision |
| Not overdue | \$ 1,456,122 | 0~0.68% | 2,643 |
| Overdue 1~30 days | 161,844 | 0.34~11.26% | 2,264 |
| Overdue 31~60 days | 27,421 | 3.90~48.54% | 1,812 |
| Overdue 61~90 days | 5,826 | 0.22~100% | 1,543 |
| Overdue 91~180 days | 3,785 | 0.00~100% | 2,941 |
| Overdue 181~365 days | 92 | 81.54% | 75 |
| Overdue 365 days past due | 3,987 | 1.00~100% | 3,983 |
| | \$ 1,659,077 | | 15,261 |

The movement in the allowance for accounts receivable was as follows:

| | For the three months ended March 31 | |
|-------------------------------------|--|---------------|
| | 2020 | 2019 |
| Balance on January 1 | \$ 14,913 | 19,036 |
| Impairment losses recognized | 9,109 | 2,693 |
| Amounts written off | (19) | (6,715) |
| Effect of changes in exchange rates | (234) | 247 |
| Balance on March 31 | \$ 23,769 | 15,261 |

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

(e) Other receivables

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------|-----------------------|--------------------------|-----------------------|
| Other receivables | \$ 42,869 | 46,289 | 67,823 |
| Less: loss allowance | 393 | 385 | 15,341 |
| | \$ 42,476 | 45,904 | 52,482 |

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

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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The movement in the allowance for other receivables was as follows:

| | For the three months ended March 31 | |
|-------------------------------------|--|---------------|
| | 2020 | 2019 |
| Balance on January 1 | \$ 385 | 15,119 |
| Impairment loss recognized | 13 | 222 |
| Effect of changes in exchange rates | (5) | - |
| Balance on March 31 | \$ 393 | 15,341 |

(f) Inventories

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

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|------------------|-----------------------|------------------------------|-----------------------|
| Merchandise | \$ 65,673 | 57,336 | 59,556 |
| Finished goods | 748,608 | 974,280 | 855,163 |
| Work in progress | 107,928 | 85,530 | 127,375 |
| Raw materials | 809,793 | 730,029 | 810,637 |
| Supplies | 270,955 | 237,269 | 208,812 |
| Goods in transit | 165,223 | 137,987 | 102,564 |
| Total | \$ 2,168,180 | 2,222,431 | 2,164,107 |

As of March 31, 2020, December 31 and March 31, 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:

| | For the three months ended March 31 | |
|--|--|----------------|
| | 2020 | 2019 |
| Loss on (reversal of) decline in market value of inventory | \$ 7,342 | (3,146) |
| Loss on physical count, net | 1,485 | 103 |
| Loss on scrap of inventory | 620 | 3,355 |
| Income from sale of scrap | (2,577) | (3,508) |
| Total | \$ 6,870 | (3,196) |

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

(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 | - | 23,799 | 6,890 | 23,591 | 425,947 | 480,227 |
| Disposals | - | - | (1,799) | (4,553) | (1,936) | (8,288) |
| Reclassification | - | 394,223 | 4,879 | 43,486 | (439,576) | 3,012 |
| Effect of changes in exchange rates | (4,824) | (60,357) | (172,820) | (51,514) | (63,580) | (353,095) |
| Balance at March 31, 2020 | <u>\$ 2,890,245</u> | <u>5,928,187</u> | <u>6,427,817</u> | <u>3,995,367</u> | <u>1,365,340</u> | <u>20,606,956</u> |
| Balance at January 1, 2019 | \$ 2,892,515 | 4,989,234 | 6,523,477 | 3,955,228 | 828,149 | 19,188,603 |
| Additions | - | 2,957 | 11,397 | 19,047 | 53,701 | 87,102 |
| Disposals | - | - | (3,922) | (8,482) | - | (12,404) |
| Reclassification | - | - | 2,480 | (82,558) | (1,224) | (81,302) |
| Effect of changes in exchange rates | 3,299 | 90,599 | 116,794 | 59,821 | 4,293 | 274,806 |
| Balance at March 31, 2019 | <u>\$ 2,895,814</u> | <u>5,082,790</u> | <u>6,650,226</u> | <u>3,943,056</u> | <u>884,919</u> | <u>19,456,805</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 | - | 42,949 | 70,912 | 78,782 | - | 192,643 |
| Disposal | - | - | (1,799) | (4,259) | - | (6,058) |
| Effect of changes in exchange rates | - | (22,701) | (117,654) | (32,239) | - | (172,594) |
| Balance at March 31, 2020 | <u>\$ 31,953</u> | <u>1,482,644</u> | <u>3,936,956</u> | <u>2,639,291</u> | <u>-</u> | <u>8,090,844</u> |
| Balance at January 1, 2019 | \$ 31,953 | 1,333,606 | 3,686,267 | 2,343,318 | - | 7,395,144 |
| Depreciation | - | 40,623 | 74,136 | 83,846 | - | 198,605 |
| Disposal | - | - | (2,779) | (5,723) | - | (8,502) |
| Reclassification | - | - | - | (5,623) | - | (5,623) |
| Effect of changes in exchange rates | - | 20,552 | 62,595 | 32,570 | - | 115,717 |
| Balance at March 31, 2019 | <u>\$ 31,953</u> | <u>1,394,781</u> | <u>3,820,219</u> | <u>2,448,388</u> | <u>-</u> | <u>7,695,341</u> |
| Carrying value: | | | | | | |
| January 1, 2020 | <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> |
| March 31, 2020 | <u>\$ 2,858,292</u> | <u>4,445,543</u> | <u>2,490,861</u> | <u>1,356,076</u> | <u>1,365,340</u> | <u>12,516,112</u> |
| March 31, 2019 | <u>\$ 2,863,861</u> | <u>3,688,009</u> | <u>2,830,007</u> | <u>1,494,668</u> | <u>884,919</u> | <u>11,761,464</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

For the three months ended March 31, 2020, the Group did not have any significant impairment or reversal on property, plant and equipment. For other relative information, please refers to note 6(g) of the consolidated financial statements for the year ended December 31, 2019.

(ii) Collateral

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

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NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES
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(h) Right-of-use assets

The Group leases many assets including land, buildings, machinery 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 | - | 5,001 | 2,324 | 7,325 |
| Modification | - | (19,127) | - | (19,127) |
| Effect of changes in exchange rates | (3,789) | (14,317) | (558) | (18,664) |
| Balance at March 31, 2020 | <u>\$ 322,416</u> | <u>1,311,818</u> | <u>77,355</u> | <u>1,711,589</u> |
| Balance at January 1, 2019 | \$ 265,619 | 1,021,232 | 92,236 | 1,379,087 |
| Effect of changes in exchange rates | 6,415 | 20,153 | (28,199) | (1,631) |
| Balance at March 31, 2019 | <u>\$ 272,034</u> | <u>1,041,385</u> | <u>64,037</u> | <u>1,377,456</u> |
| Accumulated depreciation and impairment losses: | | | | |
| Balance at January 1, 2020 | \$ 77,379 | 211,865 | 28,685 | 317,929 |
| Depreciation | 1,720 | 60,915 | 7,206 | 69,841 |
| Modification | - | (2,454) | - | (2,454) |
| Effect of changes in exchange rates | (920) | (3,070) | (152) | (4,142) |
| Balance at March 31, 2020 | <u>\$ 78,179</u> | <u>267,256</u> | <u>35,739</u> | <u>381,174</u> |
| Balance at January 1, 2019 | \$ - | - | 11,737 | 11,737 |
| Depreciation | 1,822 | 53,654 | 6,218 | 61,694 |
| Effect of changes in exchange rates | 7 | 166 | (6,254) | (6,081) |
| Balance at March 31, 2019 | <u>\$ 1,829</u> | <u>53,820</u> | <u>11,701</u> | <u>67,350</u> |
| Carrying value: | | | | |
| January 1, 2020 | <u>\$ 248,826</u> | <u>1,128,396</u> | <u>46,904</u> | <u>1,424,126</u> |
| March 31, 2020 | <u>\$ 244,237</u> | <u>1,044,562</u> | <u>41,616</u> | <u>1,330,415</u> |
| March 31, 2019 | <u>\$ 270,205</u> | <u>987,565</u> | <u>52,336</u> | <u>1,310,106</u> |
| January 1, 2019 | <u>\$ 265,619</u> | <u>1,021,232</u> | <u>80,499</u> | <u>1,367,350</u> |

(i) Investment property

| | <u>Buildings</u> |
|-------------------------------------|------------------|
| Cost: | |
| Balance as at January 1, 2020 | \$ 71,197 |
| Effect of changes in exchange rates | (827) |
| Balance as at March 31, 2020 | <u>\$ 70,370</u> |
| Balance as at January 1, 2019 | \$ 73,959 |
| Effect of changes in exchange rates | 1,786 |
| Balance as at March 31, 2019 | <u>\$ 75,745</u> |

(Continued)

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

| | <u>Buildings</u> |
|-------------------------------------|-------------------------|
| Depreciation: | |
| Balance as at January 1, 2020 | \$ 28,835 |
| Depreciation | 801 |
| Effect of changes in exchange rates | (344) |
| Balance as at March 31, 2020 | <u><u>\$ 29,292</u></u> |
| Balance as at January 1, 2019 | \$ 26,626 |
| Depreciation | 849 |
| Effect of changes in exchange rates | 646 |
| Balance as at March 31, 2019 | <u><u>\$ 28,121</u></u> |
| Carrying value: | |
| Balance as at January 1, 2020 | <u><u>\$ 42,362</u></u> |
| Balance as at March 31, 2020 | <u><u>\$ 41,078</u></u> |
| Balance as at March 31, 2019 | <u><u>\$ 47,624</u></u> |
| Balance as at January 1, 2019 | <u><u>\$ 47,333</u></u> |
| Fair value: | |
| Balance as at January 1, 2020 | <u><u>\$ 75,420</u></u> |
| Balance as at March 31, 2020 | <u><u>\$ 74,544</u></u> |
| Balance as at March 31, 2019 | <u><u>\$ 75,143</u></u> |
| Balance as at January 1, 2019 | <u><u>\$ 73,561</u></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 is based on expected cash flow from the rental income, discounted at yields which reflect the specific level of risk associated with the cash flow.

| <u>Region</u> | <u>March 31, 2020</u> | <u>March 31, 2019</u> |
|-----------------------|------------------------------|------------------------------|
| Xuhui Dist., Shanghai | 4.27% | 4.27% |

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

(j) Goodwill

Goodwill arising from the merger was as follows:

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

(Continued)

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

The cost and accumulated amortization was as follows:

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

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2020 and 2019. For related information, please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2019.

(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

| March 31, 2020 | | | | |
|-----------------------|-----------------|--|-----------------------------|----------------------------|
| | Currency | Range of interest rates (%) | Year of maturity | Amount |
| Unsecured loans | RMB | 2.27~4.65 | 2020 | \$ 2,208,003 |
| Unsecured loans | EUR | 0.84 | 2020 | 23,891 |
| Unsecured loans | USD | 3.40 | 2020 | 189,915 |
| Unsecured loans | TWD | 0.85~1.00 | 2020 | 1,689,550 |
| Unsecured loans | JPY | 0.58~0.98 | 2021 | 532,508 |
| Unsecured loans | THB | 0.07 | 2021 | 313,006 |
| Total | | | | <u><u>\$ 4,956,873</u></u> |

| 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 | 0.07 | 2020 | 119,843 |
| Total | | | | <u><u>\$ 3,642,940</u></u> |

(Continued)

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

| March 31, 2019 | | | | |
|-----------------------|-----------------|------------------------------------|-------------------------|---------------------|
| | Currency | Range of interest rates (%) | Year of maturity | Amount |
| Unsecured loans | RMB | 3.92~5.00 | 2019 | \$ 1,390,623 |
| Unsecured loans | EUR | 0.80 | 2019 | 24,882 |
| Unsecured loans | USD | 3.73 | 2019 | 595,834 |
| Unsecured loans | TWD | 0.88~1.00 | 2019~2020 | 1,309,000 |
| Unsecured loans | JPY | 0.57~1.07 | 2019~2020 | 375,705 |
| Unsecured loans | THB | 4.62~4.64 | 2019 | 1,892 |
| Total | | | | \$ 3,697,936 |

As of March 31, 2020, December 31 and March 31, 2019, the unused credit facilities amounted to \$15,061,320 thousand, \$16,956,668 thousand and \$14,572,545 thousand, respectively.

(ii) Short-term commercial paper payable

| March 31, 2020 | | | | |
|--------------------------|-----------------|------------------------------------|-------------------------|-------------------|
| | Currency | Range of interest rates (%) | Year of maturity | Amount |
| Commercial paper payable | TWD | 0.73 | 2020 | \$ 220,000 |
| Discount | | | | (96) |
| Total | | | | \$ 219,904 |

| March 31, 2019 | | | | |
|--------------------------|-----------------|------------------------------------|-------------------------|-------------------|
| | Currency | Range of interest rates (%) | Year of maturity | Amount |
| Commercial paper payable | TWD | 0.73 | 2019 | \$ 280,000 |
| Discount | | | | (107) |
| Total | | | | \$ 279,893 |

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

As of March 31, 2020, December 31 and March 31, 2019, the unused credit facilities amounted to \$320,000 thousand, \$510,000 thousand and \$410,000 thousand, respectively.

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

(iii) Long-term borrowings

| March 31, 2020 | | | | |
|-----------------------|-----------------|------------------------------------|-------------------------|---------------------|
| | Currency | Range of interest rates (%) | Year of maturity | Amount |
| Secured loans | JPY | 1.275 | 2021~2039 | \$ 1,103,624 |
| Secured loans | TWD | 1.04 | 2020~2022 | 100,000 |
| Unsecured loans | TWD | 0.9500~1.1400 | 2020~2022 | 1,470,000 |
| Unsecured loans | RMB | 4.2750~4.7500 | 2020~2023 | 413,248 |
| Total | | | | \$ 3,086,872 |
| Current | | | | \$ 434,726 |
| Non-current | | | | 2,652,146 |
| Total | | | | \$ 3,086,872 |

| 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 |

| March 31, 2019 | | | | |
|-----------------------|-----------------|------------------------------------|-------------------------|---------------------|
| | Currency | Range of interest rates (%) | Year of maturity | Amount |
| Secured loans | JPY | 1.2500~1.5000 | 2019~2038 | \$ 1,073,815 |
| Unsecured loans | TWD | 0.95~1.3978 | 2019~2025 | 1,830,000 |
| Unsecured loans | RMB | 4.2750~4.75 | 2020~2023 | 789,171 |
| Total | | | | \$ 3,692,986 |
| Current | | | | \$ 1,561,202 |
| Non-current | | | | 2,131,784 |
| Total | | | | \$ 3,692,986 |

As of March 31, 2020, December 31 and March 31, 2019, the unused credit facilities amounted to \$3,319,758 thousand, \$4,566,309 thousand and \$3,698,865 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.

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

(l) Bonds payable

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

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------------------|----------------------------|------------------------------|-------------------------|
| Secured bonds | \$ 4,000,000 | 4,000,000 | 4,000,000 |
| Less: discounts on bonds payable | <u>35,822</u> | <u>41,196</u> | <u>57,316</u> |
| Total | <u>\$ 3,964,178</u> | <u>3,958,804</u> | <u>3,942,684</u> |

The Group did not have any significant change on the information and regulation of its bonds payable. For other relative information, please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2019.

(m) Provisions

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|------------------|-------------------------|------------------------------|-----------------------|
| Site restoration | <u>\$ 12,134</u> | <u>15,784</u> | <u>13,959</u> |

For the three months ended March 31, 2020 and 2019, the Group did not have any significant change on the provisions. For other relative information, please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2019.

(n) Lease liabilities

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

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-------------|--------------------------|------------------------------|-----------------------|
| Current | <u>\$ 220,866</u> | <u>228,455</u> | <u>218,758</u> |
| Non-current | <u>\$ 908,037</u> | <u>962,190</u> | <u>814,711</u> |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended March 31 | |
|--|--|----------------------|
| | 2020 | 2019 |
| Interest on lease liabilities | <u>\$ 12,829</u> | <u>10,170</u> |
| Variable lease payments not included in the measurement of lease liabilities | <u>\$ 12,537</u> | <u>15,379</u> |
| Income from sub-leasing right-of-use assets | <u>\$ (365)</u> | <u>(107)</u> |
| Expenses relating to short-term leases | <u>\$ 32,878</u> | <u>35,391</u> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <u>\$ 1,633</u> | <u>1,725</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 was as follows:

| | For the three months ended March 31 | |
|-------------------------------|--|----------------|
| | 2020 | 2019 |
| Total cash outflow for leases | \$ 100,377 | 114,210 |

(o) Employee benefits

(i) Defined benefit plans

In the prior fiscal year, there was no material volatility of the market, material reimbursement and settlement or other material one-time events. As a result, pension cost in the condensed consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate as of December 31, 2019 and 2018.

The Group's expenses recognized in profit or loss were as follows:

| | For the three months ended March 31 | |
|--------------------|--|--------------|
| | 2020 | 2019 |
| Operating costs | \$ 1,079 | 251 |
| Operating expenses | 1,136 | 1,110 |
| Total | \$ 2,215 | 1,361 |

(ii) Defined contribution plans

The Group's expenses (under pension plan cost) to the Bureau of Labor Insurance and the local government were as follows:

| | For the three months ended March 31 | |
|--------------------|--|---------------|
| | 2020 | 2019 |
| Operating costs | \$ 10,803 | 15,994 |
| Operating expenses | 21,224 | 27,790 |
| Total | \$ 32,027 | 43,784 |

(p) Income tax

- i) Income tax expense was best estimated by multiplying pretax income for the interim reporting period by the effective tax rate which was forecasted by the management.

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

ii) Income tax expenses

The components of income tax are as follows:

| | For the three months ended March 31 | |
|---|--|----------------|
| | 2020 | 2019 |
| Current tax expenses | | |
| Current period | \$ 135,564 | 129,551 |
| Deferred tax benefit | | |
| Origination and reversal of temporary differences | (57,794) | - |
| Income tax on continuing operations | <u>\$ 77,770</u> | <u>129,551</u> |

The Group's subsidiary, Guangzhou Namchow Co. applied for a China High-Tech Enterprise certification, which was approved by the Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial office, sat, and Guangdong Local Taxation Bureau on April 27, 2018. In accordance with the Law of the People's Republic of China on Enterprise Income Tax, Guangzhou Namchow Co. can apply for a preferential tax rate of 15% for 3 years, beginning 2017 to 2019.

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

Except for those mentioned below, there were no significant changes in capital for the three months ended March 31, 2020 and 2019. Please refer to note 6(r) to the consolidated financial statements for the year ended December 31, 2019, for related information.

(i) Capital surplus

The components of capital surplus were as follows:

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---|-----------------------|------------------------------|-----------------------|
| Share premium | \$ 1,280 | 1,280 | 1,280 |
| Overaging unclaimed dividends | 2,819 | 1,839 | 1,817 |
| Treasury stock | 1,107,096 | 1,015,336 | 891,460 |
| Recognize changes in all equity in subsidiaries | 117,892 | 117,892 | 117,892 |
| | <u>\$ 1,229,087</u> | <u>1,136,347</u> | <u>1,012,449</u> |

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

(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) 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 special reserve amounted to \$512,508 thousand as of March 31, 2020, December 31 and March 31, 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.

2) 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:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|-----------------------|
| Dividends distributed to common shareholders: | | |
| Cash | \$ <u><u>586,782</u></u> | <u><u>792,156</u></u> |

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

(iii) Treasury stock

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

| March 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 | 40.40 | 11.51 | \$ <u>1,860,067</u> | <u>530,114</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 | 50.90 | 11.51 | \$ <u>2,343,500</u> | <u>530,114</u> |

| March 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 | 53.40 | 11.51 | \$ <u>2,458,603</u> | <u>530,114</u> |

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 March 31, 2020, none of the repurchased treasury stocks were exchanged.

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 | (267,962) | - | (16,923) | (284,885) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | (2,217) | - | (2,217) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method | - | (517) | - | (517) |
| Balance as of March 31, 2020 | \$ <u>(993,121)</u> | <u>(51,250)</u> | <u>172,691</u> | <u>(871,680)</u> |

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

| | 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, 2019 | \$ (506,975) | (51,878) | 210,577 | (348,276) |
| Foreign exchange differences arising from foreign operations | 220,295 | - | (1,695) | 218,600 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | (770) | - | (770) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method | - | (180) | - | (180) |
| Balance as of March 31, 2019 | <u>\$ (286,680)</u> | <u>(52,828)</u> | <u>208,882</u> | <u>(130,626)</u> |

(r) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for the three months ended March 31, 2020 and 2019, was as follows:

(i) Basic earnings per share

| | | |
|---|-----------------------------------|----------------|
| | Unit: thousand of shares | |
| | For the three months ended | |
| | March 31 | |
| | 2020 | 2019 |
| Net income attributable to common shareholders of the Company | \$ <u>75,705</u> | <u>197,194</u> |
| Weighted-average number of common shares | <u>247,350</u> | <u>247,350</u> |
| Basic earnings per share (in NT dollars) | \$ <u>0.31</u> | <u>0.80</u> |

ii) Diluted earnings per share

| | | |
|---|-----------------------------------|----------------|
| | Unit: thousand of shares | |
| | For the three months ended | |
| | March 31 | |
| | 2020 | 2019 |
| Net income attributable to common shareholders of the Company (diluted) | \$ <u>75,705</u> | <u>197,194</u> |
| Weighted-average number of common shares (basic) | 247,350 | 247,350 |
| Impact of potential common shares: | | |
| Effect of employees' remuneration | 318 | 263 |
| Weighted-average number of shares outstanding (diluted) | <u>247,668</u> | <u>247,613</u> |
| Diluted earnings per share (in NT dollars) | \$ <u>0.31</u> | <u>0.80</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

| | | For the three months ended March 31, 2020 | | | | | | | |
|------------------------------|----|---|-----------------------|-----------------|-----------------------|---------|----------|-------------------------------------|-----------|
| | | Edible and non-edible oil products | Detergent products | Frozen dough | Ice cream products | Foods | Catering | Management and rental revenue | Total |
| Area of distribution: | | | | | | | | | |
| China | \$ | 1,767,382 | - | 93,364 | - | 3,020 | 48,147 | 5,385 | 1,917,298 |
| Taiwan | | 281,638 | 154,351 | 136,454 | 197,181 | 120,648 | 128,551 | 2,362 | 1,021,185 |
| Thailand | | - | - | - | - | 56,599 | - | 188 | 56,787 |
| New Zealand and Australia | | - | - | - | - | 239,668 | - | 313 | 239,981 |
| United states | | - | - | - | - | 166,685 | - | 212 | 166,897 |
| Europe | | - | - | - | - | 120,406 | - | - | 120,406 |
| Others | | 5,890 | - | - | - | 83,897 | 3,662 | 93 | 93,542 |
| | \$ | 2,054,910 | 154,351 | 229,818 | 197,181 | 790,923 | 180,360 | 8,553 | 3,616,096 |

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NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

| For the three months ended March 31, 2019 | | | | | | | | |
|---|--|-----------------------|-----------------|-----------------------|----------------|----------------|-------------------------------------|------------------|
| | Edible and non-edible oil products | Detergent products | Frozen dough | Ice cream products | Foods | Catering | Management and rental revenue | Total |
| Area of distribution: | | | | | | | | |
| China | \$ 2,381,106 | - | 64,919 | - | 7,962 | 144,104 | - | 2,598,091 |
| Taiwan | 287,913 | 131,395 | 136,905 | 171,821 | 100,037 | 164,255 | 6,787 | 999,113 |
| Thailand | - | - | - | - | 52,523 | - | 406 | 52,929 |
| New Zealand and Australia | - | - | - | - | 206,740 | - | 604 | 207,344 |
| United states | - | - | - | - | 148,071 | - | 10 | 148,081 |
| Europe | - | - | - | - | 122,042 | - | - | 122,042 |
| Others | 2,928 | - | - | - | 85,209 | 2,396 | 106 | 90,639 |
| | \$ 2,671,947 | 131,395 | 201,824 | 171,821 | 722,584 | 310,755 | 7,913 | 4,218,239 |

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

(ii) Contract balance

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--------------------|-----------------------|------------------------------|-----------------------|
| Contract liability | <u>\$ 472,408</u> | <u>443,417</u> | <u>543,435</u> |

The amount of revenue recognized for the three months ended March 31, 2020 and 2019, that was included in the contract liability balance at the beginning of the period was \$165,441 thousand and \$145,596 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.

For the three months ended March 31, 2020 and 2019, the estimated amounts of employees' compensation were \$912 thousand and \$2,515 thousand, respectively, and the estimated amounts of directors' remuneration were \$4,104 thousand and \$11,318 thousand, respectively. The estimated amounts mentioned above are based on the net profit before tax, excluding employee compensation and directors' remuneration, of each respective ending period, multiplied by the percentage of the employee compensation, and the directors' remuneration, as specified in the Company's article. The estimations are recorded under operating expenses and cost.

The Company estimated its remuneration to employees amounting to \$11,812 thousand and \$11,728 thousand, as well as its directors' \$47,248 thousand and \$52,777 thousand for the years 2019 and 2018, 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 2019 and 2018. The estimated remuneration attributable to the affiliate employees amounted to \$10,109 thousand for the years ended December 31, 2018. The liability was derived from applying the remuneration percentage under the Company's articles of incorporation and was recognized in the long term equity investment in 2018. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's consolidated financial statements for the years ended December 31, 2019 and 2018.

(Continued)

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

(u) Non-operating income and expenses

(i) Other income

| | For the three months ended March 31 | |
|----------------------------|--|----------------------|
| | 2020 | 2019 |
| Interest income | \$ 16,658 | 19,106 |
| Rental income | 4,634 | 1,668 |
| Dividend income | 7,831 | - |
| Other income — other | | |
| Government grants | 35,654 | 30,124 |
| Others | <u>6,571</u> | <u>10,826</u> |
| Total other income — Other | <u>42,225</u> | <u>40,950</u> |
| Total other income | <u><u>\$ 71,348</u></u> | <u><u>61,724</u></u> |

ii) Other gains and losses

| | For the three months ended March 31 | |
|--|--|----------------------|
| | 2020 | 2019 |
| Gains (losses) on disposal of property, plant and equipment | \$ 300 | (794) |
| Gains (losses) foreign exchange | (1,870) | 17,717 |
| Gains on financial assets at fair value through profit or loss | 1,913 | - |
| Others | <u>(465)</u> | <u>(5,397)</u> |
| Net other gains and losses | <u><u>\$ (122)</u></u> | <u><u>11,526</u></u> |

iii) Finance costs

| | For the three months ended March 31 | |
|------------------|--|----------------------|
| | 2020 | 2019 |
| Interest expense | <u><u>\$ 64,450</u></u> | <u><u>65,113</u></u> |

(Continued)

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

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and in the degree of exposure to credit risk, liquidity risk— interest rate risk and market risk arising from financial instruments. For the related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2019.

(i) 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 |
|--------------------------------------|----------------------|---------------------------|-------------------|------------------|------------------|----------------------|
| March 31, 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Secured loans | \$ 1,203,624 | 1,393,810 | 14,773 | 113,933 | 39,081 | 1,226,023 |
| Unsecured loans | 6,840,121 | 6,920,749 | 5,396,815 | 1,213,042 | 310,892 | - |
| Short-term commercial paper payable | 219,904 | 220,000 | 220,000 | - | - | - |
| Accounts payable | 779,098 | 779,098 | 779,098 | - | - | - |
| Dividends payable | 495,022 | 495,022 | 495,022 | - | - | - |
| Other payables | 1,044,895 | 1,044,895 | 1,044,895 | - | - | - |
| Bonds payable | 3,964,178 | 3,964,178 | 3,964,178 | - | - | - |
| Lease liabilities | 1,128,903 | 1,338,750 | 265,952 | 209,669 | 437,732 | 425,397 |
| Guarantee deposits received | 50 | 50 | 50 | - | - | - |
| | <u>\$ 15,675,795</u> | <u>16,156,552</u> | <u>12,180,783</u> | <u>1,536,644</u> | <u>787,705</u> | <u>1,651,420</u> |
| 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 | 3,958,804 | 3,958,804 | - | - | - |
| 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>15,859,982</u> | <u>10,731,594</u> | <u>1,876,735</u> | <u>1,578,366</u> | <u>1,673,287</u> |
| March 31, 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Secured loans | \$ 1,073,816 | 1,252,552 | 969,583 | 2,896 | 8,688 | 271,385 |
| Unsecured loans | 6,317,106 | 6,623,945 | 4,650,958 | 1,016,372 | 855,514 | 101,101 |
| Short-term commercial paper payable | 279,893 | 280,000 | 280,000 | - | - | - |
| Bills payable | 7,040 | 7,040 | 7,040 | - | - | - |
| Accounts payable | 968,981 | 968,981 | 968,981 | - | - | - |
| Other payables | 1,074,812 | 1,074,812 | 1,074,812 | - | - | - |
| Bonds payable | 3,942,684 | 3,942,684 | 3,942,684 | - | - | - |
| Lease liabilities | 1,033,469 | 1,181,523 | 255,371 | 255,371 | 384,921 | 285,860 |
| Guarantee deposits received | 120 | 120 | 120 | - | - | - |
| | <u>\$ 14,697,921</u> | <u>15,331,657</u> | <u>12,149,549</u> | <u>1,274,639</u> | <u>1,249,123</u> | <u>658,346</u> |

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

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

(ii) Liquidity risk—Currency risk

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

| | Foreign currency | Exchange rate | TWD |
|--------------------------|-----------------------------|--------------------------|------------|
| March 31, 2020 | | | |
| Financial assets: | | | |
| Monetary assets: | | | |
| USD | \$ | 3,817 | 30.23 |
| | | | 115,365 |
| Financial liabilities: | | | |
| Monetary liabilities: | | | |
| USD | \$ | 8,936 | 30.23 |
| | | | 270,078 |
| EUR | \$ | 3,343 | 33.24 |
| | | | 111,134 |
| 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 |
| March 31, 2019 | | | |
| Financial assets: | | | |
| Monetary assets: | | | |
| USD | \$ | 6,096 | 31.0000 |
| | | | 187,887 |
| Financial liabilities: | | | |
| Monetary liabilities: | | | |
| USD | \$ | 32,962 | 31.0000 |
| | | | 1,015,902 |
| EUR | \$ | 850 | 35.0000 |
| | | | 29,442 |

(Continued)

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

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, TWD, JPY, and EUR as of March 31, 2020 and 2019 would have increased (decreased) the net income after tax for the three months ended March 31, 2020 and 2019 by \$2,658 thousand and \$8,574 thousand, respectively. The analysis was performed on the same basis for both periods.

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 three months ended March 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized abortions) amounted to \$(1,870) thousand and \$17,717 thousand, respectively.

(iii) 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 \$19,226 thousand and \$15,878 thousand for the three months ended March 31, 2020 and 2019, respectively, with all other variable factors remaining constant.

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

(iv) Fair value and carrying amount

1) Categories and fair value of financial instruments

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 :

| March 31, 2020 | | | | | |
|---|----------------------------|----------------------|-----------------------|---------------------|-----------------------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | |
| Non derivative financial assets mandatorily measured at fair value through profit or loss | \$ 214,640 | - | 214,640 | - | 214,640 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | 13,723 | 13,723 | - | - | 13,723 |
| Stocks unlisted on domestic markets | 1,265 | - | - | 1,265 | 1,265 |
| Subtotal | <u>14,988</u> | <u>13,723</u> | <u>-</u> | <u>1,265</u> | <u>14,988</u> |
| Total | <u><u>\$ 229,628</u></u> | <u><u>13,723</u></u> | <u><u>214,640</u></u> | <u><u>1,265</u></u> | <u><u>229,628</u></u> |

(Continued)

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

| 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 | <u>43,623</u> | <u>16,457</u> | <u>-</u> | <u>27,166</u> | <u>43,623</u> |
| Total | <u>\$ 262,191</u> | <u>16,457</u> | <u>218,568</u> | <u>27,166</u> | <u>262,191</u> |
| March 31, 2019 | | | | | |
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | \$ 14,044 | 14,044 | - | - | 14,044 |
| Stocks unlisted on domestic markets | 27,166 | - | - | 27,166 | 27,166 |
| Total | <u>\$ 41,210</u> | <u>14,044</u> | <u>-</u> | <u>27,166</u> | <u>41,210</u> |

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.

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

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 three months ended March 31, 2020 and 2019.

5) Reconciliation of Level 3 fair values

| | Fair value through other comprehensive income | |
|--|--|-------------------------|
| | Unquoted equity instruments | Bond investments |
| January 1, 2020 | \$ 27,166 | - |
| Return from capital reduction | (25,901) | - |
| March 31, 2020 (same as January 1, 2020) | <u>\$ 1,265</u> | <u>-</u> |
| March 31, 2019 (same as January 1, 2019) | <u>\$ 27,166</u> | <u>-</u> |

The aforementioned gain is recorded under other income.

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|--|--|
| 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 March 31, 2020, December 31, 2019 and March 31, 2019 was 0.93, 0.93 and 0.97, respectively) Market illiquidity discount rate (As of March 31, 2020, December 31, 2019 and March 31, 2019 was both 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 | Favourable | Unfavourable |
| March 31, 2020 | | | | |
| Financial assets fair value through other comprehensive income | | | | |
| Equity investments without an active market | Liquidity discount at 20% | 5% | \$ 81 | (81) |
| December 31, 2019 | | | | |
| Financial assets fair value through other comprehensive income | | | | |
| Equity investments without an active market | Liquidity discount at 20% | 5% | 1,730 | (1,730) |
| March 31, 2019 | | | | |
| Financial assets fair value through other comprehensive income | | | | |
| Equity investments without an active market | Liquidity discount at 20% | 5% | 1,819 | (1,819) |

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

(Continued)

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

(w) Financial risk management

The objective and policies of the consolidated company are identical to those disclosed in note 6(x) of the consolidated financial statement for the year ended 2019.

(x) Capital management

The disclosure of objectives, policies and procedures of the Group's capital management are the same as those specified in the consolidated financial statements for the year ended December 31, 2019; and there were no significant changes in the Group's collective quantitative information from those disclosed in the consolidated financial statements for the year ended December 31, 2019. For related information, please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2019.

(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 three months ended March 31, 2020 and 2019.

(z) The reconciliation of liabilities arising from financing activities

For the three months ended March 31, 2020 and 2019, the reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | |
|--|----------------------------|-------------------|--|----------------|---------------------------|
| | January 1, 2020 | Cash flows | Foreign exchange movement | Others | March 31, 2020 |
| Long-term borrowings (including current portion) | \$ 4,161,407 | (1,080,769) | 6,234 | - | 3,086,872 |
| Short-term borrowings | 3,642,940 | 1,344,766 | (30,833) | - | 4,956,873 |
| Short-term commercial paper payable | - | 219,904 | - | - | 219,904 |
| Lease liabilities | 1,190,645 | (40,865) | (12,079) | (8,798) | 1,128,903 |
| Total liabilities from financing activities | <u>\$ 8,994,992</u> | <u>443,036</u> | <u>(36,678)</u> | <u>(8,798)</u> | <u>9,392,552</u> |

| | | | Non-cash changes | | |
|--|----------------------------|-------------------|--|---------------|---------------------------|
| | January 1, 2019 | Cash flows | Foreign exchange movement | Others | March 31, 2019 |
| Long-term borrowings (including current portion) | \$ 3,601,960 | (215,270) | 306,296 | - | 3,692,986 |
| Short-term borrowings | 3,933,410 | 43,087 | (278,561) | - | 3,697,936 |
| Short-term commercial paper payable | - | 279,893 | - | - | 279,893 |
| Lease liabilities | 1,065,090 | (50,136) | 18,515 | - | 1,033,469 |
| Total liabilities from financing activities | <u>\$ 8,600,460</u> | <u>57,574</u> | <u>46,250</u> | <u>-</u> | <u>8,704,284</u> |

(Continued)

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 three months ended March 31, 2020 and 2019, the Group recognized the amount of \$10 thousand and \$17 thousand as interest expense, respectively. As of March 31, 2020, December 31 and March 31, 2019, the balance of lease liabilities amounted to \$6,254 thousand, \$8,328 thousand and \$3,883 thousand, respectively.

(c) Personnel transactions from key management

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

| | For the three months ended March 31 | |
|------------------------------|--|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Short-term employee benefits | \$ 22,355 | 30,936 |
| Post-employments benefits | <u>272</u> | <u>426</u> |
| | <u>\$ 22,627</u> | <u>31,362</u> |

(Continued)

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|--------------------------------|--------------------------|-----------------------|------------------------------|-----------------------|
| Other non-current assets: | | | | |
| Time deposits | Operating lease deposits | \$ 124 | 124 | 408 |
| Property, plant and equipment: | | | | |
| Land | Long-term borrowings | 1,795,018 | 1,801,641 | 1,807,618 |
| Buildings | Long-term borrowings | 852,257 | 868,447 | 103,563 |
| | | <u>\$ 2,647,399</u> | <u>2,670,212</u> | <u>1,911,589</u> |

(9) Commitments and contingencies

(a) Major contracts not recognized the commitment:

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

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|--|-----------------------|------------------------------|-----------------------|
| Acquisition of property, plant and equipment | \$ <u>40,192</u> | <u>57,847</u> | <u>65,885</u> |

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

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|---|-----------------------|------------------------------|-----------------------|
| Unused letters of credit for purchases of materials | \$ <u>500,102</u> | <u>131,513</u> | <u>507,903</u> |

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

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

(Continued)

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

- (b) Lucky Co. and 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 9, 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.

| | March 31, 2020 |
|----------------------|------------------------|
| One year | \$ 798 |
| Less than five years | 3,191 |
| More than five years | 3,789 |
| | <u>\$ 7,778</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.

(12) Other

- (a) The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

| By nature | By function Three months ended March 31, 2020 | | | Three months ended March 31, 2019 | | |
|----------------------------|--|--------------------|---------|-----------------------------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 223,778 | 340,548 | 564,326 | 239,295 | 360,179 | 599,474 |
| Labor and health insurance | 75,646 | 29,639 | 105,285 | 71,058 | 36,129 | 107,187 |
| Pension | 11,882 | 22,360 | 34,242 | 16,244 | 28,901 | 45,145 |
| Remuneration of directors | - | 5,177 | 5,177 | - | 12,145 | 12,145 |
| Others | 16,100 | 27,993 | 44,093 | 18,743 | 29,562 | 48,305 |
| Depreciation (note 1) | 167,587 | 94,897 | 262,484 | 169,188 | 91,111 | 260,299 |
| Amortization | - | - | - | - | - | - |

Note 1: Depreciation expenses for investment property recognized under non-operating income and expenses—other gains and losses amounting to \$801 thousand and \$849 thousand for the three months ended March 31, 2020 and 2019 were not excluded, respectively.

- (b) Operating and seasonality

The ice cream department of the Group's operation affected by the weather conditions and the impact of seasonal fluctuations. In which ice cream sales at the main areas most easily due to the every November to following February winter weather conditions have adversely affected. The Group's attempts satisfy supply needs by inventory management during this period to reduce the seasonal effects. Generally, revenue and operating profit in the first quarter of ice cream department is relatively low.

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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 three months ended March 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 (Note 2) | Ending balance (Note 2) | Amount actually drawn | 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 | 638,250 | 638,250 | 4% | 2 | - | Capital for operation | - | - | - | 3,274,547 (Note 1) | 3,274,547 (Note 1) |

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

(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 | 5,412,479 | 1,676,310 | 1,676,310 | 791,368 | - | 30.97 % | 5,412,479 | 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 | | | | Remarks |
| | | | | Number of shares | Book value | Holding percentage | Market value | |
| The Company | Huanhua Co., Ltd. | — | Financial assets at fair value through comprehensive income—non-current | 163 | 1,265 | 0.87 % | 1,265 | |
| The Company | Stock: Capital Securities Co., Ltd. | — | Financial assets at fair value through comprehensive income—non-current | 1,185 | 11,120 | 0.05 % | 11,120 | |
| Lucky Co., Ltd. | Stock: The Company | The Company | Financial assets at fair value through comprehensive income—non-current | 46,041 | 1,860,067 | 15.65 % | 1,860,067 | Note 1 |
| Lucky Co., Ltd. | Stock: Capital Securities Co., Ltd. | — | Financial assets at fair value through comprehensive income—non-current | 277 | 2,603 | 0.01 % | 2,603 | |

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

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

- (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) | |
| Namchow Food Co. | Tianjin Namchow Co. | Subsidiary | Purchase | 219,408 | (21) % | Note 1 | - | | (137,995) | 10 % | Note 2 |
| Tianjin Namchow Co. | Namchow Food Co. | Subsidiary | (Sales) | (219,408) | (82) % | Note 1 | - | | 137,995 | 42 % | Note 2 |
| Namchow Food Co. | Guangzhou Namchow Co. | Subsidiary | Purchase | 198,474 | (19) % | Note 1 | - | | (557,785) | 41 % | Note 2 |
| Guangzhou Namchow Co. | Namchow Food Co. | Subsidiary | (Sales) | (198,474) | (45) % | Note 1 | - | | 557,785 | 78 % | Note 2 |
| Namchow Food Co. | Shanghai Namchow Co. | Subsidiary | Purchase | 227,805 | (22) % | Note 1 | - | | (4,311) | - % | Note 2 |
| Shanghai Namchow Co. | Namchow Food Co. | Subsidiary | (Sales) | (227,805) | (85) % | Note 1 | - | | 4,311 | 19 % | Note 2 |
| Chongqing Qiaoxing Co. | Guangzhou Namchow Co. | Subsidiary | Purchase | 137,431 | (27) % | Note 1 | - | | (54,308) | 26 % | Note 2 |
| Guangzhou Namchow Co. | Chongqing Qiaoxing Co. | Subsidiary | (Sales) | (137,431) | (31) % | Note 1 | - | | 54,308 | 8 % | Note 2 |
| Namchow Food Co. | Guangzhou Yoshi Yoshi Co. | Subsidiary | Purchase | 152,232 | (14) % | Note 1 | - | | (393,758) | 29 % | Note 2 |
| Guangzhou Yoshi Yoshi Co. | Namchow Food Co. | Subsidiary | (Sales) | (152,232) | (72) % | Note 1 | - | | 393,758 | 92 % | Note 2 |
| Namchow Food Co. | Chongqing Qiaoxing Co. | Subsidiary | Purchase | 252,476 | (24) % | Note 1 | - | | (281,042) | 20 % | Note 2 |
| Chongqing Qiaoxing Co. | Namchow Food Co. | Subsidiary | (Sales) | (252,476) | (36) % | Note 1 | - | | 281,042 | 59 % | Note 2 |

Note 1: Depending on capital movement motor adjustment.

Note 2: All intercompany accounts and transactions are eliminated.

- (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 | Turnover rate | Overdue amount | | Amounts received in subsequent period | Allowances for bad debts |
|---------------------------|---------------------------|--------------|---|---------------|----------------|--------------|---------------------------------------|--------------------------|
| | | | | | Amount | Action taken | | |
| Guangzhou Namchow Co. | Namchow Food Co. | Subsidiary | 557,785 | 1.57 | - | | 163,693 (As of May 14, 2020) | - |
| Tianjin Namchow Co. | Namchow Food Co. | Subsidiary | 137,995 | 2.59 | - | | - (As of May 14, 2020) | - |
| Tianjin Namchow Co. | Tianjin Yoshi Yoshi Co. | Subsidiary | 176,708 | 0.08 | - | | 21,487 (As of May 14, 2020) | - |
| Guangzhou Yoshi Yoshi Co. | Namchow Food Co. | Subsidiary | 393,758 | 1.96 | - | | 86,154 (As of May 14, 2020) | - |
| Guangzhou Namchow Co. | Guangzhou Yoshi Yoshi Co. | Subsidiary | 102,030 | 4.00 | - | | - (As of May 14, 2020) | - |
| Chongqing Qiaoxing Co. | Namchow Food Co. | Subsidiary | 281,042 | 3.61 | - | | - (As of May 14, 2020) | - |

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

- (ix) Trading in derivative instruments: None.

(Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

(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 | Trading terms | Percentage of the total consolidated revenue or total assets |
| 1 | Tianjin Namchow Co. | Tianjin Yoshi Yoshi Co. | 3 | Accounts receivable | 176,708 | No significant differences | 0.75 % |
| 1 | Tianjin Namchow Co. | Namchow Food Co. | 3 | Sales revenue | 219,408 | No significant differences | 6.07 % |
| 1 | Tianjin Namchow Co. | Namchow Food Co. | 3 | Accounts receivable | 137,995 | No significant differences | 0.59 % |
| 2 | Guangzhou Namchow Co. | Shanghai Namchow Co. | 3 | Long-term other accounts receivable-related parties | 638,250 | Interest calculated in accordance with the mutually agreed interest rate | 2.71 % |
| 2 | Guangzhou Namchow Co. | Namchow Food Co. | 3 | Sales revenue | 198,474 | No significant differences | 5.49 % |
| 2 | Guangzhou Namchow Co. | Namchow Food Co. | 3 | Accounts receivable | 557,785 | No significant differences | 2.37 % |
| 2 | Guangzhou Namchow Co. | Chongqing Qiaoxing Co. | 3 | Sales revenue | 137,431 | No significant differences | 3.80 % |
| 2 | Guangzhou Namchow Co. | Chongqing Qiaoxing Co. | 3 | Accounts receivable | 54,308 | No significant differences | 0.23 % |
| 2 | Guangzhou Namchow Co. | Guangzhou Yoshi Yoshi Co. | 3 | Sales revenue | 91,767 | No significant differences | 2.54 % |
| 2 | Guangzhou Namchow Co. | Guangzhou Yoshi Yoshi Co. | 3 | Accounts receivable | 102,030 | No significant differences | 0.43 % |
| 3 | Shanghai Namchow Co. | Namchow Food Co. | 3 | Sales revenue | 227,805 | No significant differences | 6.30 % |
| 4 | Guangzhou Yoshi Yoshi Co. | Namchow Food Co. | 3 | Sales revenue | 152,232 | No significant differences | 4.21 % |
| 4 | Guangzhou Yoshi Yoshi Co. | Namchow Food Co. | 3 | Accounts receivable | 393,758 | No significant differences | 1.67 % |
| 5 | Chongqing Qiaoxing Co. | Namchow Food Co. | 3 | Sales revenue | 252,476 | No significant differences | 6.98 % |
| 5 | Chongqing Qiaoxing Co. | Namchow Food Co. | 3 | Accounts receivable | 281,042 | No significant differences | 1.19 % |
| 6 | Huaciang Co. | Lucky Co. | 3 | Sales revenue | 75,904 | No significant differences | 2.10 % |
| 6 | Huaciang Co. | Lucky Co. | 3 | Accounts receivable | 51,312 | No significant differences | 0.22 % |

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.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

| Name of investor | Name of investee | Address | Scope of business | Original cost | | Ending balance | | | Net income (losses) of investee | Investment income (losses) | Remarks |
|------------------|------------------|---------------------------------|--|----------------|-------------------|----------------|-------------------------|------------|---------------------------------|----------------------------|---------|
| | | | | March 31, 2020 | December 31, 2019 | Shares | Percentage of ownership | Book value | | | |
| The Company | Namchow Thailand | Bangkok, Thailand | Manufacturing and selling instant noodles and rice cracker | 1,027,405 | 1,027,405 | 9,245 | 100 % | 1,982,733 | 72,423 | 72,423 | Note 3 |
| The Company | Mostro | Bangkok, Thailand | Manufacturing and selling food | 10,201 | 10,201 | 100 | 100 % | 30,644 | 398 | 398 | Note 3 |
| The Company | Nacia Co. | Tortola, British Virgin Islands | Holding of investments | 343,443 | 343,443 | 1 | 100 % | 8,034,396 | 127,248 | 127,248 | Note 3 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

| Name of investor | Name of investee | Address | Scope of business | Original cost | | Ending balance | | | Net income (losses) of investee | Investment income (losses) | Remarks |
|------------------|-----------------------------------|-------------------------------------|---|----------------|-------------------|----------------|-------------------------|------------|---------------------------------|----------------------------|---------------|
| | | | | March 31, 2020 | December 31, 2019 | Shares | Percentage of ownership | Book value | | | |
| The Company | Chow Ho Co. | Taipei, Taiwan | Catering services, food and beverage retailing, and frozen food manufacturing | 119,000 | 119,000 | 2,500 | 100 % | 17,289 | (1,740) | (1,736) | Note 3 |
| The Company | Lucky Co. | Taipei, Taiwan | Manufacturing, selling and processing various food and beverage products | 938,438 | 938,438 | 95,338 | 99 % | 815,798 | 41,984 | (49,827) | Note 3 |
| The Company | NBP Co. | Taipei, Taiwan | Publishing, distributing and selling printed publications | 763 | 763 | 80 | 80 % | 112 | (17) | (14) | Note 3 |
| The Company | Nankyo Japan Co. | Tokyo, Japan | Catering services, Bistro and wine-selling | 308,530 | 308,530 | - | 100 % | 77,401 | (30,273) | (30,273) | Notes 2 and 3 |
| The Company | Namchow Consulting Co. | Taipei, Taiwan | Catering services, food and beverage retailing and other consulting | 5,000 | 5,000 | 500 | 100 % | 1,525 | (162) | (162) | Note 3 |
| The Company | Chow Food Co. | Taipei, Taiwan | Development of biotechnology products | 39,000 | 39,000 | 2,200 | 100 % | 8,361 | (3,606) | (3,600) | 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 % | 502,355 | 36,603 | 36,862 | 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 % | 271,221 | (4,053) | (3,820) | Note 3 |
| Lucky Co. | Namchow BVI Co. | Tortola, British Virgin Islands | Holding of investments | 228,970 | 228,970 | 4,680 | 90 % | 73,590 | (57,161) | (51,844) | Notes 1 and 3 |
| Lucky Co. | Dian Shui Lou Co. | Taipei, Taiwan | Liquor importing and retailing | 222,000 | 222,000 | 10,400 | 100 % | 100,679 | (21,485) | (21,486) | Notes 1 and 3 |
| Lucky Co. | Namchow Gastronomy Consulting Co. | Taipei, Taiwan | Catering services and food consulting | 14,000 | 14,000 | 500 | 100 % | 3,791 | (641) | (641) | Note 3 |
| Lucky Co. | NBP Co. | Taipei, Taiwan | Publishing, distributing and selling printed publications | 100 | 100 | 10 | 10 % | 14 | (17) | (2) | Note 3 |
| Nacia Co. | Namchow Cayman Co. | Gayman Islands British West Indies. | Holding of investments | 2,522,207 | 2,522,207 | 35,378 | 100 % | 8,021,684 | 127,179 | 127,179 | Note 3 |

Note 1: Its investment gain and loss are also recognized by Namchow Co.

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:

| Unit: thousand dollars | | | | | | | | | | | | |
|--|---|----------------|----------------------------------|--|--|------------------------|---|---------------------------------------|--|---|--|---|
| 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 March 31, 2020 | Net income (losses) of investee | Direct / indirect investment holding percentage | Investment income (loss) (note 2) | Book value as of March 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) | - | - | - | - | (22,858) | 100.00 % | (22,858) (2)b.) | 377,258 | - |
| Shanghai Qiaohao Enterprise Management Co. | Business management and investment consulting | 961 | (3) | - | - | - | - | - | 100.00 % | - (2)b.) | 851 | - |
| Shanghai Qiaohao Food Co. | Food packaging, selling and trading of restaurant equipment and trading | 704,181 | (3) | - | - | - | - | (12,015) | 100.00 % | (12,015) (2)b.) | 489,028 | - |
| Tianjin Qiaohao Food Co. | Food packaging, selling and trading of restaurant equipment and trading | 90,836 | (3) | - | - | - | - | (2,110) | 100.00 % | (2,110) (2)b.) | 52,281 | - |
| Namchow Food Co. | Food packaging, dairy product and product purchasing management and selling | 856,481 | (3) | - | - | - | - | 173,246 | 96.15 % | 166,583 (2)a.) | 7,262,383 | 60,491 |
| Tianjin Namchow Co. | Manufacturing and selling of edible fat | 756,875 | (3) | 372,813 | - | - | 372,813 | 17,465 | 96.15 % | 16,793 (2)a.) | 1,605,289 | 30,245 |
| Tianjin Yoshi Yoshi Co. | Developing , manufacturing, and selling of dairy products and related services | 121,100 | (3) | - | - | - | - | 26,936 | 96.15 % | 25,899 (2)a.) | 682,388 | - |
| Guangzhou Yoshi Yoshi Co. | Developing , manufacturing, and selling of dairy products and related services | 452,150 | (3) | - | - | - | - | 44,465 | 96.15 % | 42,753 (2)a.) | 660,268 | - |
| Guangzhou Namchow Co. | Manufacturing and selling of edible fat | 544,950 | (3) | - | - | - | - | 30,197 | 96.15 % | 29,034 (2)a.) | 3,148,477 | 90,736 |
| Shanghai Namchow Co. | Selling, developing, manufa of uring and processing of fats and frozen food | 676,597 | (3) | - | - | - | - | (5,987) | 96.15 % | (5,756) (2)a.) | 627,997 | - |
| Chongqing Qiaoxing Co. | Food packaging dairy product and product purchasing management and selling | 94,200 | (3) | - | - | - | - | 65,019 | 96.15 % | 62,516 (2)a.) | 629,246 | - |
| Wuhan Qianxing CO. | The technical service of baking oil and fat product | 215,250 | (3) | - | - | - | - | (887) | 96.15 % | (853) (2)a.) | 203,603 | - |
| Shanghai Qizhi Co. | Business management and investment consulting services | 4,541 | (3) | - | - | - | - | 25 | 100.00 % | 25 (2)b.) | 7,236 | - |
| Bao Lai Na Co. | Multinational eateries, and the promotion, and management of self?made beers | 112,018 | (3) | 79,468 | - | - | 79,468 | (56,031) | 90.39 % | (50,646) (2)c.) | 122,759 | 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 were reviewed by an international accounting from that has a cooperative relationship with accounting firms of the Republic of China.

b. The financial statements were reviewed by the auditors of the parent company and were recognized as investment income (loss) under the equity method.

c. Others

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

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

(ii) Limitation on investment in Mainland China:

| Company name | Accumulated investment amount in Mainland China as of March 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 | 3,247,488 |
| Lucky Co. | 226,649 | 194,406 | 1,631,372 |

(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 % |
| Cathay Life Insurance Co., Ltd. | | 17,214,000 | 5.85 % |

(14) Segment 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 department . 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 ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Information on reportable segments and reconciliation for the Group is as follows:

| | Edible and non-edible oil products | Detergent products | Frozen dough | Ice cream products | Foods | Catering | Management and rental revenue and other | Adjustments or elimination | Total |
|--|---|-------------------------------|-------------------------|-------------------------------|-----------------------|-------------------------|--|---|---------------------------------|
| Three months ended March 31, 2020 | | | | | | | | | |
| Revenue: | | | | | | | | | |
| Revenue from external customers | \$ 2,054,910 | 154,351 | 229,818 | 197,181 | 790,923 | 180,360 | 8,553 | - | 3,616,096 |
| Inter-segment revenues | <u>34,522</u> | <u>-</u> | <u>722</u> | <u>7,852</u> | <u>80,909</u> | <u>7,489</u> | <u>56,021</u> | <u>(187,515)</u> | <u>-</u> |
| Total revenue | \$ <u>2,089,432</u> | <u>154,351</u> | <u>230,540</u> | <u>205,033</u> | <u>871,832</u> | <u>187,849</u> | <u>64,574</u> | <u>(187,515)</u> | <u>3,616,096</u> |
| Reportable segment profit or loss | <u>\$ <u>229,729</u></u> | <u><u>13,101</u></u> | <u><u>4,800</u></u> | <u><u>11,832</u></u> | <u><u>80,726</u></u> | <u><u>(114,848)</u></u> | <u><u>(35,650)</u></u> | <u><u>(41,486)</u></u> | 148,204 |
| Other income | | | | | | | | | 71,348 |
| Other gains and losses | | | | | | | | | (122) |
| Finance costs | | | | | | | | | <u>(64,450)</u> |
| Net income before tax | | | | | | | | | \$ <u><u>154,980</u></u> |

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NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | <u>Edible and non-edible oil products</u> | <u>Detergent products</u> | <u>Frozen dough</u> | <u>Ice cream products</u> | <u>Foods</u> | <u>Catering</u> | <u>Management and rental revenue and other</u> | <u>Adjustments or elimination</u> | <u>Total</u> |
|--|---|-------------------------------|-------------------------|-------------------------------|-----------------------|-----------------------|--|---|--------------------------|
| Three months ended March 31, 2019 | | | | | | | | | |
| Revenue: | | | | | | | | | |
| Revenue from external customers | \$ 2,671,946 | 131,395 | 201,824 | 171,821 | 722,584 | 310,754 | 7,915 | - | 4,218,239 |
| Inter-segment revenues | <u>33,128</u> | <u>-</u> | <u>397</u> | <u>6,833</u> | <u>74,420</u> | <u>5,526</u> | <u>57,455</u> | <u>(177,759)</u> | <u>-</u> |
| Total revenue | \$ <u>2,705,074</u> | <u>131,395</u> | <u>202,221</u> | <u>178,654</u> | <u>797,004</u> | <u>316,280</u> | <u>65,370</u> | <u>(177,759)</u> | <u>4,218,239</u> |
| Reportable segment profit or loss | <u>\$ 341,622</u> | <u>5,402</u> | <u>(11,624)</u> | <u>(5,680)</u> | <u>79,177</u> | <u>(38,122)</u> | <u>(45,501)</u> | <u>2,134</u> | 327,408 |
| Other ^{the Company} | | | | | | | | | 61,724 |
| Other gains and losses | | | | | | | | | 11,526 |
| Finance costs | | | | | | | | | <u>(65,113)</u> |
| Net income before tax | | | | | | | | | \$ <u>335,545</u> |

- (a) For the three months ended March 31, 2020 and 2019, inter-segment revenues amounted to \$(187,515) thousand and \$(177,759) thousand, respectively, should be eliminated from total revenue.
- (b) For the three months ended March 31, 2020 and 2019, share of associate profit under equity method amounted to \$(41,486) thousand and \$2,134 thousand, respectively, should be eliminated.